# County of Highland, Virginia

# Financial Report

# Year Ended June 30, 2010

# COUNTY OF HIGHLAND, VIRGINIA

# FINANCIAL REPORT

# FISCAL YEAR ENDED JUNE 30, 2010

## Board of Supervisors

David W. Blanchard, Vice-Chairman
Jerry A. Rexrode, Vice-Chariman
Don Sullenberger, III

## County School Board

John Moyers, Chairman
James Blagg, Vice-Chairman
Kirk Billingsley

## 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 (Acting)....................Percy Nowlin

## Table of Contents

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, 2010, 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, 2010, and the respective changes in financial position and cash flows, 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 November 30, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison schedule, and schedule of funding progress as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management's discussion and analysis and schedule of funding progress. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Highland, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the County of Highland, Virginia. The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Verona, Virginia
November 30, 2010

## 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, 2010.

**<u>Financial Highlights</u>**

<u>Government-wide Financial Statements</u>

The assets of the County of Highland, Virginia exceeded its liabilities at the close of the most recent fiscal year by $7,126,462 (net assets). Of this amount, $5,545,165 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were $2,593,180 of which $15,708 is unrestricted. (See Exhibit 1.)

The Government's net assets increased by $564,926 while the School Board's net assets increased by $150,252. (See Exhibit 2.)

<u>Fund Financial Statements</u>

At the end of the current fiscal year, the unreserved fund balance for the general fund was $4,273,643, or 104 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2011 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2011.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $5,240,978, an increase of $540,315 in comparison with the prior year. 100 percent of this amount or $5,240,978 is available for spending at the government's discretion (unreserved fund balance). (See Exhibit 3.)

**<u>Overview of the Financial Statements</u>**

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 justification 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.

<u>Government-wide Financial Statements</u>

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 and Highland County Refuse Disposal 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.

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 $7,126,462 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 | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Current and other assets | $ 6,596,637 | $ 4,955,370 | $ 448,586 | $ 405,063 | $ 7,045,223 | $ 5,360,433 |
| Capital assets | 1,848,252 | 2,021,902 | 716,354 | 682,407 | 2,564,606 | 2,704,309 |
| Total | $ 8,444,889 | $ 6,977,272 | $ 1,164,940 | $ 1,087,470 | $ 9,609,829 | $ 8,064,742 |
| Long-term liabilities | $ 974,162 | $ 1,101,127 | $ 181,045 | $ 184,858 | $ 1,155,207 | $ 1,285,985 |
| Other liabilities | 1,300,935 | 201,364 | 27,225 | 15,857 | 1,328,160 | 217,221 |
| Total | $ 2,275,097 | $ 1,302,491 | $ 208,270 | $ 200,715 | $ 2,483,367 | $ 1,503,206 |
| Net assets invested in capital assets, net of related debt | $ 1,039,441 | $ 1,079,506 | $ 541,856 | $ 504,096 | $ 1,581,297 | $ 1,583,602 |
| Unrestricted | 5,130,351 | 4,595,275 | 414,814 | 382,659 | 5,545,165 | 4,977,934 |
| Total net assets | $ 6,169,792 | $ 5,674,781 | $ 956,670 | $ 886,755 | $ 7,126,462 | $ 6,561,536 |

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 16.8 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 $5,130,351 or 83.2 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 $564,926.

Governmental Activities

Governmental activities increased the County's net assets by $495,011.

**County of Highland's Changes in Net Assets**

| | Governmental activities 2010 | Governmental activities 2009 | Business-type activities 2010 | Business-type activities 2009 | Total 2010 | Total 2009 |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 146,073 | $ 31,178 | $ 353,082 | $ 350,270 | $ 499,155 | $ 381,448 |
| Operating grants and contributions | 1,101,652 | 1,067,711 | 6,125 | 7,393 | 1,107,777 | 1,075,104 |
| Capital grants and contributions | 1,000 | - | - | - | 1,000 | - |
| General revenues: | | | | | | |
| General property taxes | 2,694,439 | 2,823,719 | - | - | 2,694,439 | 2,823,719 |
| Other local taxes | 353,146 | 356,880 | - | - | 353,146 | 356,880 |
| Use of money and property | 73,747 | 100,362 | 69 | 117 | 73,816 | 100,479 |
| Other | 89,922 | 116,701 | - | - | 89,922 | 116,701 |
| Grants and contributions not restricted to specific programs | 213,004 | 324,768 | - | - | 213,004 | 324,768 |
| Total Revenues | $ 4,672,983 | $ 4,821,319 | $ 359,276 | $ 357,780 | $ 5,032,259 | $ 5,179,099 |
| Expenses: | | | | | | |
| General government | $ 719,027 | $ 791,245 | $ - | $ - | $ 719,027 | $ 791,245 |
| Judicial administration | 239,727 | 200,400 | - | - | 239,727 | 200,400 |
| Public safety | 861,875 | 992,983 | - | - | 861,875 | 992,983 |
| Public works | 93,272 | 92,289 | - | - | 93,272 | 92,289 |
| Health and welfare | 354,901 | 313,429 | - | - | 354,901 | 313,429 |
| Education | 1,659,005 | 1,502,149 | - | - | 1,659,005 | 1,502,149 |
| Parks, recreational, and cultural | 66,781 | 64,508 | - | - | 66,781 | 64,508 |
| Community development | 123,846 | 106,318 | - | - | 123,846 | 106,318 |
| Interest on long-term debt | 45,770 | 57,454 | - | - | 45,770 | 57,454 |
| Landfill | - | - | 256,381 | 257,635 | 256,381 | 257,635 |
| Water | - | - | 46,748 | 46,351 | 46,748 | 46,351 |
| Total | $ 4,164,204 | $ 4,120,775 | $ 303,129 | $ 303,986 | $ 4,467,333 | $ 4,424,761 |
| Increase in net assets before transfe | $ 508,779 | $ 700,544 | $ 56,147 | $ 53,794 | $ 564,926 | $ 754,338 |
| Transfers | $ (13,768) | $ 20,750 | $ 13,768 | $ (20,750) | $ - | $ - |
| Increase / decrease in net assets | $ 495,011 | $ 721,294 | $ 69,915 | $ 33,044 | $ 564,926 | $ 754,338 |
| Net assets, beginning as adjusted | $ 5,674,781 | $ 4,953,487 | $ 886,755 | $ 853,711 | $ 6,561,536 | $ 5,807,198 |
| Net assets, ending | $ 6,169,792 | $ 5,674,781 | $ 956,670 | $ 886,755 | $ 7,126,462 | $ 6,561,536 |

## 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 $5,240,978. 100 percent of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. As of June 30, 2010, total fund balance of the general fund was $4,273,643, of which $4,273,643 was unreserved. 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 and total fund balance represent 103 percent of total general fund expenditures, which includes contributions to the School Board component unit of $1,659,005.

The fund balance of the County's general fund increased by $106,762 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 and Highland County Refuse Disposal at the end of the year were $414,814. 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 $192,953 increase, which is 5.44 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were $53,993, which is 1.28 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, 2010 is $1,848,252 (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 | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Land | $ 197,365 | $ 197,365 | $ 3,816 | $ 3,816 | $ 201,181 | $ 201,181 |
| Buildings and system | 1,211,843 | 1,366,395 | - | - | 1,211,843 | 1,799,814 |
| Machinery and equipment | 380,096 | 451,241 | - | - | 380,096 | 864,085 |
| Utility plant and equipment | - | - | 698,538 | 678,591 | 698,538 | 678,591 |
| Construction in progress | 58,948 | 6,901 | 14,000 | - | 72,948 | 6,901 |
| Total | $ 1,848,252 | $ 2,021,902 | $ 716,354 | $ 682,407 | $ 2,564,606 | $ 3,550,572 |

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 | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| General obligation bonds | $ 808,811 | $ 942,396 | $ - | $ - | $ 808,811 | $ 942,396 |
| Landfill closure/ post-closure liability | 49,755 | 49,409 | - | - | 49,755 | 49,409 |
| Revenue Bonds | - | - | 174,498 | 178,311 | 290,094 | 178,311 |
| Compensated absences | 115,596 | 109,322 | 6,547 | 6,547 | 6,547 | 115,869 |
| Total | $ 974,162 | $ 1,101,127 | $ 181,045 | $ 184,858 | $ 1,155,207 | $ 1,285,985 |

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 8.1 percent, which is an increase from the rate of 9.6 percent a year ago. This compares favorably to the state's average unemployment rate of 9.3 percent and the national average rate of 9.4 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, wine taxes, care of prisoners, library aid and education.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

During fiscal year 2010, unreserved fund balance in the general fund increased $106,762. 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, 2010

| | Primary Government: Governmental Activities | Primary Government: Business-type Activities | Primary Government: Total | Component Unit: School Board |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 4,828,219 | $ 423,448 | $ 5,251,667 | $ 345,190 |
| Receivables (net of allowance for uncollectibles): | | | | |
| Taxes receivable | 1,276,937 | - | 1,276,937 | - |
| Accounts receivable | 10,877 | 25,138 | 36,015 | - |
| Notes receivable | 35,000 | - | 35,000 | - |
| Due from component unit | 266,759 | - | 266,759 | - |
| Due from other governmental units | 166,430 | - | 166,430 | 234,340 |
| Inventories | - | - | - | 15,106 |
| Prepaid expenses | 12,415 | - | 12,415 | 56,294 |
| Capital assets (net of accumulated depreciation): | | | | |
| Land | 197,365 | 3,816 | 201,181 | 13,035 |
| Buildings and improvements | 1,211,843 | - | 1,211,843 | 2,416,394 |
| Machinery and equipment | 380,096 | - | 380,096 | 148,043 |
| Utility plant and equipment | - | 698,538 | 698,538 | - |
| Construction in progress | 58,948 | 14,000 | 72,948 | - |
| Total assets | $ 8,444,889 | $ 1,164,940 | $ 9,609,829 | $ 3,228,402 |
| **LIABILITIES** | | | | |
| Accounts payable | $ 15,420 | $ 27,158 | $ 42,578 | $ 23,275 |
| Accrued liabilities | - | - | - | 345,188 |
| Accrued interest payable | 18,889 | - | 18,889 | - |
| Due to primary government | - | - | - | 266,759 |
| Unearned revenue | 1,266,626 | 67 | 1,266,693 | - |
| Long-term liabilities: | | | | |
| Due within one year | 136,716 | 4,002 | 140,718 | - |
| Due in more than one year | 837,446 | 177,043 | 1,014,489 | - |
| Total liabilities | $ 2,275,097 | $ 208,270 | $ 2,483,367 | $ 635,222 |
| **NET ASSETS** | | | | |
| Invested in capital assets, net of related debt | $ 1,039,441 | $ 541,856 | $ 1,581,297 | $ 2,577,472 |
| Unrestricted | 5,130,351 | 414,814 | 5,545,165 | 15,708 |
| Total net assets | $ 6,169,792 | $ 956,670 | $ 7,126,462 | $ 2,593,180 |

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, 2010

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **PRIMARY GOVERNMENT:** | | | | |
| Governmental activities: | | | | |
| General government administration | $ 719,027 | $ 110,401 | $ 165,228 | $ - |
| Judicial administration | 239,727 | 3,713 | 200,317 | - |
| Public safety | 861,875 | 31,959 | 498,560 | - |
| Public works | 93,272 | - | - | 1,000 |
| Health and welfare | 354,901 | - | 237,547 | - |
| Education | 1,659,005 | - | - | - |
| Parks, recreation, and cultural | 66,781 | - | - | - |
| Community development | 123,846 | - | - | - |
| Interest on long-term debt | 45,770 | - | - | - |
| Total governmental activities | $ 4,164,204 | $ 146,073 | $ 1,101,652 | $ 1,000 |
| Business-type activities: | | | | |
| Refuse Disposal | $ 256,381 | $ 318,311 | $ 6,125 | $ - |
| McDowell Water System | 46,748 | 34,771 | - | - |
| Total business-type activities | $ 303,129 | $ 353,082 | $ 6,125 | $ - |
| Total primary government | $ 4,467,333 | $ 499,155 | $ 1,107,777 | $ 1,000 |
| **COMPONENT UNIT:** | | | | |
| School Board | $ 3,672,403 | $ 60,465 | $ 2,088,891 | $ 9,090 |
| Total component unit | $ 3,672,403 | $ 60,465 | $ 2,088,891 | $ 9,090 |

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
Change in net assets
Net assets - beginning
Net assets - ending

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

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|---|---|---|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-type Activities | Total | School Board |
| $ (443,398) | $ - | $ (443,398) | $ - |
| (35,697) | - | (35,697) | - |
| (331,356) | - | (331,356) | - |
| (92,272) | - | (92,272) | - |
| (117,354) | - | (117,354) | - |
| (1,659,005) | - | (1,659,005) | - |
| (66,781) | - | (66,781) | - |
| (123,846) | - | (123,846) | - |
| (45,770) | - | (45,770) | - |
| $ (2,915,479) | $ - | $ (2,915,479) | $ - |
| $ - | $ 68,055 | $ 68,055 | $ - |
| - | (11,977) | (11,977) | - |
| $ - | $ 56,078 | $ 56,078 | $ - |
| $ (2,915,479) | $ 56,078 | $ (2,859,401) | $ - |
| $ - | $ - | $ - | $ (1,513,957) |
| $ - | $ - | $ - | $ (1,513,957) |
| $ 2,694,439 | $ - | $ 2,694,439 | $ - |
| 95,657 | - | 95,657 | - |
| 141,131 | - | 141,131 | - |
| 55,842 | - | 55,842 | - |
| 24,000 | - | 24,000 | - |
| 12,481 | - | 12,481 | - |
| 24,035 | - | 24,035 | - |
| 73,747 | 69 | 73,816 | - |
| 89,922 | - | 89,922 | 9,775 |
| 213,004 | - | 213,004 | 1,654,434 |
| (13,768) | 13,768 | - | - |
| $ 3,410,490 | $ 13,837 | $ 3,424,327 | $ 1,664,209 |
| $ 495,011 | $ 69,915 | $ 564,926 | $ 150,252 |
| 5,674,781 | 886,755 | 6,561,536 | 2,442,928 |
| $ 6,169,792 | $ 956,670 | $ 7,126,462 | $ 2,593,180 |

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# FUND FINANCIAL STATEMENTS

**County of Highland, Virginia**

Balance Sheet
Governmental Funds
June 30, 2010

| | General | Virginia Public Assistance | E-911 | County Capital Improvements | School Capital Projects |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 3,873,632 | $ - | $ 60,367 | $ 372,235 | $ 509,576 |
| Receivables (net of allowance for uncollectibles): | | | | | |
| Taxes receivable | 1,276,937 | - | - | - | - |
| Accounts receivable | 10,877 | - | - | - | - |
| Notes receivable | 35,000 | - | - | - | - |
| Due from other funds | 19,038 | - | - | - | - |
| Due from component unit | 266,759 | - | - | - | - |
| Due from other governmental units | 141,108 | 19,038 | 6,284 | - | - |
| Prepaid items | 4,540 | - | - | 7,875 | - |
| Total assets | $ 5,627,891 | $ 19,038 | $ 66,651 | $ 380,110 | $ 509,576 |
| **LIABILITIES AND FUND BALANCES** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 14,009 | $ - | 640 | $ - | $ - |
| Due to other funds | - | 19,038 | - | - | - |
| Deferred revenue | 1,340,239 | - | - | - | - |
| Total liabilities | $ 1,354,248 | $ 19,038 | $ 640 | $ - | $ - |
| Fund balances: | | | | | |
| Unreserved, reported in: | | | | | |
| General fund | $ 3,791,836 | $ - | $ - | $ - | $ - |
| Special revenue funds | - | - | - | - | - |
| Capital projects funds | - | - | - | 380,110 | 509,576 |
| Designated | 481,807 | - | 66,011 | - | - |
| Total fund balances | $ 4,273,643 | $ - | $ 66,011 | $ 380,110 | $ 509,576 |
| Total liabilities and fund balances | $ 5,627,891 | $ 19,038 | $ 66,651 | $ 380,110 | $ 509,576 |

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

Exhibit 3

| Other Governmental Funds | Total |
| --- | --- |
| $ 12,409 | $ 4,828,219 |
| - | 1,276,937 |
| - | 10,877 |
| - | 35,000 |
| - | 19,038 |
| - | 266,759 |
| - | 166,430 |
| - | 12,415 |
| $ 12,409 | $ 6,615,675 |
| $ 771 | $ 15,420 |
| - | 19,038 |
| - | 1,340,239 |
| $ 771 | $ 1,374,697 |
| $ - | $ 3,791,836 |
| 11,638 | 11,638 |
| - | 889,686 |
| - | 547,818 |
| $ 11,638 | $ 5,240,978 |
| $ 12,409 | $ 6,615,675 |

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Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2010

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | $ | 5,240,978 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 1,848,252 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 73,613 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | (993,051) |
| Net assets of governmental activities | $ | 6,169,792 |

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, 2010

| | General | Virginia Public Assistance | E-911 | County Capital Improvements | School Capital Projects |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| General property taxes | $ 2,700,353 | $ - | - | $ - | $ - |
| Other local taxes | 329,146 | - | 24,000 | - | - |
| Permits, privilege fees, and regulatory licenses | 18,593 | - | - | - | - |
| Fines and forfeitures | 1,006 | - | - | - | - |
| Revenue from the use of money and property | 73,747 | - | - | - | - |
| Charges for services | 126,474 | - | - | - | - |
| Miscellaneous | 77,118 | 956 | - | 1,400 | - |
| Intergovernmental revenues: | | | | | |
| Commonwealth | 987,282 | 100,420 | 13,983 | - | - |
| Federal | 67,319 | 137,127 | - | 1,000 | - |
| Total revenues | $ 4,381,038 | $ 238,503 | $ 37,983 | $ 2,400 | $ - |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General government administration | $ 486,392 | $ - | $ - | $ - | $ - |
| Judicial administration | 237,262 | - | - | - | - |
| Public safety | 755,424 | - | 79,144 | - | - |
| Public works | 92,620 | - | - | - | - |
| Health and welfare | 86,789 | 268,112 | - | - | - |
| Education | 1,572,850 | - | - | - | 81,584 |
| Parks, recreation, and cultural | 38,305 | - | - | - | - |
| Community development | 123,846 | - | - | - | - |
| Nondepartmental | 37,379 | - | - | - | - |
| Capital projects | 38,580 | - | - | 23,712 | 4,571 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | 133,586 |
| Interest and other fiscal charges | - | - | - | - | 53,064 |
| Total expenditures | $ 3,469,447 | $ 268,112 | $ 79,144 | $ 23,712 | $ 272,805 |
| Excess (deficiency) of revenues over (under) expenditures | $ 911,591 | $ (29,609) | $ (41,161) | $ (21,312) | $ (272,805) |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Transfers in | $ 64,191 | $ 30,967 | $ - | $ 120,000 | $ 664,299 |
| Transfers out | (869,020) | (1,358) | - | (13,050) | (10,000) |
| Total other financing sources (uses) | $ (804,829) | $ 29,609 | $ - | $ 106,950 | $ 654,299 |
| Net change in fund balances | $ 106,762 | $ - | $ (41,161) | $ 85,638 | $ 381,494 |
| Fund balances - beginning | 4,166,881 | - | 107,172 | 294,472 | 128,082 |
| Fund balances - ending | $ 4,273,643 | $ - | $ 66,011 | $ 380,110 | $ 509,576 |

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

Exhibit 5

| Other Governmental Funds | Total |
|---|---|
| $ - | $ 2,700,353 |
| - | 353,146 |
| - | 18,593 |
| - | 1,006 |
| - | 73,747 |
| - | 126,474 |
| 10,448 | 89,922 |
| 8,525 | 1,110,210 |
| - | 205,446 |
| $ 18,973 | $ 4,678,897 |
| $ - | $ 486,392 |
| - | 237,262 |
| 11,594 | 846,162 |
| - | 92,620 |
| - | 354,901 |
| - | 1,654,434 |
| - | 38,305 |
| - | 123,846 |
| - | 37,379 |
| - | 66,863 |
| - | 133,586 |
| - | 53,064 |
| $ 11,594 | $ 4,124,814 |
| $ 7,379 | $ 554,083 |
| $ 203 | $ 879,660 |
| - | (893,428) |
| $ 203 | $ (13,768) |
| $ 7,582 | $ 540,315 |
| 4,056 | 4,700,663 |
| $ 11,638 | $ 5,240,978 |

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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, 2010

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 540,315 |
| 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. | | (173,650) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (5,914) |
| 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. | | 133,239 |
| 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. | | 1,021 |
| Change in net assets of governmental activities | $ | 495,011 |

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

Statement of Net Assets
Proprietary Funds
June 30, 2010

| | Enterprise Fund | | |
|---|---|---|---|
| | McDowell Water System | Refuse Disposal | Total |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 28,499 | $ 394,949 | $ 423,448 |
| Accounts receivable | 5,500 | 19,638 | 25,138 |
| Total current assets | $ 33,999 | $ 414,587 | $ 448,586 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | $ 3,816 | $ - | $ 3,816 |
| Utility plant and equipment | 1,002,823 | 94,215 | 1,097,038 |
| Less accumulated depreciation | (334,725) | (63,775) | (398,500) |
| Construction in progress | 14,000 | - | 14,000 |
| Total capital assets | $ 685,914 | $ 30,440 | $ 716,354 |
| Total assets | $ 719,913 | $ 445,027 | $ 1,164,940 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 14,000 | $ 13,158 | $ 27,158 |
| Deferred revenue | 67 | - | 67 |
| Bonds payable - current portion | 4,002 | - | 4,002 |
| Total current liabilities | $ 18,069 | $ 13,158 | $ 31,227 |
| Noncurrent liabilities: | | | |
| Bonds payable - net of current portion | $ 170,496 | $ - | $ 170,496 |
| Compensated absences | - | 6,547 | 6,547 |
| Total noncurrent liabilities | $ 170,496 | $ 6,547 | $ 177,043 |
| Total liabilities | $ 188,565 | $ 19,705 | $ 208,270 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | $ 511,416 | $ 30,440 | $ 541,856 |
| Unrestricted | 19,932 | 394,882 | 414,814 |
| Total net assets | $ 531,348 | $ 425,322 | $ 956,670 |

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, 2010

| | Enterprise Fund | | |
|---|---|---|---|
| | McDowell Water System | Refuse Disposal | Total |
| **OPERATING REVENUES** | | | |
| Charges for services: | | | |
| Water revenues | $ 34,771 | $ - | $ 34,771 |
| Refuse disposal | - | 292,554 | 292,554 |
| Recycling revenues | - | 8,748 | 8,748 |
| Tire disposal | - | 4,162 | 4,162 |
| Other revenues | - | 12,847 | 12,847 |
| Total operating revenues | $ 34,771 | $ 318,311 | $ 353,082 |
| **OPERATING EXPENSES** | | | |
| Personal services | $ 9,500 | $ 54,608 | $ 64,108 |
| Fringe benefits | 727 | 13,019 | 13,746 |
| Contractual services | 921 | 167,827 | 168,748 |
| Other charges | 7,512 | 13,317 | 20,829 |
| Depreciation | 20,056 | 7,610 | 27,666 |
| Total operating expenses | $ 38,716 | $ 256,381 | $ 295,097 |
| Operating income (loss) | $ (3,945) | $ 61,930 | $ 57,985 |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Intergovernmental revenue (expense) | $ - | $ 6,125 | $ 6,125 |
| Investment earnings | 69 | - | 69 |
| Interest expense | (8,032) | - | (8,032) |
| Total nonoperating revenues (expenses) | $ (7,963) | $ 6,125 | $ (1,838) |
| Income before contributions and transfers | $ (11,908) | $ 68,055 | $ 56,147 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | $ 33,830 | $ 23,050 | $ 56,880 |
| Transfers out | (23,562) | (19,550) | (43,112) |
| Total other financing sources and uses | $ 10,268 | $ 3,500 | $ 13,768 |
| Change in net assets | $ (1,640) | $ 71,555 | $ 69,915 |
| Total net assets - beginning | $ 532,988 | $ 353,767 | $ 886,755 |
| Total net assets - ending | $ 531,348 | $ 425,322 | $ 956,670 |

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, 2010

| | Enterprise Fund McDowell Water System | Enterprise Fund Refuse Disposal | Total |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers and users | $ 34,525 | $ 319,660 | $ 354,185 |
| Payments to suppliers | 5,308 | (183,515) | (178,207) |
| Payments to employees | (10,227) | (67,627) | (77,854) |
| Net cash provided by (used in) operating activities | $ 29,606 | $ 68,518 | $ 98,124 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Transfers to other funds | $ (23,562) | $ (19,550) | $ (43,112) |
| Transfers from other funds | 33,830 | 23,050 | 56,880 |
| Intergovernmental revenues | - | 6,125 | 6,125 |
| Net cash provided by (used in) noncapital financing activities | $ 10,268 | $ 9,625 | $ 19,893 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Principal payments on bonds | $ (3,813) | $ - | $ (3,813) |
| Interest payments | (8,032) | - | (8,032) |
| Purchase of capital assets | (23,563) | (38,050) | (61,613) |
| Net cash provided by (used in) capital and related financing activities | $ (35,408) | $ (38,050) | $ (73,458) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest and dividends received | $ 69 | $ - | $ 69 |
| Net cash provided by (used in) investing activities | $ 69 | $ - | $ 69 |
| Net increase (decrease) in cash and cash equivalents | $ 4,535 | $ 40,093 | $ 44,628 |
| Cash and cash equivalents - beginning | $ 23,964 | $ 354,856 | $ 378,820 |
| Cash and cash equivalents - ending | $ 28,499 | $ 394,949 | $ 423,448 |
| **Reconciliation of operating income (loss) to net cash provided by operating activities:** | | | |
| Operating income (loss) | $ (3,945) | $ 61,930 | $ 57,985 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation expense | $ 20,056 | $ 7,610 | $ 27,666 |
| (Increase) decrease in accounts receivable | (244) | 1,349 | 1,105 |
| Increase (decrease) in accounts payable | 13,741 | (2,371) | 11,370 |
| Increase (decrease) in deferred revenue | (2) | - | (2) |
| Total adjustments | $ 33,551 | $ 6,588 | $ 40,139 |
| Net cash provided by (used in) operating activities | $ 29,606 | $ 68,518 | $ 98,124 |

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

## Note 1—Summary of Significant Accounting Policies:

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

### A. 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, 2010 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.

**Discretely Presented Component Unit** - The component unit column in the financial statements include the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is 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.

**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 statements presentation (continued)

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for 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 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 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 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.

Additionally, the government reports the following fund types:

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. Special revenue funds consist of the Sheriff's grants fund.

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 and sewer 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.

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

#### *3. Property Taxes*

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June $5^{th}$ and December $5^{th}$. 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 $8,728, at June 30, 2010 and is comprised solely of property taxes. This allowance represents 0.050% 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 assets lives 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:

| Assets | Years |
|---|---|
| Buildings | 50 |
| Buildings improvements | 50 |
| Other improvements | 15 |
| Machinery and equipment | 5-10 |
| Infrastructure | 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*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### 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 this ($993,051) difference for the primary government are as follows:

| | | Primary Government |
|---|---|---|
| Bonds payable | $ | (808,811) |
| Landfill accrued post-closure monitoring costs | | (49,755) |
| Accrued interest payable | | (18,889) |
| Compensated absences | | (115,596) |
| Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities* | $ | (993,051) |

### 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 ($173,650), and $135,145, differences for the primary government and discretely presented component unit, respectively, are as follows:

| | | Primary Government | | Component Unit School Board |
|---|---|---|---|---|
| Capital outlay | $ | 52,047 | $ | 159,316 |
| Depreciation expense | | (92,112) | | (157,756) |
| Allocation of debt financed school assets based on current year repayments | | (133,585) | | 133,585 |
| Net adjustment to increase (decrease) *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities* | $ | (173,650) | $ | 135,145 |

## 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 $133,239 difference in the primary government are as follows:

| | | Primary Government |
|---|---|---|
| Increase in accrued landfill closure and post-closure monitoring costs | $ | (346) |
| Principal repayments: | | |
| General obligation debt | | 133,585 |
| Net adjustment to increase *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities* | $ | 133,239 |

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 $1,021 difference for the primary government are as follows:

| | | Primary Government |
|---|---|---|
| Compensated absences | $ | (6,274) |
| Accrued interest | | 7,295 |
| Net adjustment to increase (decrease) *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities* | $ | 1,021 |

## 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 General 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, 3010:

| Fund | Function | Excess of Expenditures over Appropriations |
|---|---|---|
| General | Judicial Administration | $ 1,446 |
| Sheriff's Grant | Sheriff's Grant | $ 694 |
| Total All Funds | | $ 2,140 |

## Note 4—Deposits and Investments:

Deposits
All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act , Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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.

**County's Rated Debt Investments' Values**

| **Rated Debt Investments** | | **Fair Quality Rating** |
|---|---|---|
| | | **AAA** |
| Local Government Investment Pool | $ | 43,408 |
| Total | $ | 43,408 |

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.

## Note 5—Due from Other Governmental Units:

| | Primary Government | Component Unit |
|---|---|---|
| Commonwealth of Virginia: | | |
| State sales taxes | $ - | $ 46,096 |
| Local sales taxes | 18,513 | - |
| Communication taxes | 13,337 | - |
| Rolling Stock | 119 | - |
| Recordation tax | 2,908 | - |
| Public assistance and welfare administration | 8,181 | - |
| Commonwealth attorney | 6,461 | - |
| Clerk of Circuit Court | 9,265 | - |
| Treasurer | 6,203 | - |
| Registrar and Electoral Board | 32,976 | - |
| Commissioner of Revenue | 5,595 | - |
| Sheriff | 45,732 | - |
| Federal Government: | | |
| School grants | - | 188,244 |
| ISTEA Grant | 6,284 | - |
| Public assistance and welfare administration - ARRA | 148 | - |
| Public assistance and welfare administration | 10,708 | - |
| Total | $ 166,430 | $ 234,340 |

## 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 | $ 19,038 | $ - | $ - | $ 266,759 |
| VPA Fund | - | 19,038 | - | - |
| Sub-total | $ 19,038 | $ 19,038 | $ - | $ 266,759 |
| Component Unit-School Board | | | | |
| School Fund | $ - | $ - | $ 266,759 | $ - |
| Total | $ 19,038 | $ 19,038 | $ 266,759 | $ 266,759 |

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

## Note 7—Interfund Transfers:

Interfund transfers for the year ended June 30, 2010 consisted of the following:

| Fund | | Transfers In | | Transfers Out |
|---|---|---|---|---|
| Primary Government: | | | | |
| General Fund | $ | 64,191 | $ | 869,020 |
| Virginia Public Assistance Fund | | 30,967 | | 1,358 |
| Refuse Disposal Fund | | 23,050 | | 19,550 |
| McDowell Water System | | 33,830 | | 23,562 |
| County Capital Improvements Fund | | 120,000 | | 13,050 |
| School Capital Projects Fund | | 664,299 | | 10,000 |
| Sheriff's grants | | 203 | | - |
| Total | $ | 936,540 | $ | 936,540 |

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 Debt:

### Primary Government-Governmental Activity Indebtedness:

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

| Years Ending | General Obligation Bonds | | | |
|---|---|---|---|---|
| June 30, | | Principal | | Interest |
| 2011 | $ | 136,716 | $ | 44,835 |
| 2012 | | 140,061 | | 36,389 |
| 2013 | | 143,690 | | 27,660 |
| 2014 | | 147,611 | | 18,638 |
| 2015 | | 151,794 | | 9,356 |
| 2016 | | 44,208 | | 3,492 |
| 2017 | | 44,731 | | 1,168 |
| Total | $ | 808,811 | $ | 141,538 |

## Note 8—Long-Term Debt: (Continued)

### Primary Government-Governmental Activity Indebtedness: (Continued)

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010:

| | Balance July 1, 2009 | Issuances | Retirements | Balance June 30, 2010 |
|---|---|---|---|---|
| General obligation bonds | $ 942,396 | $ - | $ 133,585 | $ 808,811 |
| Landfill closure/post-closure liability | 49,409 | 346 | - | 49,755 |
| Compensated absences | 109,322 | 6,274 | - | 115,596 |
| Total Long-Term Liabilities | $ 1,101,127 | $ 6,620 | $ 133,585 | $ 974,162 |

Details of long-term indebtedness:

| | Total Amount | Amount Due Within One Year |
|---|---|---|
| **General obligation bonds:** | | |
| $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% | $ 505,799 | $ 94,752 |
| $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% | 303,012 | 41,964 |
| Sub-total general obligations bonds | $ 808,811 | $ 136,716 |
| Landfill accrued post-closure monitoring costs | $ 49,755 | $ - |
| Compensated Absences (payable from the General Fund) | $ 115,596 | $ - |
| Total | $ 974,162 | $ 136,716 |

## Note 8—Long-Term Debt: (Continued)

**Primary Government-Enterprise Activity Indebtedness:**

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

| Years Ending | Revenue Bonds | |
|---|---|---|
| June 30, | Principal | Interest |
| 2011 | $ 4,002 | $ 7,843 |
| 2012 | 4,196 | 7,648 |
| 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 | 1,242 | 9 |
| Total | $ 174,498 | $ 125,285 |

## Note 8—Long-Term Debt: (Continued)

### Primary Government-Enterprise Activity Indebtedness: (Continued)

The following is a summary of long-term debt transactions of the enterprise funds for the year ended June 30, 2010:

| | Balance July 1, 2009 | Issuances | Retirements | Balance June 30, 2010 |
|---|---|---|---|---|
| Revenue Bonds | $ 178,311 | $ - | $ 3,813 | $ 174,498 |
| Compensated absences | 6,547 | - | - | 6,547 |
| Total Long-Term Liabilities | $ 184,858 | $ - | $ 3,813 | $ 181,045 |

Details of long-term debt:

| | Total Amount | Amount Due Within One Year |
|---|---|---|
| **McDowell Water System:** | | |
| $58,000 loan from Farmers Home Administration, $283 payable monthly at a rate of 5% | $ 40,380 | $ 1,407 |
| $40,000 loan from Farmers Home Administration, $192 payable monthly at a rate of 5% | 27,921 | 964 |
| $44,300 loan from Rural Development, $202 payable monthly at a rate of 4.5% | 36,768 | 789 |
| $71,000 loan from Rural Development, $307 payable monthly at a rate of 4.125% | 69,429 | 842 |
| Sub-total revenue bonds | $ 174,498 | $ 4,002 |
| **Refuse Disposal Fund:** | | |
| Compensated Absences | $ 6,547 | $ - |
| Total | $ 181,045 | $ 4,002 |

## 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 employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from our web site at http://www.varetire.org/PDF/Publications/2009-Annual-Report.pdf or obtained 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 annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund 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's non-professional employee contribution rates for the fiscal year ended 2010 were 9.11% and 10.43% of annual covered payroll.

The School Board's contributions for professional employees were $114,382, $167,802, and $214,683, to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009 and 2008, respectively and these contributions represented 8.81%, 8.81%, and 10.3% respectively, of current covered payroll.

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

### C. Annual Pension Cost

For fiscal year 2010, the County's annual pension cost of $94,946 was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the board's non-professional employees was $29,957 which was equal to the board's required and actual contributions.

**Three-Year Trend Information for the County and School Board**

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| County | | | |
| June 30, 2010 | $ 94,946 | 100% | $ - |
| June 30, 2009 | 92,931 | 100% | - |
| June 30, 2008 | 64,757 | 100% | - |
| School Board Non Professional | | | |
| June 30, 2010 | $ 29,957 | 100% | $ - |
| June 30, 2009 | 20,737 | 100% | - |
| June 30, 2008 | 14,551 | 100% | - |

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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 School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

### D. Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date, the County's plan was 82.28% funded. The actuarial accrued liability for benefits was $5,111,567, and the actuarial value of assets was $4,205,800, resulting in an unfunded actuarial accrued liability (UAAL) of $905,766. The covered payroll (annual payroll of active employees covered by the plan) was $1,050,922, and ratio of the UAAL to the covered payroll was 86.19%.

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

### D. Funded Status and Funding Progress: (Continued)

As of June 30, 2009, the most recent actuarial valuation date, the County School Board's plan was 76.77% funded. The actuarial accrued liability for benefits was $938,233, and the actuarial value of assets was $720,317, resulting in an unfunded actuarial accrued liability (UAAL) of $217,916. The covered payroll (annual payroll of active employees covered by the plan) was $201,842, and ratio of the UAAL to the covered payroll was 107.96%.

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—Contingent Liabilities:

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

## Note 11—Surety Bonds:

| | | | |
|---|---|---|---|
| Fidelity and Deposit Company of Maryland - Surety: | | | |
| David W. Blanchard | Supervisor | $ | 1,000 |
| Don Sullenberger, III | Supervisor | | 1,000 |
| Jerry A. Rexrode | 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 |

## Note 12—Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling $81,863 is comprised of the following:

Unearned Federal Revenue – 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 totaled $25,512 at June 30, 2010.

Unbilled Property Taxes – Property taxes for the second half of 2010 that had not been billed as of June 30, 2010 amounted to $1,184,171.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled $56,943 at June 30, 2010.

Unearned Water Revenues – Water system fees due subsequent to June 30, 2010 but paid in advance by customers totaled $67 at June 30, 2010.

## Note 13—Capital Assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

### Governmental Activities

| | Balance July 1, 2009 | Increases | Decreases | Balance June 30, 2010 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 197,365 | $ - | $ - | $ 197,365 |
| Construction in progress | 6,901 | 52,047 | - | 58,948 |
| Total capital assets not being depreciated | $ 204,266 | $ 52,047 | $ - | $ 256,313 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | $ 1,799,814 | $ - | $ (133,585) | $ 1,666,229 |
| Furniture, equipment and vehicles | 864,085 | - | - | 864,085 |
| Total capital assets being depreciated | $ 2,663,899 | $ - | $ (133,585) | $ 2,530,314 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | $ (433,419) | $ (20,967) | $ - | $ (454,386) |
| Furniture, equipment and vehicles | (412,844) | (71,145) | - | (483,989) |
| Total accumulated depreciation | $ (846,263) | $ (92,112) | $ - | $ (938,375) |
| Total capital assets being depreciated, net | $ 1,817,636 | $ (92,112) | $ (133,585) | $ 1,591,939 |
| Governmental activities capital assets, net | $ 2,021,902 | $ (40,065) | $ (133,585) | $ 1,848,252 |

## Note 13—Capital Assets: (Continued)

### Business-Type Activities

*McDowell Water System*

| | Balance July 1, 2009 | Increases | Decreases | Balance June 30, 2010 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 3,816 | $ - | $ - | $ 3,816 |
| Construction in progress | - | 14,000 | - | 14,000 |
| Total capital assets not being depreciated | $ 3,816 | $ 14,000 | $ - | $ 17,816 |
| Other capital assets: | | | | |
| Utility plant and equipment | $ 993,260 | $ 9,563 | $ - | $ 1,002,823 |
| Less accumulated depreciation | (314,669) | (20,056) | - | (334,725) |
| Total other capital assets | $ 678,591 | $ (10,493) | $ - | $ 668,098 |
| Net capital assets | $ 682,407 | $ 3,507 | $ - | $ 685,914 |

*Refuse Disposal Fund*

| | Balance July 1, 2009 | Increases | Decreases | Balance June 30, 2010 |
|---|---|---|---|---|
| Other capital assets being depreciated: | | | | |
| Machinery and equipment | $ 56,165 | $ 38,050 | $ - | $ 94,215 |
| Less accumulated depreciation | (56,165) | (7,610) | - | (63,775) |
| Total other capital assets | $ - | $ 30,440 | $ - | $ 30,440 |
| Net capital assets | $ - | $ 30,440 | $ - | $ 30,440 |

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

| | |
|---|---|
| Governmental activities: | |
| General government | $ 17,116 |
| Judicial administration | 1,726 |
| Public safety | 64,005 |
| Education | (19,564) |
| Parks and Recreation | 28,829 |
| Total depreciation expense - governmental activities | $ 92,112 |
| Business-type activities: | |
| McDowell Water System | $ 20,056 |
| Refuse disposal | 7,610 |
| Total depreciation expense - business type activities | $ 27,666 |

## Note 13—Capital Assets: (Continued)

### Component Unit: School Board

Capital asset activity for the School Board for the year ended June 30, 2010 was as follows:

| | Balance July 1, 2009 | Increases | Decreases | Balance June 30, 2010 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 13,035 | $ - | $ - | $ 13,035 |
| Total capital assets not being depreciated | $ 13,035 | $ - | $ - | $ 13,035 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | $ 3,195,568 | $ 213,081 | $ - | $ 3,408,649 |
| Furniture, equipment and vehicles | 550,178 | 79,820 | - | 629,998 |
| Total capital assets being depreciated | $ 3,745,746 | $ 292,901 | $ - | $ 4,038,647 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | $ (878,119) | $ (114,136) | $ - | $ (992,255) |
| Furniture, equipment and vehicles | (438,335) | (43,620) | - | (481,955) |
| Total accumulated depreciation | $ (1,316,454) | $ (157,756) | $ - | $ (1,474,210) |
| Total capital assets being depreciated, net | $ 2,429,292 | $ 135,145 | $ - | $ 2,564,437 |
| School Board capital assets, net | $ 2,442,327 | $ 135,145 | $ - | $ 2,577,472 |

Depreciation expense was charged to education in the amount of $157,756.

1) Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 195, 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, 2010, is that school financed assets in the amount of $808,811 are reported in the Primary Government for financial reporting purposes.

## Note 14—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 15—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 $49,755 at June 30, 2010. 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 16—Designated Fund Balances:

The following fund balances were designated for subsequent expenditures at June 30, 2010:

| | | |
|---|---|---|
| Primary Government: | | |
| General Fund: | | |
| County Reserve funds | $ | 325,741 |
| Records Preservation Grant | | 20 |
| TEP/ISTEA | | 147,165 |
| CDBG | | 2,000 |
| Highland County Pool Project | | 615 |
| Highland Veteran's Memorial | | 6,266 |
| Subtotal General Fund | $ | 481,807 |
| E-911 Fund | | 66,011 |
| Total all Funds | $ | 547,818 |

## Note 17—Related Party Transactions:

During fiscal year 2010, the County utilized Rexrode Masonry and Tile, owned and operated by Board member Jerry Rexrode, for renovations to Highland Elementary School. Payments to Rexrode Masonry and Tile totaled $85,637 for the year ended June 30, 2010. The County makes payment to Rexrode Masonry and Tile monthly with all billings from Rexrode due 30 days from date of the billing.

## Note 18—Notes Receivable:

On June 13, 2008, The County has loaned $100,000 to the McDowell Volunteer Fire Department and $25,000 to the Highland Volunteer Fire Department for the purpose of purchasing a new fire truck to better serve the Highland community. The balance of these loans at June 30, 2010 was $15,000 and $20,000, respectively.

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# 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, 2010

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| General property taxes | $ 2,651,160 | $ 2,682,660 | $ 2,700,353 | $ 17,693 |
| Other local taxes | 335,600 | 328,100 | 329,146 | 1,046 |
| Permits, privilege fees, and regulatory licenses | 11,450 | 17,850 | 18,593 | 743 |
| Fines and forfeitures | 2,500 | 1,000 | 1,006 | 6 |
| Revenue from the use of money and property | 80,000 | 77,200 | 73,747 | (3,453) |
| Charges for services | 11,427 | 12,925 | 126,474 | 113,549 |
| Miscellaneous | 18,002 | 42,600 | 77,118 | 34,518 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 1,046,628 | 1,048,425 | 987,282 | (61,143) |
| Federal | 55,000 | 55,000 | 67,319 | 12,319 |
| Total revenues | $ 4,211,767 | $ 4,265,760 | $ 4,381,038 | $ 115,278 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government administration | $ 537,312 | $ 526,785 | $ 486,392 | $ 40,393 |
| Judicial administration | 247,441 | 235,816 | 237,262 | (1,446) |
| Public safety | 833,099 | 782,183 | 755,424 | 26,759 |
| Public works | 87,112 | 98,211 | 92,620 | 5,591 |
| Health and welfare | 89,813 | 88,003 | 86,789 | 1,214 |
| Education | 1,514,714 | 1,668,339 | 1,572,850 | 95,489 |
| Parks, recreation, and cultural | 38,498 | 38,498 | 38,305 | 193 |
| Community development | 153,749 | 161,159 | 123,846 | 37,313 |
| Nondepartmental | 43,774 | 69,324 | 37,379 | 31,945 |
| Capital projects | 3 | 70,150 | 38,580 | 31,570 |
| Total expenditures | $ 3,545,515 | $ 3,738,468 | $ 3,469,447 | $ 269,021 |
| Excess (deficiency) of revenues over (under) expenditures | $ 666,252 | $ 527,292 | $ 911,591 | $ 384,299 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ - | $ - | $ 64,191 | $ 64,191 |
| Transfers out | - | - | (869,020) | (869,020) |
| Total other financing sources and uses | $ - | $ - | $ (804,829) | $ (804,829) |
| Net change in fund balances | $ 666,252 | $ 527,292 | $ 106,762 | $ (420,530) |
| Fund balances - beginning | 621,699 | 1,908,630 | 4,166,881 | 2,258,251 |
| Fund balances - ending | $ 1,287,951 | $ 2,435,922 | $ 4,273,643 | $ 1,837,721 |

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, 2010

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Miscellaneous | $ - | $ - | $ 956 | $ 956 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 170,142 | 170,142 | 100,420 | (69,722) |
| Federal | 206,582 | 206,582 | 137,127 | (69,455) |
| Total revenues | $ 376,724 | $ 376,724 | $ 238,503 | $ (138,221) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Health and welfare | $ 506,063 | $ 506,063 | $ 268,112 | $ 237,951 |
| Total expenditures | $ 506,063 | $ 506,063 | $ 268,112 | $ 237,951 |
| Excess (deficiency) of revenues over (under) expenditures | $ (129,339) | $ (129,339) | $ (29,609) | $ 99,730 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ - | $ - | $ 30,967 | $ 30,967 |
| Transfers out | - | - | (1,358) | (1,358) |
| Total other financing sources and uses | $ - | $ - | $ 29,609 | $ 29,609 |
| Net change in fund balances | $ (129,339) | $ (129,339) | $ - | $ 129,339 |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | $ (129,339) | $ (129,339) | $ - | $ 129,339 |

Special Revenue Fund-E-911 Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| Other local taxes | $ 1 | $ - | $ 24,000 | $ 24,000 |
| Intergovernmental revenues: | | | | |
| Commonwealth | - | - | 13,983 | 13,983 |
| Total revenues | $ 1 | $ - | $ 37,983 | $ 37,983 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Public safety | $ 1 | $ 83,801 | $ 79,144 | $ 4,657 |
| Total expenditures | $ 1 | $ 83,801 | $ 79,144 | $ 4,657 |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ (83,801) | $ (41,161) | $ 42,640 |
| Net change in fund balances | $ - | $ (83,801) | $ (41,161) | $ 42,640 |
| Fund balances - beginning, as adjusted | - | - | 107,172 | 107,172 |
| Fund balances - ending | $ - | $ (83,801) | $ 66,011 | $ 149,812 |

Schedule of Pension Funding Progress
As of June 30, 2010

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 ) |
|---|---|---|---|---|---|---|
| 06/30/09 | $ 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% |
| 06/30/06 | 3,447,156 | 3,690,604 | 243,448 | 93.40% | 906,386 | 26.86% |

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 ) |
|---|---|---|---|---|---|---|
| 06/30/09 | $ 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% |
| 06/30/06 | 605,001 | 760,047 | 155,046 | 79.60% | 193,024 | 80.32% |

# OTHER SUPPLEMENTARY INFORMATION

# 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, 2010

| | Budgeted Amounts | | | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | |
| **REVENUES** | | | | |
| Miscellaneous | $ 1 | $ - | $ 1,400 | $ 1,400 |
| Federal | - | - | 1,000 | 1,000 |
| Total revenues | $ 1 | $ - | $ 2,400 | $ 2,400 |
| **EXPENDITURES** | | | | |
| Capital projects | $ 120,000 | $ 120,000 | $ 23,712 | $ 96,288 |
| Total expenditures | $ 120,000 | $ 120,000 | $ 23,712 | $ 96,288 |
| Excess (deficiency) of revenues over (under) expenditures | $ (119,999) | $ (120,000) | $ (21,312) | $ 98,688 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ - | $ - | $ 120,000 | $ 120,000 |
| Transfers out | - | - | (13,050) | (13,050) |
| Total other financing sources and uses | $ - | $ - | $ 106,950 | $ 106,950 |
| Net change in fund balances | $ (119,999) | $ (120,000) | $ 85,638 | $ 205,638 |
| Fund balances - beginning | 119,999 | 120,000 | 294,472 | 174,472 |
| Fund balances - ending | $ - | $ - | $ 380,110 | $ 380,110 |

School Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

| | Budgeted Amounts | | | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ - | $ 81,584 | $ 81,584 | $ - |
| Capital projects | 1,290 | 15,306 | 4,571 | 10,735 |
| Debt service: | | | | |
| Principal retirement | 137,646 | 137,646 | 133,586 | 4,060 |
| Interest and other fiscal charges | 53,064 | 53,064 | 53,064 | - |
| Total expenditures | $ 192,000 | $ 287,600 | $ 272,805 | $ 14,795 |
| Excess (deficiency) of revenues over (under) expenditures | $ (192,000) | $ (287,600) | $ (272,805) | $ 14,795 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ - | $ - | $ 664,299 | $ 664,299 |
| Transfers out | | | (10,000) | (10,000) |
| Total other financing sources and uses | $ - | $ - | $ 654,299 | $ 654,299 |
| Net change in fund balances | $ (192,000) | $ (287,600) | $ 381,494 | $ 669,094 |
| Fund balances - beginning | 192,000 | 287,600 | 128,082 | (159,518) |
| Fund balances - ending | $ - | $ - | $ 509,576 | $ 509,576 |

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

| | Sheriff's Grants Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Miscellaneous | $ 5 | $ - | $ 10,448 | $ 10,448 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 1 | - | 8,525 | 8,525 |
| Total revenues | $ 6 | $ - | $ 18,973 | $ 18,973 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Public safety | $ 6 | $ 10,900 | $ 11,594 | $ (694) |
| Total expenditures | $ 6 | $ 10,900 | $ 11,594 | $ (694) |
| Excess (deficiency) of revenues over (under) expenditures | $ - | $ (10,900) | $ 7,379 | $ 18,279 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ - | $ - | $ 203 | $ 203 |
| Total other financing sources and uses | $ - | $ - | $ 203 | $ 203 |
| Net change in fund balances | $ - | $ (10,900) | $ 7,582 | $ 18,482 |
| Fund balances - beginning | - | 10,900 | 4,056 | (6,844) |
| Fund balances - ending | $ - | $ - | $ 11,638 | $ 11,638 |

# 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, 2010

| | School Operating Fund | School Cafeteria Fund | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 333,278 | $ 11,912 | $ 345,190 |
| Due from other governmental units | 234,340 | - | 234,340 |
| Inventories | - | 15,106 | 15,106 |
| Prepaid items | 55,694 | 600 | 56,294 |
| Total assets | $ 623,312 | $ 27,618 | $ 650,930 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 23,275 | $ - | $ 23,275 |
| Accrued liabilities | 333,278 | 11,910 | 345,188 |
| Due to primary government | 266,759 | - | 266,759 |
| Total liabilities | $ 623,312 | $ 11,910 | $ 635,222 |
| Fund balances: | | | |
| Unreserved | $ - | $ 15,708 | $ 15,708 |
| Total fund balances | $ - | $ 15,708 | $ 15,708 |
| Total liabilities and fund balances | $ 623,312 | $ 27,618 | $ 650,930 |

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

| | |
|---|---|
| Total fund balances per above | $ 15,708 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,577,472 |
| Net assets of governmental activities | $ 2,593,180 |

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

| | School Operating Fund | School Cafeteria Fund | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Charges for services | $ 3,176 | $ 57,289 | $ 60,465 |
| Miscellaneous | 9,775 | - | 9,775 |
| Intergovernmental revenues: | | | |
| Local government | 1,654,434 | - | 1,654,434 |
| Commonwealth | 1,660,840 | 2,605 | 1,663,445 |
| Federal | 321,643 | 112,893 | 434,536 |
| Total revenues | $ 3,649,868 | $ 172,787 | $ 3,822,655 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Education | $ 3,637,532 | $ 170,016 | $ 3,807,548 |
| Total expenditures | $ 3,637,532 | $ 170,016 | $ 3,807,548 |
| Excess (deficiency) of revenues over (under) expenditures | $ 12,336 | $ 2,771 | $ 15,107 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | $ - | $ 16,773 | $ 16,773 |
| Transfers out | (12,336) | (4,437) | (16,773) |
| Total other financing sources and uses | $ (12,336) | $ 12,336 | $ - |
| Net change in fund balances | $ - | $ 15,107 | $ 15,107 |
| Fund balances - beginning | - | 601 | 601 |
| Fund balances - ending | $ - | $ 15,708 | $ 15,708 |

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 | $ 15,107 |
| 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. | 135,145 |
| Change in net assets of governmental activities | $ 150,252 |

## 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, 2010

| | School Operating Fund | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | Variance with Final Budget Positive |
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Charges for services | $ - | $ - | $ 3,176 | $ 3,176 |
| Miscellaneous | 16,000 | 16,000 | 9,775 | (6,225) |
| Intergovernmental revenues: | | | | |
| Local government | 1,514,714 | 1,668,339 | 1,654,434 | (13,905) |
| Commonwealth | 1,760,143 | 1,760,143 | 1,660,840 | (99,303) |
| Federal | 393,362 | 393,362 | 321,643 | (71,719) |
| Total revenues | $ 3,684,219 | $ 3,837,844 | $ 3,649,868 | $ (187,976) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Education | $ 3,864,406 | $ 3,998,686 | $ 3,637,532 | $ 361,154 |
| Total expenditures | $ 3,864,406 | $ 3,998,686 | $ 3,637,532 | $ 361,154 |
| Excess (deficiency) of revenues over (under) expenditures | $ (180,187) | $ (160,842) | $ 12,336 | $ 173,178 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | $ - | $ - | $ - | $ - |
| Transfers out | - | - | (12,336) | (12,336) |
| Total other financing sources and uses | $ - | $ - | $ (12,336) | $ (12,336) |
| Net change in fund balances | $ (180,187) | $ (160,842) | $ - | $ 160,842 |
| Fund balances - beginning | 180,187 | 160,842 | - | (160,842) |
| Fund balances - ending | $ - | $ - | $ - | $ - |

| School Cafeteria Fund | | | |
|---|---|---|---|
| Budgeted Amounts | | | Variance with Final Budget Positive |
| Original | Final | Actual | (Negative) |
| $ 80,000 | $ 80,000 | $ 57,289 | $ (22,711) |
| - | - | - | - |
| - | - | - | - |
| 3,032 | 3,032 | 2,605 | (427) |
| 75,000 | 75,000 | 112,893 | 37,893 |
| $ 158,032 | $ 158,032 | $ 172,787 | $ 14,755 |
| $ 188,734 | $ 196,249 | $ 170,016 | $ 26,233 |
| $ 188,734 | $ 196,249 | $ 170,016 | $ 26,233 |
| $ (30,702) | $ (38,217) | $ 2,771 | $ 40,988 |
| $ - | $ - | $ 16,773 | $ 16,773 |
| - | - | (4,437) | (4,437) |
| $ - | $ - | $ 12,336 | $ 12,336 |
| $ (30,702) | $ (38,217) | $ 15,107 | $ 53,324 |
| 30,702 | 38,217 | 601 | (37,616) |
| $ - | $ - | $ 15,708 | $ 15,708 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

| 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 | $ 2,430,360 | $ 2,459,360 | $ 2,477,241 | $ 17,881 |
| Real and personal public service corporation taxes | 64,000 | 57,500 | 57,199 | (301) |
| Personal property taxes | 134,000 | 143,000 | 143,599 | 599 |
| Mobile home taxes | 1,800 | 1,800 | 1,775 | (25) |
| Machinery and tools taxes | 500 | 500 | 385 | (115) |
| Merchants Capital taxes | 2,500 | 2,500 | 2,809 | 309 |
| Penalties | 12,000 | 12,000 | 11,270 | (730) |
| Interest | 6,000 | 6,000 | 6,075 | 75 |
| Total general property taxes | $ 2,651,160 | $ 2,682,660 | $ 2,700,353 | $ 17,693 |
| Other local taxes: | | | | |
| Local sales and use taxes | $ 106,000 | $ 95,000 | $ 95,657 | $ 657 |
| Consumers' utility taxes | 142,000 | 139,500 | 141,131 | 1,631 |
| Consumption taxes | 6,000 | 6,000 | 6,413 | 413 |
| Motor vehicle licenses | 41,600 | 55,100 | 55,842 | 742 |
| Bank stock taxes | 13,000 | 12,500 | 12,481 | (19) |
| Taxes on recordation and wills | 27,000 | 20,000 | 17,622 | (2,378) |
| Total other local taxes | $ 335,600 | $ 328,100 | $ 329,146 | $ 1,046 |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | $ 3,000 | $ 3,000 | $ 2,979 | $ (21) |
| Transfer fees | 150 | 150 | 175 | 25 |
| Permits and other licenses | 8,300 | 14,700 | 15,439 | 739 |
| Total permits, privilege fees, and regulatory licenses | $ 11,450 | $ 17,850 | $ 18,593 | $ 743 |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | $ 2,500 | $ 1,000 | $ 1,006 | $ 6 |
| Total fines and forfeitures | $ 2,500 | $ 1,000 | $ 1,006 | $ 6 |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | $ 72,000 | $ 71,200 | $ 67,956 | $ (3,244) |
| Revenue from use of property | 8,000 | 6,000 | 5,791 | (209) |
| Total revenue from use of money and property | $ 80,000 | $ 77,200 | $ 73,747 | $ (3,453) |
| Charges for services: | | | | |
| Charges for law enforcement and traffic control | $ 11,175 | $ 12,675 | $ 13,366 | $ 691 |
| Charges for courthouse maintenance | 1 | - | 2,169 | 2,169 |
| Charges for Commonwealth's Attorney | 50 | 50 | 104 | 54 |
| Charges for other services | 200 | 200 | 110,401 | 110,201 |
| Charges for law library | 1 | - | 434 | 434 |
| Total charges for services | $ 11,427 | $ 12,925 | $ 126,474 | $ 113,549 |
| Miscellaneous revenue: | | | | |
| Miscellaneous | $ 18,000 | $ 42,600 | $ 74,728 | $ 32,128 |
| Donations | 2 | - | 2,390 | 2,390 |
| Total miscellaneous revenue | $ 18,002 | $ 42,600 | $ 77,118 | $ 34,518 |
| Total revenue from local sources | $ 3,110,139 | $ 3,162,335 | $ 3,326,437 | $ 164,102 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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 | $ 3,000 | $ 4,700 | $ 4,728 | $ 28 |
| Taxes on deeds | 7,000 | 6,000 | 5,563 | (437) |
| Motor vehicle carriers' tax | 100 | 100 | 119 | 19 |
| State recordation tax | 7,000 | 7,000 | 7,758 | 758 |
| Personal property tax relief funds | 167,000 | 167,000 | 167,052 | 52 |
| Total noncategorical aid | $ 184,100 | $ 184,800 | $ 185,220 | $ 420 |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | $ 71,000 | $ 69,700 | $ 69,996 | $ 296 |
| Sheriff | 500,000 | 500,000 | 441,529 | (58,471) |
| Commissioner of revenue | 66,500 | 63,200 | 63,286 | 86 |
| Treasurer | 73,000 | 69,700 | 68,966 | (734) |
| Registrar/electoral board | 35,900 | 35,900 | 32,976 | (2,924) |
| Clerk of the Circuit Court | 114,001 | 123,000 | 130,321 | 7,321 |
| Total shared expenses | $ 860,401 | $ 861,500 | $ 807,074 | $ (54,426) |
| Other categorical aid: | | | | |
| Two-for-life grant | $ 2,125 | $ 2,125 | $ 2,864 | $ 739 |
| Fire prevention program | 2 | - | 16,000 | 16,000 |
| Reduction in State aid | - | - | (23,876) | (23,876) |
| Total other categorical aid | $ 2,127 | $ 2,125 | $ (5,012) | $ (7,137) |
| Total categorical aid | $ 862,528 | $ 863,625 | $ 802,062 | $ (61,563) |
| Total revenue from the Commonwealth | $ 1,046,628 | $ 1,048,425 | $ 987,282 | $ (61,143) |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | $ 55,000 | $ 55,000 | $ 37,060 | $ (17,940) |
| Categorical aid: | | | | |
| Citizen corp council | $ - | $ - | $ 14,600 | $ 14,600 |
| Byrne Memorial justice assistance grant | - | - | 15,659 | 15,659 |
| Total categorical aid | $ - | $ - | $ 30,259 | $ 30,259 |
| Total revenue from the federal government | $ 55,000 | $ 55,000 | $ 67,319 | $ 12,319 |
| Total General Fund | $ 4,211,767 | $ 4,265,760 | $ 4,381,038 | $ 115,278 |
| **Special Revenue Funds:** | | | | |
| **Virginia Public Assistance Fund:** | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous revenue: | | | | |
| Miscellaneous reimbursements and refunds | $ - | $ - | $ 956 | $ 956 |
| Total revenue from local sources | $ - | $ - | $ 956 | $ 956 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Special Revenue Funds: (continued)** | | | | |
| **Virginia Public Assistance Fund: (continued)** | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 37,010 | $ 37,010 | $ 91,361 | $ 54,351 |
| Comprehensive Services Act program | 133,132 | 133,132 | 9,059 | (124,073) |
| Total categorical aid | $ 170,142 | $ 170,142 | $ 100,420 | $ (69,722) |
| Total revenue from the Commonwealth | $ 170,142 | $ 170,142 | $ 100,420 | $ (69,722) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | $ 206,582 | $ 206,582 | $ 137,127 | $ (69,455) |
| Total revenue from the federal government | $ 206,582 | $ 206,582 | $ 137,127 | $ (69,455) |
| Total Virginia Public Assistance Fund | $ 376,724 | $ 376,724 | $ 238,503 | $ (138,221) |
| **E-911 Fund:** | | | | |
| Revenue from local sources: | | | | |
| Other local taxes: | | | | |
| E-911 tax | $ 1 | $ - | $ 24,000 | $ 24,000 |
| Total other local taxes | $ 1 | $ - | $ 24,000 | $ 24,000 |
| Total revenue from local sources | $ 1 | $ - | $ 24,000 | $ 24,000 |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| E-911 grant | $ - | $ - | $ 13,983 | $ 13,983 |
| Total categorical aid | $ - | $ - | $ 13,983 | $ 13,983 |
| Total revenue from the Commonwealth | $ - | $ - | $ 13,983 | $ 13,983 |
| Total E-911 fund | $ 1 | $ - | $ 37,983 | $ 37,983 |
| **Sheriff's Grants Fund:** | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous revenue: | | | | |
| Miscellaneous revenue | $ 5 | $ - | $ 10,448 | $ 10,448 |
| Total revenue from local sources | $ 5 | $ - | $ 10,448 | $ 10,448 |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| VA Juvenile Community Crime Control Act grant | $ 1 | $ - | $ 8,525 | $ 8,525 |
| Total revenue from the Commonwealth | $ 1 | $ - | $ 8,525 | $ 8,525 |
| Total Sheriff's Grants fund | $ 6 | $ - | $ 18,973 | $ 18,973 |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (Continued)

| Fund, Major and Minor Revenue Source | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| **Capital Projects Fund:** | | | | |
| **County Capital Improvements Fund:** | | | | |
| Miscellaneous revenue: | | | | |
| Miscellaneous capital improvement revenue | $ 1 | $ - | $ 1,400 | $ 1,400 |
| Total miscellaneous revenue | $ 1 | $ - | $ 1,400 | $ 1,400 |
| Total revenue from local sources | $ 1 | $ - | $ 1,400 | $ 1,400 |
| Categorical aid: | | | | |
| Other categorical aid | | | | |
| USDA Capital Improvement Grant | $ - | $ - | $ 1,000 | $ 1,000 |
| Total categorical aid | $ - | $ - | $ 1,000 | $ 1,000 |
| Total County Capital Improvements Fund | $ 1 | $ - | $ 2,400 | $ 2,400 |
| Total Primary Government | $ 4,588,499 | $ 4,642,484 | $ 4,678,897 | $ 36,413 |
| **Discretely Presented Component Unit - School Board:** | | | | |
| **Special Revenue Funds:** | | | | |
| **School Operating Fund:** | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Tuition and payments from other divisions | $ - | $ - | $ 3,176 | $ 3,176 |
| Miscellaneous revenue: | | | | |
| Miscellaneous revenue | $ 16,000 | $ 16,000 | $ 9,775 | $ (6,225) |
| Total miscellaneous revenue | $ 16,000 | $ 16,000 | $ 9,775 | $ (6,225) |
| Total revenue from local sources | $ 16,000 | $ 16,000 | $ 12,951 | $ (3,049) |
| Intergovernmental revenues: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Highland, Virginia | $ 1,514,714 | $ 1,668,339 | $ 1,654,434 | $ (13,905) |
| Total revenues from local governments | $ 1,514,714 | $ 1,668,339 | $ 1,654,434 | $ (13,905) |
| **Discretely Presented Component Unit - School Board:** | | | | |
| **Special Revenue Funds:** | | | | |
| **School Operating Fund:** | | | | |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | $ 274,813 | $ 274,813 | $ 262,257 | $ (12,556) |
| Basic school aid | 1,064,166 | 1,064,166 | 999,159 | (65,007) |
| Gifted and talented | 3,769 | 3,769 | 3,700 | (69) |
| Remedial education | 9,221 | 9,221 | 12,662 | 3,441 |
| Enrollment loss | 6,801 | 6,801 | 8,507 | 1,706 |
| Special education | 109,673 | 109,673 | 106,335 | (3,338) |
| Textbook payment | 9,503 | 9,503 | - | (9,503) |
| Vocational standards of quality payments | 44,662 | 44,662 | 43,854 | (808) |
| Vocational adult education | - | - | 2,450 | 2,450 |
| Social security fringe benefits | 33,997 | 33,997 | 33,382 | (615) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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 Commonwealth: (continued) | | | | |
| Categorical aid: (continued) | | | | |
| Retirement fringe benefits | $ 43,779 | $ 43,779 | $ 32,201 | $ (11,578) |
| Group life insurance instructional | 1,203 | 1,203 | 866 | (337) |
| Early reading intervention | 2,787 | 2,787 | 3,832 | 1,045 |
| Vocational education - equipment | 3,866 | 3,866 | - | (3,866) |
| ISAEP - GED prep program | 7,859 | 7,859 | 7,859 | - |
| Additional teachers assistance | 445 | 445 | - | (445) |
| Technology | 102,000 | 102,000 | 102,000 | - |
| Standards of Learning algebra readiness | 2,022 | 2,022 | 2,022 | - |
| At risk funding | 11,880 | 11,880 | 11,399 | (481) |
| English as a second language | 1,699 | 1,699 | 553 | (1,146) |
| School construction funds | 7,286 | 7,286 | 9,090 | 1,804 |
| Other state funds | 18,712 | 18,712 | 18,712 | - |
| Total categorical aid | $ 1,760,143 | $ 1,760,143 | $ 1,660,840 | $ (99,303) |
| Total revenue from the Commonwealth | $ 1,760,143 | $ 1,760,143 | $ 1,660,840 | $ (99,303) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Federal land use | $ 66,062 | $ 66,062 | $ 87,986 | $ 21,924 |
| Title I | 55,918 | 55,918 | 54,779 | (1,139) |
| Title VI-B, special education flow-through | 60,479 | 60,479 | 27,455 | (33,024) |
| Title VI-B, special education pre-school | 1,995 | 1,995 | 2,034 | 39 |
| Drug free schools | 1,045 | 1,045 | 1,383 | 338 |
| Title V, part A - innovative programs | - | - | 759 | 759 |
| Improving teacher quality | 18,555 | 18,555 | - | (18,555) |
| Perkins carryover | 5,419 | 5,419 | 5,851 | 432 |
| Rural education achievement program | 20,949 | 20,949 | 20,949 | - |
| State Fiscal Stabilization | 162,940 | 162,940 | 120,447 | (42,493) |
| Total categorical aid | $ 393,362 | $ 393,362 | $ 321,643 | $ (71,719) |
| Total revenue from the federal government | $ 393,362 | $ 393,362 | $ 321,643 | $ (71,719) |
| Total School Operating Fund | $ 3,684,219 | $ 3,837,844 | $ 3,649,868 | $ (187,976) |

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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 Cafeteria Fund:** | | | | |
| Revenue from local sources: | | | | |
| Charges for services: | | | | |
| Cafeteria sales | $ 80,000 | $ 80,000 | $ 57,289 | $ (22,711) |
| Total revenue from local sources | $ 80,000 | $ 80,000 | $ 57,289 | $ (22,711) |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| School food program grant | $ 3,032 | $ 3,032 | $ 2,605 | $ (427) |
| Total revenue from the Commonwealth | $ 3,032 | $ 3,032 | $ 2,605 | $ (427) |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| School food program grant | $ 75,000 | $ 75,000 | $ 99,896 | $ 24,896 |
| USDA commodities received | - | - | 12,997 | 12,997 |
| Total categorical aid | 75,000 | 75,000 | 112,893 | 37,893 |
| Total revenue from the federal government | $ 75,000 | $ 75,000 | $ 112,893 | $ 37,893 |
| Total School Cafeteria Fund | $ 158,032 | $ 158,032 | $ 172,787 | $ 14,755 |
| Total Discretely Presented Component Unit - School Board | $ 3,842,251 | $ 3,995,876 | $ 3,822,655 | $ (173,221) |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

| 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 | $ 57,543 | $ 60,143 | $ 58,620 | $ 1,523 |
| Total legislative | $ 57,543 | $ 60,143 | $ 58,620 | $ 1,523 |
| General and financial administration: | | | | |
| County administrator | $ 73,017 | $ 72,017 | $ 71,629 | $ 388 |
| Legal services | 65,000 | 51,900 | 52,430 | (530) |
| Independent Auditor | 17,000 | 24,100 | 24,073 | 27 |
| Commissioner of revenue | 106,639 | 104,760 | 103,849 | 911 |
| Assessor | 35,700 | 34,500 | 4,281 | 30,219 |
| Treasurer | 121,980 | 119,932 | 118,306 | 1,626 |
| Total general and financial administration | $ 419,336 | $ 407,209 | $ 374,568 | $ 32,641 |
| Board of elections: | | | | |
| Electoral board and officials | $ 12,697 | $ 11,697 | $ 9,251 | $ 2,446 |
| Registrar | 47,736 | 47,736 | 43,953 | 3,783 |
| Total board of elections | $ 60,433 | $ 59,433 | $ 53,204 | $ 6,229 |
| Total general government administration | $ 537,312 | $ 526,785 | $ 486,392 | $ 40,393 |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | $ 1,595 | $ 1,595 | $ 1,751 | $ (156) |
| General district court | 2,700 | 2,700 | 1,862 | 838 |
| Special magistrates | 650 | 650 | 316 | 334 |
| Clerk of the circuit court | 160,332 | 147,983 | 149,917 | (1,934) |
| Total courts | $ 165,277 | $ 152,928 | $ 153,846 | $ (918) |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | $ 82,164 | $ 82,888 | $ 83,416 | $ (528) |
| Total commonwealth's attorney | $ 82,164 | $ 82,888 | $ 83,416 | $ (528) |
| Total judicial administration | $ 247,441 | $ 235,816 | $ 237,262 | $ (1,446) |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | $ 653,677 | $ 588,762 | $ 577,817 | $ 10,945 |
| Total law enforcement and traffic control | $ 653,677 | $ 588,762 | $ 577,817 | $ 10,945 |
| Fire and rescue services: | | | | |
| Volunteer emergency operations | $ 42,131 | $ 59,580 | $ 59,555 | $ 25 |
| Total fire and rescue services | $ 42,131 | $ 59,580 | $ 59,555 | $ 25 |
| Correction and detention: | | | | |
| Sheriff | $ 53,957 | $ 51,957 | $ 44,229 | $ 7,728 |
| Total correction and detention | $ 53,957 | $ 51,957 | $ 44,229 | $ 7,728 |
| Inspections: | | | | |
| Building | $ 66,287 | $ 66,287 | $ 63,274 | $ 3,013 |
| Total inspections | $ 66,287 | $ 66,287 | $ 63,274 | $ 3,013 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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 | $ 12,347 | $ 12,347 | $ 10,222 | $ 2,125 |
| Medical examiner | 200 | 200 | 20 | 180 |
| Emergency management grants | 4,500 | 3,050 | 307 | 2,743 |
| Total other protection | $ 17,047 | $ 15,597 | $ 10,549 | $ 5,048 |
| Total public safety | $ 833,099 | $ 782,183 | $ 755,424 | $ 26,759 |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| General engineering/administration - ISTEA funds | $ 1 | $ 11,100 | $ 11,069 | $ 31 |
| Total maintenance of highways, streets, bridges & sidewalks | $ 1 | $ 11,100 | $ 11,069 | $ 31 |
| Maintenance of general buildings and grounds: | | | | |
| General properties | $ 87,111 | $ 87,111 | $ 81,551 | $ 5,560 |
| Total maintenance of general buildings and grounds | $ 87,111 | $ 87,111 | $ 81,551 | $ 5,560 |
| Total public works | $ 87,112 | $ 98,211 | $ 92,620 | $ 5,591 |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | $ 57,931 | $ 56,121 | $ 55,857 | $ 264 |
| Total health | $ 57,931 | $ 56,121 | $ 55,857 | $ 264 |
| Mental health and mental retardation: | | | | |
| Community services board | $ 5,932 | $ 5,932 | $ 5,932 | $ - |
| Total mental health and mental retardation | $ 5,932 | $ 5,932 | $ 5,932 | $ - |
| Welfare: | | | | |
| Valley Program for the Aging | $ 25,000 | $ 25,000 | $ 25,000 | $ - |
| State and local hospitalization | 950 | 950 | - | 950 |
| Total welfare | $ 25,950 | $ 25,950 | $ 25,000 | $ 950 |
| Total health and welfare | $ 89,813 | $ 88,003 | $ 86,789 | $ 1,214 |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to County School Board | $ 1,514,714 | $ 1,668,339 | $ 1,572,850 | $ 95,489 |
| Total education | $ 1,514,714 | $ 1,668,339 | $ 1,572,850 | $ 95,489 |
| Library: | | | | |
| Library Administration | $ 38,498 | $ 38,498 | $ 38,305 | $ 193 |
| Total library | $ 38,498 | $ 38,498 | $ 38,305 | $ 193 |
| Total parks, recreation, and cultural | $ 38,498 | $ 38,498 | $ 38,305 | $ 193 |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning | $ 13,826 | $ 13,826 | $ 12,943 | $ 883 |
| Community development | 25,524 | 27,334 | 24,467 | 2,867 |
| Swimming pool | 60,725 | 60,725 | 42,118 | 18,607 |
| Industrial Development Authority | 1,891 | 1,891 | 391 | 1,500 |
| Total planning and community development | $ 101,966 | $ 103,776 | $ 79,919 | $ 23,857 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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 | $ 51,783 | $ 57,383 | $ 43,927 | $ 13,456 |
| Total cooperative extension program | $ 51,783 | $ 57,383 | $ 43,927 | $ 13,456 |
| Total community development | $ 153,749 | $ 161,159 | $ 123,846 | $ 37,313 |
| Nondepartmental: | | | | |
| Miscellaneous | $ 43,774 | $ 69,324 | $ 37,379 | $ 31,945 |
| Total nondepartmental | $ 43,774 | $ 69,324 | $ 37,379 | $ 31,945 |
| Capital projects: | | | | |
| Capital outlay | $ 3 | $ 70,150 | $ 38,580 | $ 31,570 |
| Total capital projects | $ 3 | $ 70,150 | $ 38,580 | $ 31,570 |
| Total General Fund | $ 3,545,515 | $ 3,738,468 | $ 3,469,447 | $ 269,021 |
| **Special Revenue Funds:** | | | | |
| **Virginia Public Assistance Fund:** | | | | |
| Health and welfare: | | | | |
| Welfare and social services: | | | | |
| Welfare administration | $ 291,186 | $ 291,186 | $ 253,855 | $ 37,331 |
| Comprehensive services | 214,877 | 214,877 | 14,257 | 200,620 |
| Total welfare and social services | $ 506,063 | $ 506,063 | $ 268,112 | $ 237,951 |
| Total health and welfare | $ 506,063 | $ 506,063 | $ 268,112 | $ 237,951 |
| Total Virginia Public Assistance Fund | $ 506,063 | $ 506,063 | $ 268,112 | $ 237,951 |
| **E-911 Fund:** | | | | |
| Public safety: | | | | |
| Other protection: | | | | |
| E-911 Administration | $ 1 | $ 83,801 | $ 79,144 | $ 4,657 |
| Total public safety | $ 1 | $ 83,801 | $ 79,144 | $ 4,657 |
| Total E-911 Fund | $ 1 | $ 83,801 | $ 79,144 | $ 4,657 |
| **Sheriff's Grants Fund:** | | | | |
| Public safety: | | | | |
| Other protection: | | | | |
| Drug enforcement and crime control | $ 6 | $ 10,900 | $ 11,594 | $ (694) |
| Total Sheriff's Grants Fund | $ 6 | $ 10,900 | $ 11,594 | $ (694) |
| **Capital Projects Fund:** | | | | |
| **County Capital Improvements Fund:** | | | | |
| Capital projects expenditures: | | | | |
| County courthouse and other capital outlay | $ 120,000 | $ 120,000 | $ 23,712 | $ 96,288 |
| Total County Capital Improvements Fund | $ 120,000 | $ 120,000 | $ 23,712 | $ 96,288 |

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010 (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 | $ - | $ 81,584 | $ 81,584 | $ - |
| Total education | $ - | $ 81,584 | $ 81,584 | $ - |
| Capital projects expenditures: | | | | |
| Building services | $ 1,290 | $ 15,306 | $ 4,571 | $ 10,735 |
| Total capital projects | $ 1,290 | $ 15,306 | $ 4,571 | $ 10,735 |
| Debt service: | | | | |
| Principal retirement | $ 137,646 | $ 137,646 | $ 133,586 | $ 4,060 |
| Interest and other fiscal charges | 53,064 | 53,064 | 53,064 | - |
| Total debt service | $ 190,710 | $ 190,710 | $ 186,650 | $ 4,060 |
| Total School Capital Projects Fund | $ 192,000 | $ 287,600 | $ 272,805 | $ 14,795 |
| Total Primary Government | $ 4,363,585 | $ 4,746,832 | $ 4,124,814 | $ 622,018 |
| **Discretely Presented Component Unit - School Board:** | | | | |
| **Special revenue funds:** | | | | |
| **School Operating Fund:** | | | | |
| Education: | | | | |
| Administration of schools: | | | | |
| School board | $ 6,890 | $ 6,890 | $ 6,356 | $ 534 |
| Executive administration services | 148,276 | 148,276 | 125,208 | 23,068 |
| Total administration of schools | $ 155,166 | $ 155,166 | $ 131,564 | $ 23,602 |
| Instruction costs: | | | | |
| Elementary and secondary schools | $ 2,583,199 | $ 2,635,896 | $ 2,325,105 | $ 310,791 |
| Guidance services | 66,316 | 66,316 | 37,876 | 28,440 |
| Media services | 259,355 | 259,355 | 243,729 | 15,626 |
| Office of the principal | 172,579 | 172,579 | 226,274 | (53,695) |
| Total instruction costs | $ 3,081,449 | $ 3,134,146 | $ 2,832,984 | $ 301,162 |
| Operating costs: | | | | |
| Pupil transportation | $ 265,223 | $ 265,223 | $ 288,877 | $ (23,654) |
| Operation and maintenance of school plant | 362,568 | 444,151 | 384,107 | 60,044 |
| Total operating costs | $ 627,791 | $ 709,374 | $ 672,984 | $ 36,390 |
| Total education | $ 3,864,406 | $ 3,998,686 | $ 3,637,532 | $ 361,154 |
| Total School Operating Fund | $ 3,864,406 | $ 3,998,686 | $ 3,637,532 | $ 361,154 |
| **Cafeteria Fund:** | | | | |
| Education: | | | | |
| School food services: | | | | |
| Administration of school food program | $ 188,734 | $ 196,249 | $ 170,016 | $ 26,233 |
| Total school food services | $ 188,734 | $ 196,249 | $ 170,016 | $ 26,233 |
| Total education | $ 188,734 | $ 196,249 | $ 170,016 | $ 26,233 |
| Total Cafeteria Fund | $ 188,734 | $ 196,249 | $ 170,016 | $ 26,233 |
| Total Discretely Presented Component Unit - School Board | $ 4,053,140 | $ 4,194,935 | $ 3,807,548 | $ 387,387 |

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# STATISTICAL TABLES

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

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | $ 326,986 | $ 707,028 | $ $ 673,965 | $ $ 1,079,506 | $ $ 1,039,441 |
| Unrestricted | 3,546,379 | 3,913,617 | $ 4,279,522 | $ 4,595,275 | $ 5,130,351 |
| Total governmental activities net assets | $ 3,873,365 | $ 4,620,645 | $ 4,953,487 | $ 5,674,781 | $ 6,169,792 |
| Business-type activities | | | | | |
| Invested in capital assets, net of related debt | $ 600,955 | $ 607,726 | $ 520,366 | $ 504,096 | $ 541,856 |
| Unrestricted | 274,262 | 272,742 | 333,345 | 382,659 | 414,814 |
| Total business-type activities net assets | $ 875,217 | $ 880,468 | $ 853,711 | $ 886,755 | $ 956,670 |
| Primary government | | | | | |
| Invested in capital assets, net of related debt | $ 927,941 | $ 1,314,754 | $ 1,194,331 | $ 1,583,602 | $ 1,581,297 |
| Unrestricted | 3,820,641 | 4,186,359 | 4,612,867 | 4,977,934 | 5,545,165 |
| Total primary government net assets | $ 4,748,582 | $ 5,501,113 | $ 5,807,198 | $ 6,561,536 | $ 7,126,462 |

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

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| **Expenses** | | | | | |
| Governmental activities: | | | | | |
| General government | $ 860,577 | $ 776,408 | $ 757,883 | $ 791,245 | $ 719,027 |
| Judicial administration | 219,832 | 241,760 | 245,520 | 200,400 | 239,727 |
| Public safety | 926,287 | 1,198,081 | 910,751 | 992,983 | 861,875 |
| Public works | 175,570 | 87,089 | 93,749 | 92,289 | 93,272 |
| Health and welfare | 330,460 | 333,795 | 335,396 | 313,429 | 354,901 |
| Education | 1,432,227 | 1,431,224 | 1,652,975 | 1,502,149 | 1,659,005 |
| Parks, recreation and cultural | 33,106 | 35,402 | 99,877 | 64,508 | 66,781 |
| Community development | 88,628 | 80,706 | 105,946 | 106,318 | 123,846 |
| Interest on long-term debt | 80,412 | 72,752 | 65,228 | 57,454 | 45,770 |
| Total governmental activities expenses | $ 4,147,099 | $ 4,257,217 | $ 4,267,325 | $ 4,120,775 | $ 4,164,204 |
| Business-type activities: | | | | | |
| Refuse Disposal | $ 250,209 | $ 247,289 | $ 239,734 | $ 257,635 | $ 256,381 |
| McDowell Water System | 42,280 | 46,868 | 47,085 | 46,351 | 46,748 |
| Total business-type activities expenses | $ 292,489 | $ 294,157 | $ 286,819 | $ 303,986 | $ 303,129 |
| Total primary government expenses | $ 4,439,588 | $ 4,551,374 | $ 4,554,144 | $ 4,424,761 | $ 4,467,333 |
| **Program Revenues** | | | | | |
| Governmental activities: | | | | | |
| Charges for services: | | | | | |
| General government | $ 654 | $ 375 | $ 238 | $ 226 | $ 110,401 |
| Judicial administration | 2,376 | 2,898 | 2,706 | 5,057 | 3,713 |
| Public safety | 23,421 | 16,411 | 23,996 | 25,895 | 31,959 |
| Operating grants and contributions | 1,125,305 | 1,089,220 | 1,117,621 | 1,067,711 | 1,101,652 |
| Capital grants and contributions | 194,716 | - | 71,817 | - | 1,000 |
| Total governmental activities program revenues | $ 1,346,472 | $ 1,108,904 | $ 1,216,378 | $ 1,098,889 | $ 1,248,725 |
| Business-type activities: | | | | | |
| Charges for services: | | | | | |
| Landfill | $ 328,710 | $ 257,618 | $ 320,011 | $ 315,278 | $ 318,311 |
| McDowell Water System | 19,044 | 27,241 | 37,834 | 34,992 | 34,771 |
| Operating grants and contributions | 7,662 | 6,307 | 7,592 | 7,393 | 6,125 |
| Total business-type activities program revenues | $ 355,416 | $ 291,166 | $ 365,437 | $ 357,663 | $ 359,207 |
| Total primary government program revenues | $ 1,701,888 | $ 1,400,070 | $ 1,581,815 | $ 1,456,552 | $ 1,607,932 |
| Net (expense) / revenue | | | | | |
| Governmental activities | $ (2,800,627) | $ (3,148,313) | $ (3,050,947) | $ (3,021,886) | $ (2,915,479) |
| Business-type activities | 62,927 | (2,991) | 78,618 | 53,677 | 56,078 |
| Total primary government net expense | $ (2,737,700) | $ (3,151,304) | $ (3,072,329) | $ (2,968,209) | $ (2,859,401) |

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

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| **General Revenues and Other Changes in Net Assets** | | | | | |
| Governmental activities: | | | | | |
| Taxes | | | | | |
| Property taxes | $ 3,617,277 | $ 2,654,559 | $ 2,696,267 | $ 2,823,719 | $ 2,694,439 |
| Local sales and use taxes | 92,865 | 99,550 | 97,120 | 93,017 | 95,657 |
| Consumer utility taxes | 112,041 | 124,755 | 149,008 | 141,631 | 141,131 |
| Motor vehicle licenses | 43,918 | 1,783 | 34,003 | 47,859 | 55,842 |
| E-911 taxes | 30,507 | 30,280 | 36,429 | 29,572 | 24,000 |
| Bank stock taxes | 21,999 | 13,162 | 4,484 | 12,487 | 12,481 |
| Other local taxes | 40,676 | 34,547 | 36,309 | 32,314 | 24,035 |
| Unrestricted grants and contributions | 239,591 | 275,707 | 249,566 | 100,362 | 73,747 |
| Unrestricted revenues from use of money and property | 97,193 | 146,115 | 135,833 | 116,701 | 89,922 |
| Miscellaneous | 71,108 | 108,487 | 221,956 | 324,768 | 213,004 |
| Transfers | 142,568 | (8,054) | 105,550 | 20,750 | (13,768) |
| Total governmental activities | $ 4,509,743 | $ 3,480,891 | $ 3,766,525 | $ 3,743,180 | $ 3,410,490 |
| Business-type activities: | | | | | |
| Unrestricted revenues from use of money and property | $ 156 | $ 188 | $ 175 | $ 117 | $ 69 |
| Transfers | (142,568) | 8,054 | (105,550) | (20,750) | 13,768 |
| Total business-type activities | $ (142,412) | $ 8,242 | $ (105,375) | $ (20,633) | $ 13,837 |
| Total primary government | $ 4,367,331 | $ 3,489,133 | $ 3,661,150 | $ 3,722,547 | $ 3,424,327 |
| **Change in Net Assets** | | | | | |
| Governmental activities | $ 1,709,116 | $ 332,578 | $ 715,578 | $ 721,294 | $ 495,011 |
| Business-type activities | (79,485) | 5,251 | (26,757) | 33,044 | 69,915 |
| Total primary government | $ 1,629,631 | $ 337,829 | $ 688,821 | $ 754,338 | $ 564,926 |

Governmental Activities Tax Revenues by Source
Last Five 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 |
|---|---|---|---|---|---|---|---|---|
| 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 |

**County of Highland, Virginia**

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

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| General fund | | | | | |
| Reserved | $ 34,427 | $ 34,427 | $ - | $ - | $ - |
| Unreserved | 1,283,062 | 1,578,234 | 1,455,569 | 1,873,649 | 1,526,107 |
| Total general fund | $ 1,317,489 | $ 1,612,661 | $ 1,455,569 | $ 1,873,649 | $ 1,526,107 |
| All other governmental funds | | | | | |
| Unreserved, reported in: | | | | | |
| Special revenue funds | $ 14,995 | $ 29,439 | $ 92,859 | $ 147,411 | $ 260,612 |
| Capital projects funds | 114,352 | 178,204 | 309,665 | 264,781 | 299,039 |
| Total all other governmental funds | $ 129,347 | $ 207,643 | $ 402,524 | $ 412,192 | $ 559,651 |

Table 4

| Fiscal Year | | | | |
|---|---|---|---|---|
| 2006 | 2007 | 2008 | 2009 | 2010 |
| $ - | $ - | $ - | $ - | $ - |
| 3,182,757 | 3,220,466 | 3,868,862 | 4,166,881 | 4,273,643 |
| $ 3,182,757 | $ 3,220,466 | $ 3,868,862 | $ 4,166,881 | $ 4,273,643 |
| | | | | |
| $ 227,588 | $ 568,502 | $ 131,621 | $ 111,228 | $ 77,649 |
| 256,542 | 248,895 | 410,182 | 422,554 | 889,686 |
| $ 484,130 | $ 817,397 | $ 541,803 | $ 533,782 | $ 967,335 |

**County of Highland, Virginia**

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

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2001** | **2002** | **2003** | **2004** | **2005** |
| **Revenues** | | | | | |
| General property taxes | $ 1,689,962 | $ 1,666,570 | $ 1,822,785 | $ 2,078,808 | $ 2,228,621 |
| Other local taxes | 254,337 | 256,205 | 269,979 | 292,090 | 322,948 |
| Permits, privilege fees and regulatory licenses | 19,860 | 21,199 | 23,060 | 23,751 | 22,514 |
| Fines and forfeitures | 1,284 | 6,870 | 5,631 | 826 | 512 |
| Revenue from use of money and property | 105,089 | 100,349 | 58,535 | 46,941 | 58,162 |
| Charges for services | 230,510 | 240,557 | 6,135 | 8,531 | 6,350 |
| Miscellaneous | 20,238 | 129,992 | 21,964 | 29,128 | 44,644 |
| Intergovernmental: | | | | | |
| Commonwealth | 1,125,102 | 1,130,844 | 1,166,190 | 1,166,217 | 1,183,203 |
| Federal | 167,466 | 378,560 | 255,002 | 255,908 | 222,789 |
| Total revenues | $ 3,613,848 | $ 3,931,146 | $ 3,629,281 | $ 3,902,200 | $ 4,089,743 |
| **Expenditures** | | | | | |
| General government administration | $ 362,487 | $ 347,914 | $ 370,732 | $ 378,783 | $ 459,264 |
| Judicial administration | 198,031 | 203,987 | 196,551 | 198,372 | 208,968 |
| Public safety | 654,604 | 645,128 | 688,315 | 659,609 | 838,493 |
| Public works | 271,911 | 391,391 | 127,907 | 93,629 | 75,233 |
| Health and welfare | 514,378 | 504,385 | 508,263 | 473,336 | 325,334 |
| Education | 1,596 | - | 1,019,914 | 1,181,866 | 1,556,971 |
| Parks, recreation and cultural | 23,171 | 23,998 | 25,613 | 28,740 | 30,677 |
| Community development | 179,595 | 109,171 | 78,014 | 135,483 | 74,405 |
| Nondepartmental | 961 | 31,329 | 22,244 | 26,356 | 46,520 |
| Capital projects | 27,543 | 73,923 | 260,512 | 79,428 | 257,661 |
| Debt service | | | | | |
| Principal | - | - | 116,847 | 118,739 | 120,850 |
| Interest and other fiscal charges | - | - | 105,504 | 98,511 | 91,300 |
| Total expenditures | $ 2,234,277 | $ 2,331,226 | $ 3,520,416 | $ 3,472,852 | $ 4,085,676 |
| Excess of revenues over (under) expenditures | $ 1,379,571 | $ 1,599,920 | $ 108,865 | $ 429,348 | $ 4,067 |
| Other financing sources (uses) | | | | | |
| Transfers in | $ 163,371 | $ 346,431 | $ 632,796 | $ 351,151 | $ 566,643 |
| Transfers out | (1,318,138) | (1,572,883) | (631,296) | (352,751) | (770,793) |
| Total other financing sources (uses) | $ (1,154,767) | $ (1,226,452) | $ 1,500 | $ (1,600) | $ (204,150) |
| Net change in fund balances | $ 224,804 | $ 373,468 | $ 110,365 | $ 427,748 | $ (200,083) |
| Debt service as a percentage of noncapital expenditures | 0.000% | 0.000% | 6.821% | 6.402% | 5.542% |

Table 5

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| | $ 3,621,834 | $ 2,644,502 | $ 2,706,867 | $ 2,812,841 | $ 2,700,353 |
| | 342,006 | 304,077 | 357,353 | 356,880 | 353,146 |
| | 19,361 | 12,318 | 14,809 | 12,504 | 18,593 |
| | 511 | 1,059 | 729 | 2,386 | 1,006 |
| | 97,193 | 146,115 | 135,833 | 100,362 | 73,747 |
| | 6,579 | 6,307 | 11,402 | 16,288 | 126,474 |
| | 71,108 | 108,487 | 221,956 | 116,701 | 89,922 |
| | 1,095,016 | 1,521,614 | 1,170,907 | 1,150,594 | 1,110,210 |
| | 464,596 | 253,751 | 268,097 | 241,885 | 205,446 |
| | $ 5,718,204 | $ 4,998,230 | $ 4,887,953 | $ 4,810,441 | $ 4,678,897 |
| | $ 606,853 | $ 557,066 | $ 498,386 | $ 470,406 | $ 486,392 |
| | 223,133 | 240,034 | 242,188 | 263,146 | 237,262 |
| | 884,776 | 1,370,500 | 844,971 | 924,520 | 846,162 |
| | 174,324 | 87,089 | 92,760 | 91,210 | 92,620 |
| | 330,961 | 331,330 | 337,223 | 313,429 | 354,901 |
| | 1,278,049 | 1,386,156 | 1,621,412 | 1,454,487 | 1,654,434 |
| | 31,533 | 35,402 | 37,318 | 39,220 | 38,305 |
| | 86,728 | 80,706 | 105,946 | 106,318 | 123,846 |
| | 26,098 | 27,523 | 52,818 | 37,874 | 37,379 |
| | 430,138 | 301,444 | 208,093 | 648,833 | 66,863 |
| | 123,193 | 125,684 | 128,176 | 130,728 | 133,586 |
| | 83,857 | 76,266 | 68,674 | 61,022 | 53,064 |
| | $ 4,279,643 | $ 4,619,200 | $ 4,237,965 | $ 4,541,193 | $ 4,124,814 |
| | $ 1,438,561 | $ 379,030 | $ 649,988 | $ 269,248 | $ 554,083 |
| | $ 513,369 | $ 1,104,890 | $ 715,354 | $ 636,234 | $ 879,660 |
| | (370,801) | (1,112,944) | (609,804) | (615,484) | (893,428) |
| | $ 142,568 | $ (8,054) | $ 105,550 | $ 20,750 | $ (13,768) |
| | $ 1,581,129 | $ 370,976 | $ 755,538 | $ 289,998 | $ 540,315 |
| | 5.379% | 4.677% | 4.885% | 4.926% | 4.600% |

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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 |
|---|---|---|---|---|---|---|---|
| 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 |
| 2002 | 73,979 | 102,846 | 42,635 | - | 13,865 | 22,880 | 256,205 |
| 2001 | 72,303 | 101,288 | 42,182 | - | 18,778 | 19,786 | 254,337 |

**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 | | Merchants' Capital | | Public Service |
|---|---|---|---|---|---|---|---|---|---|---|
| 2010 | $ | 621,402,600 | $ | 20,576,798 | $ | 54,246 | $ | 282,699 | $ | 14,732,716 |
| 2009 | | 618,813,500 | | 29,938,554 | | 128,810 | | 261,513 | | 15,941,274 |
| 2008 | | 613,889,600 | | 26,245,118 | | 65,200 | | 260,642 | | 16,409,311 |
| 2007 | | 609,965,800 | | 27,782,436 | | 43,141 | | 267,887 | | 19,306,039 |
| 2006 | | 605,945,300 | | 25,715,330 | | 51,640 | | 227,196 | | 12,989,355 |
| 2005 | | 286,194,100 | | 22,963,900 | | 93,860 | | 236,740 | | 13,992,300 |
| 2004 | | 285,474,000 | | 21,677,710 | | 81,960 | | 236,400 | | 16,894,372 |
| 2003 | | 281,567,200 | | 21,432,510 | | 79,800 | | 220,580 | | 16,669,131 |
| 2002 | | 278,910,100 | | 20,509,440 | | 71,960 | | 213,420 | | 16,894,903 |
| 2001 | | 276,638,440 | | 19,598,580 | | 71,820 | | 227,240 | | 19,153,460 |

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

Source: Commissioner of Revenue

Table 7

| Total Taxable Assessed Value | Estimated Actual Taxable Value (1) | Assessed Value as a Percentage of Actual Value (1) |
|---|---|---|
| $ 657,049,059 | $ 636,072,550 | 97.69% |
| 665,083,651 | 634,670,491 | 97.50% |
| 656,869,871 | 630,246,905 | 97.40% |
| 657,365,303 | 633,613,036 | 96.27% |
| 644,928,821 | 628,449,075 | 96.42% |
| 323,480,900 | 448,555,745 | 63.80% |
| 324,364,442 | 414,291,993 | 68.91% |
| 319,969,221 | 359,954,949 | 78.22% |
| 316,599,823 | 335,818,455 | 83.05% |
| 315,689,540 | 315,993,670 | 87.55% |

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

| | Direct Rates | | | | |
|---|---|---|---|---|---|
| **Fiscal Years** | **Real Estate** | **Personal Property** | **Mobile Homes** | **Machinery and Tools** | **Merchants' Capital** |
| 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 |
| 2002 | 0.50 | 1.50 | 0.50 | 1.00 | 1.00 |
| 2001 | 0.50 | 1.50 | 0.50 | 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

| | | Fiscal Year 2010 | | Fiscal Year 2000 | |
|---|---|---|---|---|---|
| **Taxpayer** | **Type Business** | **2010 Assessed Valuation** | **% of Total Assessed Valuation** | **2000 Assessed Valuation** | **% of Total Assessed Valuation** |
| Karin Banks | Farm | $ 7,592,800 | 1.222% | $ 2,228,700 | 1.130% |
| Red Oak Ranch | Farm | 2,569,200 | 0.413% | 1,281,400 | 0.649% |
| Hayfields Ltd. | Farm | 2,528,500 | 0.407% | 675,500 | 0.342% |
| Dividing Waters Farm | Farm | 2,136,800 | 0.344% | 781,800 | 0.396% |
| Bull Pasture Mtn Ranch | Farm | 1,936,600 | 0.312% | 244,500 | 0.124% |
| | | $ 16,763,900 | 2.698% | $ 5,211,900 | 2.642% |

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 |
| 2010 | $ 2,913,404 | $ 2,783,033 | 95.53% | $ - | $ 2,783,033 | 95.53% |
| 2009 | 3,033,067 | 2,884,198 | 95.09% | 120,347 | 3,004,545 | 99.06% |
| 2008 | 2,856,079 | 2,780,175 | 97.34% | 58,700 | 2,838,875 | 99.40% |
| 2007 | 2,805,927 | 2,721,421 | 96.99% | 80,333 | 2,801,754 | 99.85% |
| 2006 | 3,755,547 | 3,724,780 | 99.18% | 29,397 | 3,754,177 | 99.96% |
| 2005 | 2,379,612 | 2,347,508 | 98.65% | 28,625 | 2,376,133 | 99.85% |
| 2004 | 2,203,604 | 2,179,593 | 98.91% | 23,892 | 2,203,485 | 99.99% |
| 2003 | 1,965,588 | 1,903,635 | 96.85% | 61,953 | 1,965,588 | 100.00% |
| 2002 | 1,790,069 | 1,762,181 | 98.44% | 27,888 | 1,790,069 | 100.00% |
| 2001 | 1,788,883 | 1,740,479 | 97.29% | 48,404 | 1,788,883 | 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

| | Governmental Activities | Business-Type Activities | | | |
|---|---|---|---|---|---|
| Fiscal Years | General Obligation Bonds | Revenue Bonds | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
| 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 |
| 2002 | 1,806,613 | 125,596 | 1,932,209 | 3.12% | 773 |
| 2001 | 1,921,770 | 127,563 | 2,049,333 | 3.46% | 820 |

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) |
|---|---|---|---|---|---|
| 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 |
| 2002 | 1,806,613 | 94,128 | 1,712,485 | 0.54% | 685 |
| 2001 | 1,921,770 | 64,056 | 1,857,714 | 0.59% | 743 |

(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, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Pledged-Revenue Coverage
Last Ten Fiscal Years

| | Water Revenue Bonds | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Water Charges and Other | Less: Operating Expenses | Net Available Revenue | Debt Service Principal | Debt Service Interest | Coverage |
| 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% |
| 2002 | 19,934 | 26,871 | (6,937) | 1,968 | 6,192 | -85.01% |
| 2001 | 17,543 | 29,100 | (11,557) | 1,873 | 6,286 | -141.65% |

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 |
|---|---|---|---|---|---|---|
| 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% |
| 2002 | 2,500 | 61,882,500 | 24,753 | - | 304 | 2.60% |
| 2001 | 2,500 | 59,192,500 | 23,677 | - | 307 | 2.30% |

Souce: Weldon Cooper Center, Annual school report - prepared by the county, www.fedstats.gov

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

| Function | Fiscal Year 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| General government | 15 | 15 | 15 | 15 | 15 |
| Judicial administration | 5 | 5 | 5 | 5 | 5 |
| Public safety | | | | | |
| Sheriff's department | 14 | 14 | 14 | 15 | 15 |
| Building inspections | 2 | 2 | 2 | 1 | 1 |
| Animal control | 1 | 1 | 1 | 1 | 1 |
| Public works | | | | | |
| General maintenance | 3 | 3 | 3 | 3 | 3 |
| Landfill | 6 | 6 | 6 | 6 | 6 |
| Health and welfare | | | | | |
| Department of social services | 4 | 4 | 4 | 4 | 4 |
| Culture and recreation | | | | | |
| Library | 2 | 2 | 2 | 2 | 2 |
| Totals | 52 | 52 | 52 | 52 | 52 |

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

Source: Individual county departments

Capital Asset Statistics by Function
Last Five Fiscal Years

| Function | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| | Fiscal Year | | | | |
| General government | | | | | |
| Administration buildings | 4 | 4 | 4 | 4 | 4 |
| Vehicles | 1 | 1 | 1 | 1 | 1 |
| Public safety | | | | | |
| Sheriffs department: | | | | | |
| Patrol units | 9 | 9 | 9 | 9 | 9 |
| Building inspections: | | | | | |
| Vehicles | 1 | 1 | 1 | 1 | 1 |
| Animal control: | | | | | |
| Vehicles | 1 | 1 | 1 | 1 | 1 |
| Public works | | | | | |
| Landfill: | | | | | |
| Vehicles | 1 | 1 | 1 | 1 | 1 |
| Equipment | 2 | 2 | 2 | 2 | 2 |
| Sites | 1 | 1 | 1 | 1 | 1 |
| Component Unit - School Board | | | | | |
| Education: | | | | | |
| Schools | 2 | 2 | 2 | 2 | 2 |
| School buses | 12 | 12 | 12 | 12 | 12 |

Source: Individual county departments

# COMPLIANCE

## 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, 2010, which collectively comprise the County of Highland, Virginia's basic financial statements and have issued our report thereon dated November 30, 2010. 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.

***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 financial statements of the County of Highland, Virginia 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 November 30, 2010.

This report is intended solely for the information and use of the Board of Supervisors, management and 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

Verona, Virginia
November 30, 2010

# 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
## INDEPENDENT AUDITORS' REPORT

**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 the County of Highland, Virginia's major federal programs for the year ended June 30, 2010. 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 on 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, 2010.

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, other 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

Verona, Virginia
November 30, 2010

County of Highland, Virginia

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

| 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 | | $ 9,657 |
| Temporary Assistance for Needy Families (TANF) | 93.558 | | 15,504 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | | 212 |
| Low-Income Home Energy Assistance | 93.568 | | 2,366 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 2,158 |
| Child Welfare Services - State Grants | 93.645 | | 47 |
| Foster Care - Title IV-E | 93.658 | | 13,478 |
| ARRA - Foster Care | 93.658 | | 1,169 |
| Adoption Assistance | 93.659 | | 349 |
| Social Services Block Grant | 93.667 | | 16,183 |
| Chafee Foster Care Independence Program | 93.674 | | 106 |
| Children's Health Insurance Program | 93.767 | | 1,732 |
| Medical Assistance Program | 93.778 | | 27,143 |
| Total Department of Health and Human Services | | | $ 90,104 |
| Department of Agriculture: | | | |
| Pass Through Payments: | | | |
| Department of Agriculture: | | | |
| Food Distribution | 10.555 | | $ 12,997 |
| Department of Education: | | | |
| National school breakfast program | 10.553 | | $ 25,922 |
| National school lunch program | 10.555 | | 66,446 |
| Fresh fruit and vegetable program | 10.582 | | 7,528 |
| Schools and Roads-Grants to States | 10.665 | | 87,986 |
| Department of Social Services: | | | |
| State Administrative Matching Grants for Food Stamp Program | 10.561 | | 46,523 |
| ARRA - State Administrative Matching Grants for Food Stamp Program | 10.561 | | 500 |
| Total Department of Agriculture | | | $ 247,902 |
| Department of Housing and Urban Development | | | |
| Pass Through Payments: | | | |
| Department of Housing and Community Development: | | | |
| Community Development Block Grant | 14.228 | | $ 1,000 |
| Department of the Interior: | | | |
| Direct payments: | | | |
| Bureau of Land Management | | | |
| Payment in lieu of taxes | 15.226 | | $ 37,060 |
| Department of Homeland Security | | | |
| Pass Through Payments: | | | |
| Department of Emergency Services: | | | |
| Citizens Corps | 97.053 | | $ 14,600 |
| Department of Justice: | | | |
| Pass Through Payments: | | | |
| Department of Criminal Justice Service: | | | |
| ARRA - Edward Byrne Memorial justice assistance grant | 16.803 | 2009-SU-b9-0033 | $ 15,659 |

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

| Federal Grantor/State Pass - Through Grantor/Program Title or Cluster | Federal CFDA Number | Pass-through Identifying Number | Federal Expenditures |
|---|---|---|---|
| Department of Education: | | | |
| Pass Through Payments: | | | |
| Department of Education: | | | |
| Title I: Grants to Local Educational Agencies | 84.010 | | $ 54,779 |
| State Grants for Innovative Programs | 84.298 | | 759 |
| Special Education-Grants to States | 84.027 | | 27,455 |
| Special Education-Preschool Grants | 84.173 | | 2,034 |
| Safe and Drug-free Schools and Communities-National Programs | 84.186 | | 1,383 |
| Rural Education Achievement Program | 84.358 | | 20,949 |
| ARRA - Education State Grants | 84.394 | | 120,447 |
| Career and Technical Education-Basic Grants to States | 84.048 | | 5,851 |
| Total Department of Education | | | $ 233,657 |
| Total Federal Assistance | | | $ 639,982 |

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, 2010. 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, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Highland.

NOTE B - SUMMARY OF SIGNIFICAT 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.

## COUNTY OF HIGHLAND, VIRGINIA
## Schedule of Findings and Questioned Costs
## For the Year Ended June 30, 2010

### 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 Numbers* | *Name of Federal Program or Cluster* |
|---|---|
| Child Nutrition Cluster: | |
| 10.553 | ...... School Breakfast Program |
| 10.555 | ...... National School Lunch Program |
| 10.555 | ...... Food Distribution |
| Special Education Cluster: | |
| 84.027 | ...... Title VI-B: Handicapped State Grants |
| 84.173 | ...... Title VI-B: Handicapped Preschool Incentive Grant |
| Other: | |
| 10.561 | ...... State Admin Matching Grants for Food Stamp Programs |
| 84.010 | ...... Title I - Educationally Deprived Children |
| 84.394 | ...... State Fiscal Stabilization Fund - Recovery Act |
| 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

## Summary Schedule of Prior Audit Findings
### For the Year Ended June 30, 2010

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