



COUNTY
OF
SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2013

COUNTY OF SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

Prepared by
Garland Miller, Budget Manager
Shenandoah County, Virginia

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

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INTRODUCTORY SECTION

County of Shenandoah

BOARD OF SUPERVISORS

DISTRICT 1 - DICK NEESE 540.740.3414
DISTRICT 2 - STEVE BAKER 540.477.3550
DISTRICT 3 - DAVID FERGUSON 540.984.8777
DISTRICT 4 - SHARON BARONCELLI 540.331.4492
DISTRICT 5 - DENNIS MORRIS 540.436.9149
DISTRICT 6 - CONRAD HELSLEY 540.481.6167

600 N. Main Street, Ste 102
WOODSTOCK, VA 22664



OFFICE OF COUNTY ADMINISTRATION

MARY T. PRICE
COUNTY ADMINISTRATOR

Tel: 540.459.6165 Fax: 540.459.6168
www.shenandoahcountvva.us

December 30, 2013

To the Honorable Board of Supervisors of the County of Shenandoah, Virginia:

The comprehensive annual financial report of the County of Shenandoah for the year ended June 30, 2013 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the County of Shenandoah issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the County of Shenandoah. All disclosures necessary to enable the reader to gain an understanding of the County of Shenandoah's activities have been included.

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, has audited the County's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The independent auditor's report is presented as the first component of the financial section of this report.

The financial reporting entity (*the government*) includes all funds of the primary government (*i.e., the County of Shenandoah as legally defined*), as well as all of its component units. The government provides a full range of services including police and fire protection; sanitation services; recreational activities; cultural events; and welfare services.

Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The discretely presented component units included in this report are the Shenandoah County School Board and the Shenandoah County Library.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County of Shenandoah's MD&A can be found immediately following the report of the independent auditors.

□ The Reporting Entity and Economic Outlook □

The County of Shenandoah was formed in 1772 from Frederick County, and was originally named Dunmore County in honor of Governor Dunmore. In 1778, the name was changed to Shenandoah after the Shenandoah River, an Indian name meaning "Daughter of the Stars."

Situated in the scenic northern Shenandoah Valley of Virginia, the County of Shenandoah is 34 miles long and an average of 16 miles wide and contains a land area of 512 square miles. Within the boundaries of the County of Shenandoah are the towns of Edinburg, Mt. Jackson, New Market, Strasburg, Toms Brook and Woodstock. The County of Shenandoah is a political subdivision of the Commonwealth of Virginia administered by a six member board elected by magisterial district for four year concurrent terms. The Board of Supervisors elects one of its own to serve as Chairman and selects a County Administrator to oversee the general administration of the County of Shenandoah.

Although a rural county, Shenandoah County's 2013 population was 42,583. Shenandoah County enjoys a diversified economy, with manufacturing accounting for approximately 24% of the jobs in the County. Agriculture accounts for less than 10% of the full time and part time jobs in the County due to the fact that most farmers are self-employed and many have jobs off the farm to supplement their incomes. The ten largest employers employ approximately 5,000 of 13,280 plus workers in the County's labor force. The national economy and a slow housing market continue to impact the economy of Shenandoah County during fiscal year 2013. The County housing market has stabilized because of the lower interest rates. Despite the fact that consumer confidence in the economy remained sluggish, sales, hotel, and meals taxes for the County continued to improve and increased over FY12. Unemployment remains near the State average and from June 2012 to June 2013, Shenandoah County saw its unemployment rates decrease from 6.8 percent to 6.2 percent.

□ Major Initiatives and Goals □

The mission statement of the County of Shenandoah is as follows:

"The government of Shenandoah County is to promote an organizational environment that emphasizes the efficient delivery of high quality services to the public, assist the Board of Supervisors in carrying out its strategic objectives, and effectively communicate information about County operations and services to citizens, the Board of Supervisors, the public, the employees, and the media."

In 2010, Rappahannock, Shenandoah and Warren Counties formed the RSW Regional Jail Authority. The RSW Jail Authority hired an architectural firm to design a 375 bed regional jail to be constructed on land purchased in Warren County, Virginia. The jail will be funded by a 50 percent match from the Commonwealth of Virginia. The remaining portion will be funded by each locality based on their proportional share of beds utilized. Plans for the jail were completed in the fall of 2011. Application for long term financing was completed during the winter 2011-12 and closing was held in June 2012. Construction began in June 2012. It is anticipated the jail will be operational in July 2014. This will require each of the member jurisdictions to close their current jails and move prisoners into the RSW jail. The RSW jail will operate with their first operational budget in FY15.

Shenandoah County received a PPEA proposal in May 2011 to renovate the old Edinburg School located in Edinburg, Virginia. The proposal would convert the building to a school for students with special needs. Other competitive PPEA proposals were sought in the summer of 2011. The Board of Supervisor accepted the original proposal in the fall of 2011. Construction drawings and cost estimates were developed and approval for the project was given in the fall of 2012. During the winter and spring of 2013, renovations began. The school opened in September, 2013.

Shenandoah County implemented a Revenue Recovery program in FY12. Revenue Recovery is a program that bills a user fee to Medicaid, Medicare and private insurance companies for emergency ambulance transport services. In order to offset the increasing financial demands of emergency ambulance transport services. In order to offset the increasing financial demands of emergency medical services, the County, like many local governments nationwide, is seeking alternative ways to fund these services. Most insurance plans already offer the benefit for emergency transports. Therefore, citizens are affected very little by this program. Citizens who are not covered by an insurance plan will not be billed for the service. In the fall of 2011, the County will present an ordinance to consider their right to exercise the powers enumerated in § 32.1-111.14, Code of Virginia (1950), as amended to grant franchise permits for operation of Emergency Medical Services vehicles, to make reasonable charges for use of Emergency Medical Services vehicles, including charging insurers, and for other purposes. During FY13, Shenandoah County began to receive revenues from this program and distribute funds to each of the participating Volunteer Fire and Rescue organizations.

☐ Financial Information ☐

The management of the County of Shenandoah is responsible for establishing and maintaining internal controls to ensure the protection of the County assets. In developing and evaluating the County of Shenandoah's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial assistance, the County also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to periodic evaluation by management.

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2013 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations.

Budgeting Controls

In addition to internal accounting controls the County also maintains budgetary controls to ensure compliance with the annual appropriated budget approved by the County Board of Supervisors. Budgetary control is maintained at the function level and any unspent appropriations at the fiscal year end may be reappropriated as part of the following year's revised budget.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Relevant financial policies

The County of Shenandoah, Virginia has adopted a comprehensive set of financial policies. The County has a policy which requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to appropriations and transfers to other funds). Anticipated FY13 revenues were less than appropriations and transfers to other funds by \$1,494,402. In such cases, the policy allows for appropriation of fund balance to close the gap. However, thanks to measures taken during the year to control expenditures and an increase in certain revenue sources, the County ultimately increased the fund balance by 943,063 for the year.

☐ OTHER INFORMATION ☐

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer, Cox Associates, CPA's, was selected by the County. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of federal Single Audit Act of 1984, as amended in 1997, and related OMB Circular A-133. The auditor's report on the basic financial statements and combining individual fund statements and schedules is included in the Financial Section of this report. The auditors' report related specifically to the single audit is included in the Compliance Section.

Awards

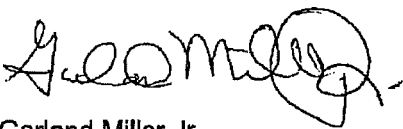
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Shenandoah, Virginia for its comprehensive annual financial report for the fiscal year ended June 30, 2012. The County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this annual financial report could not have been accomplished without the dedicated effort of Mary Beth Price, County Administrator, Cindy George, Treasurer, the School Board and the members of their staffs. We would like to express our appreciation to all members of those departments who assisted and contributed to the preparation of this report.

Also, without the leadership and support of the Board of Supervisors, preparation of this report would not have been possible.

Sincerely,



Garland Miller Jr
Budget Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

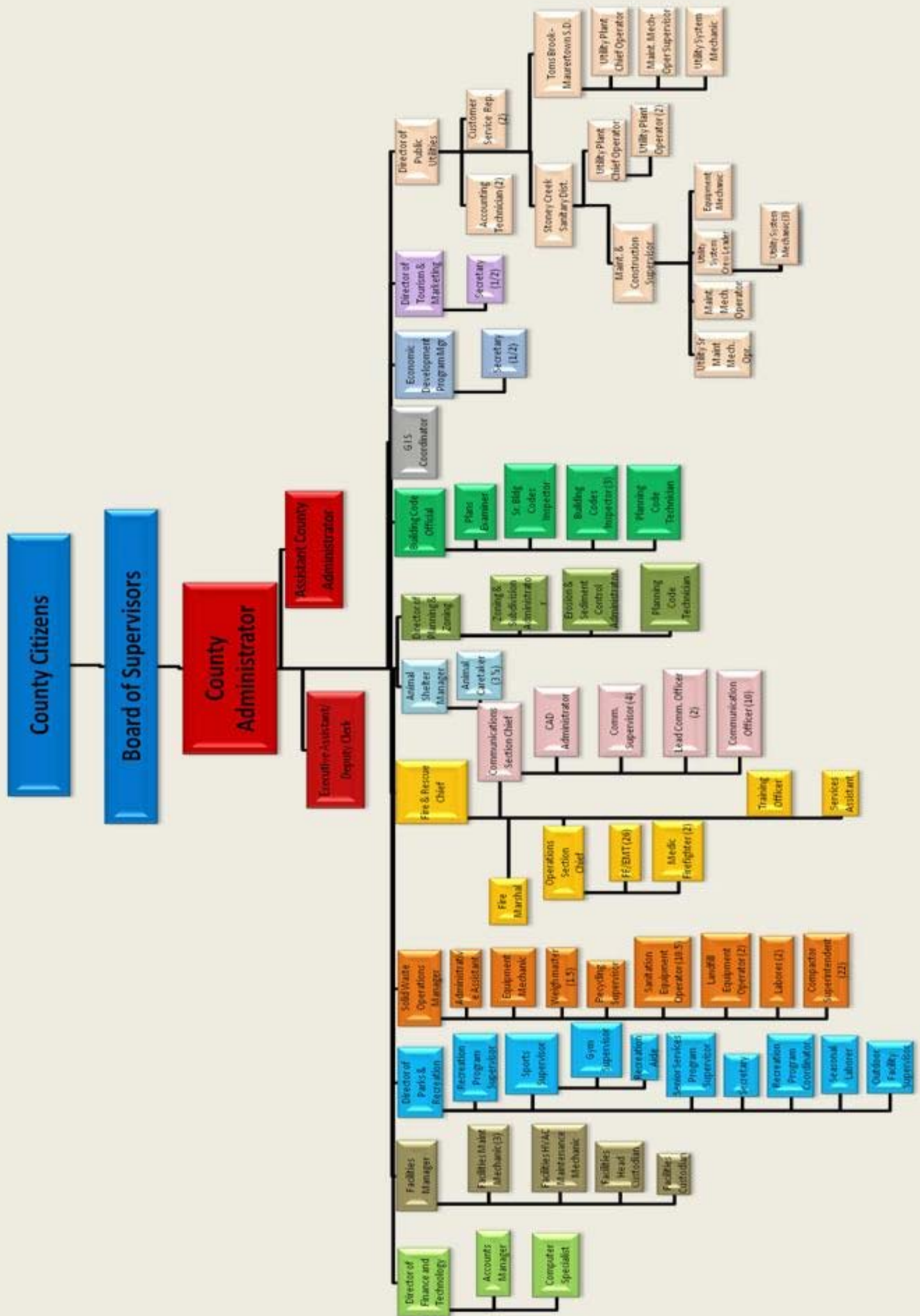
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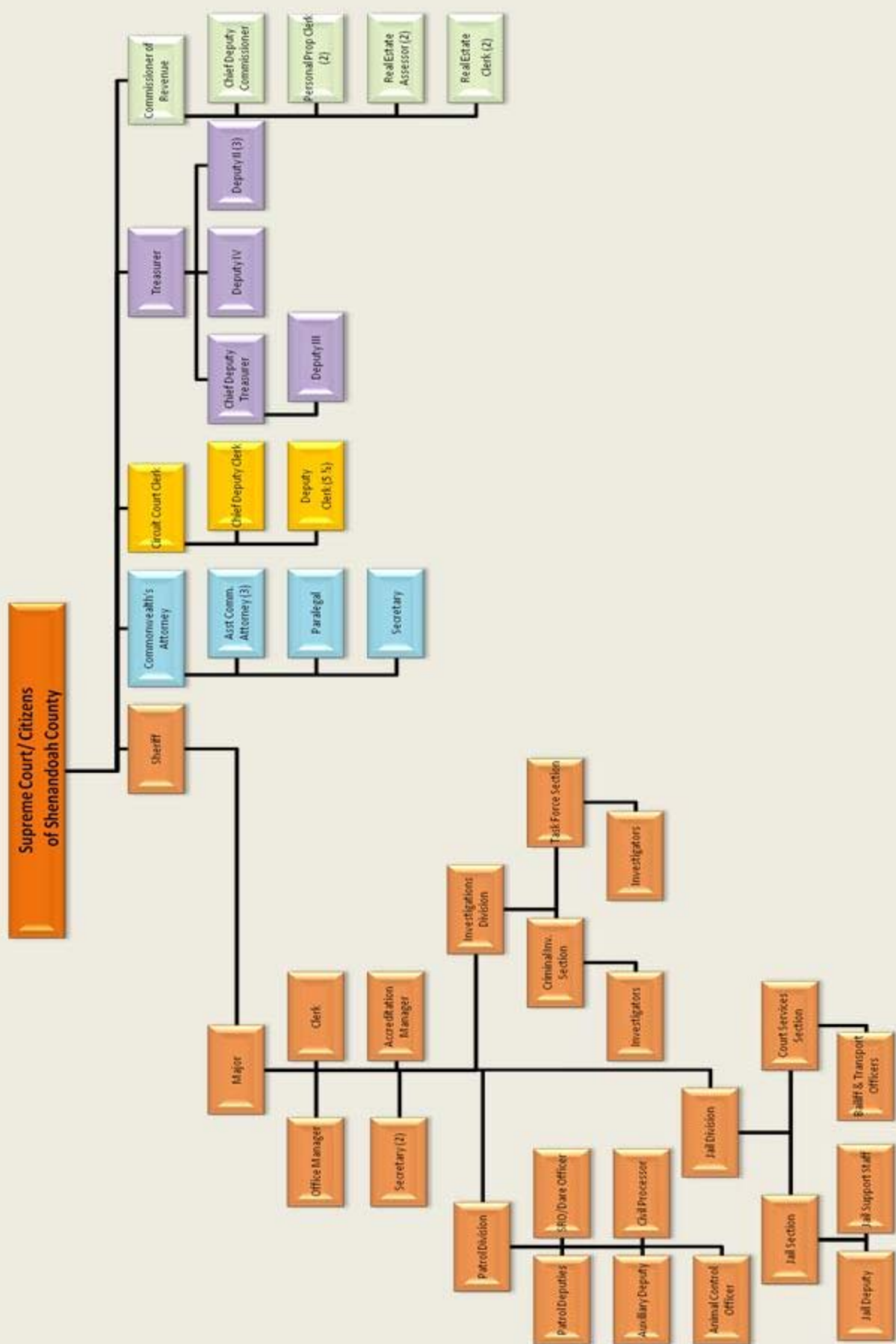
**County of Shenandoah
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO





COUNTY OF SHENANDOAH, VIRGINIA

BOARD OF SUPERVISORS

Dr. Conrad A. Helsley, Chairman
Dennis Morris, Vice-Chairman

Dick Neese, District 1
Stevent A. Baker, District 2

David E. Ferguson, District 3
Sharon Baroncelli, District 4

COUNTY SCHOOL BOARD

Gary Rutz, Chairman
Richard L. Koontz, Jr. Vice-Chairman

Irving L. Getz
Karen Whetzel

Kathryn Holsinger
Sonya Williams-Giersch

OTHER OFFICIALS

Judge of the Circuit Court	Dennis Hupp
Judge of the General District Court	Amy Tisinger
Judge of the Juvenile & Domestic Court	William Logan
Clerk of the General District Court.....	Tammy Heishman
Clerk of the Juvenile & Domestic Court.....	Nikki Taylor
Clerk of the Circuit Court.....	Denise Barb-Estep
Commonwealth's Attorney	Amanda McDonald Wiseley
Commissioner of the Revenue	Kathy Black
Treasurer.....	Cindy George
Sheriff.....	Timothy Carter
Superintendent of Schools.....	Dr. B. Keith Rowland
Director of Sanitary Districts	Rodney McClain
Director of Social Services.....	John AyersCarla Taylor
General Registrar.....	Lisa McDonald
Chief Building Inspector.....	Geary Showman/Mike Delinger
Program Coordinator of Economic Development.....	Vincent E. Poling/Brandon Davis
Director of Information Technology	Garland Miller
Director of Parks and Recreation.....	Pam Sheets
Director of Emergency Operation Center	Gary Yew
Chief of Fire and Rescue	Gary Yew
Maintenance Manager	Duane Williams
Library Director.....	Sandy Whitesides
Personnel Director	Mary T. Price
County Attorney.....	J.Jay Litten
County Administrator.....	Mary T. Price
Budget Manager.....	Garland Miller

FINANCIAL SECTION

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 SHENANDOAH, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Shenandoah, Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12-19, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2013, on our consideration of the County of Shenandoah, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Shenandoah, Virginia's internal control over financial reporting and compliance.

Rehman, Farnum, Cox Associates

Staunton, Virginia
November 29, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Shenandoah, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2013

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$20,074,280 (net position). Of this amount, \$6,442,732 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the County's funds reported combined ending fund balances of \$26,301,074, an increase of \$920,156 in comparison with the prior year. Approximately thirty nine percent of the total fund balance, \$10,497,972, is available for spending at the County of Shenandoah's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,497,972 or 20.0% percent of total general fund expenditures.
- The County of Shenandoah, Virginia's total debt increased by \$863,463 during the current fiscal year.

Overview of the Financial Statements

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

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

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

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, judicial administration, public safety, public works, health and welfare, parks and recreation and cultural, and community development. Business-type activities of the County include the Toms Brook-Maurertown Sanitary District, the Stoney Creek Sanitary District, North Fork Wastewater fund, and Landfill fund.

The government-wide financial statements include not only the County of Shenandoah, Virginia (known as the primary government), but also a legally separate school district and a legally separate library for which the County of Shenandoah, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information present for the primary government itself.

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

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

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

The County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund and the capital projects fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds - The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Toms Brook-Maurertown Sanitary District, Stoney Creek Sanitary District, North Fork Wastewater and the Landfill. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Toms Brook-Maurertown Sanitary District, Stoney Creek Sanitary District, North Fork Wastewater and the Landfill all of which are considered to be major funds of the County.

Overview of the Financial Statements (Continued)

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in the connection with nonmajor governmental funds are also presented as required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,074,280 at the close of the end of the fiscal year. The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

Shenandoah County's net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, represents 37 percent of total net position. The County uses these capital assets to provide services to citizens, therefore these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis (Continued)

County of Shenandoah, Virginia's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 50,379,002	\$ 47,286,299	\$ 2,886,102	\$ 2,518,948	\$ 53,265,104	\$ 49,805,247
Capital assets	52,255,478	48,772,234	9,547,265	9,183,580	61,802,743	57,955,814
Total assets	<u>\$ 102,634,480</u>	<u>\$ 96,058,533</u>	<u>\$ 12,433,367</u>	<u>\$ 11,702,528</u>	<u>\$ 115,067,847</u>	<u>\$ 107,761,061</u>
Current liabilities	\$ 2,912,511	\$ 1,726,324	\$ 620,650	\$ 627,492	\$ 3,533,161	\$ 2,353,816
Long-term liabilities	57,947,559	57,084,096	14,577,825	14,404,749	72,525,384	71,488,845
Total liabilities	<u>\$ 60,860,070</u>	<u>\$ 58,810,420</u>	<u>\$ 15,198,475</u>	<u>\$ 15,032,241</u>	<u>\$ 76,058,545</u>	<u>\$ 73,842,661</u>
Total deferred inflows of resources	<u>\$ 18,654,775</u>	<u>\$ 17,138,614</u>	<u>\$ 280,247</u>	<u>\$ -</u>	<u>\$ 18,935,022</u>	<u>\$ 17,138,614</u>
Net position:						
Net investment in capital assets	\$ 766,198	\$ (352,810)	\$ 6,744,936	\$ 6,106,858	\$ 7,511,134	\$ 5,754,048
Restricted:						
Capital projects	2,181,996	-	-	-	2,181,996	-
Asset forfeiture	3,938,418	3,896,099	-	-	3,938,418	3,896,099
Unrestricted	16,233,023	16,893,494	(9,790,291)	(9,436,571)	6,442,732	7,456,923
Total net position	<u>\$ 23,119,635</u>	<u>\$ 20,436,783</u>	<u>\$ (3,045,355)</u>	<u>\$ (3,329,713)</u>	<u>\$ 20,074,280</u>	<u>\$ 17,107,070</u>

At the end of the current fiscal year, the County is able to report positive balances in all categories of net position, except for business-type unrestricted net position, both for the County as a whole and for its separate governmental and business-type activities.

Governmental Activities - Governmental activities increased the County's net position by \$3,010,136.

Key elements of this increase are as follows:

County of Shenandoah, Virginia's Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 2,273,578	\$ 1,538,496	\$ 2,780,421	\$ 2,748,547	\$ 5,053,999	\$ 4,287,043
Operating grants and contributions	7,994,332	8,043,215	-	-	7,994,332	8,043,215
Capital grants and contributions	1,102,782	1,411,363	515,666	329,067	1,618,448	1,740,430
General Revenues:						
Property taxes	35,569,694	33,793,896	592,586	562,552	36,162,280	34,356,448
Other local taxes	6,495,383	6,638,102	10,256	23,331	6,505,639	6,661,433
Other	6,710,622	5,196,950	45,218	89,893	6,755,840	5,286,843
Total revenues	\$ 60,146,391	\$ 56,622,022	\$ 3,944,147	\$ 3,753,390	\$ 64,090,538	\$ 60,375,412
Expenses:						
General						
government	\$ 2,463,006	\$ 2,714,331	\$ -	\$ -	\$ 2,463,006	\$ 2,714,331
Judicial						
administration	1,982,483	1,908,573	-	-	1,982,483	1,908,573
Public safety	13,053,085	11,627,376	-	-	13,053,085	11,627,376
Public works	1,414,273	1,840,310	-	-	1,414,273	1,840,310
Health and welfare	6,971,130	7,462,916	-	-	6,971,130	7,462,916
Education	24,661,559	25,310,174	-	-	24,661,559	25,310,174
Parks, recreation and culture	1,426,020	1,528,660	-	-	1,426,020	1,528,660
Community development	892,852	745,870	-	-	892,852	745,870
Interest	2,639,028	2,845,792	-	-	2,639,028	2,845,792
Business-type activities	-	-	5,292,608	5,150,121	5,292,608	5,150,121
Total expenses	\$ 55,503,436	\$ 55,984,002	\$ 5,292,608	\$ 5,150,121	\$ 60,796,044	\$ 61,134,123
Increase (decrease) in net position before transfers	\$ 4,642,955	\$ 638,020	\$ (1,348,461)	\$ (1,396,731)	\$ 3,294,494	\$ (758,711)
Transfers	(1,632,819)	7,002,886	1,632,819	(7,002,886)	-	-
Increase (decrease) in net position	\$ 3,010,136	\$ 7,640,906	\$ 284,358	\$ (8,399,617)	\$ 3,294,494	\$ (758,711)
Net position beginning, as restated	20,109,499	12,468,593	(3,329,713)	5,069,904	16,779,786	17,538,497
Net position ending	\$ 23,119,635	\$ 20,109,499	\$ (3,045,355)	\$ (3,329,713)	\$ 20,074,280	\$ 16,779,786

- Property taxes increased \$1,775,798 during the year. Real property taxes increased \$1,804,694 and due to an increase in the real estate tax rate of \$0.03.
- Other local taxes decreased by \$12,154 despite local sales tax increasing \$55,724.
- Charges for services increased by \$735,082 mainly due to billing for ambulance services.
- Other revenues increased by \$1,513,672, and is the result of a resident donating land to the Parks and Recreation department.
- Operating grants and contributions decreased \$48,883, a result of several grant projects concluding early in FY13.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Public safety expenses increased by \$1,425,709 as the result of hiring eight new firefighters, the impact of utilizing grant funds to purchase an ambulance and sheriff vehicles.

Business-type activities. Business-type activities of the two Sanitary Districts increased the Shenandoah County Government's net position by \$497,754. This was an increase of \$169,767 from the previous fiscal year. Key elements of this increase are as follows. Stoney Creek Sanitary District had a slight improvement in the occupancy rates of the units in the Bayse area. Toms Brook Sanitary District has an increase in connection fees.

Two other enterprise funds are included in the Business-type activities. First is the North Fork Wastewater Treatment Plant and the second is the Landfill Enterprise Fund. In FY11, the North Fork Wastewater Treatment Plant fund was created and the shift generated an increase in assets. In FY13, this fund experienced a decrease in assets of \$26,012. The landfill enterprise fund was created in FY12 in response to the leachate line projects. The creation of this fund required significant changes to the financial as assets moved from the general fund to the landfill fund. The landfill had a negative impact on the business-type activities of \$8,877,691; however, the general fund assets would benefit from this transfer.

Financial Analysis of the County's Funds

As noted earlier, the County used 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 spend able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26,301,074 an increase of \$920,156 in comparison with the prior year. Approximately thirty nine percent of the total fund balance, \$10,497,972 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it is committed to various County projects.

The general fund is the operating fund of the County. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was \$10,497,972, while the total fund balance was \$15,632,079. 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. Unassigned fund balance represents 20.0 percent of total general fund expenditures, while total fund balance represents 29.7 percent of that same amount.

The general fund balance increased \$943,063 during the current fiscal year.

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

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$ 2,151,416 increase in appropriations) and can be briefly summarized as follows:

- Every departmental budget with personnel was impacted by the change in VRS policy which dictated an increase in salary to cover a shift in expenses from the County to employees.
- \$116,206 increase in judicial administration expenditures.

- \$1,349,727 increase in public safety expenditures from Department of Justice grant, funding for breathing apparatus and ambulance.
- \$461,589 increase capital projects, funding for three DHCD projects, a TEA/21 grant and two pass-thru VDOT revenue sharing grants.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds as of June 30, 2013 amounts to \$52,255,478 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total of the County's investment in capital assets for the current fiscal year increase \$3,483,253 mainly due to a donation of 300+ acres to parks and recreation.

County of Shenandoah, Virginia's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,035,787	\$ 1,008,987	\$ 503,500	\$ 503,500	\$ 3,539,287	\$ 1,512,487
Building and improvements	51,227,986	46,058,747	-	-	51,227,986	46,058,747
Utility plant in service	-	-	26,039,863	25,659,531	26,039,863	25,659,531
Equipment	7,151,178	7,178,884	-	-	7,151,178	7,178,884
Construction in progress	4,181,285	6,944,988	908,463	470,073	5,089,748	7,415,061
Subtotal	\$ 65,596,236	\$ 61,191,606	\$ 27,451,826	\$ 26,633,104	\$ 93,048,062	\$ 87,824,710
Accumulated depreciation	(13,340,758)	(12,419,372)	(17,904,561)	(17,449,524)	(31,245,319)	(29,868,896)
Net capital assets	\$ <u>52,255,478</u>	\$ <u>48,772,234</u>	\$ <u>9,547,265</u>	\$ <u>9,183,580</u>	\$ <u>61,802,743</u>	\$ <u>57,955,814</u>

Additional information on the County's capital assets can be found in Note 9.

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$55,553,086. The bonded debt outstanding comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County's total debt increased by \$863,463.

Additional information on the County of Shenandoah, Virginia's long-term debt can be found in Note 12 of this report.

Economic Factors and Next Year's Budgets and Rates

- The June 2013 unemployment rate for the County was 6.2 percent, which is a decrease from a rate of 6.8 percent in June 2012. Shenandoah's rate is slightly higher than the region's average unemployment rate of 5.8 and the state average of 5.9 percent but lower than the national average rate of 7.8 percent.
- Despite low interest rates for home mortgages, the residential building market has stabilized but is well below the peak years of 2006 and 2007.

All of these factors were considered in preparing the County's budget for the 2014 fiscal year.

The proposed FY14 general fund budget was \$55,171,789. Of this amount, \$33,238,026 (60.2%) was transferred to Public Schools, Social Services, Comprehensive Services Act, the Landfill enterprise fund, North Fork Enterprise fund and Debt Service. Total appropriations were \$103,911,018 which includes additional revenue for Public Schools, Social Service and Comprehensive Services Act not part of the general fund. The budget reflects a plan to balance increasing needs with minimum tax increases to cover otherwise declining or stagnant revenues. It is well documented that significant portions of the state's budget woes have been passed onto the localities.

Requests for Information

This financial report is designed to provide a general overview of the County of Shenandoah, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Shenandoah Administration, 600 N. Main Street; Suite 102, Woodstock, Virginia 22664.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Net Position
June 30, 2013

Exhibit 1

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Library
ASSETS					
Cash and cash equivalents	\$ 21,566,150	\$ 1,926,178	\$ 23,492,328	\$ 6,679,436	\$ 334,321
Cash in custody of others	12,175	-	12,175	-	10,623
Restricted assets-customer deposits	-	19,950	19,950	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	20,625,569	364,410	20,989,979	-	-
Accounts receivable	1,333,138	329,536	1,662,674	136,826	8,442
Internal balances	(36,904)	36,904	-	-	-
Due from component unit	2,831,854	-	2,831,854	-	-
Due from other governmental units	1,848,029	-	1,848,029	1,346,274	-
Inventories	-	-	-	79,532	-
Prepaid items	16,995	43,423	60,418	3,853	11,105
Deposits	-	-	-	5,000	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	2,181,996	60,840	2,242,836	-	-
Capital assets (net of accumulated depreciation):					
Land	3,035,787	503,500	3,539,287	5,725,275	-
Buildings and improvements	42,809,266	1,061,782	43,871,048	35,547,566	208,540
Wells, lines, reservoirs	-	3,382,005	3,382,005	-	-
Machinery and equipment	2,229,140	3,691,515	5,920,655	1,157,629	10,992
Construction in progress	4,181,285	908,463	5,089,748	-	-
Total assets	\$ 102,634,480	\$ 12,328,506	\$ 114,962,986	\$ 50,681,391	\$ 584,023
LIABILITIES					
Accounts payable	\$ 1,688,003	\$ 479,938	\$ 2,167,941	\$ 4,525,009	\$ 140
Accrued interest payable	730,531	15,207	745,738	-	-
Due to primary government	-	-	-	2,831,854	-
Unearned revenue	493,977	694	494,671	-	-
Deposits payable-restricted assets	-	19,950	19,950	-	-
Long-term liabilities:					
Due within one year	4,094,742	383,247	4,477,989	221,685	-
Due in more than one year	53,852,817	14,194,578	68,047,395	2,291,055	-
Total liabilities	\$ 60,860,070	\$ 15,093,614	\$ 75,953,684	\$ 9,869,603	\$ 140
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	\$ 18,310,824	\$ 280,247	\$ 18,591,071	\$ -	\$ -
Deferred amount on refunding	343,951	-	343,951	-	-
Total deferred inflows of resources	\$ 18,654,775	\$ 280,247	\$ 18,935,022	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 766,198	\$ 6,744,936	\$ 7,511,134	\$ 42,430,470	\$ 219,532
Restricted for:					
Capital projects	2,181,996	-	2,181,996	-	-
Asset forfeiture	3,938,418	-	3,938,418	-	-
Unrestricted (deficit)	16,233,023	(9,790,291)	6,442,732	(1,618,682)	364,351
Total net position	\$ 23,119,635	\$ (3,045,355)	\$ 20,074,280	\$ 40,811,788	\$ 583,883

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,463,006	\$ 7,903	\$ 276,616	\$ -
Judicial administration	1,982,483	249,069	641,684	-
Public safety	13,053,085	1,046,987	3,034,586	531,799
Public works	1,414,273	-	77,697	284,093
Health and welfare	6,971,130	27,283	3,942,698	-
Education	24,661,559	-	-	-
Parks, recreation, and cultural	1,426,020	618,054	16,176	-
Community development	892,852	324,282	4,875	286,890
Interest on long-term debt	2,639,028	-	-	-
Total governmental activities	\$ 55,503,436	\$ 2,273,578	\$ 7,994,332	\$ 1,102,782
Business-type activities:				
Stoney Creek Sanitary District	\$ 1,435,304	\$ 1,022,122	\$ -	\$ 282,000
Toms Brook Maurertown Sanitary District	814,431	606,859	-	233,666
North Fork Wastewater	209,261	100,784	-	-
Landfill	2,833,612	1,095,874	-	-
Total business-type activities	5,292,608	2,825,639	-	515,666
Total primary government	\$ 60,796,044	\$ 5,099,217	\$ 7,994,332	\$ 1,618,448
COMPONENT UNITS:				
School Board	\$ 62,281,536	\$ 3,019,479	\$ 34,902,952	\$ 3,221
Library	853,524	26,970	833,771	-
Total component units	\$ 63,135,060	\$ 3,046,449	\$ 35,736,723	\$ 3,221

General revenues:

General property taxes
Local sales tax
Consumer utility taxes
Motor vehicle licenses
Tax on recordation and wills
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning as restated
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	Library	
\$ (2,178,487)	\$ -	\$ (2,178,487)	\$ -	\$ -	
(1,091,730)	-	(1,091,730)	-	-	
(8,439,713)	-	(8,439,713)	-	-	
(1,052,483)	-	(1,052,483)	-	-	
(3,001,149)	-	(3,001,149)	-	-	
(24,661,559)	-	(24,661,559)	-	-	
(791,790)	-	(791,790)	-	-	
(276,805)	-	(276,805)	-	-	
(2,639,028)	-	(2,639,028)	-	-	
<u>\$ (44,132,744)</u>	<u>\$ -</u>	<u>\$ (44,132,744)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (131,182)	\$ (131,182)	\$ -	\$ -	
-	26,094	26,094	-	-	
-	(108,477)	(108,477)	-	-	
-	(1,737,738)	(1,737,738)	-	-	
-	(1,951,303)	(1,951,303)	-	-	
<u>\$ (44,132,744)</u>	<u>\$ (1,951,303)</u>	<u>\$ (46,084,047)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (24,355,884)	\$ -	
-	-	-	-	7,217	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,355,884)</u>	<u>\$ 7,217</u>	
\$ 35,569,694	\$ 592,586	\$ 36,162,280	\$ -	\$ -	
3,224,641	-	3,224,641	-	-	
1,943,136	-	1,943,136	-	-	
825,623	-	825,623	-	-	
347,126	-	347,126	-	-	
154,857	-	154,857	-	-	
130,565	10,256	140,821	2,072	47	
2,705,887	-	2,705,887	108,906	10,783	
3,874,170	-	3,874,170	24,243,912	12,459	
(1,632,819)	1,632,819	-	-	-	
<u>\$ 47,142,880</u>	<u>\$ 2,235,661</u>	<u>\$ 49,378,541</u>	<u>\$ 24,354,890</u>	<u>\$ 23,289</u>	
\$ 3,010,136	\$ 284,358	\$ 3,294,494	\$ (994)	\$ 30,506	
20,109,499	(3,329,713)	16,779,786	40,812,782	553,377	
<u>\$ 23,119,635</u>	<u>\$ (3,045,355)</u>	<u>\$ 20,074,280</u>	<u>\$ 40,811,788</u>	<u>\$ 583,883</u>	

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FUND FINANCIAL STATEMENTS

Balance Sheet

Governmental Funds

June 30, 2013

	Primary Government			
	General	County Capital Projects	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 11,876,553	\$ 9,589,694	\$ 99,903	\$ 21,566,150
Cash in custody of others	12,175	-	-	12,175
Receivables (net of allowance for uncollectibles):				
Taxes receivable	20,625,569	-	-	20,625,569
Accounts receivable	1,333,138	-	-	1,333,138
Due from other funds	114,956	-	-	114,956
Due from component unit	2,831,854	-	-	2,831,854
Due from other governmental units	1,848,029	-	-	1,848,029
Prepaid items	16,995	-	-	16,995
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	393,307	1,788,689	-	2,181,996
Total assets	<u>\$ 39,052,576</u>	<u>\$ 11,378,383</u>	<u>\$ 99,903</u>	<u>\$ 50,530,862</u>
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 878,712	\$ 809,291	\$ -	\$ 1,688,003
Due to other funds	151,860	-	-	151,860
Unearned revenue	493,977	-	-	493,977
Total liabilities	<u>\$ 1,524,549</u>	<u>\$ 809,291</u>	<u>\$ -</u>	<u>\$ 2,333,840</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	\$ 21,895,948	\$ -	\$ -	\$ 21,895,948
FUND BALANCES				
Nonspendable	\$ 16,995	\$ -	\$ -	\$ 16,995
Restricted	3,938,418	1,788,689	-	5,727,107
Assigned	1,178,694	8,780,403	99,903	10,059,000
Unassigned	10,497,972	-	-	10,497,972
Total fund balances	<u>\$ 15,632,079</u>	<u>\$ 10,569,092</u>	<u>\$ 99,903</u>	<u>\$ 26,301,074</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 39,052,576</u>	<u>\$ 11,378,383</u>	<u>\$ 99,903</u>	<u>\$ 50,530,862</u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2013

Exhibit 4

**Primary
Government**

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	26,301,074
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		52,255,478
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		3,241,173
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(58,678,090)</u>
Net position of governmental activities	\$	<u><u>23,119,635</u></u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

Exhibit 5

	Primary Government				
	General	Debt Service	County Capital Projects	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 35,693,366	\$ -	\$ -	\$ -	35,693,366
Other local taxes	6,495,383	-	-	-	6,495,383
Permits, privilege fees, and regulatory licenses	347,305	-	-	-	347,305
Fines and forfeitures	78,423	-	-	-	78,423
Revenue from the use of money and property	120,045	-	10,510	10	130,565
Charges for services	1,847,850	-	-	-	1,847,850
Miscellaneous	2,170,745	535,078	-	64	2,705,887
Recovered costs	499,341	-	-	-	499,341
Intergovernmental revenues:					
Commonwealth	10,281,425	-	-	-	10,281,425
Federal	2,689,859	-	-	-	2,689,859
Total revenues	\$ 60,223,742	\$ 535,078	\$ 10,510	\$ 74	\$ 60,769,404
EXPENDITURES					
Current:					
General government administration	\$ 2,540,618	\$ -	\$ -	\$ -	2,540,618
Judicial administration	1,764,922	-	-	-	1,764,922
Public safety	13,244,694	-	-	-	13,244,694
Public works	1,062,575	-	-	-	1,062,575
Health and welfare	6,775,287	-	-	-	6,775,287
Education	22,094,286	-	-	-	22,094,286
Parks, recreation, and cultural	1,384,394	-	-	-	1,384,394
Community development	951,035	-	-	-	951,035
Nondepartmental	16,891	-	-	-	16,891
Capital projects	2,304,756	-	4,627,282	-	6,932,038
Debt service:					
Principal retirement	407,512	3,490,130	-	-	3,897,642
Interest and other fiscal charges	27,478	2,542,356	-	-	2,569,834
Bond issuance costs	-	-	156,175	-	156,175
Total expenditures	\$ 52,574,448	\$ 6,032,486	\$ 4,783,457	\$ -	\$ 63,390,391
Excess (deficiency) of revenues over (under) expenditures	\$ 7,649,294	\$ (5,497,408)	\$ (4,772,947)	\$ 74	\$ (2,620,987)
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 88,000	\$ 5,497,408	\$ 280,000	\$ 2,849	\$ 5,868,257
Transfers out	(7,187,538)	-	(271,322)	(42,216)	(7,501,076)
General obligation bonds issued	-	-	4,495,000	-	4,495,000
Premium on general obligation bonds issued	-	-	285,655	-	285,655
Capital leases	393,307	-	-	-	393,307
Total other financing sources (uses)	\$ (6,706,231)	\$ 5,497,408	\$ 4,789,333	\$ (39,367)	\$ 3,541,143
Net change in fund balances	\$ 943,063	\$ -	\$ 16,386	\$ (39,293)	\$ 920,156
Fund balances - beginning	14,689,016	-	10,552,706	139,196	25,380,918
Fund balances - ending	\$ 15,632,079	\$ -	\$ 10,569,092	\$ 99,903	\$ 26,301,074

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

COUNTY OF SHENANDOAH, VIRGINIA
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

Exhibit 6

Primary
Government

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

Net change in fund balances - total governmental funds	\$ 920,156
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	3,483,244
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(123,672)
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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 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.	(1,127,161)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(142,431)</u>
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Change in net position of governmental activities	<u>\$ 3,010,136</u>
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The notes to the financial statements are an integral part of this statement.

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 773,073	\$ 995,137	\$ 157,968	\$ -	\$ 1,926,178
Restricted assets-customer deposits	7,500	12,450	-	-	19,950
Taxes receivable, net of allowances for uncollectibles	325,783	38,627	-	-	364,410
Accounts receivable, net of allowances for uncollectibles	155,739	51,268	4,229	118,300	329,536
Due from other funds	141,765	-	-	-	141,765
Prepaid items	28,959	14,464	-	-	43,423
Total current assets	\$ 1,432,819	\$ 1,111,946	\$ 162,197	\$ 118,300	\$ 2,825,262
Noncurrent assets:					
Designated cash-septage	\$ -	\$ 60,840	\$ -	\$ -	\$ 60,840
Capital assets (net of accumulated depreciation):					
Land	37,251	84,047	4,950	377,252	503,500
Buildings	25,543	20,091	34,723	981,425	1,061,782
Wells, lines, reservoirs	2,167,916	1,214,089	-	-	3,382,005
Machinery and equipment	929,090	649,111	1,318,159	795,155	3,691,515
Construction in progress	174,089	93,407	-	640,967	908,463
Total noncurrent assets	\$ 3,333,889	\$ 2,121,585	\$ 1,357,832	\$ 2,794,799	\$ 9,608,105
Total assets	\$ 4,766,708	\$ 3,233,531	\$ 1,520,029	\$ 2,913,099	\$ 12,433,367
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 240,430	\$ 97,917	\$ 14,923	\$ 126,668	\$ 479,938
Compensated absences	41,950	8,600	-	24,760	75,310
Deposits payable-restricted assets	7,500	12,450	-	-	19,950
Accrued interest payable	10,500	1,574	3,133	-	15,207
Due to other funds	-	104,861	-	-	104,861
Bonds payable	220,000	36,605	51,332	-	307,937
Unearned revenue	-	694	-	-	694
Total current liabilities	\$ 520,380	\$ 262,701	\$ 69,388	\$ 151,428	\$ 1,003,897
Noncurrent liabilities:					
Compensated absences	\$ 27,967	\$ 5,734	\$ -	\$ 16,506	\$ 50,207
Bonds payable	650,000	674,219	1,170,173	-	2,494,392
Landfill closure and post-closure care	-	-	-	11,596,463	11,596,463
OPEB	20,663	6,460	-	26,393	53,516
Total noncurrent liabilities	\$ 698,630	\$ 686,413	\$ 1,170,173	\$ 11,639,362	\$ 14,194,578
Total liabilities	\$ 1,219,010	\$ 949,114	\$ 1,239,561	\$ 11,790,790	\$ 15,198,475
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	\$ 253,402	\$ 26,845	\$ -	\$ -	\$ 280,247
NET POSITION					
Net investment in capital assets	\$ 2,463,889	\$ 1,349,921	\$ 136,327	\$ 2,794,799	\$ 6,744,936
Unrestricted	830,407	907,651	144,141	(11,672,490)	(9,790,291)
Total net position	\$ 3,294,296	\$ 2,257,572	\$ 280,468	\$ (8,877,691)	\$ (3,045,355)

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit 8

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Maurertown Sanitary District	North Fork Wastewater	Landfill	Total
OPERATING REVENUES					
Charges for services:					
Water sales	\$ 445,809	\$ 243,025	\$ -	\$ -	\$ 688,834
Sewer sales	576,313	358,889	-	-	935,202
Septage income	-	4,945	100,784	-	105,729
Waste collection charges	-	-	-	1,095,874	1,095,874
Total operating revenues	\$ 1,022,122	\$ 606,859	\$ 100,784	\$ 1,095,874	\$ 2,825,639
OPERATING EXPENSES					
Treatment and purification	\$ 534,961	\$ 253,324	\$ -	\$ -	\$ 788,285
Maintenance	191,411	106,477	100,859	-	398,747
Administration	400,291	132,560	-	-	532,851
Other	41,836	93,112	10,618	-	145,566
Refuse collection	-	-	-	815,222	815,222
Refuse disposal	-	-	-	1,137,300	1,137,300
Depreciation and amortization	218,794	161,032	37,297	346,652	763,775
Total operating expenses	\$ 1,387,293	\$ 746,505	\$ 148,774	\$ 2,299,174	\$ 4,581,746
Operating income (loss)	\$ (365,171)	\$ (139,646)	\$ (47,990)	\$ (1,203,300)	\$ (1,756,107)
NONOPERATING REVENUES (EXPENSES)					
General property taxes	\$ 537,980	\$ 54,606	\$ -	\$ -	\$ 592,586
Investment earnings	4,074	6,182	-	-	10,256
Interest expense	(48,011)	(33,937)	(60,487)	-	(142,435)
Bond issue costs	-	(33,989)	-	-	(33,989)
Landfill closure expense	-	-	-	(447,267)	(447,267)
Loss on disposal of property	-	-	-	(87,171)	(87,171)
Total nonoperating revenues (expenses)	\$ 494,043	\$ (7,138)	\$ (60,487)	\$ (534,438)	\$ (108,020)
Income before contributions and transfers	\$ 128,872	\$ (146,784)	\$ (108,477)	\$ (1,737,738)	\$ (1,864,127)
Capital contributions	\$ 282,000	\$ 233,666	\$ -	\$ -	\$ 515,666
Transfers in	-	-	82,465	1,638,354	1,720,819
Transfers out	-	-	-	(88,000)	(88,000)
Change in net position	\$ 410,872	\$ 86,882	\$ (26,012)	\$ (187,384)	\$ 284,358
Total net position - beginning	\$ 2,883,424	\$ 2,170,690	\$ 306,480	\$ (8,690,307)	\$ (3,329,713)
Total net position - ending	\$ 3,294,296	\$ 2,257,572	\$ 280,468	\$ (8,877,691)	\$ (3,045,355)

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

	Enterprise Funds				
	Stoney Creek Sanitary District	Toms Brook Mauertown Sanitary District	North Fork Wastewater	Landfill	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,025,041	\$ 613,020	\$ 96,555	\$ 1,087,197	\$ 2,821,813
Payments to suppliers	(385,765)	(206,895)	(96,555)	(667,035)	(1,356,250)
Payments to employees	(804,188)	(343,866)	-	(1,187,767)	(2,335,821)
Net cash provided (used for) operating activities	\$ (164,912)	\$ 62,259	\$ -	\$ (767,605)	\$ (870,258)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	\$ -	\$ -	\$ 82,465	\$ 1,638,354	\$ 1,720,819
General property taxes	615,072	52,696	-	-	667,768
Transfers to other funds	-	-	-	(88,000)	(88,000)
Net cash provided (used for) noncapital financing activities	\$ 615,072	\$ 52,696	\$ 82,465	\$ 1,550,354	\$ 2,300,587
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	\$ (338,474)	\$ (93,407)	\$ -	\$ (870,749)	\$ (1,302,630)
Proceeds from sales of capital assets	-	-	-	88,000	88,000
Principal paid on capital debt	(214,301)	(34,981)	(25,111)	-	(274,393)
Repayment of debt due to general fund	-	(6,052)	-	-	(6,052)
Interest paid on capital debt	(50,636)	(34,026)	(57,354)	-	(142,016)
Capital contributions	282,000	233,666	-	-	515,666
Net cash provided (used for) capital and related financing activities	\$ (321,411)	\$ 65,200	\$ (82,465)	\$ (782,749)	\$ (1,121,425)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	\$ 4,074	\$ 6,182	\$ -	\$ -	\$ 10,256
Net cash provided (used for) investing activities	\$ 4,074	\$ 6,182	\$ -	\$ -	\$ 10,256
Net increase (decrease) in cash and cash equivalents	\$ 132,823	\$ 186,337	\$ -	\$ -	\$ 319,160
Cash and cash equivalents (including designated cash)- beginning	647,750	882,090	157,968	-	1,687,808
Cash and cash equivalents (including designated cash)- ending	\$ 780,573	\$ 1,068,427	\$ 157,968	\$ -	\$ 2,006,968
Reconciliation of operating income (loss) to net cash used by operating activities:					
Operating income (loss)	\$ (365,171)	\$ (139,646)	\$ (47,990)	\$ (1,203,300)	\$ (1,756,107)
Adjustments to reconcile operating loss to net cash provided (used for) operating activities:					
Depreciation and amortization expense	\$ 218,794	\$ 161,032	\$ 37,297	\$ 346,652	\$ 763,775
(Increase) decrease in accounts receivable	(2,164)	3,514	(4,229)	(8,677)	(11,556)
(Increase) decrease in prepaid items	6,183	(3,531)	-	-	2,652
(Increase) decrease in due from other funds	(33,716)	1,134	-	-	(32,582)
Increase (decrease) in accounts payable and accrued liabilities	(2,358)	36,656	14,922	112,591	161,811
Increase (decrease) in compensated absences	11,024	(666)	-	(19,943)	(9,585)
Increase (decrease) in prepaid water and sewer charges	-	47	-	-	47
Increase (decrease) in deposits payable	(1,100)	2,600	-	-	1,500
Increase (decrease) in net OPEB obligation	3,596	1,119	-	5,072	9,787
Total adjustments	\$ 200,259	\$ 201,905	\$ 47,990	\$ 435,695	\$ 885,849
Net cash provided (used for) operating activities	\$ (164,912)	\$ 62,259	\$ -	\$ (767,605)	\$ (870,258)
Schedule of non-cash capital and related financing activities:					
Landfill closure costs	\$ -	\$ -	\$ -	\$ 447,267	\$ -
Loss on disposal of capital assets	-	-	-	87,171	-

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

Exhibit 10

	Private- Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 10,089	\$ 368,604
Cash in custody of others	-	28,466
Total assets	<u>\$ 10,089</u>	<u>\$ 397,070</u>
LIABILITIES		
Amounts held for social service clients	\$ -	\$ 3,914
Amounts held for locality rescue agencies	-	364,690
Amounts held for inmates	-	28,466
Total liabilities	<u>\$ -</u>	<u>\$ 397,070</u>
NET POSITION		
Restricted for scholarships	<u>\$ 10,089</u>	<u>\$ -</u>

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

COUNTY OF SHENANDOAH, VIRGINIA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

Exhibit 11

	<u>Private-Purpose Trust</u>
ADDITIONS	
Investment earnings:	
Interest	\$ 3
Total additions	<u>\$ 3</u>
DEDUCTIONS	
Scholarships	\$ 3,611
Total deductions	<u>\$ 3,611</u>
Change in net position	<u>\$ (3,608)</u>
Net position - beginning	13,697
Net position - ending	<u><u>\$ 10,089</u></u>

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

The County of Shenandoah, Virginia (government) is a municipal corporation governed by an elected six-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 Stoney Creek and Toms Brook-Maurertown Sanitary Districts account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. The Sanitary Districts are governed by the County Board of Supervisors, and are reported as blended component units.

Discretely presented component units. The Shenandoah County School Board (Board) is responsible for elementary and secondary education within the government's jurisdiction. The members of the Board's governing board are elected by the voters. However, the government is financially accountable for the Board because the government's council approves the Boards' budget, levies taxes (if necessary), and must approve any debt issuances. The Shenandoah County School Board does not prepare separate financial statements.

The Shenandoah County Library operates to provide services to the citizens of the County. The Board of Supervisors appoints the Library Trustees as well as provides significant funding to the Library. Complete financial statements for the Library can be obtained from their offices in Edinburg, Virginia.

Jointly Governed Organizations – The County, in conjunction with other localities has created the Northwestern Regional Juvenile Detention Center and the Northwestern Community Services Board. The School Board participates in the Shenandoah Valley Regional Program for Special Education. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$229,187 for operations to the Northwestern Community Services Board and \$361,688 to the Northwestern Regional Juvenile Detention Center. The School Board contributed \$1,364,271 to the Shenandoah Valley Regional Program for operations.

B. Government-wide and fund financial statements

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

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 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the activities for Virginia Public Assistance, Forfeited Drug Assets, Sheriff Federal Case, Law Library, Transient Occupancy, Gypsy Moth, Spay/Neuter, Pump and Haul, Seven Bends Day Care, Jail Telephone, Purchase Development Rights, Project Lifesaver, Triad, Crime Prevention, DARE, Sludge Disposal and Landfill Recovery Funds.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The *debt service fund* accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. It also is used to report the financial resources being accumulated for future debt service. The County Debt Service Fund is a major fund of the County.

The *capital projects fund* accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County Capital Projects Fund is a major fund of the County.

The government reports the following major proprietary funds:

The *Stoney Creek Sanitary District and Toms Brook-Maurertown Sanitary District funds* account for the activities of the Districts blended component units of the government. The Districts operate the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution systems of the County.

The North Fork Wastewater fund accounts for the activity of the leachate services provided at the sewage treatment plant. It was created June 30, 2011 to account for this activity and to segregate operations for the 2011 general obligation bond issue.

The Landfill fund accounts for the activity of the refuse disposal services provided to the residents of the County. It was created June 30, 2012 to account for this activity and to segregate operations for the 2011 general obligation bond issue.

The government reports the following governmental fund types:

Special revenue fund accounts for and reports the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Landfill Contingency Fund is a special revenue fund of the County.

Capital projects fund account for and reports financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. The Industrial Park Water and Sewer Fund is a nonmajor capital projects fund of the County.

The government reports the following fiduciary fund types:

The *private-purpose trust fund* is used to account for resources legally held in trust to be used to award scholarships to selected recipients. Private-purpose funds consist of the Scholarship funds. All resources of the fund, including any earnings on invested resources, may be used to support the County's scholarship activities.

Agency funds account for assets held by the County as an agent or custodian for individuals, private organizations, other governmental units or other funds. The special welfare, ambulance recovery, and jail inmate accounts are the County's agency funds.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *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 Sanitary Districts, and government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

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

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.

State statutes authorize the government and the School Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

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."

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

3. Property taxes

Property is assessed at its value on January 1. Property taxes attached as an enforceable lien on property as of January 1. Taxes are due and collectible semi-annually on June 5th and December 5th. The County bills and collects its own property taxes.

4. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,161,515 at June 30, 2013 and is comprised solely of property taxes. This allowance represents .7167% of the total levies for the previous six years.

Accounts receivable are stated at book value. The Sanitary Districts calculate their allowance for uncollectible utility accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$5,024 for Toms Brook-Maurertown Sanitary District and \$6,354 for Stoney Creek Sanitary District at June 30, 2013.

5. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Quantities on hand at year-end are considered immaterial and have not been recorded, except in the School Cafeteria Fund where it can be easily measured.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted assets

At June 30, 2013, the County had the following restricted assets. Restricted assets in the Toms Brook-Maurertown Sanitary District consist of funds restricted for septage expenses in the amount of \$60,840. The restricted assets in the General Fund are for debt service in the amount of \$393,307. The Capital Projects fund had unspent bond proceeds in the amount of \$1,788,689.

7. Capital assets

Capital assets, which include property, plant, and equipment, 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 two years. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

7. Capital assets (continued)

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. There was no capitalized interest during the current fiscal year.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Wells, lines and reservoirs	40-50
Building improvements	20
Vehicles	5
Office equipment	5
Computer equipment	5

8. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

10. Fund equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

In the general fund, the County strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 12.5% of the actual GAAP basis expenditures and other financing sources and uses.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

10. Fund equity (continued)

The detail of the County's primary government fund balances is detailed below:

	General Fund	Major Capital Projects Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 16,995	\$ -	\$ -	\$ 16,995
Restricted:				
Debt service proceeds	\$ 393,307	\$ 1,788,689	\$ -	\$ 2,181,996
Asset forfeiture proceeds-Virginia	14,882	-	-	14,882
Asset forfeiture proceeds-Federal	3,530,229	-	-	3,530,229
Total Restricted Fund Balance	\$ 3,938,418	\$ 1,788,689	\$ -	\$ 5,727,107
Assigned:				
Capital projects	\$ -	\$ 8,780,403	\$ 99,903	\$ 8,880,306
Transient occupancy	48,807	-	-	48,807
Seven Bends Student Center	87,657	-	-	87,657
Sludge disposal	355,327	-	-	355,327
Landfill recovery	221,849	-	-	221,849
Telephone commissions	152,917	-	-	152,917
Other purposes	312,137	-	-	312,137
Total Assigned Fund Balance	\$ 1,178,694	\$ 8,780,403	\$ 99,903	\$ 10,059,000
Unassigned Fund Balance	\$ 10,497,972	\$ -	\$ -	\$ 10,497,972
Total Fund Balances	\$ 15,632,079	\$ 10,569,092	\$ 99,903	\$ 26,301,074

11. Net position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

12. Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources, in order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

13. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. Investments

Investments are stated at fair value. Certificates of deposit, short-term repurchase agreements, and equity investments are reported in the accompanying financial statements as cash and cash equivalents.

F. 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.

G. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County had two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. The County also shows a deferred amount on refunding reported in to government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

H. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

I. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was changed as a result of implementing this Statement and a restatement of prior balances was required to write off bond issue costs in the amount of \$327,284.

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

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

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of these differences are as follows:

	Primary Government	Component Unit School Board
General obligation bonds	\$ (43,555,868)	\$ -
Lease revenue bonds payable	(7,595,000)	-
Unamortized bond premium	(1,886,218)	-
Literary loans payable	(2,516,000)	-
Accrued interest payable	(730,531)	-
Capital leases payable	(1,131,300)	-
Net OPEB obligation	(421,484)	(1,626,000)
Compensated absences	(841,689)	(886,740)
<i>Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities</i>	<u>\$ (58,678,090)</u>	<u>\$ (2,512,740)</u>

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)**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains 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 differences are as follows:

	Primary Government	Component Unit School Board
Capital outlay	\$ 7,005,846	\$ 427,711
Depreciation expense	(1,636,143)	(1,860,587)
Primary government capital asset allocation	<u>(1,886,459)</u>	<u>1,886,459</u>
<i>Net adjustment to increase (decrease) net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ 3,483,244</u>	<u>\$ 453,583</u>

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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of these differences are on the following page:

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

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)

	<u>Primary Government</u>
Debt issued or incurred:	
Proceeds of general obligation bonds	\$ (4,495,000)
Premium on general obligation bonds	(285,655)
Amortization of premium on bond issue	129,910
Amortization of deferred amount on refunding	19,249
Capital lease financing	(393,307)
Principal repayments:	
General obligation bonds	3,490,130
Capital leases	<u>407,512</u>
<i>Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (1,127,161)</u>

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 these differences are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Compensated absences	\$ (2,040)	\$ (5,968)
Accrued interest payable	(62,178)	-
Net OPEB obligation	<u>(78,213)</u>	<u>(372,000)</u>
<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities</i>	<u>\$ (142,431)</u>	<u>\$ (377,968)</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgets and Budgetary Accounting

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 Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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 activity level within each department. The appropriation for each department or activity can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government activities and the School Board is authorized to transfer budgeted amounts within the school system's categories. The legal level of budgetary control is at the department level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund and School Cafeteria 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.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

NOTE 4—DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):

Custodial Credit Risk (Investments)

The County of Shenandoah, Virginia sets forth the following authorized investments to mitigate custodial credit risk. Whereas, authorized investments for public funds are limited to those set forth in Chapter 18, Section 2.2-4501 of the Code of Virginia. Investment vehicles for the County of Shenandoah, Virginia shall be further restricted in consideration of the size of the portfolio and the absence of professional investment personnel.

Credit Risk of Debt Securities

The County of Shenandoah, Virginia may invest any and all funds belonging to it or in its control in the following:

1. U.S. Treasury Bills, Notes, Bonds and other direct obligations of the United States Government.
2. Repurchase agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government securities, and collateralized by Treasury or Agency obligations the market value of which is at least 102% of the purchase price of the repo.
3. Obligations of the Commonwealth of Virginia and of its local governments and public bodies, provided such obligations have a debt rating of at least "AA" or equivalent by Moody's and/or Standard & Poor's.
4. Certificates of deposit or other deposits of national banks located within the Commonwealth and state-chartered banks under Commonwealth supervision provided such deposits are insured or collateralized as provided by the Virginia Security for Public Deposits Act.
5. Local Government Investment Pool (LGIP) Fund is comprised of legal investments authorized for public funds and has an average maturity of 30 days.

Locality's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 4,112,241
State Non-Arbitrage Program	1,788,689
Total	<u>\$ 5,900,930</u>

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 5—INTERFUND OBLIGATIONS:

	Receivable Primary Government/ Component Unit	Payable Primary Government/ Component Unit	Due from Other Funds	Due to Other Funds
Primary Government:				
General Fund	\$ 2,831,854	\$ -	\$ 114,956	\$ 151,860
Toms Brook-Maurertown Sanitary District	-	-	-	104,861
Stoney Creek Sanitary District	-	-	141,765	-
Sub-total	\$ 2,831,854	\$ -	\$ 256,721	\$ 256,721
Discretely Presented Component Units:				
School Fund	\$ -	\$ 2,831,854	\$ 3,490	\$ -
School Cafeteria Fund	-	-	-	3,490
Sub-total	\$ -	\$ 2,831,854	\$ 3,490	\$ 3,490
Total reporting entity	\$ 2,831,854	\$ 2,831,854	\$ 260,211	\$ 260,211

Balances due to/from component units resulted from the time lag between the dates that interfund goods and services were provided.

NOTE 6—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 88,000	\$ (7,187,538)
County Debt Service	5,497,408	-
Landfill Contingency	2,849	(42,216)
Capital Projects	280,000	(271,322)
North Fork Wastewater	82,465	-
Landfill	1,638,354	(88,000)
Total	\$ 7,589,076	\$ (7,589,076)

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.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 7—DUE FROM TOMS BROOK-MAURERTOWN SANITARY DISTRICT:

During fiscal year 1994, the General Fund built a septage handling facility at the Toms Brook-Maurertown Sanitary District location for \$235,240. This amount is being repaid to the General Fund from tipping fees that are collected by Toms Brook and from septic application fees collected by the General Fund on behalf of the District. The balance as of June 30, 2013 was \$114,956.

NOTE 8—DUE FROM OTHER GOVERNMENTAL UNITS:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 1,050,177
Local sales taxes	529,604	-
Comprehensive services act funds	301,707	-
Public assistance and welfare	112,879	-
Fringe benefits	271,698	-
Other funds	421,906	-
Federal Government:		
Public assistance and welfare	110,459	-
CDBG	76,339	-
Other funds	23,437	-
School funds	-	264,959
Cafeteria funds	-	31,138
Total	\$ <u>1,848,029</u>	\$ <u>1,346,274</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 9—CAPITAL ASSETS:

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

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,008,987	\$ 2,026,800	\$ -	\$ 3,035,787
Construction in progress	<u>6,944,988</u>	<u>3,767,037</u>	<u>(6,530,740)</u>	<u>4,181,285</u>
Total capital assets not being depreciated	<u>\$ 7,953,975</u>	<u>\$ 5,793,837</u>	<u>\$ (6,530,740)</u>	<u>\$ 7,217,072</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 46,058,747	\$ 7,618,907	\$ (2,449,668)	\$ 51,227,986
Machinery and equipment	<u>7,178,884</u>	<u>643,991</u>	<u>(671,697)</u>	<u>7,151,178</u>
Total capital assets being depreciated	<u>\$ 53,237,631</u>	<u>\$ 8,262,898</u>	<u>\$ (3,121,365)</u>	<u>\$ 58,379,164</u>
Accumulated depreciation:				
Buildings and improvements	\$ (7,882,254)	\$ (1,045,046)	\$ 508,580	\$ (8,418,720)
Machinery and equipment	<u>(4,537,118)</u>	<u>(591,097)</u>	<u>206,177</u>	<u>(4,922,038)</u>
Total accumulated depreciation	<u>\$ (12,419,372)</u>	<u>\$ (1,636,143)</u>	<u>\$ 714,757</u>	<u>\$ (13,340,758)</u>
Total capital assets being depreciated, net	<u>\$ 40,818,259</u>	<u>\$ 6,626,755</u>	<u>\$ (2,406,608)</u>	<u>\$ 45,038,406</u>
Governmental activities capital assets, net	<u>\$ 48,772,234</u>	<u>\$ 12,420,592</u>	<u>\$ (8,937,348)</u>	<u>\$ 52,255,478</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 503,500	\$ -	\$ -	\$ 503,500
Construction in progress	<u>470,073</u>	<u>438,390</u>	<u>-</u>	<u>908,463</u>
Total capital assets not being depreciated	<u>\$ 973,573</u>	<u>\$ 438,390</u>	<u>\$ -</u>	<u>\$ 1,411,963</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 4,029,311	\$ -	\$ -	\$ 4,029,311
Wells, lines and reservoirs	<u>10,016,932</u>	<u>209,571</u>	<u>-</u>	<u>10,226,503</u>
Machinery and equipment	<u>11,613,288</u>	<u>654,669</u>	<u>(483,908)</u>	<u>11,784,049</u>
Total capital assets being depreciated	<u>\$ 25,659,531</u>	<u>\$ 864,240</u>	<u>\$ (483,908)</u>	<u>\$ 26,039,863</u>
Accumulated depreciation:				
Buildings and improvements	\$ (2,778,311)	\$ (189,218)	\$ -	\$ (2,967,529)
Wells, lines and reservoirs	<u>(6,783,376)</u>	<u>(61,122)</u>	<u>-</u>	<u>(6,844,498)</u>
Machinery and equipment	<u>(7,887,837)</u>	<u>(513,435)</u>	<u>308,738</u>	<u>(8,092,534)</u>
Total accumulated depreciation	<u>\$ (17,449,524)</u>	<u>\$ (763,775)</u>	<u>\$ 308,738</u>	<u>\$ (17,904,561)</u>
Business-type activities , capital assets, net	<u>\$ 9,183,580</u>	<u>\$ 538,855</u>	<u>\$ (175,170)</u>	<u>\$ 9,547,265</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 9—CAPITAL ASSETS (CONTINUED):

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

Governmental activities:	
General government administration	\$ 243,038
Judicial administration	210,282
Public safety	461,663
Public works	6,266
Health and welfare	13,804
Education	680,784
Culture and recreation	20,306
Total depreciation expense-governmental activities	<u>\$ 1,636,143</u>
Business-type activities:	
Stoney Creek Sanitary District	\$ 218,794
Toms Brook-Maurertown Sanitary District	161,032
North Fork Wastewater Fund	37,297
Landfill	346,652
Total depreciation expense business-type activities	<u>\$ 763,775</u>

The government has entered into lease agreements as lessee for financing general equipment and school buses for the school board. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present values of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 1,305,735
Less: Accumulated depreciation	(501,831)
Total	<u>\$ 803,904</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2013, are as follows:

Year Ended June 30,	Governmental Activities
2014	\$ 352,559
2015	275,291
2016	275,291
2017	194,147
2018	81,717
Total minimum lease payments	<u>\$ 1,179,005</u>
Less: Amount representing interest	(47,705)
Present value of minimum lease payments	<u>\$ 1,131,300</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 9—CAPITAL ASSETS (CONTINUED):

Discretely presented component units:

Activity for the School Board for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 6,165,275	\$ -	\$ (440,000)	\$ 5,725,275
Total capital assets not being depreciated	\$ 6,165,275	\$ -	\$ (440,000)	\$ 5,725,275
Capital assets being depreciated:				
Buildings and improvements	\$ 57,728,942	\$ 2,470,872	\$ (245,885)	\$ 59,953,929
Machinery and equipment	6,828,745	1,059,904	(180,384)	7,708,265
Total capital assets being depreciated	\$ 64,557,687	\$ 3,530,776	\$ (426,269)	\$ 67,662,194
Accumulated depreciation:				
Buildings and improvements	\$ (22,688,456)	\$ (1,717,907)	\$ -	\$ (24,406,363)
Machinery and equipment	(6,057,619)	(673,401)	180,384	(6,550,636)
Total accumulated depreciation	\$ (28,746,075)	\$ (2,391,308)	\$ 180,384	\$ (30,956,999)
Total capital assets being depreciated, net	\$ 35,811,612	\$ 1,139,468	\$ (245,885)	\$ 36,705,195
School Board capital assets, net	\$ 41,536,887	\$ 1,139,468	\$ (685,885)	\$ 42,430,470

Depreciation expense for the Component Unit School Board was \$2,541,371 and a net transfer of (\$150,063) was transferred in accumulated depreciation from the primary government due to debt repayments for the year ended June 30, 2013.

Activity for the Shenandoah County Library for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Buildings and system	\$ 285,197	\$ -	\$ -	\$ 285,197
Machinery and equipment	230,644	-	-	230,644
Total capital assets being depreciated	\$ 515,841	\$ -	\$ -	\$ 515,841
Accumulated depreciation:				
Buildings and system	\$ (69,527)	\$ (7,130)	\$ -	\$ (76,657)
Machinery and equipment	(212,404)	(7,248)	-	(219,652)
Total accumulated depreciation	\$ (281,931)	\$ (14,378)	\$ -	\$ (296,309)
Total capital assets being depreciated, net	\$ 233,910	\$ (14,378)	\$ -	\$ 219,532

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 10—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 \$494,671 is comprised of \$694 in unavailable revenues in the business-type activities and the following:

- A. Unearned Revenue – Former Employee – In conjunction with the plea agreement of the former County landfill director on criminal charges of mail fraud, money laundering and forfeiture of assets, he agreed to provide restitution to the County in the amount of \$400,000 of which \$236,456 was outstanding at June 30, 2013. Payments commenced February 1, 1996, with final payment due February 1, 2001. This agreement is secured by the personal residence of the former director and other assets. Other restitution received by the County from the sale of assets seized by the authorities in September 1994 will not be applied against this restitution amount. The February 1, 1998 and 1997 payments were not made by the former employee. Therefore, the plea agreement was violated. As a result of violating the agreement, the former employee's personal residence was seized and sold on September 23, 1997, for \$192,500. After payment of liens and selling expense, the County received \$106,598 in July 1998.
- B. Asset Forfeiture Proceeds – Assets seized as a result of law enforcement raids awaiting approval from the federal government totaled \$257,521 at June 30, 2013.

NOTE 11—UNAVAILABLE REVENUE PROPERTY TAXES:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unavailable revenue totaling \$21,895,948 is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2013, but paid in advance by the taxpayers totaled \$1,805,176 in the general fund at June 30, 2013.
- B. Unbilled Property Taxes – Property taxes for the second half of 2013 that had not been billed as of June 30, 2013 amounted to \$16,505,648.
- C. Unavailable Property Taxes – Uncollected tax billings not available for funding of current expenditures totaled \$3,585,124 at June 30, 2013.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS:

Changes in long-term obligations

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

	Balance July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2013
<u>Governmental activities:</u>				
General obligation bonds	\$ 46,576,498	\$ -	\$ 3,020,630	\$ 43,555,868
Bond Premium	1,730,473	285,655	129,910	1,886,218
Literary loan funds	2,830,500	-	314,500	2,516,000
Compensated Absences	839,649	505,830	503,790	841,689
Net OPEB Obligation	343,271	102,633	24,420	421,484
Capital Leases	1,145,505	393,307	407,512	1,131,300
Lease Revenue Bonds	3,255,000	4,495,000	155,000	7,595,000
Total Governmental Activities	\$ 56,720,896	\$ 5,782,425	\$ 4,555,762	\$ 57,947,559
<u>Business-type activities:</u>				
General Obligation/Revenue Bonds	\$ 3,072,421	\$ -	\$ 270,092	\$ 2,802,329
Capital Leases	4,301	-	4,301	-
Net OPEB Obligation	43,729	18,367	8,580	53,516
Compensated Absences	135,101	71,477	81,061	125,517
Landfill Closure and Post Closure Care	11,149,197	447,266	-	11,596,463
Total Business-type Activities	\$ 14,404,749	\$ 537,110	\$ 364,034	\$ 14,577,825
Total Long-Term Obligations	\$ 71,488,845	\$ 6,319,535	\$ 4,919,796	\$ 72,525,383

For governmental activities, the liability for compensated absences and the net OPEB obligation are fully liquidated by the general fund.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligation and related interest are as follows:

Years Ending June 30,	Governmental Activities			
	Capital Leases		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 331,707	\$ 20,852	\$ 160,000	\$ 307,544
2015	261,143	14,147	170,000	299,588
2016	266,812	8,479	265,000	289,666
2017	190,597	3,550	280,000	277,825
2018	81,041	770	285,000	265,047
2019	-	-	300,000	252,281
2020	-	-	315,000	239,097
2021	-	-	330,000	224,369
2022	-	-	345,000	208,172
2023	-	-	365,000	190,328
2024	-	-	385,000	171,935
2025	-	-	405,000	153,415
2026	-	-	415,000	135,478
2027	-	-	365,000	118,041
2028	-	-	220,000	104,716
2029	-	-	175,000	10,095
2030	-	-	160,000	89,725
2031	-	-	165,000	83,497
2032	-	-	170,000	77,663
2033	-	-	180,000	70,969
2034	-	-	185,000	64,641
2035	-	-	190,000	58,781
2036	-	-	195,000	52,728
2037	-	-	205,000	46,403
2038	-	-	210,000	39,844
2039	-	-	215,000	33,125
2040	-	-	225,000	26,169
2041	-	-	230,000	18,975
2042	-	-	240,000	11,544
2043	-	-	245,000	3,875
Total	\$ <u>1,131,300</u>	\$ <u>47,798</u>	\$ <u>7,595,000</u>	\$ <u>3,925,535</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligation and related interest are as follows: (continued)

Years Ending June 30,	Governmental Activities			
	General Obligation Bonds		State Literary Loans	
	Principal	Interest	Principal	Interest
2013	\$ 2,939,190	\$ 2,120,492	\$ 314,500	\$ 75,480
2014	3,012,560	2,006,539	314,500	66,046
2015	3,121,250	1,885,158	314,500	56,610
2016	3,245,277	1,756,699	314,500	47,174
2017	3,379,655	1,619,034	314,500	37,740
2018	3,509,398	1,479,771	314,500	28,306
2019	3,649,519	1,332,368	314,500	18,870
2020	3,788,879	1,173,813	314,500	9,434
2021	3,932,565	1,007,332	-	-
2022	4,072,128	833,193	-	-
2023	2,162,468	703,893	-	-
2024	2,218,180	622,133	-	-
2025	2,032,314	538,513	-	-
2026	2,094,789	452,190	-	-
2027	262,490	9,947	-	-
2028	135,203	2,015	-	-
Total	\$ <u>43,555,868</u>	\$ <u>17,543,087</u>	\$ <u>2,516,000</u>	\$ <u>339,660</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

Primary government – Annual requirements to amortize long-term obligations and related interest are as follows: (continued)

Years Ending June 30,	Business-Type Activities Debt	
	Stoney Creek	
	Sanitary District Bonds	
	Principal	Interest
2014	\$ 220,000	\$ 36,500
2015	240,000	25,000
2016	260,000	12,500
2017	150,000	3,000
Total	\$ 870,000	\$ 77,000

Years Ending June 30,	Business-Type Activities Debt			
	Toms Brook-Maurertown		North Fork Wastewater	
	Sanitary District Bonds		VRA Loan	
	Principal	Interest	Principal	Interest
2014	\$ 36,605	\$ 32,251	\$ 51,332	\$ 37,228
2015	38,359	30,497	52,847	35,712
2016	40,199	28,657	54,406	34,153
2017	42,124	26,732	56,012	32,547
2018	44,145	24,711	57,665	30,894
2019	46,262	22,594	59,367	29,192
2020	48,479	20,377	61,120	27,440
2021	50,805	18,051	62,924	25,636
2022	53,241	15,614	64,781	23,779
2023	55,795	13,061	66,693	21,867
2024	48,285	10,431	68,661	19,898
2025	37,212	8,532	70,688	17,872
2026	38,922	6,822	72,774	15,785
2027	40,710	5,035	74,922	13,637
2028	42,580	3,164	77,133	11,426
2029	29,960	1,289	79,410	9,150
2030	7,690	614	81,753	6,806
2031	8,440	260	84,166	4,393
2032	1,011	5	24,852	1,909
Total	\$ 710,824	\$ 268,697	\$ 1,221,505	\$ 399,321

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 12—LONG-TERM OLBIGATIONS (CONTINUED):

PRIMARY GOVERNMENT

Details of long-term obligations:

Governmental Activities:

	Total Amount Due	Amount Due Within One Year
Capital leases:		
\$351,990 issued May 21, 2009, due in quarterly installments of \$19,331 beginning December 8, 2008, through December 8, 2013, for the purchase of six school buses	\$ 75,532	\$ 75,532
\$377,850 issued June 20, 2011, due in quarterly installments of \$20,286 beginning December 1, 2011, through December 1, 2015, for the purchase of six school buses	232,892	75,513
\$148,883 issued December 8, 2011, due in quarterly installments of \$8,031-\$10,809 beginning July 15, 2012, through April 15, 2017, for the purchase of field lighting	121,394	29,295
\$381,985 issued June 25, 2012, due in quarterly installments of \$20,123 beginning August 15, 2012, through May 15, 2017, for the purchase of five school buses	308,175	74,607
\$393,907 issued June 20, 2013, due in quarterly installments of \$20,429 beginning August 15, 2013, through May 15, 2018, for the purchase of five school buses	393,307	76,760
Total capital leases	\$ 1,131,300	\$ 331,707
Lease Revenue Bonds:		
\$3,255,000 2011B refunding bonds were issued on November 26, 2011, due in varying annual installments beginning June 1, 2012, through June 1, 2029, bearing interest at 2.97%	\$ 3,100,000	\$ 160,000
\$4,495,000 2012C lease revenue bonds were issued on December 6, 2012, due in varying annual installments beginning October 1, 2015 through October 1, 2042, bearing interest at varying rates ranging from 3.125%-4.845%	4,495,000	-
Total lease revenue bonds	\$ 7,595,000	\$ 160,000

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	<u>Total Amount Due</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$4,000,000 VRA bond for Town of Mt. Jackson WWTP expansion project, issued in 2008, semi-annual payments of \$136,219 maturing January 1, 2029, with interest payable at 3%.	\$ 3,357,261	\$ 173,007
\$15,760,000 VRA bond issued November 19, 2009, due in semi-annual installments totaling \$1,539,334 maturing October 1, 2026, with interest payable at 5.125%	14,985,000	810,000
\$5,615,000 Virginia Public School Authority Bonds 1993B, issued December 1, 1993, maturing annually through December 15, 2013, with interest payable semi-annually at rates of 4.475% to 5.0%	30,000	30,000
\$25,140,000 Virginia Public School Authority Bonds 2002, issued May 16, 2002, at a premium of \$836,018, annual payments of \$2,019,563 through July 15, 2022, with interest payable semi-annually at rates of 3.6% to 5.6%.	15,810,000	1,245,000
\$4,130,808 Virginia Public School Authority Bonds 2004B, issued November 10, 2004, at a premium of \$303,424, maturing annually through January 15, 2025, with interest payable semi-annually at rates of 4.6% to 5.6%.	2,638,607	201,183
\$7,435,000 Virginia Public School Authority Bonds 2010, issued July 8, 2010, annual payments of \$480,000 through June 1, 2027, with interest payable semi-annually at rates of 2.7%. Interest is reimbursed by a federal interest subsidy.	6,735,000	480,000
Total general obligation bonds	\$ <u>43,555,868</u>	\$ <u>2,939,190</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Governmental Activities: (continued)

	Total Amount Due	Amount Due Within One Year
Literary Fund Loans:		
\$1,290,000 issued April 1, 2001 for the renovation of Ashby Lee Elementary School, due in annual installments of \$64,500 from April 1, 2002 through April 1, 2021, plus interest at 3%	\$ 516,000	\$ 64,500
\$1,931,000 issued April 1, 2001 for the renovation of Sandy Hook Elementary School, due in annual installments of \$96,550 from April 1, 2002 through April 1, 2021, plus interest at 3%	772,400	96,550
\$3,069,000 issued April 1, 2001 for the renovation of W. W. Robinson Elementary School, due in annual installments of \$153,450 from April 1, 2002 through April 1, 2021, plus interest at 3%	1,227,600	153,450
Total Literary Fund Loans	\$ 2,516,000	\$ 314,500
Unamortized Bond Premium	\$ 1,886,218	\$ 139,433
Compensated absences	\$ 841,689	\$ 209,912
Net OPEB obligation	\$ 421,484	\$ -
Total Governmental Activities Long-term Obligation	\$ 57,947,559	\$ 4,094,742
<u>Business-type Activities:</u>		
<u>Stoney Creek Sanitary District:</u>		
Revenue bond:		
\$2,660,000 Water and Sewer Revenue Bonds issued August 7, 2003, due in annual principal installments of \$35,000 to \$260,000 from October 1, 2003, through October 1, 2016, interest rates from 2.0% to 5.0% payable semi-annually	\$ 870,000	\$ 220,000
Compensated absences	\$ 69,917	\$ 41,950
Net OPEB obligation	\$ 20,663	\$ -
Total Stoney Creek Sanitary District	\$ 960,580	\$ 261,950

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Business-type activities: (continued)

	<u>Due</u>	<u>One Year</u>
<u>Toms Brook-Maurertown Sanitary District:</u>		
General Obligation Revenue Bonds:		
\$398,700 Sewer Revenue Bond Series of 1984, payable in monthly installments of \$1,926, including principal and interest at 5% per annum beginning May 1, 1984, and ending April 1, 2024	\$ 188,500	\$ 13,901
\$634,000 General Obligation Bond Series of 1995, with interest only payable annually in February 1996 and 1997, and thereafter payable in monthly installments of \$3,120, including principal and interest at 4.5% per annum beginning in March 1997, and ending in February 2029	419,380	18,956
\$68,000 General Obligation Bond Series of 1997, with interest only payable through December 22, 1998, and thereafter payable in monthly installments of \$331, including principal and interest at 4.5% per annum beginning January 1999, and ending January 2032	49,390	1,786
\$42,000 Water Revenue Bond Series of 1997, with interest only payable through December 22, 1998, and thereafter payable in monthly installments of \$205, including principal and interest at 4.55 per annum beginning in January 1999 and ending January 2032	30,369	1,116
\$32,000 Water Revenue Bond Series of 1997, with interest only payable on December 22, 1998, and thereafter payable in monthly installments of \$156, including principal and interest at 4.5% per annum beginning in January 1999 and ending January 2032	23,185	846
Total general obligation revenue bonds	\$ 710,824	\$ 36,605

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 12—LONG-TERM OBLIGATIONS (CONTINUED):

PRIMARY GOVERNMENT (continued)

Details of long-term obligations: (continued)

Business-type activities: (continued)

	Amount Due	Due Within One Year
Compensated absences	\$ 14,334	\$ 8,600
Net OPEB obligation	\$ 6,460	\$ -
Total Toms Brook-Maurertown Sanitary District	\$ 731,618	\$ 45,205
North Fork Wastewater: Lease Revenue Bond:		
\$1,304,415 VRA Bond 2011, payable semi-annually beginning on December 1, 2012 of \$7,106, including principal and interest at 2.93%, and ending in June 2032.	\$ 1,221,505	\$ 51,332
Landfill:		
Landfill closure and post-closure care	\$ 11,596,463	\$ -
Compensated absences	\$ 41,266	\$ 24,760
Net OPEB obligation	\$ 26,393	\$ -
Total landfill	\$ 11,664,122	\$ 24,760
Total Business-type Activities	\$ 14,577,825	\$ 383,247

DISCRETLY PRESENTED COMPONENT UNIT-SCHOOL BOARD:

Changes in long-term obligations:

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amount Due Within One Year
Compensated absences	\$ 880,772	\$ 534,431	\$ 528,463	\$ 886,740	\$ 221,685
Net OPEB obligation	1,254,000	627,000	255,000	1,626,000	-
Total	\$ 2,134,772	\$ 1,161,431	\$ 783,463	\$ 2,512,740	\$ 221,685

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 13—OTHER LIABILITIES – ENTERPRISE FUNDS:

The other liabilities of the Sanitary Districts at June 30, 2013, consist of the following:

	<u>Stoney Creek</u>	<u>Toms-Brook Maurertown</u>	<u>Total</u>
Security deposits	\$ <u>7,500</u>	\$ <u>12,450</u>	\$ <u>19,950</u>
Total	\$ <u><u>7,500</u></u>	\$ <u><u>12,450</u></u>	\$ <u><u>19,950</u></u>

NOTE 14—DEFERRED COMPENSATION PLAN:

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The County does not match the employee's contributions. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Under the provisions of the Small business Job Protection Act of 1996, all amounts currently or thereafter held under the Plan, including amounts deferred and earnings or other accumulations attributable thereto, shall be held for the exclusive benefit of Plan participants and beneficiaries in annuity contracts, or in trust or in one or more custodial accounts pursuant to one or more separate written instruments.

Investments are managed by the plan's trustee under one of twenty-seven investment options, or a combination thereof. The choice of the investment option is made solely by the participants.

NOTE 15—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

NOTE 15—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (continued)

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 15—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund 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 2013 were 12.40% and 10.53%, respectively, of annual covered payroll.

The School Board's contributions for professional employees were \$3,663,267, \$1,887,320, and \$1,177,089, to the teacher cost-sharing pool for the fiscal years ended June 30, 2013, 2012 and 2011, respectively and these contributions represented 11.66%, 6.33%, and 3.93%, of annual covered payroll for the fiscal years ended June 30, 2013, 2012 and 2011, respectively, of current covered payroll.

A. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$869,126 was equal to the County's required and actual contributions.

For fiscal year 2013, the School Board's annual pension cost for the board's non-professional employees was \$408,651 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, 2013	\$ 869,126	100%	\$ -
June 30, 2012	990,583	100%	-
June 30, 2011	1,001,771	100%	-
School Board Non-Professional:			
June 30, 2013	\$ 408,651	100%	\$ -
June 30, 2012	303,522	100%	-
June 30, 2011	324,864	100%	-

NOTE 15—DEFINED BENEFIT PENSION PLAN (CONTINUED):

C. Annual Pension Cost (continued)

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the 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 payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the County's plan was 73.72% funded. The actuarial accrued liability for benefits was \$38,605,749, and the actuarial value of assets was \$28,460,449, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,145,300. The covered payroll (annual payroll of active employees covered by the plan) was \$10,834,028, and ratio of the UAAL to the covered payroll was 93.64%.

As of June 30, 2012, the most recent actuarial valuation date, the School Board's non-professional plan was 78.09% funded. The actuarial accrued liability for benefits was \$11,641,121, and the actuarial value of assets was \$9,091,090, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,550,331. The covered payroll (annual payroll of active employees covered by the plan) was \$3,697,634, and ratio of the UAAL to the covered payroll was 68.97%.

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 16—OTHER POSTEMPLOYMENT BENEFITS:

Beginning in fiscal year 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

Primary Government

A. Plan Description

The County's retiree health insurance program is a single employer defined benefit healthcare plan. A retired employee of the County, who is participating in the employer's medical and dental program, is eligible to elect post-retirement coverage if the employee is at least 50 and has at least 30 years of service. Disabled employees who are unable to perform the essential functions of their position with or without accommodations are also eligible. Retired employees may resume coverage for life insurance, medical insurance, disability insurance and dental insurance. The employee is responsible for 100% of the cost.

B. Funding Policy

The Shenandoah County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when the retiree reaches the age of 65 unless the retiree has selected a specific medical plan.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$122,000 for fiscal year 2013. The County has elected not to pre-fund OPEB liabilities. The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years on an open basis.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government (Continued)

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

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 122,000
Interest on OPEB Obligation	16,000
Adjustment to ARC	<u>(17,000)</u>
Annual OPEB cost	\$ 121,000
Contributions Made	<u>(33,000)</u>
Increase in Net OPEB Obligation	\$ 88,000
New OPEB Obligation - beginning of year	<u>387,000</u>
Net OPEB Obligation - end of year	<u>\$ 475,000</u>

The County's net OPEB obligation was reported as \$421,484 and \$53,516 in the governmental and business-type activities, respectively. The general fund is responsible for the payment of the governmental activities net OPEB obligation. Likewise, the Stoney Creek and Toms Brook-Maurertown Sanitary Districts and the landfill fund are responsible for the business-type activities net OPEB cost.

The County made an OPEB contribution of \$33,000 during fiscal year 2013. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Primary Government:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 121,000	27.0%	\$ 475,000
June 30, 2012	146,000	35.7%	387,000
June 30, 2011	138,000	21%	293,137

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government (Continued)

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

	Primary Government
Actuarial accrued liability (AAL)	\$ 1,017,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	1,017,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	8,948,000
UAAL as a percentage of covered payroll	11.4%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government (Continued)

E. Actuarial Methods and Assumptions (Continued)

Cost Method

The Entry Age Normal cost method is used to determine the Plan's funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan's total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions.

Actuarial Assumptions:

Amortization method	Level percentage of payroll, open
Funding interest rate	4.25%
Annual amortization increase rate	2.50%
Medical trend rate	9% graded down to 5.0%
Amortization period	30 years
Asset valuation method	5-year smooth market
Inflation rate	2.50%

VRS Health Insurance Credit Program

A. Plan Description

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

An employee, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4.00 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is the greater of \$4.00 multiplied by the smaller of (i) twice the amount of their creditable service for (ii) the amount of creditable service they would have completed at age sixty if they had remained in service to that age.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Primary Government (Continued)

A. Plan Description (continued)

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 15.

B. Funding Policy

The County is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.19% of annual covered payroll. The County's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$140,591, \$30,503, and \$30,825, respectively and equaled the required contributions for each year.

Component Unit School Board:

A. Plan Description

The Component Unit School Board's retiree health Insurance Plan is a single employer defined benefit plan. A retired employee of the Component Unit School Board, who is participating in the employer's medical and dental program, is eligible to elect post-retirement coverage if the employee is at least 50 and has at least 5 years of service. Disabled employees who are unable to perform the essential functions of their position with or without accommodations are also eligible. Retired employees may resume coverage for life insurance, medical insurance, disability insurance and dental insurance. The employee is responsible for 100% of the cost.

B. Funding Policy

The Component Unit School Board establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The Component Unit School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Retirees pay 100% of spousal premiums. Coverage ceases when the retiree reaches the age of 65 unless the retiree has selected a specific medical plan.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The estimated pay as you go cost for OPEB benefits is \$627,000 for fiscal year 2013. The Component Unit School Board has elected not to pre-fund OPEB liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years on an open basis.

The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Board's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 628,000
Interest on OPEB Obligation	53,000
Adjustment to ARC	(54,000)
Annual OPEB cost	\$ 627,000
Contributions Made	(255,000)
Increase in Net OPEB Obligation	\$ 372,000
New OPEB Obligation - beginning of year	1,254,000
Net OPEB Obligation - end of year	\$ 1,626,000

The Component Unit School Board made an OPEB contribution of \$255,000 during fiscal year 2013. The Component Unit School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

Component Unit School Board:			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 627,000	40.7%	\$ 1,626,000
June 30, 2012	638,000	53.1%	1,254,000
June 30, 2011	615,000	47.0%	955,000

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)**Component Unit School Board: (Continued)****D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2011, the date of the most recent actuarial valuation is as follows:

	<u>Component Unit School Board</u>
Actuarial accrued liability (AAL)	\$ 5,877,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	5,877,000
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	26,517,000
UAAL as a percentage of covered payroll	22.2%

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

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

E. Actuarial Methods and Assumptions (Continued)
Cost Method

The Entry Age Normal cost method is used to determine the Plan’s funding liabilities and costs. Under this method, the actuarial present value of projected benefits of every active Participant as if the Plan’s provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year). Under this method, inactive Participants have no normal cost, and the actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The Plan’s total annual normal cost and actuarial liability are the sum of the individual Participant amounts. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Data is net of any retiree contributions.

Actuarial Assumptions:

	Component Unit School Board Unfunded
Amortization method	Level percentage of payroll, open
Funding interest rate	4.25%
Annual amortization increase rate	2.50%
Medical trend rate	9% graded down to 5.0%
Amortization period	30 years
Asset valuation method	5-year smooth market
Inflation rate	2.50%

VRS Health Insurance Credit Program

A. Plan Description

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

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4.00 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a maximum monthly credit, which is the greater of \$4.00 multiplied by the smaller of (i) twice the amount of their creditable service for (ii) the amount of creditable service they would have completed at age sixty if they had remained in service to that age.

NOTE 16—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Component Unit School Board: (Continued)

VRS Health Insurance Credit Program (Continued)

A. Plan Description (continued)

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 15.

C. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012, and 2011 were \$348,660, \$178,893, and \$179,708, respectively and equaled the required contributions for each year.

NOTE 17—CONTINGENT LIABILITIES:

Federal programs in which the county and its component units participate were audited in accordance with the provisions of the U. S. Office of Management and Budget (OMB) A-133 Compliance Supplement. 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, if any, would be immaterial.

While \$468,770 of the General Obligation Bond Series of 1995 and 1997 have been recorded in the Toms Brook-Maurertown Sanitary District, from which repayment is anticipated, the General Fund has a contingent liability for the repayment of this amount should the Sanitary District be unable to do so.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 18—RISK MANAGEMENT:

The County is a member the Virginia Municipal Group Self Insurance Association for worker's compensation insurances. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The county pays Virginia Municipal Group contributions and assessments based upon classifications and rates. These amounts are deposited into a designated cash reserve fund of the association out of which expenses, claims and awards are to be paid. In the event of a catastrophic loss which creates an equity deficit and for which all available excess insurance is depleted, the Association may assess all members in proportion to 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 losses. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

NOTE 19—LANDFILL CLOSURE AND POST-CLOSURE CARE COST:

State and federal laws and regulations require the County of Shenandoah place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. During fiscal year 2003, the County opened new landfill cells and significantly completed closure of its old landfill. The estimated liability for landfill closure and post-closure care costs has a balance of \$11,596,463 as of June 30, 2013, which is based on the estimated number of years remaining, which is zero for the old landfill and four years for the new landfill cells and the capacity used to date which is estimated to be 96.08% for the new landfill. The estimated total current cost of the landfill closure and post-closure care of \$12,069,591 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain both of the landfills were incurred as of June 30, 2013. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and 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 Vrrginia Administrative Code.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements June 30, 2013 (Continued)

NOTE 20—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:

	Stoney Creek Sanitary District	Toms Brook Sanitary District	North Fork Wastewater Fund	Landfill Fund	Total Enterprise Funds
Operating revenue	\$ 1,022,122	\$ 606,859	\$ 100,784	\$ 1,095,874	\$ 2,825,639
Depreciation and amortization	218,794	161,032	37,297	346,652	763,775
Operating income (loss)	(365,171)	(139,646)	(47,990)	(1,203,300)	(1,756,107)
Current connection fees	282,000	233,666	-	-	515,666
Property, plant and equipment additions, net of retirements	(338,474)	(93,407)	-	(870,749)	(1,302,630)
Net working capital	1,174,389	372,175	144,141	(8,368)	1,682,337
Total assets	4,766,708	3,233,531	1,520,029	2,913,099	12,433,367
Long-term liabilities	698,630	686,413	1,170,173	11,639,362	14,194,578
Net position	3,294,296	2,257,572	280,468	(8,877,691)	(3,045,355)

NOTE 21—CONSTRUCTION CONTRACTS OUTSTANDING:

The Primary Government had the following material contracts outstanding at June 30, 2013:

	Original Contract Amount	Amount Spent to Date	Amount of Contract Reamining at Year End
Edinburg school	\$ 4,213,000	\$ 3,257,473	\$ 955,527
Historic courthouse renovation	1,211,000	341,468	869,532
Totals	<u>\$ 5,424,000</u>	<u>\$ 3,598,941</u>	<u>\$ 1,825,059</u>

NOTE 22—BEGINNING NET POSITION RESTATEMENT:

The beginning net position of the Primary Government was adjusted to write off bond issue costs in accordance with GASB Statement No. 65-Items Previously Reported as Assets and Liabilities as follows:

	Governmental Activities
Net position at July 1, 2012 as originally reported	\$ 20,436,783
To adjust for write-off of bond issue costs in accordance with GASB Statement No. 65.	(327,284)
Net position at July 1, 2012 as restated	<u>\$ 20,109,499</u>

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements
June 30, 2013 (Continued)

NOTE 23—UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

NOTE 24—LITIGATION:

At June 30, 2013, there were no matters of litigation involving the County for which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

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REQUIRED SUPPLEMENTARY INFORMATION

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 33,634,626	\$ 33,634,626	\$ 35,693,366	\$ 2,058,740
Other local taxes	6,522,100	6,522,100	6,495,383	(26,717)
Permits, privilege fees, and regulatory licenses	325,750	325,765	347,305	21,540
Fines and forfeitures	58,600	58,600	78,423	19,823
Revenue from the use of money and property	96,750	120,119	120,045	(74)
Charges for services	2,250,770	2,262,372	1,847,850	(414,522)
Miscellaneous	226,900	391,694	2,170,745	1,779,051
Recovered costs	459,682	1,741,096	499,341	(1,241,755)
Intergovernmental revenues:				
Commonwealth	7,510,213	7,883,113	10,281,425	2,398,312
Federal	230,000	1,121,170	2,689,859	1,568,689
Total revenues	\$ 51,315,391	\$ 54,060,655	\$ 60,223,742	\$ 6,163,087
EXPENDITURES				
Current:				
General government administration	\$ 2,447,873	\$ 2,606,250	\$ 2,540,618	\$ 65,632
Judicial administration	1,720,693	1,836,899	1,764,922	71,977
Public safety	11,583,156	12,932,883	13,244,694	(311,811)
Public works	1,002,371	1,056,303	1,062,575	(6,272)
Health and welfare	7,050,191	7,050,191	6,775,287	274,904
Education	22,318,924	22,318,924	22,094,286	224,638
Parks, recreation, and cultural	1,296,393	1,315,140	1,384,394	(69,254)
Community development	1,006,582	1,140,926	951,035	189,891
Nondepartmental	165,069	23,563	16,891	6,672
Capital projects	143,343	604,932	2,304,756	(1,699,824)
Debt service:				
Principal retirement	-	-	407,512	(407,512)
Interest and other fiscal charges	-	-	27,478	(27,478)
Total expenditures	\$ 48,734,595	\$ 50,886,011	\$ 52,574,448	\$ (1,688,437)
Excess (deficiency) of revenues over (under) expenditures	\$ 2,580,796	\$ 3,174,644	\$ 7,649,294	\$ 4,474,650
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,401,598	\$ 1,401,598	\$ 88,000	\$ (1,313,598)
Transfers out	\$ (5,476,796)	\$ (5,476,796)	\$ (7,187,538)	\$ (1,710,742)
Capital leases	-	-	393,307	393,307
Total other financing sources (uses)	\$ (4,075,198)	\$ (4,075,198)	\$ (6,706,231)	\$ (2,631,033)
Net change in fund balances	\$ (1,494,402)	\$ (900,554)	\$ 943,063	\$ 1,843,617
Fund balances - beginning	1,494,402	900,554	14,689,016	13,788,462
Fund balances - ending	\$ -	\$ -	\$ 15,632,079	\$ 15,632,079

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Pension Funding Progress
As of June 30, 2013

Exhibit 13

PRIMARY GOVERNMENT:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ 28,460,449	\$ 38,605,749	\$ 10,145,300	73.72%	\$ 10,834,028	93.64%
06/30/11	27,931,405	37,152,968	9,221,563	75.18%	10,915,982	84.48%
06/30/10	27,035,963	35,171,270	8,135,307	76.87%	11,301,506	71.98%
06/30/09	25,949,614	30,764,183	4,814,569	84.35%	11,203,944	42.97%
06/30/08	24,462,153	28,736,933	4,274,780	85.12%	10,991,821	38.89%

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ 9,091,090	\$ 11,641,421	\$ 2,550,331	78.09%	\$ 3,697,634	68.97%
06/30/11	8,930,536	11,464,113	2,533,577	77.90%	3,675,456	68.93%
06/30/10	8,601,912	11,053,881	2,451,969	77.82%	3,807,391	64.40%
06/30/09	8,454,294	9,947,201	1,492,907	84.99%	3,776,032	39.54%
06/30/08	8,158,880	9,014,921	856,041	90.50%	3,649,993	23.45%

Other Postemployment Benefit Program
Schedule of Funding Progress
As of June 30, 2013

PRIMARY GOVERNMENT:**County Other Postemployment Benefit Program**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ -	\$ 1,017,000	\$ 1,017,000	0.00%	\$ 8,948,000	11.4%
06/30/10	-	967,000	967,000	0.00%	10,409,000	9.3%
06/30/08	-	852,000	852,000	0.00%	8,759,000	9.7%

DISCRETELY PRESENTED COMPONENT UNIT:**School Board Other Postemployment Benefit Program**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12	\$ -	\$ 5,877,000	\$ 5,877,000	0.00%	\$ 26,517,000	22.2%
06/30/11	-	5,735,000	5,735,000	0.00%	28,250,000	20.3%
06/30/10	-	5,410,000	5,410,000	0.00%	26,594,000	19.7%

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual--

County Debt Service Fund

For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 535,078	\$ 535,078
Total revenues	\$ -	\$ -	\$ 535,078	\$ 535,078
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,513,259	\$ 3,513,259	\$ 3,490,130	\$ 23,129
Interest and other fiscal charges	1,963,537	1,963,537	2,542,356	(578,819)
Total expenditures	\$ 5,476,796	\$ 5,476,796	\$ 6,032,486	\$ (555,690)
Excess (deficiency) of revenues over (under) expenditures	\$ (5,476,796)	\$ (5,476,796)	\$ (5,497,408)	\$ (20,612)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,476,796	\$ 5,476,796	\$ 5,497,408	\$ 20,612
Total other financing sources (uses)	\$ 5,476,796	\$ 5,476,796	\$ 5,497,408	\$ 20,612
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

COUNTY OF SHENANDOAH, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

County Capital Projects Fund

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 10,510	\$ 10,510
Total revenues	\$ -	\$ -	\$ 10,510	\$ 10,510
EXPENDITURES				
Capital projects	\$ 2,870,149	\$ 5,883,142	\$ 4,627,282	\$ 1,255,860
Debt service:				
Bond issuance costs	-	-	156,175	(156,175)
Total expenditures	\$ 2,870,149	\$ 5,883,142	\$ 4,783,457	\$ 1,099,685
Excess (deficiency) of revenues over (under) expenditures	\$ (2,870,149)	\$ (5,883,142)	\$ (4,772,947)	\$ 1,110,195
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 280,000	\$ 280,000
Transfers out			(271,322)	(271,322)
General obligation bonds issued	-	-	4,495,000	4,495,000
Premium on general obligation bonds issued	-	-	285,655	285,655
Total other financing sources (uses)	\$ -	\$ -	\$ 4,789,333	\$ 4,789,333
Net change in fund balances	\$ (2,870,149)	\$ (5,883,142)	\$ 16,386	\$ 5,899,528
Fund balances - beginning	2,870,149	5,883,142	10,552,706	4,669,564
Fund balances - ending	\$ -	\$ -	\$ 10,569,092	\$ 10,569,092

COUNTY OF SHENANDOAH, VIRGINIA
Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

Exhibit 17

	<u>Capital Projects Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>99,903</u>
Total assets	\$ <u><u>99,903</u></u>
LIABILITIES AND FUND BALANCES	
Fund balances:	
Assigned:	
Capital projects	\$ <u>99,903</u>
Total fund balances	\$ <u><u>99,903</u></u>
Total liabilities and fund balances	\$ <u><u>99,903</u></u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 10	\$ 10
Miscellaneous	64	-	64
Total revenues	\$ 64	\$ 10	\$ 74
Excess (deficiency) of revenues over (under) expenditures	\$ 64	\$ 10	\$ 74
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 2,849	\$ -	\$ 2,849
Transfers out	(42,216)	-	(42,216)
Total other financing sources and (uses)	\$ (39,367)	\$ -	\$ (39,367)
Net change in fund balances	\$ (39,303)	\$ 10	\$ (39,293)
Fund balances - beginning	39,303	99,893	139,196
Fund balances - ending	\$ -	\$ 99,903	\$ 99,903

	<u>Agency Funds</u>			
	<u>Special Welfare</u>	<u>Ambulance Recovery</u>	<u>Jail Inmate</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,914	\$ 364,690	\$ -	\$ 368,604
Cash in custody of others	-	-	28,466	28,466
Total assets	<u>\$ 3,914</u>	<u>\$ 364,690</u>	<u>\$ 28,466</u>	<u>\$ 397,070</u>
LIABILITIES				
Amounts held for social services clients	\$ 3,914	\$ -	\$ -	\$ 3,914
Amounts held for locality rescue agencies	-	364,690	-	364,690
Amounts held for inmates	-	-	28,466	28,466
Total liabilities	<u>\$ 3,914</u>	<u>\$ 364,690</u>	<u>\$ 28,466</u>	<u>\$ 397,070</u>

COUNTY OF SHENANDOAH, VIRGINIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

Exhibit 20

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare				
ASSETS				
Cash and cash equivalents	\$ 5,920	\$ 25,796	\$ 27,802	\$ 3,914
Total assets	<u>\$ 5,920</u>	<u>\$ 25,796</u>	<u>\$ 27,802</u>	<u>\$ 3,914</u>
LIABILITIES				
Amounts held for social services clients	\$ 5,920	\$ 25,796	\$ 27,802	\$ 3,914
Total liabilities	<u>\$ 5,920</u>	<u>\$ 25,796</u>	<u>\$ 27,802</u>	<u>\$ 3,914</u>
Ambulance Recovery				
ASSETS				
Cash and cash equivalents	\$ -	\$ 1,163,002	\$ 798,312	\$ 364,690
Total assets	<u>\$ -</u>	<u>\$ 1,163,002</u>	<u>\$ 798,312</u>	<u>\$ 364,690</u>
LIABILITIES				
Amounts held for locality rescue agencies	\$ -	\$ 1,163,002	\$ 798,312	\$ 364,690
Total liabilities	<u>\$ -</u>	<u>\$ 1,163,002</u>	<u>\$ 798,312</u>	<u>\$ 364,690</u>
Jail Inmate				
ASSETS				
Cash in custody of others	\$ 32,188	\$ 259,427	\$ 263,149	\$ 28,466
Total assets	<u>\$ 32,188</u>	<u>\$ 259,427</u>	<u>\$ 263,149</u>	<u>\$ 28,466</u>
LIABILITIES				
Amounts held for inmates	\$ 32,188	\$ 259,427	\$ 263,149	\$ 28,466
Total liabilities	<u>\$ 32,188</u>	<u>\$ 259,427</u>	<u>\$ 263,149</u>	<u>\$ 28,466</u>
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	\$ 5,920	\$ 1,188,798	\$ 826,114	\$ 368,604
Cash in custody of others	32,188	259,427	263,149	28,466
Total assets	<u>\$ 38,108</u>	<u>\$ 1,448,225</u>	<u>\$ 1,089,263</u>	<u>\$ 397,070</u>
LIABILITIES				
Amounts held for social services clients	\$ 5,920	\$ 25,796	\$ 27,802	\$ 3,914
Amounts held for locality rescue agencies	-	1,163,002	798,312	364,690
Amounts held for inmates	32,188	259,427	263,149	28,466
Total liabilities	<u>\$ 38,108</u>	<u>\$ 1,448,225</u>	<u>\$ 1,089,263</u>	<u>\$ 397,070</u>

**DISCRETELY PRESENTED COMPONENT UNIT -
SCHOOL BOARD**

COUNTY OF SHENANDOAH, VIRGINIA
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

Exhibit 21

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 5,742,800	\$ 936,636	\$ 6,679,436
Receivables (net of allowance for uncollectibles):			
Accounts receivable	136,826	-	136,826
Due from other funds	3,490	-	3,490
Due from other governmental units	1,315,136	31,138	1,346,274
Inventories	-	79,532	79,532
Prepaid items	3,853	-	3,853
Deposits	5,000	-	5,000
Total assets	<u>\$ 7,207,105</u>	<u>\$ 1,047,306</u>	<u>\$ 8,254,411</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 289,232	\$ 6,538	\$ 295,770
Accrued payroll	4,086,019	143,220	4,229,239
Due to other funds	-	3,490	3,490
Due to primary government	2,831,854	-	2,831,854
Total liabilities	<u>\$ 7,207,105</u>	<u>\$ 153,248</u>	<u>\$ 7,360,353</u>
Fund balances:			
Nonspendable:			
Inventory	\$ -	\$ 79,532	\$ 79,532
Prepaid items	3,853	-	3,853
Assigned:			
Cafeteria	-	814,526	814,526
Unassigned	(3,853)	-	(3,853)
Total fund balances	<u>\$ -</u>	<u>\$ 894,058</u>	<u>\$ 894,058</u>
Total liabilities and fund balances	<u>\$ 7,207,105</u>	<u>\$ 1,047,306</u>	<u>\$ 8,254,411</u>

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

Total fund balances per above \$ 894,058

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 42,430,470

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (2,512,740)

Net assets of governmental activities \$ 40,811,788

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2013

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 2,072	\$ 2,072
Charges for services	2,270,330	749,149	3,019,479
Miscellaneous	72,378	36,528	108,906
Recovered costs	165,277	-	165,277
Intergovernmental revenues:			
Local government	21,676,669	-	21,676,669
Commonwealth	30,498,609	47,983	30,546,592
Federal	3,033,162	1,326,419	4,359,581
Total revenues	<u>\$ 57,716,425</u>	<u>\$ 2,162,151</u>	<u>\$ 59,878,576</u>
EXPENDITURES			
Current:			
Education	\$ 57,716,425	\$ 2,238,760	\$ 59,955,185
Total expenditures	<u>\$ 57,716,425</u>	<u>\$ 2,238,760</u>	<u>\$ 59,955,185</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (76,609)	\$ (76,609)
Net change in fund balances	\$ -	\$ (76,609)	\$ (76,609)
Fund balances - beginning	-	970,667	970,667
Fund balances - ending	<u>-</u>	<u>\$ 894,058</u>	<u>\$ 894,058</u>

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

Net change in fund balances - total governmental funds \$ (76,609)

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.

453,583

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.

(377,968)

Change in net assets of governmental activities \$ (994)

COUNTY OF SHENANDOAH, VIRGINIA

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	-
Charges for services	2,795,154	2,945,469	2,270,330	(675,139)
Miscellaneous	334,006	254,000	72,378	(181,622)
Recovered costs	218,417	218,417	165,277	(53,140)
Intergovernmental revenues:				
Local government	22,282,693	22,526,554	21,676,669	(849,885)
Commonwealth	29,249,003	29,638,773	30,498,609	859,836
Federal	2,735,017	2,822,340	3,033,162	210,822
Total revenues	\$ 57,614,290	\$ 58,405,553	\$ 57,716,425	\$ (689,128)
EXPENDITURES				
Current:				
Education	\$ 57,614,290	\$ 58,405,553	\$ 57,716,425	\$ 689,128
Total expenditures	\$ 57,614,290	\$ 58,405,553	\$ 57,716,425	\$ 689,128
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	-
Net change in fund balances	\$ -	\$ -	\$ -	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	-

School Cafeteria Fund				
Budgeted Amounts		Actual	Variance with Final Budget	
Original	Final		Positive (Negative)	
\$ 1,052	\$ 1,052	\$ 2,072	\$ 1,020	
1,101,411	1,101,411	749,149	(352,262)	
632	632	36,528	35,896	
-	-	-	-	
-	-	-	-	
38,620	38,620	47,983	9,363	
1,181,065	1,181,065	1,326,419	145,354	
<u>\$ 2,322,780</u>	<u>\$ 2,322,780</u>	<u>\$ 2,162,151</u>	<u>\$ (160,629)</u>	
\$ 2,322,780	\$ 2,522,780	\$ 2,238,760	\$ 284,020	
<u>\$ 2,322,780</u>	<u>\$ 2,522,780</u>	<u>\$ 2,238,760</u>	<u>\$ 284,020</u>	
\$ -	\$ (200,000)	\$ (76,609)	\$ 123,391	
\$ -	\$ (200,000)	\$ (76,609)	\$ 123,391	
-	200,000	970,667	770,667	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 894,058</u>	<u>\$ 894,058</u>	

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SUPPORTING SCHEDULES

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 1 of 6

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	\$ 22,304,282	\$ 22,304,282	\$ 23,236,444	\$ 932,162
Real and personal public service corporation taxes	1,063,344	1,063,344	1,026,710	(36,634)
Personal property taxes	7,150,000	7,150,000	7,975,617	825,617
Mobile home taxes	22,000	22,000	22,517	517
Machinery and tools taxes	2,275,000	2,275,000	2,548,156	273,156
Merchants capital	260,000	260,000	272,080	12,080
Penalties	300,000	300,000	345,246	45,246
Interest	260,000	260,000	266,596	6,596
Total general property taxes	\$ 33,634,626	\$ 33,634,626	\$ 35,693,366	\$ 2,058,740
Other local taxes:				
Local sales and use taxes	\$ 3,150,000	\$ 3,150,000	\$ 3,224,641	\$ 74,641
Consumers' utility taxes	2,000,000	2,000,000	1,943,136	(56,864)
Utility license taxes	28,750	28,750	26,156	(2,594)
Motor vehicle licenses	920,000	920,000	825,623	(94,377)
Taxes on recordation and wills	304,600	304,600	347,126	42,526
Transient occupancy tax	118,750	118,750	128,701	9,951
Total other local taxes	\$ 6,522,100	\$ 6,522,100	\$ 6,495,383	\$ (26,717)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 24,500	\$ 24,500	\$ 23,023	\$ (1,477)
Land use application fees	40,000	40,000	4,455	(35,545)
Transfer fees	2,000	2,000	1,855	(145)
Permits and other licenses	259,250	259,265	317,972	58,707
Total permits, privilege fees, and regulatory licenses	\$ 325,750	\$ 325,765	\$ 347,305	\$ 21,540
Fines and forfeitures:				
Court fines and forfeitures	\$ 58,600	\$ 58,600	\$ 78,423	\$ 19,823
Revenue from use of money and property:				
Revenue from use of money	\$ 63,000	\$ 78,162	\$ 61,808	\$ (16,354)
Revenue from use of property	33,750	41,957	58,237	16,280
Total revenue from use of money and property	\$ 96,750	\$ 120,119	\$ 120,045	\$ (74)
Charges for services:				
Excess fees of clerk	\$ 40,000	\$ 40,000	\$ 6,526	\$ (33,474)
Charges for courthouse security	123,488	123,488	92,142	(31,346)
Law library fees	-	-	43,658	43,658
Jail telephone commissions	-	-	21,604	21,604
Charges for Commonwealth's Attorney	2,000	2,000	3,738	1,738
Board of prisoners	36,000	47,602	37,744	(9,858)
Charges for animal protection	-	-	7,640	7,640
Charges for parks and recreation	225,852	225,852	262,619	36,767
Charges for spay and neuter	16,500	16,500	4,260	(12,240)
Charges for day care	-	-	355,435	355,435
Charges for courthouse maintenance	29,000	29,000	24,582	(4,418)
Charges for ambulance recoveries	500,000	500,000	979,999	479,999
Charges for services - other	25,000	25,000	7,903	(17,097)
Total charges for services	\$ 2,250,770	\$ 2,262,372	\$ 1,847,850	\$ (414,522)

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Schedule 1
Page 2 of 6

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund (continued):				
Miscellaneous revenue:				
Miscellaneous	\$ 200,500	\$ 274,736	\$ 199,880	\$ (74,856)
Refunds and recoveries	26,400	116,958	384,065	267,107
Donation of land	-	-	1,586,800	1,586,800
Total miscellaneous revenue	<u>\$ 226,900</u>	<u>\$ 391,694</u>	<u>\$ 2,170,745</u>	<u>\$ 1,779,051</u>
Recovered costs:				
Other recovered costs	\$ 459,682	\$ 1,741,096	\$ 499,341	\$ (1,241,755)
Total recovered costs	<u>\$ 459,682</u>	<u>\$ 1,741,096</u>	<u>\$ 499,341</u>	<u>\$ (1,241,755)</u>
Total revenue from local sources	<u>\$ 43,575,178</u>	<u>\$ 45,056,372</u>	<u>\$ 47,252,458</u>	<u>\$ 2,196,086</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 8,000	\$ 8,000	\$ 66,972	\$ 58,972
Mobile home titling tax	14,000	14,000	12,487	(1,513)
Motor vehicle rental tax	16,000	16,000	28,775	12,775
Reduction in state aid to local governments	-	-	(231,891)	(231,891)
State recordation tax	200,000	200,000	186,146	(13,854)
Personal property tax relief funds	3,647,829	3,647,829	3,647,829	-
Total noncategorical aid	<u>\$ 3,885,829</u>	<u>\$ 3,885,829</u>	<u>\$ 3,710,318</u>	<u>\$ (175,511)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 334,169	\$ 334,169	\$ 325,459	\$ (8,710)
Sheriff	2,422,130	2,430,814	2,452,479	21,665
Commissioner of revenue	119,855	119,855	116,690	(3,165)
Treasurer	122,800	122,800	119,247	(3,553)
Registrar/electoral board	48,954	48,954	39,833	(9,121)
Clerk of the Circuit Court	284,488	305,224	301,566	(3,658)
Total shared expenses	<u>\$ 3,332,396</u>	<u>\$ 3,361,816</u>	<u>\$ 3,355,274</u>	<u>\$ (6,542)</u>
Other categorical aid:				
Litter control grant	\$ -	\$ 21,189	\$ 21,189	\$ -
Welfare administration and assistance	-	-	1,171,478	1,171,478
Forfeited drug assets	-	-	3,820	3,820
DMV grant	-	31,538	-	(31,538)
Comprehensive services act	-	-	1,440,280	1,440,280
VJCCCA grant	30,808	30,808	31,204	396
Victim-witness grant	27,671	27,671	27,537	(134)
Wireless E-911 grant	85,000	85,000	123,624	38,624
Fire programs fund	70,000	70,000	71,470	1,470
Extradition of prisoners	-	1,480	1,480	-
Rent health department	-	-	7,200	7,200
Other categorical aid	78,509	367,782	316,551	(51,231)
Total other categorical aid	<u>\$ 291,988</u>	<u>\$ 635,468</u>	<u>\$ 3,215,833</u>	<u>\$ 2,580,365</u>
Total categorical aid	<u>\$ 3,624,384</u>	<u>\$ 3,997,284</u>	<u>\$ 6,571,107</u>	<u>\$ 2,573,823</u>
Total revenue from the Commonwealth	<u>\$ 7,510,213</u>	<u>\$ 7,883,113</u>	<u>\$ 10,281,425</u>	<u>\$ 2,398,312</u>

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Schedule 1
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund (continued):				
Intergovernmental Revenues (continued)				
Revenue from the federal government:				
Payments in lieu of taxes	\$ 160,000	\$ 160,000	\$ 163,852	\$ 3,852
Categorical aid:				
DMV ground transportation safety grant	\$ -	\$ -	\$ 23,025	\$ 23,025
U.S. Forest Service Patrol	-	6,090	4,492	(1,598)
Bullet proof vest grant	-	4,887	5,181	294
Welfare administration and assistance	-	-	1,272,827	1,272,827
Forfeited drug assets	-	-	3,455	3,455
CDBG	-	156,400	286,890	130,490
FEMA firefighters assistance grant	-	357,750	357,750	-
Project lifesaver	-	1,345	1,465	120
ATF overtime sheriff	-	76,389	93,959	17,570
Triad grant	-	-	2,850	2,850
Highway planning and construction	-	-	284,093	284,093
Comprehensive services act	-	-	50,913	50,913
Other categorical aid	70,000	358,309	139,107	(219,202)
Total categorical aid	\$ 70,000	\$ 961,170	\$ 2,526,007	\$ 1,564,837
Total revenue from the federal government	\$ 230,000	\$ 1,121,170	\$ 2,689,859	\$ 1,568,689
Total General Fund	\$ 51,315,391	\$ 54,060,655	\$ 60,223,742	\$ 6,163,087
Landfill contingency fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 64	\$ 64
Total revenue from local sources	\$ -	\$ -	\$ 64	\$ 64
Total Landfill Contingency Fund	\$ -	\$ -	\$ 64	\$ 64
Debt Service Funds:				
County Debt Service Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Interest subsidy	\$ -	\$ -	\$ 535,078	\$ 535,078
Total miscellaneous revenue	\$ -	\$ -	\$ 535,078	\$ 535,078
Total Debt Service Fund	\$ -	\$ -	\$ 535,078	\$ 535,078
Capital Projects Funds:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 10,510	\$ 10,510
Total revenue from use of money and property	\$ -	\$ -	\$ 10,510	\$ 10,510
Total revenue from local sources	\$ -	\$ -	\$ 10,510	\$ 10,510
Total Capital Projects Fund	\$ -	\$ -	\$ 10,510	\$ 10,510

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds (Continued):				
Industrial Park Water & Sewer Fund				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 10	\$ 10
Total revenue from local sources	\$ -	\$ -	\$ 10	\$ 10
Total Industrial Park Water & Sewer Fund	\$ -	\$ -	\$ 10	\$ 10
Total Primary Government	\$ 51,315,391	\$ 54,060,655	\$ 60,769,404	\$ 6,708,749
Discretely Presented Component Unit - School Board				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Tuition and other payments	\$ 2,534,205	\$ 2,576,660	\$ 2,101,390	\$ (475,270)
Other charges for services	260,949	368,809	168,940	(199,869)
Total charges for services	\$ 2,795,154	\$ 2,945,469	\$ 2,270,330	\$ (675,139)
Miscellaneous revenue:				
Other miscellaneous	\$ 334,006	\$ 254,000	\$ 72,378	\$ (181,622)
Total miscellaneous revenue	\$ 334,006	\$ 254,000	\$ 72,378	\$ (181,622)
Recovered costs:				
Other recovered costs	\$ 218,417	\$ 218,417	\$ 165,277	\$ (53,140)
Total revenue from local sources	\$ 3,347,577	\$ 3,417,886	\$ 2,507,985	\$ (909,901)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Shenandoah, Virginia	\$ 22,282,693	\$ 22,526,554	\$ 21,676,669	\$ (849,885)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit School Board (continued):				
School Operating Fund (continued):				
Intergovernmental Revenues (continued):				
Revenue from the Commonwealth:				
Categorical aid:				
State sales tax	\$ 6,103,108	\$ 6,103,108	\$ 6,111,038	\$ 7,930
Basic aid	15,681,188	15,681,188	15,588,366	(92,822)
Remedial summer school	59,839	59,839	70,952	11,113
Foster home children	24,434	24,434	21,741	(2,693)
GED	15,717	15,717	15,717	-
Gifted and talented	174,004	174,004	173,752	(252)
Remedial education	412,314	412,314	411,717	(597)
Special education	1,395,814	1,395,814	1,393,794	(2,020)
Textbook payments	339,421	339,421	338,930	(491)
Vocational education	579,466	579,466	624,310	44,844
Fringe benefits	2,583,580	2,583,580	2,579,840	(3,740)
Early reading intervention	74,672	84,497	84,497	-
Mentor teacher program	7,810	7,810	5,396	(2,414)
Homebound	12,702	12,702	12,445	(257)
Special education regional program	-	-	831,396	831,396
At risk program	349,089	349,089	348,418	(671)
Primary class size payments	397,802	397,802	416,260	18,458
School technology funds	284,000	284,000	309,266	25,266
School construction	-	-	3,221	3,221
Special education- foster children	-	-	16,498	16,498
Algebra readiness	58,295	58,295	60,354	2,059
English as a second language	176,006	176,006	177,883	1,877
Virginia preschool initiative payment	-	377,640	377,640	-
Academic year governors school	184,973	187,278	173,768	(13,510)
National board certification bonus	-	-	12,500	12,500
Other categorical aid	334,769	334,769	338,910	4,141
Total categorical aid	\$ 29,249,003	\$ 29,638,773	\$ 30,498,609	\$ 859,836
Total revenue from the Commonwealth	\$ 29,249,003	\$ 29,638,773	\$ 30,498,609	\$ 859,836
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 975,870	\$ 966,244	\$ 1,056,157	\$ 89,913
Title I ARRA school improvement grant	179,167	224,520	204,996	(19,524)
Forest reserve	22,584	22,584	88,820	66,236
Title II Part A	195,966	196,465	194,582	(1,883)
Title VI-B	1,172,435	1,172,435	1,240,068	67,633
Vocational education	95,669	95,669	101,055	5,386
Title III Part A	34,558	34,558	-	(34,558)
Preschool	40,304	40,259	33,224	(7,035)
ARRA Jobs fund	18,464	18,464	83,522	65,058
Other	\$ -	\$ 51,142	\$ 30,738	\$ (20,404)
Total categorical aid	\$ 2,735,017	\$ 2,822,340	\$ 3,033,162	\$ 210,822
Total revenue from the federal government	\$ 2,735,017	\$ 2,822,340	\$ 3,033,162	\$ 210,822
Total school operating fund	\$ 57,614,290	\$ 58,405,553	\$ 57,716,425	\$ (689,128)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit School Board (continued):				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,052	\$ 1,052	\$ 2,072	\$ 1,020
Charges for services:				
School food services	\$ 1,101,411	\$ 1,101,411	\$ 749,149	\$ (352,262)
Miscellaneous revenue:				
Miscellaneous	\$ 632	\$ 632	\$ 36,528	\$ 35,896
Total revenue from local sources	\$ 1,103,095	\$ 1,103,095	\$ 787,749	\$ (315,346)
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program	\$ 38,620	\$ 38,620	\$ 47,983	\$ 9,363
Total revenue from the Commonwealth	\$ 38,620	\$ 38,620	\$ 47,983	\$ 9,363
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 1,181,065	\$ 1,181,065	\$ 1,175,088	\$ (5,977)
USDA commodities	-	-	151,331	151,331
Total categorical aid	\$ 1,181,065	\$ 1,181,065	\$ 1,326,419	\$ 145,354
Total revenue from the federal government	\$ 1,181,065	\$ 1,181,065	\$ 1,326,419	\$ 145,354
Total School Cafeteria Fund	\$ 2,322,780	\$ 2,322,780	\$ 2,162,151	\$ (160,629)
Total Discretely Presented Component Unit - School Board	\$ 59,937,070	\$ 60,728,333	\$ 59,878,576	\$ (849,757)

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
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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	\$ 284,483	\$ 290,664	\$ 296,115	\$ (5,451)
General and financial information:				
County administrator	\$ 486,847	\$ 486,847	\$ 459,169	\$ 27,678
Budget	172,648	172,648	172,405	243
Legal services	68,500	108,411	112,730	(4,319)
Commissioner of revenue	447,652	447,652	440,252	7,400
Treasurer	544,699	560,361	553,241	7,120
Central accounting	64,300	112,823	135,722	(22,899)
Data processing	62,054	72,838	60,482	12,356
Geographic information system	97,912	114,762	92,467	22,295
Total general and financial information	\$ 1,944,612	\$ 2,076,342	\$ 2,026,468	\$ 49,874
Board of elections:				
Electoral board and officials	\$ 89,425	\$ 89,425	\$ 83,244	\$ 6,181
Registrar	129,353	149,819	134,791	15,028
Total board of elections	\$ 218,778	\$ 239,244	\$ 218,035	\$ 21,209
Total general government administration	\$ 2,447,873	\$ 2,606,250	\$ 2,540,618	\$ 65,632
Judicial administration:				
Courts:				
Circuit court	\$ 57,969	\$ 59,243	\$ 58,079	\$ 1,164
General district court	10,300	10,300	8,097	2,203
Special magistrates	3,025	3,025	2,435	590
Clerk of the circuit court	474,624	519,514	513,963	5,551
Sheriff	591,209	655,775	654,529	1,246
Juvenile domestic	15,725	15,725	7,587	8,138
Law library	20,000	20,000	18,232	1,768
Records restoration	-	5,022	5,022	-
Victim witness	28,951	28,951	27,461	1,490
Total courts	\$ 1,201,803	\$ 1,317,555	\$ 1,295,405	\$ 22,150
Commonwealth's attorney:				
Commonwealth's attorney	\$ 518,890	\$ 519,344	\$ 469,517	\$ 49,827
Total judicial administration	\$ 1,720,693	\$ 1,836,899	\$ 1,764,922	\$ 71,977
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,641,083	\$ 4,046,057	\$ 4,079,261	\$ (33,204)
E-911 enforcement and traffic control	53,850	53,850	55,653	(1,803)
Total law enforcement and traffic control	\$ 3,694,933	\$ 4,099,907	\$ 4,134,914	\$ (35,007)
Fire and rescue services:				
Volunteer fire department	\$ 735,451	\$ 772,762	\$ 849,719	\$ (76,957)
Ambulance and rescue services	227,361	257,880	225,913	31,967
Forest fire extinction	9,695	9,695	9,695	-
Fire and rescue services	2,936,840	3,682,732	4,057,471	(374,739)
Total fire and rescue services	\$ 3,909,347	\$ 4,723,069	\$ 5,142,798	\$ (419,729)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Public safety: (continued)				
Correction and detention:				
Jail	\$ 1,780,983	\$ 1,846,568	\$ 1,729,586	\$ 116,982
Juvenile probation and detention	395,952	395,952	405,659	(9,707)
Total correction and detention	\$ 2,176,935	\$ 2,242,520	\$ 2,135,245	\$ 107,275
Inspections:				
Building	\$ 358,093	\$ 385,926	\$ 385,932	\$ (6)
Other protection:				
Animal control	\$ 129,784	\$ 131,494	\$ 124,595	\$ 6,899
Animal shelter	237,439	251,354	232,294	19,060
Medical examiner	900	900	580	320
Emergency services	1,075,725	1,097,713	1,088,336	9,377
Total other protection	\$ 1,443,848	\$ 1,481,461	\$ 1,445,805	\$ 35,656
Total public safety	\$ 11,583,156	\$ 12,932,883	\$ 13,244,694	\$ (311,811)
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 1,002,371	\$ 1,056,303	\$ 1,062,575	\$ (6,272)
Total public works	\$ 1,002,371	\$ 1,056,303	\$ 1,062,575	\$ (6,272)
Health and welfare:				
Health:				
Supplement of local health department	\$ 291,184	\$ 291,184	\$ 285,190	\$ 5,994
Mental health and mental retardation:				
Administration	\$ 230,187	\$ 230,187	\$ 230,187	\$ -
Total mental health and mental retardation	\$ 230,187	\$ 230,187	\$ 230,187	\$ -
Welfare administration	\$ 3,501,000	\$ 3,501,000	\$ 3,535,106	\$ (34,106)
Comprehensive services act	2,714,120	2,714,120	2,370,053	344,067
Area Agency on Aging	83,000	83,000	83,000	-
Tax relief for the elderly	135,000	135,000	172,168	(37,168)
Operation county/farm home	53,700	53,700	57,163	(3,463)
Other local health and welfare organizations	42,000	42,000	42,420	(420)
Total welfare	\$ 6,528,820	\$ 6,528,820	\$ 6,259,910	\$ 268,910
Total health and welfare	\$ 7,050,191	\$ 7,050,191	\$ 6,775,287	\$ 274,904

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

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Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 36,231	\$ 36,231	\$ 36,231	\$ -
Contribution to County School Board	22,282,693	22,282,693	21,676,669	606,024
Seven Bends student center	-	-	381,386	(381,386)
Total education	\$ 22,318,924	\$ 22,318,924	\$ 22,094,286	\$ 224,638
Parks, recreation, and cultural:				
Parks and recreation:				
Administration	\$ 656,561	\$ 670,780	\$ 750,008	\$ (79,228)
Cultural enrichment:				
Operation of television translators	\$ 2,000	\$ 2,000	\$ 3,183	\$ (1,183)
Contributions to community programs	6,500	6,500	6,500	-
Total cultural enrichment	\$ 8,500	\$ 8,500	\$ 9,683	\$ (1,183)
Library:				
Contribution to County Library	\$ 631,332	\$ 635,860	\$ 624,703	\$ 11,157
Total parks, recreation, and cultural	\$ 1,296,393	\$ 1,315,140	\$ 1,384,394	\$ (69,254)
Community development:				
Planning and community development:				
Community development	\$ 361,621	\$ 338,176	\$ 325,355	\$ 12,821
Economic development	72,796	72,796	49,716	23,080
Tourism	190,923	202,746	175,380	27,366
Litter control	-	21,189	21,935	(746)
Total planning and community development	\$ 625,340	\$ 634,907	\$ 572,386	\$ 62,521
Environmental management:				
Soil and water conservation district	\$ 229,307	\$ 354,084	\$ 261,053	\$ 93,031
Gypsy moth	1,300	1,300	-	1,300
Total environmental management	\$ 230,607	\$ 355,384	\$ 261,053	\$ 94,331
Cooperative extension program:				
Extension office	\$ 150,635	\$ 150,635	\$ 117,596	\$ 33,039
Total community development	\$ 1,006,582	\$ 1,140,926	\$ 951,035	\$ 189,891
Nondepartmental:				
Judgments and settlements	\$ 250	\$ 250	\$ 635	\$ (385)
Revenue refunds	11,600	11,600	12,488	(888)
Miscellaneous	153,219	11,713	3,768	7,945
Total nondepartmental	\$ 165,069	\$ 23,563	\$ 16,891	\$ 6,672
Capital projects:				
Other capital projects	\$ 143,343	\$ 604,932	\$ 2,304,756	\$ (1,699,824)
Total capital projects	\$ 143,343	\$ 604,932	\$ 2,304,756	\$ (1,699,824)
Debt service:				
Principal	\$ -	\$ -	\$ 407,512	\$ (407,512)
Interest and other fiscal charges	-	-	27,478	(27,478)
Total debt service	\$ -	\$ -	\$ 434,990	\$ (434,990)
Total General Fund	\$ 48,734,595	\$ 50,886,011	\$ 52,574,448	\$ (1,688,437)

COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Schedule 2
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Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Funds:				
County Debt Service Fund				
Debt service:				
Principal	\$ 3,513,259	\$ 3,513,259	\$ 3,490,130	\$ 23,129
Interest and other fiscal charges	1,963,537	1,963,537	2,542,356	(578,819)
Total County Debt Service Fund	<u>\$ 5,476,796</u>	<u>\$ 5,476,796</u>	<u>\$ 6,032,486</u>	<u>\$ (555,690)</u>
Capital Projects Funds:				
County Capital Projects Fund				
Capital projects expenditures:				
Construction of courthouse building	\$ 1,378,949	\$ 72,677	\$ 12,835	\$ 59,842
Edinburg school	-	4,495,000	3,403,677	1,091,323
Law enforcement records management upgrade	-	-	2,150	(2,150)
School performance contract project	849,593	-	829,480	(829,480)
Other	641,607	32,465	17,930	14,535
Historic courthouse	-	1,283,000	361,210	921,790
Total County Capital Projects Fund	<u>\$ 2,870,149</u>	<u>\$ 5,883,142</u>	<u>\$ 4,627,282</u>	<u>\$ 1,255,860</u>
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ 156,175	\$ (156,175)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,175</u>	<u>\$ (156,175)</u>
Total Capital Projects Fund	<u>\$ 2,870,149</u>	<u>\$ 5,883,142</u>	<u>\$ 4,783,457</u>	<u>\$ 1,099,685</u>
Total Primary Government	<u>\$ 57,081,540</u>	<u>\$ 62,245,949</u>	<u>\$ 63,390,391</u>	<u>\$ (988,267)</u>
Discretely Presented Component Unit - School Board				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Instructional	\$ 45,024,218	\$ 45,637,811	\$ 45,167,261	\$ 470,550
Operating costs:				
Attendance and health services	2,119,977	2,119,977	2,185,402	(65,425)
Pupil transportation	4,019,019	4,196,689	4,330,380	(133,691)
Operation and maintenance of school plant	5,394,975	5,394,975	5,024,312	370,663
Electronic technology	1,056,101	1,056,101	1,009,070	47,031
Total operating costs	<u>\$ 12,590,072</u>	<u>\$ 12,767,742</u>	<u>\$ 12,549,164</u>	<u>\$ 218,578</u>
Total education	<u>\$ 12,590,072</u>	<u>\$ 12,767,742</u>	<u>\$ 12,549,164</u>	<u>\$ 689,128</u>
Cafeteria Fund:				
Education:				
School food services:				
School cafeteria	\$ 2,522,780	\$ 2,522,780	\$ 2,238,760	\$ 284,020
Total school cafeteria fund	<u>\$ 2,522,780</u>	<u>\$ 2,522,780</u>	<u>\$ 2,238,760</u>	<u>\$ 284,020</u>
Total Discretely Presented Component Unit School Board	<u>\$ 60,137,070</u>	<u>\$ 60,928,333</u>	<u>\$ 59,955,185</u>	<u>\$ 973,148</u>

STATISTICAL SECTION

Statistical Section

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Financial Trends

These tables contain trend information to help the reader understand how the County's financial performance and well-being have changed over time. 1 - 5

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These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes. 5-10

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future. 11-13

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments. 14-15

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relate to the services the County provides and the activities it performs. 16-18

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 4,609,604	\$ 3,255,224	\$ 3,371,945	\$ 1,529,687
Restricted	1,102,692	297,723	-	-
Unrestricted	12,588,808	15,249,305	14,777,373	18,280,691
Total governmental activities net assets	<u>\$ 18,301,104</u>	<u>\$ 18,802,252</u>	<u>\$ 18,149,318</u>	<u>\$ 19,810,378</u>
Business-type activities				
Net investment in capital assets	\$ 1,879,649	\$ 1,750,860	\$ 1,789,103	\$ 1,926,523
Restricted		-		
Unrestricted	1,489,086	1,686,078	2,600,107	2,500,097
Total business-type activities net assets	<u>\$ 3,368,735</u>	<u>\$ 3,436,938</u>	<u>\$ 4,389,210</u>	<u>\$ 4,426,620</u>
Primary government				
Net investment in capital assets	\$ 6,489,253	\$ 5,006,084	\$ 5,161,048	\$ 3,456,210
Restricted	1,102,692	297,723	-	-
Unrestricted	14,077,894	16,935,383	17,377,480	20,780,788
Total primary government net assets	<u>\$ 21,669,839</u>	<u>\$ 22,239,190</u>	<u>\$ 22,538,528</u>	<u>\$ 24,236,998</u>

Table 1

2008	2009	2010	2011	2012	2013
\$ 821,843	\$ 3,525,823	\$ 4,902,912	\$ 3,331,416	\$ (352,810)	\$ 766,198
-	315,168	315,168	4,372,985	3,896,099	6,120,414
17,099,923	8,482,928	5,193,805	5,091,476	16,893,494	16,233,023
<u>\$ 17,921,766</u>	<u>\$ 12,323,919</u>	<u>\$ 10,411,885</u>	<u>\$ 12,795,877</u>	<u>\$ 20,436,783</u>	<u>\$ 23,119,635</u>
\$ 2,382,773	\$ 2,686,610	\$ 3,093,376	\$ 3,633,593	\$ 6,106,858	\$ 6,744,936
-	59,736	-	-	-	-
2,308,568	1,818,107	1,415,311	1,436,310	(9,436,571)	(9,790,291)
<u>\$ 4,691,341</u>	<u>\$ 4,564,453</u>	<u>\$ 4,508,687</u>	<u>\$ 5,069,903</u>	<u>\$ (3,329,713)</u>	<u>\$ (3,045,355)</u>
\$ 3,204,616	\$ 6,212,433	\$ 7,996,288	\$ 6,965,009	\$ 5,754,048	\$ 7,511,134
-	374,904	315,168	4,372,985	3,896,099	6,120,414
19,408,491	10,301,035	6,609,116	6,527,786	7,456,923	6,442,732
<u>\$ 22,613,107</u>	<u>\$ 16,888,372</u>	<u>\$ 14,920,572</u>	<u>\$ 17,865,780</u>	<u>\$ 17,107,070</u>	<u>\$ 20,074,280</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities:				
General government administration	\$ 1,741,576	\$ 2,917,362	\$ 2,321,080	\$ 2,421,199
Judicial administration	799,294	1,058,088	1,375,534	1,384,331
Public safety	5,861,236	7,403,358	8,546,482	9,493,390
Public works	2,843,559	3,942,182	4,040,447	4,893,094
Health and welfare	4,208,464	4,785,076	6,188,101	6,588,118
Education	21,507,343	21,462,122	21,717,115	21,503,186
Parks, recreation and cultural	1,148,548	1,188,198	1,424,007	1,440,098
Community development	1,351,464	739,321	772,629	1,251,165
Interest on long-term debt	2,402,577	2,454,129	2,401,070	2,176,372
Total governmental activities expenses	\$ 41,864,061	\$ 45,949,836	\$ 48,786,465	\$ 51,150,953
Business-type activities:				
Sanitary Districts	\$ 1,889,563	\$ 1,893,887	\$ 1,939,384	\$ 2,201,825
North Fork Wastewater	-	-	-	-
Landfill	-	-	-	-
Total business-type activities expenses	\$ 1,889,563	\$ 1,893,887	\$ 1,939,384	\$ 2,201,825
Total primary government expenses	\$ 43,753,624	\$ 47,843,723	\$ 50,725,849	\$ 53,352,778
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ -	\$ 61,594	\$ 16,334	\$ 6,174
Judicial administration	228,295	268,852	364,093	340,234
Public safety	165,957	120,217	113,108	93,359
Public works	735,973	1,097,117	1,254,582	1,207,667
Health and welfare	-	-	-	-
Education	-	350,951	-	486,364
Parks, recreation and cultural	580,416	283,514	752,049	290,833
Community development	557,517	617,033	620,580	509,206
Operating grants and contributions	6,147,614	7,132,330	8,548,607	8,604,101
Capital grants and contributions	-	245,994	-	-
Total governmental activities program revenues	\$ 8,415,772	\$ 10,177,602	\$ 11,669,353	\$ 11,537,938
Business-type activities:				
Charges for services:				
Sanitary Districts	\$ 1,026,441	\$ 1,134,249	\$ 1,152,365	\$ 1,339,808
North Fork Wastewater	-	-	-	-
Landfill	-	-	-	-
Capital grants and contributions	306,000	221,250	1,081,559	207,745
Total business-type activities program revenues	\$ 1,332,441	\$ 1,355,499	\$ 2,233,924	\$ 1,547,553
Total primary government program revenues	\$ 9,748,213	\$ 11,533,101	\$ 13,903,277	\$ 13,085,491
Net (expense) / revenue				
Governmental activities	\$ (33,448,289)	\$ (35,772,234)	\$ (37,117,112)	\$ (39,613,015)
Business-type activities	(557,122)	(538,388)	294,540	(654,272)
Total primary government net expense	\$ (34,005,411)	\$ (36,310,622)	\$ (36,822,572)	\$ (40,267,287)

Table 2

2008	2009	2010	2011	2012	2013
\$ 2,359,284	\$ 2,817,148	\$ 2,694,098	\$ 2,402,794	\$ 2,714,331	\$ 2,463,006
1,797,846	1,686,886	1,563,538	1,794,214	1,908,573	1,982,483
10,872,246	11,121,538	11,327,324	11,247,826	11,627,376	13,053,085
6,661,832	5,686,960	3,669,994	4,836,959	1,840,310	1,414,273
6,589,034	6,331,863	6,147,406	6,728,853	7,462,916	6,971,130
22,671,491	27,122,413	24,147,779	24,476,243	25,310,174	24,661,559
1,992,628	1,465,416	1,820,175	1,487,353	1,528,660	1,426,020
883,431	1,151,216	965,207	1,606,664	745,870	892,852
2,017,426	2,003,040	2,152,971	2,728,110	2,845,792	2,639,028
<u>\$ 55,845,218</u>	<u>\$ 59,386,480</u>	<u>\$ 54,488,492</u>	<u>\$ 57,309,016</u>	<u>\$ 55,984,002</u>	<u>\$ 55,503,436</u>
\$ 2,439,706	\$ 2,600,989	\$ 2,354,749	\$ 2,297,808	\$ 2,211,341	\$ 2,249,735
-	-	-	-	169,990	209,261
-	-	-	-	2,768,790	2,833,612
<u>\$ 2,439,706</u>	<u>\$ 2,600,989</u>	<u>\$ 2,354,749</u>	<u>\$ 2,297,808</u>	<u>\$ 5,150,121</u>	<u>\$ 5,292,608</u>
<u>\$ 58,284,924</u>	<u>\$ 61,987,469</u>	<u>\$ 56,843,241</u>	<u>\$ 59,606,824</u>	<u>\$ 61,134,123</u>	<u>\$ 60,796,044</u>
\$ 524	\$ 48,746	\$ 23,382	\$ 32,530	\$ 41,362	\$ 7,903
308,142	315,354	269,943	292,908	258,918	249,069
123,461	122,117	122,681	78,043	73,224	1,046,987
1,195,032	1,075,280	1,005,193	1,070,662	-	-
-	-	-	-	-	27,283
494,698	522,635	469,308	465,158	388,851	-
320,960	357,904	534,855	481,901	454,494	618,054
477,440	353,584	340,486	330,143	321,647	324,282
8,803,623	9,364,373	8,116,656	8,500,571	8,043,215	7,994,332
-	-	-	3,996,634	1,411,363	1,102,782
<u>\$ 11,723,880</u>	<u>\$ 12,159,993</u>	<u>\$ 10,882,504</u>	<u>\$ 15,248,550</u>	<u>\$ 10,993,074</u>	<u>\$ 11,370,692</u>
\$ 1,414,774	\$ 1,468,721	\$ 1,446,521	\$ 1,555,987	\$ 1,534,485	\$ 1,628,981
-	-	-	-	132,693	100,784
-	-	-	-	1,081,369	1,095,874
563,500	307,694	175,383	239,000	329,067	515,666
<u>\$ 1,978,274</u>	<u>\$ 1,776,415</u>	<u>\$ 1,621,904</u>	<u>\$ 1,794,987</u>	<u>\$ 3,077,614</u>	<u>\$ 3,341,305</u>
<u>\$ 13,702,154</u>	<u>\$ 13,936,408</u>	<u>\$ 12,504,408</u>	<u>\$ 17,043,537</u>	<u>\$ 14,070,688</u>	<u>\$ 14,711,997</u>
\$ (44,121,338)	\$ (47,226,487)	\$ (43,605,988)	\$ (42,060,466)	\$ (44,990,928)	\$ (44,132,744)
(461,432)	(824,574)	(732,845)	(502,821)	(2,072,507)	(1,951,303)
<u>\$ (44,582,770)</u>	<u>\$ (48,051,061)</u>	<u>\$ (44,338,833)</u>	<u>\$ (42,563,287)</u>	<u>\$ (47,063,435)</u>	<u>\$ (46,084,047)</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

	Fiscal Year			
	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 25,274,257	\$ 25,056,214	\$ 24,042,683	\$ 29,257,624
Local sales and use taxes	2,659,256	2,932,417	3,231,113	3,113,379
Consumer utility taxes	-	688,517	989,849	801,128
Motor vehicle licenses taxes	632,909	654,599	669,047	891,116
Taxes on recordation and wills	1,309,116	1,393,268	1,385,736	1,718,438
Business licenses taxes	-	-	-	-
Other local taxes	396,294	625,906	736,144	80,565
Unrestricted grants and contributions	4,082,118	346,074	4,206,588	4,307,511
Unrestricted revenues from use of money and property	-	605,028	639,621	916,709
Miscellaneous	420,487	3,911,179	563,397	187,605
Transfers	493,893	-	-	-
Total governmental activities	\$ 35,268,330	\$ 36,213,202	\$ 36,464,178	\$ 41,274,075
Business-type activities:				
Property taxes	\$ 455,465	\$ 471,482	\$ 478,659	\$ 470,393
Unrestricted grants and contributions	-	-	29,118	5,143
Unrestricted revenues from use of money and property	14,844	29,156	72,922	84,725
Miscellaneous	68,685	105,953	77,033	131,421
Transfers	-	-	-	-
Total business-type activities	\$ 538,994	\$ 606,591	\$ 657,732	\$ 691,682
Total primary government	\$ 35,807,324	\$ 36,819,793	\$ 37,121,910	\$ 41,965,757
Change in Net Assets				
Governmental activities	\$ 1,820,041	\$ 440,968	\$ (652,934)	\$ 1,661,060
Business-type activities	(18,128)	68,203	952,272	37,410
Total primary government	\$ 1,801,913	\$ 509,171	\$ 299,338	\$ 1,698,470

Table 2

2008	2009	2010	2011	2012	2013
\$ 29,220,882	\$ 30,598,287	\$ 31,119,938	\$ 31,699,815	\$ 33,793,896	\$ 35,569,694
3,238,398	3,313,542	2,909,578	3,048,872	3,168,917	3,224,641
477,500	322,715	325,862	298,353	1,962,053	1,943,136
552,815	795,000	815,279	857,901	826,120	825,623
2,100,986	1,960,982	1,995,591	1,994,437	258,430	347,126
-	-	-	-	-	-
81,334	132,608	107,777	147,423	164,242	154,857
4,626,255	3,876,482	3,842,578	3,791,210	3,959,108	3,874,170
776,679	326,895	121,661	133,941	258,340	130,565
324,047	302,129	455,690	2,816,283	1,237,842	2,705,887
-	-	-	(343,777)	7,002,886	(1,632,819)
\$ 41,398,896	\$ 41,628,640	\$ 41,693,954	\$ 44,444,458	\$ 52,631,834	\$ 47,142,880
\$ 505,237	\$ 522,155	\$ 541,459	\$ 561,634	\$ 562,552	\$ 592,586
8,852	-	-	-	-	-
106,304	39,957	21,019	19,004	23,331	10,256
105,760	116,020	114,601	139,622	89,893	-
-	-	-	343,777	(7,002,886)	1,632,819
\$ 726,153	\$ 678,132	\$ 677,079	\$ 1,064,037	\$ (6,327,110)	\$ 2,235,661
\$ 42,125,049	\$ 42,306,772	\$ 42,371,033	\$ 45,508,495	\$ 46,304,724	\$ 49,378,541
\$ (2,722,442)	\$ (5,597,847)	\$ (1,912,034)	\$ 2,383,992	\$ 7,640,906	\$ 3,010,136
264,721	(146,442)	(55,766)	561,216	(8,399,617)	284,358
\$ (2,457,721)	\$ (5,744,289)	\$ (1,967,800)	\$ 2,945,208	\$ (758,711)	\$ 3,294,494

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record- ation and Wills Tax	Total
2004 \$	25,274,257	\$ 2,659,256	\$ 1,309,116	\$ 632,909	\$ 302,809	\$ 30,178,347
2005	25,056,214	2,932,417	1,393,268	654,599	688,517	30,725,015
2006	24,042,683	3,231,113	1,385,736	669,047	989,849	30,318,428
2007	29,257,624	3,113,379	1,718,438	891,116	316,013	35,296,570
2008	29,220,882	3,238,398	2,100,986	552,815	477,500	35,590,581
2009	30,598,287	3,313,542	1,960,982	795,000	322,715	36,990,526
2010	31,119,938	2,909,578	1,995,591	815,279	325,862	37,166,248
2011	31,699,815	3,048,872	1,994,437	857,901	298,353	37,899,378
2012	33,793,896	3,168,917	1,962,053	826,120	258,430	40,009,416
2013	35,569,694	3,224,641	1,943,136	825,623	347,126	41,910,220

COUNTY OF SHENANDOAH, VIRGINIA

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

	2004	2005	2006	2007	2008
General fund					
Reserved	\$ 297,723	\$ 297,723	\$ -	\$ -	\$ -
Unreserved	11,318,949	10,546,157	13,596,381	16,656,188	16,823,568
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 11,616,672</u>	<u>\$ 10,843,880</u>	<u>\$ 13,596,381</u>	<u>\$ 16,656,188</u>	<u>\$ 16,823,568</u>
All other governmental funds					
Reserved					
Unreserved, reported in:					
Special revenue funds	\$ 362,716	\$ 364,499	\$ 415,682	\$ 464,264	\$ 513,479
Capital projects funds	6,317,009	8,139,801	8,475,802	7,972,658	8,452,910
Restricted, reported in:					
Capital projects funds	-	-	-	-	-
Committed, reported in:					
Landfill contingency	-	-	-	-	-
Assigned, reported in:					
Capital projects funds	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 6,679,725</u>	<u>\$ 8,504,300</u>	<u>\$ 8,891,484</u>	<u>\$ 8,436,922</u>	<u>\$ 8,966,389</u>

Note: The County implemented GASB Statement 54 beginning with fiscal year 2011-see Note 1 in the Notes to Basic Financial Statements section of the report.

Table 4

2009	2010	2011	2012	2013
\$ -	\$ -	\$ -	\$ -	\$ -
11,621,797	10,747,591	-	-	-
-	-	42,362	88,905	16,995
-	-	4,372,985	3,896,099	3,938,418
-	-	-	5,035	-
-	-	1,132,855	1,043,063	1,178,694
-	-	9,686,116	9,655,914	10,497,972
<u>\$ 11,621,797</u>	<u>\$ 10,747,591</u>	<u>\$ 15,234,318</u>	<u>\$ 14,689,016</u>	<u>\$ 15,632,079</u>
\$ 641,844	\$ 566,016	\$ -	\$ -	\$ -
8,895,067	18,156,955	-	-	-
-	-	8,653,713	2,505,751	1,788,689
-	-	-	39,303	-
-	-	6,918,627	8,046,955	8,780,403
-	-	576,406	99,893	99,903
<u>\$ 9,536,911</u>	<u>\$ 18,722,971</u>	<u>\$ 16,148,746</u>	<u>\$ 10,691,902</u>	<u>\$ 10,668,995</u>

COUNTY OF SHENANDOAH, VIRGINIA

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

	2004	2005	2006	2007
Revenues				
General property taxes	\$ 22,854,991	\$ 24,302,925	\$ 26,044,683	\$ 29,159,806
Other local taxes	5,491,468	6,294,707	7,011,889	6,920,639
Permits, privilege fees and regulatory licenses	570,027	630,162	633,654	509,206
Fines and forfeitures	16,133	24,471	29,025	40,655
Revenue from use of money and property	171,392	345,895	639,621	916,709
Charges for services	1,681,998	2,144,610	2,458,067	2,383,976
Miscellaneous	420,487	605,028	506,425	640,321
Recovered costs	421,674	65,635	123,625	741,736
Intergovernmental:	-	245,994	-	-
Commonwealth	8,237,692	9,108,772	10,210,743	10,155,332
Federal	1,820,460	1,934,737	2,544,452	2,440,267
Total revenues	\$ 41,686,322	\$ 45,702,936	\$ 50,202,184	\$ 53,908,647
Expenditures				
General government administration	\$ 1,656,620	\$ 2,261,209	\$ 2,218,412	\$ 2,418,823
Judicial administration	827,829	973,663	1,335,854	1,379,827
Public safety	5,944,785	7,333,883	8,535,147	9,564,087
Public works	2,137,903	2,631,585	2,871,704	4,110,671
Health and welfare	4,281,709	4,780,944	6,178,127	6,868,977
Education	16,589,838	18,656,116	18,015,034	17,660,412
Parks, recreation and cultural	1,128,982	1,164,205	1,288,881	1,374,490
Community development	678,719	695,742	755,914	718,688
Nondepartmental	35,448	-	16,045	30,000
Capital projects	7,969,350	1,791,873	294,520	2,177,928
Debt service				
Principal	3,511,264	8,313,719	3,648,503	3,752,580
Interest and other fiscal charges	2,539,366	2,406,655	2,483,157	2,279,406
Bond issuance costs	-	-	-	-
Total expenditures	\$ 47,301,813	\$ 51,009,594	\$ 47,641,298	\$ 52,335,889
Excess (deficiency) of revenues over (under) expenditures	\$ (5,615,491)	\$ (5,306,658)	\$ 2,560,886	\$ 1,572,758
Other financing sources (uses)				
Transfers in	\$ 5,377,362	\$ 7,613,071	\$ 5,861,463	\$ 5,410,369
Transfers out	(5,476,428)	(6,814,173)	(5,861,463)	(5,410,369)
Refunding bonds issued	548,493	4,130,808	-	-
Bonds issued	-	-	-	313,653
Premium on bonds issued	-	300,424	-	-
Capital leases	-	1,128,311	578,799	718,834
Notes Payable	-	-	-	-
Total other financing sources (uses)	\$ 449,427	\$ 6,358,441	\$ 578,799	\$ 1,032,487
Net change in fund balances	\$ (5,166,064)	\$ 1,051,783	\$ 3,139,685	\$ 2,605,245
Debt service as a percentage of noncapital expenditures	15.38%	21.78%	12.95%	12.03%

Table 5

2008	2009	2010	2011	2012	2013
\$ 29,555,714	\$ 30,532,857	\$ 30,805,595	\$ 31,744,361	\$ 33,009,862	\$ 35,693,366
6,451,033	6,524,847	6,154,087	6,346,986	6,379,762	6,495,383
550,482	353,584	340,486	330,143	321,647	347,305
45,425	91,857	114,651	107,215	77,345	78,423
776,679	326,895	121,661	133,941	258,340	130,565
2,423,291	2,350,179	2,310,711	2,313,987	1,139,504	1,847,850
345,555	302,129	455,690	2,334,514	1,237,842	2,705,887
497,325	276,908	312,420	482,269	276,297	499,341
-	-	-	-	-	-
10,647,989	10,031,639	10,126,436	10,387,854	9,948,179	10,281,425
2,185,623	3,209,216	1,832,798	5,900,561	3,465,508	2,689,859
\$ 53,479,116	\$ 54,000,111	\$ 52,574,535	\$ 60,081,831	\$ 56,114,286	\$ 60,769,404
\$ 2,401,055	\$ 2,853,762	\$ 2,637,070	\$ 2,228,906	\$ 2,435,352	\$ 2,540,618
1,709,822	1,677,491	1,553,936	1,579,642	1,685,561	1,764,922
11,211,113	10,726,741	10,965,435	10,781,294	11,645,005	13,244,694
3,598,286	2,920,804	2,686,143	2,983,349	1,100,767	1,062,575
6,560,503	6,320,719	6,127,943	6,707,951	6,876,762	6,775,287
19,535,900	23,088,598	21,303,551	21,197,950	22,090,351	22,094,286
1,553,319	1,717,606	1,780,076	1,469,314	1,487,219	1,384,394
878,681	860,309	965,488	930,856	953,673	951,035
59,500	35,596	196,308	15,159	133,482	16,891
4,016,683	4,021,266	7,338,539	10,764,620	6,628,375	6,932,038
3,958,168	4,024,084	4,430,936	4,390,177	7,176,059	3,897,642
2,105,512	2,093,305	1,875,209	2,932,961	2,800,854	2,569,834
-	-	-	-	57,604	156,175
\$ 57,588,542	\$ 60,340,281	\$ 61,860,634	\$ 65,982,179	\$ 65,071,064	\$ 63,390,391
\$ (4,109,426)	\$ (6,340,170)	\$ (9,286,099)	\$ (5,900,348)	\$ (8,956,778)	\$ (2,620,987)
\$ 6,266,659	\$ 6,688,843	\$ 6,078,976	\$ 3,874,348	\$ 5,861,710	\$ 5,868,257
(6,266,659)	(6,688,843)	(6,078,976)	(3,874,348)	(7,192,458)	(7,501,076)
-	-	-	-	-	-
2,329,416	1,356,931	15,760,000	7,435,000	3,255,000	4,495,000
-	-	723,003	-	499,512	285,655
1,643,027	351,990	452,301	377,850	530,868	393,307
-	-	662,649	-	-	-
\$ 3,972,443	\$ 1,708,921	\$ 17,597,953	\$ 7,812,850	\$ 2,954,632	\$ 3,541,143
\$ (136,983)	\$ (4,631,249)	\$ 8,311,854	\$ 1,912,502	\$ (6,002,146)	\$ 920,156
11.32%	10.86%	11.57%	13.26%	16.88%	11.56%

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record- ation and Wills Tax	Total
2004 \$	22,854,991 \$	2,659,256 \$	1,309,116 \$	632,909 \$	602,809 \$	28,059,081
2005	24,302,925	2,932,417	1,393,268	654,599	688,517	29,971,726
2006	26,044,683	3,231,113	1,385,736	669,047	989,849	32,320,428
2007	29,159,806	3,113,379	1,718,438	891,116	801,128	35,683,867
2008	29,555,714	3,238,398	1,368,894	552,815	477,500	35,193,321
2009	30,532,857	3,313,542	1,243,628	795,000	322,715	36,207,742
2010	30,805,595	2,909,578	1,248,883	815,279	325,862	36,105,197
2011	31,744,361	3,048,872	1,994,437	857,901	298,353	37,943,924
2012	33,009,862	3,168,917	1,962,053	826,120	258,430	39,225,382
2013	35,693,366	3,224,641	1,943,136	825,623	347,126	42,033,892

COUNTY OF SHENANDOAH, VIRGINIA**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2004	\$ 2,303,149,450	\$ 266,755,115	\$ 3,646,104	\$ 64,808,132	\$ 33,030,298
2005	2,394,494,850	289,239,613	3,803,521	72,596,435	35,081,578
2006	3,046,358,050	327,177,172	4,688,573	70,152,682	36,933,965
2007	3,715,824,650	356,334,022	5,523,101	73,317,081	38,950,950
2008	3,841,542,450	378,309,055	5,539,784	66,351,535	43,652,302
2009	3,921,886,100	372,121,056	5,469,665	60,505,707	48,726,763
2010	4,371,701,000	346,758,402	4,443,414	64,372,075	46,001,179
2011	4,403,310,900	357,328,471	4,360,059	78,202,016	44,439,756
2012	4,413,197,300	363,099,193	4,271,041	74,030,957	45,520,162
2013	4,441,341,600	367,548,462	4,141,738	75,260,772	46,502,386

Source: Commissioner of Revenue

(1) Real estate assessed at 100% of fair market value.

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

(3) Source: Virginia Department of Taxation.

Table 7

	Total Taxable Assessed Value	Estimated Actual Taxable Value	State Sales Assessment Ratio (3)	Total Direct Rate
\$	2,812,701,885	\$ 4,897,617,769	57.43%	\$ 7.68
	2,930,569,191	5,834,300,599	50.23%	7.68
	3,596,485,773	5,221,378,881	68.88%	7.34
	4,300,756,361	6,242,932,735	68.89%	7.34
	4,460,458,298	5,680,665,178	78.52%	7.34
	4,531,388,630	5,115,011,435	88.59%	7.92
	4,982,742,358	4,877,868,192	102.15%	7.84
	5,088,365,077	5,202,827,277	97.80%	7.84
	5,094,622,307	5,094,622,307	100.00%	7.92
	5,129,786,026	5,129,786,026	100.00%	8.33

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		Total Direct Rate
2004	\$	0.68	\$	2.86	\$	0.68	\$	2.86	\$	0.60	\$	7.68
2005		0.68		2.86		0.68		2.86		0.60		7.68
2006		0.51		2.86		0.51		2.86		0.60		7.34
2007		0.51		2.86		0.51		2.86		0.60		7.34
2008		0.51		2.86		0.51		2.86		0.60		7.34
2009		0.51		3.15		0.51		3.15		0.60		7.92
2010		0.47		3.15		0.47		3.15		0.60		7.84
2011		0.47		3.15		0.47		3.15		0.60		7.84
2012		0.51		3.15		0.51		3.15		0.60		7.92
2013		0.54		3.50		0.54		3.15		0.60		8.33

Source: County Commissioner of Revenue

(1) Per \$100 of assessed value

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2013		Fiscal Year 2004	
		2013 Assessed Valuation	% of Total Assessed Valuation	2004 Assessed Valuation	% of Total Assessed Valuation
North Shenandoah Investors	Mfg	20,596,500	0.73%	-	0.00%
Art Mortgage Borrower	Distribution	13,368,800	0.48%	-	0.00%
Howell Metal	Mfg	11,116,100	0.40%	8,068,100	0.39%
294 Front Royal LLC	Mfg	10,718,600	0.38%	7,004,400	0.34%
Lowes Home Centers	Retail	9,499,400	0.34%	-	0.00%
Bowman Andros Products	Mfg	9,364,300	0.33%	7,616,800	0.37%
Wal-Mart Real Estate	Retail	9,269,000	0.33%	5,653,000	0.28%
Telesat Network Services	Communications	9,013,000	0.32%	-	0.00%
Masco Cabinetry	Mfg	7,889,100	0.28%	7,249,100	0.35%
Spectrum I Woodstock	Retail	6,801,800	0.24%	-	0.00%
Valley Fertilizer and Chemical	Retail	6,299,900	0.22%	-	0.00%
LH & H LLC	Hotel	6,014,300	0.21%	-	0.00%
Shree Ganesh Hospitality	Hotel	5,536,500	0.20%	-	0.00%
		<u>125,487,300</u>	<u>3.35%</u>	<u>35,591,400</u>	<u>0.95%</u>

Source: Commissioner of Revenue

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Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax (1,3) Levy for Fiscal Year	Collected within the Fiscal Year of the Levy (1,3)		Collections In Subsequent Years (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2004 \$	26,365,764	\$ 25,093,089	95.17%	\$ 1,093,795	\$ 26,186,884	99.32%
2005	27,837,037	26,176,277	94.03%	1,458,979	27,635,256	99.28%
2006	26,146,589	24,565,050	93.95%	1,375,004	25,940,054	99.21%
2007	28,582,118	27,256,379	95.36%	1,141,419	28,397,798	99.36%
2008	29,698,692	28,304,547	95.31%	1,151,322	29,455,869	99.18%
2009	31,221,250	28,851,374	92.41%	1,935,609	30,786,983	98.61%
2010	31,762,302	28,815,151	90.72%	2,434,979	31,250,130	98.39%
2011	32,838,732	29,867,700	90.95%	2,372,299	32,239,999	98.18%
2012	35,018,934	33,281,231	95.04%	789,161	34,070,392	97.29%
2013	36,226,476	33,721,380	93.08%	-	33,721,380	93.08%

Source: Commissioner of Revenue, County Treasurer's office

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Does not include PPTRA reimbursements from the Commonwealth of Virginia.

COUNTY OF SHENANDOAH, VIRGINIA

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Business-Type Activities	
	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	General Obligation Bonds	Notes Payable
2004 \$	36,958,754	\$ 5,416,500	\$ 9,517,293	\$ 1,456,243	\$ 3,707,759	\$ 13,130
2005	38,882,819	5,084,500	4,607,040	1,963,352	3,502,335	9,763
2006	36,201,544	4,752,500	4,436,571	713,218	3,284,016	6,396
2007	33,817,733	4,420,500	4,315,597	2,020,718	3,066,198	20,450
2008	33,403,293	4,088,500	4,179,796	2,860,442	2,838,236	16,330
2009	31,999,361	3,774,000	4,044,912	2,341,443	2,591,701	11,721
2010	45,560,848	3,459,500	4,338,322	1,865,903	2,339,188	6,888
2011	50,367,176	3,145,000	3,972,674	1,060,237	2,284,811	1,379
2012	48,306,971	2,830,500	3,255,000	1,145,505	3,072,421	-
2013	45,442,086	2,516,000	7,595,000	1,131,300	2,802,329	-

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

Table 11

Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
\$ -	\$ 57,069,679	5.89%	\$ 1,540
-	54,049,809	5.13%	1,425
-	49,394,245	4.36%	1,268
-	47,661,196	3.91%	1,190
97,343	47,483,940	3.67%	1,170
71,135	44,834,273	3.38%	1,094
53,284	57,623,933	4.34%	1,404
46,585	60,877,862	4.54%	1,450
4,301	58,614,698	4.24%	1,386
-	59,486,715	3.99%	1,397

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)
2004	\$ 55,796,987	\$ -	\$ 55,796,987	1.98%	\$ 1,505
2005	51,359,536	-	51,359,536	1.75%	1,354
2006	38,365,062	-	38,365,062	1.07%	985
2007	41,304,431	-	41,304,431	0.96%	1,031
2008	42,553,830	-	42,553,830	0.95%	1,048
2009	45,390,615	-	39,818,273	0.88%	972
2010	48,574,359	-	48,574,359	0.97%	1,184
2011	55,796,987	-	55,796,987	1.10%	1,329
2012	54,209,892	-	54,209,892	1.06%	1,282
2013	58,355,415	-	58,355,415	1.14%	1,370

(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, lease revenue bonds excludes capital leases, and compensated absences.

Pledged-Revenue Coverage
Last Ten Fiscal Years

Enterprise Fund Revenue Bonds							
Fiscal Year	Water/Sewer/Refuse and Setpage Charges and Other		Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2004	\$	1,565,435	\$ 1,461,209	\$ 104,226	\$ 475,288	\$ 212,992	15.14%
2005		1,740,840	1,511,547	229,293	217,192	161,578	60.54%
2006		1,780,979	1,568,728	212,251	245,000	154,936	53.07%
2007		2,026,347	1,824,398	201,949	245,747	152,228	50.74%
2008		2,132,075	2,040,483	91,592	267,462	147,282	22.08%
2009		2,147,619	2,149,861	(2,242)	273,088	126,785	-0.56%
2010		2,121,710	1,925,427	196,283	284,415	116,742	48.93%
2011		2,276,247	1,863,237	413,010	264,005	102,950	112.55%
2012		3,424,323	4,594,573	(1,170,250)	249,378	85,698	-349.25%
2013		3,428,481	4,581,746	(1,153,265)	274,393	142,435	-276.68%

Note: Water/Sewer, refuse disposal charges and other include property taxes and investment earnings but not capital contributions. FY 2012 was the first year the landfill fund was included in the business-type activities.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemploy- ment Rate
2004	37,064 \$	969,001,216 \$	26,144	40.9	5,954	3.30%
2005	37,931	1,052,623,181	27,751	40.9	6,153	3.00%
2006	38,956	1,133,230,040	29,090	40.9	6,107	3.00%
2007	40,060	1,217,984,240	30,404	40.9	6,155	3.20%
2008	40,589	1,294,383,210	31,890	40.9	6,244	4.70%
2009	40,984	1,326,652,080	32,370	40.9	6,184	8.30%
2010	41,036	1,328,335,320	32,370	40.9	6,106	8.30%
2011	41,993	1,340,290,581	31,917	42.2	6,094	7.00%
2012	42,289	1,380,820,428	32,652	43.5	6,076	6.60%
2013	42,583	1,491,086,328	35,016	43.7	6,069	6.20%

Source: Weldon Cooper Center, <http://www.bea.gov/regional/reis/drill.cfm>

Principal Employers
Current Year and Nine Years Ago

Employer	Fiscal Year 2013			Fiscal Year 2004		
	Employees	Rank	% of Total County Employment	Employees	Rank	% of Total County Employment
Shenandoah County School Board	1000+	1	9.40%	1000+	1	8.80%
George's Chicken	500 to 999	2	5.60%	500 to 999	2	5.30%
R.R. Donnelley and Sons Company	250 to 499	3	2.80%	500 to 999	4	5.30%
Bowman Andros Products	250 to 499	4	2.80%	100 to 249	14	2.60%
Iac Strasburg LLC	250 to 499	5	2.80%	500 to 999	3	5.30%
County of Shenandoah	250 to 499	6	2.80%	250 to 499	9	5.30%
Valley Health System	250 to 499	7	2.80%	250 to 499	7	5.30%
Shentel Management Company	250 to 499	8	2.80%	100 to 249	11	2.60%
Life Style Staffing	250 to 499	9	2.80%			
Wal Mart	250 to 499	10	2.80%	250 to 499	8	5.30%

Source: Individual county departments

<http://velma.virtuallmi.com/analyzer/session/session.asp?cat=IND>

Full-time Equivalent County Government Employees by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	24	27	27	27	27	27	25	22	22	21
Judicial administration	17	19	22	22	22	20	21	21	19	15
Public safety										
Sheriffs department	57	64	65	67	72	67	70	70	71	84
Fire & rescue	5	5	21	25	33	33	32	33	34	42
Building inspections	9	9	9	10	10	8	7	7	5	5
Animal control	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance	3	4	4	5	5	5	7	7	6	5
Landfill	18	17	21	20	21	20	20	20	22	19
Engineering	0	0	0	0	0	0	0	0	0	0
Health and welfare										
Department of social services	33	33	36	33	36	34	35	35	35	35
Culture and recreation										
Parks and recreation	5	4	5	5	4	6	5	4	5	5
Museum	0	0	0	0	0	0	0	0	0	0
Library	6	7	7	7	7	7	5	6	6	6
Community development										
Planning	4	4	4	4	5	5	5	4	5	5
Totals	183	195	223	227	244	234	234	231	232	244

Source: Individual county departments

Operating Indicators by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Sheriffs department:										
Physical arrests										
Traffic violations/Arrests	1711	1951	2237	2003	2115	3222	2800	2200	2110	2070
Civil papers	11107	10422	10924	9654	9918	10479	9269	9163	12308	10500
Fire and rescue:										
Number of calls answered	5538	5779	4794	6253	6520	9967	9998	10303	13124	11150
Building inspections:										
Permits issued	589	585	506	196	113	120	127	88	127	94
Animal control:										
Number of calls answered	1792	1741	1836	1834	1933	2102	1636	1544	1729	1643
Public works										
General maintenance:										
Trucks/vehicles	2	3	3	3	3	4	4	6	6	6
Landfill:										
Refuse collected (tons/day)	157.1	161.1	158.0	178.0	148	135	130	133	116	117.02
Recycling (tons/day)	7.8	11.6	13.9	13.5	7.0	6.1	7.5	9.0	7.8	6.81
Health and welfare										
Department of Social Services:										
Caseload	3187	3666	3876	3950	4016	5141	5780	5998	5854	5753
Culture and recreation										
Parks and recreation:										
Recreation hall permits issued	1416	1641	1310	1350	1300	1571	2059	1298	1291	1137
Youth sports participants	-	925	2660	2400	1827	1606	1430	1449	1209	1156
Community development										
Planning:										
Zoning permits issued	748	689	721	663	608	434	303	312	430	380
Component Unit - School Board										
Education:										
School age population	5954	6153	6107	6155	6224	6184	6106	6094	6076	6069
Number of teachers	464	456	483	499	512	529	501	496	523	520
Local expenditures per pupil	2941	3733	3913	3430	3486	3509	3433	3440	3557	3711

Source: Individual county departments

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	2	3	3	4	4	4	2	2	2	2
Public safety										
Sheriffs department:										
Patrol units	45	45	45	47	49	50	50	47	46	51
Other vehicles										
Building inspections:										
Vehicles	6	6	6	6	6	5	5	5	4	4
Animal control:										
Vehicles	2	2	2	2	2	2	2	2	2	2
Public works										
General maintenance:										
Trucks/vehicles	4	4	4	4	4	6	6	6	6	6
Landfill:										
Vehicles	19	19	21	21	21	21	20	22	22	23
Equipment	16	16	16	16	16	16	16	16	18	21
Sites	14	15	15	15	14	15	15	15	15	15
Health and welfare										
Department of Social Services:										
Vehicles	10	10	10	10	10	10	10	10	10	8
Culture and recreation										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Vehicles	4	6	6	6	6	6	5	5	5	4
Parks acreage	345	345	345	345	345	345	345	345	345	645
Tennis courts	2	2	2	2	2	2	2	2	2	2
Community development										
Planning:										
Vehicles	2	2	3	3	3	3	2	2	2	2
Component Unit - School Board										
Education:										
Schools	10	10	10	10	10	10	10	10	10	10
School buses	100	101	104	104	104	104	104	109	108	108

Source: Individual county departments

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Shenandoah, Virginia's basic financial statements, and have issued our report thereon dated November 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Shenandoah, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Shenandoah, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Shenandoah, Virginia's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rabiner, Finner, Cox Associates

Staunton, Virginia
November 29, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Shenandoah, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Shenandoah, Virginia's major federal programs for the year ended June 30, 2013. County of Shenandoah, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Shenandoah, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Shenandoah, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Shenandoah, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Shenandoah, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rahman, Famer, Cox Associates

Staunton, Virginia
November 29, 2013

COUNTY OF SHENANDOAH, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
PRIMARY GOVERNMENT:			
Department of Agriculture:			
Direct Payments:			
Agricultural Management Assistance	10.917		\$ 1,125
Pass Through Payments:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Unavailable	\$ 316,944
Total Department of Agriculture			\$ 318,069
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Temporary Assistance for Needy Families	93.558	Unavailable	\$ 217,309
Refugee & Entrant Assistance - State Administered Programs	93.566	Unavailable	1,031
Promoting Safe and Stable Families	93.556	Unavailable	12,938
Low-Income Home Energy Assistance	93.568	Unavailable	15,948
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	Unavailable	35,306
Foster Care - Title IV-E	93.658	Unavailable	204,102
Chafee Education and Training Vouchers	93.599	Unavailable	3,346
Child Welfare Services Program - Stephanie Tubbs Jones	93.645	Unavailable	981
Chafee Foster Care Independence Program	93.674	Unavailable	4,285
Social Services Block Grant	93.667	Unavailable	217,360
Children's Health Insurance Program	93.767	Unavailable	7,453
Adoption Assistance	93.659	Unavailable	95,343
Medical Assistance Program (Title XIX)	93.778	Unavailable	191,394
Total Department of Health and Human Services			\$ 1,006,796
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Unavailable	\$ 286,890
Total Department of Housing and Urban Development			\$ 286,890
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Homeland Security Grant Program	97.074	Unavailable	\$
Emergency Management Performance Grants	97.042	Unavailable	19,457
Assistance to Firefighters Grants	97.044	Unavailable	357,750
Disaster Assistance Projects	97.088	Unavailable	102,989
Total Department of Homeland Security			\$ 480,196
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Law Enforcement Terrorist Prevention	16.000		
Immigration Custom Enforcement	16.000	Unavailable	\$ 13,986
Project Lifesaver	16.000	Unavailable	1,465
Local Law Enforcement Block Grant	16.592	Unavailable	95,109
U.S. Forest Service Patrol	16.000	Unavailable	4,492
Asset Seizure Proceeds	16.000	Unavailable	262,664
Bulletproof Vest Paternership Program	16.607	Unavailable	5,181
Triad grant	16.000	Unavailable	2,850
Total U.S. Department of Justice			\$ 385,747

COUNTY OF SHENANDOAH, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2013

Federal Grantor/Pass - Through Grantor/ Program Title or Cluster title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ royalty grants	66.000	Unavailable	\$ 400
Total Environmental Protection Agency			\$ 400
Department of the Interior: Direct Payments: Bureau of Land Management - Payment in Lieu of Taxes	12.112	Unavailable	\$ 163,852
Total Department of the Interior			\$ 163,852
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: State and Community Highway Safety Program	20.600	Unavailable	\$ 23,025
Highway Planning and Construction	20.205	Unavailable	\$ 284,093
Total Department of Transportation			\$ 307,118
Total Expenditures of Federal Awards - Primary Government			\$ 2,949,068

COMPONENT UNIT SCHOOL BOARD:

Department of Agriculture: Pass Through Payments: Department of Education: Child Nutrition Cluster: School Breakfast Program	10.553	Unavailable	\$ 230,723
National School Lunch Program	10.555	Unavailable	\$ 944,365
Department of Agriculture: Child Nutrition Cluster: Commodities-School Lunch	10.555	Unavailable	\$ 151,331
Schools and Roads - Grants of States	10.665	Unavailable	\$ 88,820
Total Department of Agriculture			\$ 1,415,239
Department of Education: Pass Through Payments: Title I Grants to Local Education Agencies	84.010	S010A09046/S010A10046	\$ 1,056,157
School Improvement Grants	84.377	Unavailable	\$ 204,996
Improving Teacher Quality State Grants	84.367	Unavailable	\$ 194,582
Special Education Cluster: Special Education - State Grants	84.027	H027A10017	\$ 1,240,068
Special Education - Preschool Grants	84.173	H173A090112/H173A100112	\$ 33,224
Career and Technical Education - Basic Grants to States	84.048	Unavailable	\$ 101,055
English Language Acquisition Grants	84.365	Unavailable	\$ 30,738
ARRA-Education Jobs Fund	84.410	S410A10047	\$ 83,522
Total Department of Education			\$ 2,944,342
Total Expenditures of Federal Awards Component Unit School Board			\$ 4,359,581
			\$ 7,308,649

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Shenandoah, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Shenandoah, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Shenandoah, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for States, 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. At June 30, 2013, the County had food commodities totaling \$38,219 in inventory.

NOTE D-RELATIONSHIP TO FINANCIAL STATEMENTS

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	\$ 2,689,859
Reconciling items:	
Expenditures of forfeited drug asset proceeds that were received in a prior fiscal year	259,209
Total primary government	<u>\$ 2,949,068</u>

Discretely presented component unit - School Board	\$ 4,359,581
Total discretely presented component unit - School Board	<u>\$ 4,359,581</u>

Total expenditures of federal awards per basic financial statements	<u>\$ 7,308,649</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u>\$ 7,308,649</u>
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COUNTY OF SHENANDOAH, VIRGINIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

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

Noncompliance 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: unmodified

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Special Education Cluster	
84.027	Special Education-State Grants
84.173	Special Education-Preschool Grants
97.044	Assistance to Firefighters
Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Food Distribution

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

Auditee qualified as low-risk auditee? x yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

COUNTY OF SHENANDOAH, VIRGINIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

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

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