

COUNTY OF HIGHLAND, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

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



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## County of Highland, Virginia

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### Board of Supervisors

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

### County School Board

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

### Welfare Board Members

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David Johnston, Chairman  
Jim White  
Lori Botkin

### Other Officials

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



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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the County of Highland, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Highland, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2012 on our consideration of the County of Highland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Robinson, Farmer, Cox Associates*

Verona, Virginia  
January 6, 2012

## **Management's Discussion and Analysis**

The following is a narrative overview and analysis of the financial activities of the County of Highland, Virginia for the fiscal year ended June 30, 2011.

### **Financial Highlights**

#### **Government-wide Financial Statements**

The assets of the County of Highland, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$7,557,244 (net assets). Of this amount, \$5,893,176 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. The School Board's net assets were \$2,731,782 of which \$(16,924) is unrestricted. (See Exhibit 1.)

The Government's net assets increased by \$308,884 while the School Board's net assets increased by \$179,423. (See Exhibit 2.)

#### **Fund Financial Statements**

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$3,951,635, or 106 percent of the total general fund expenditures. (See Exhibit 3.) This amount includes taxes and accounts receivable reflected in the fiscal year 2011 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2011.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,301,443, an increase of \$60,465 in comparison with the prior year. Of this amount \$4,604,221 is available for spending at the government's discretion (unassigned fund balance). The remaining fund balance is subject to various constraints as follows: \$50,785 is non-spendable, \$131,742 is restricted, \$510,933 has been committed, and \$3,762 has been assigned for future expenditure. (See Exhibit 3.)

### **Overview of the Financial Statements**

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

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

#### **Government-wide Financial Statements**

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

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

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

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

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

### Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, a reconciliation between the two methods is provided on the exhibits following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances.

#### Proprietary funds

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

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

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

#### Internal service funds

The County of Highland has no internal service funds.

#### Fiduciary funds

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

#### Notes to the financial statements

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

#### **Government-wide Financial Analysis**

As previously noted, net assets may serve as a useful indicator of a government's financial position. For the County of Highland, assets exceeded liabilities by \$7,557,244 at the end of the fiscal year.

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

#### County of Highland's Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 6,740,657	\$ 6,596,637	\$ 677,785	\$ 521,967	\$ 7,418,442	\$ 7,118,604
Capital assets	1,715,726	1,896,769	790,934	716,354	2,506,660	2,613,123
Total	<u>\$ 8,456,383</u>	<u>\$ 8,493,406</u>	<u>\$ 1,468,719</u>	<u>\$ 1,238,321</u>	<u>\$ 9,925,102</u>	<u>\$ 9,731,727</u>
Long-term liabilities	\$ 850,752	\$ 974,162	\$ 177,043	\$ 181,045	\$ 1,027,795	\$ 1,155,207
Other liabilities	1,326,946	1,300,935	13,117	27,225	1,340,063	1,328,160
Total	<u>\$ 2,177,698</u>	<u>\$ 2,275,097</u>	<u>\$ 190,160</u>	<u>\$ 208,270</u>	<u>\$ 2,367,858</u>	<u>\$ 2,483,367</u>
Net assets invested in capital assets, net of related debt	\$ 1,043,630	\$ 1,087,958	\$ 620,438	\$ 541,856	\$ 1,664,068	\$ 1,629,814
Unrestricted	5,235,055	5,130,351	658,121	488,195	5,893,176	5,618,546
Total net assets	<u>\$ 6,278,685</u>	<u>\$ 6,218,309</u>	<u>\$ 1,278,559</u>	<u>\$ 1,030,051</u>	<u>\$ 7,557,244</u>	<u>\$ 7,248,360</u>

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 16.6 percent of total net assets. The County uses these capital assets to provide services to citizens; therefore, the assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets, which is \$5,235,055 or 83.4 percent of total net assets, may be used to meet the government's ongoing obligations to citizens and creditors.

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

During the current fiscal year, the government's net assets increased by \$308,884.

## Governmental Activities

Governmental activities increased the County's net assets by \$108,893.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 28,723	\$ 146,073	\$ 401,742	\$ 353,082	\$ 430,465	\$ 499,155
Operating grants and contributions	1,108,132	1,101,652	31,910	6,125	1,140,042	1,107,777
Capital grants and contributions	-	1,000	99,100	-	99,100	1,000
General revenues:						
General property taxes	2,777,551	2,694,439	-	-	2,777,551	2,694,439
Other local taxes	357,076	353,146	-	-	357,076	353,146
Use of money and property	57,999	73,747	411	69	58,410	73,816
Other	83,641	89,922	1,186	-	84,827	89,922
Grants and contributions not restricted to specific programs	218,328	213,004	-	-	218,328	213,004
Total Revenues	<u>\$ 4,631,450</u>	<u>\$ 4,672,983</u>	<u>\$ 534,349</u>	<u>\$ 359,276</u>	<u>\$ 5,165,799</u>	<u>\$ 5,032,259</u>
Expenses:						
General government	\$ 965,091	\$ 719,027	\$ -	\$ -	\$ 965,091	\$ 719,027
Judicial administration	242,692	239,727	-	-	242,692	239,727
Public safety	765,268	861,875	-	-	765,268	861,875
Public works	53,114	93,272	-	-	53,114	93,272
Health and welfare	372,672	354,901	-	-	372,672	354,901
Education	1,845,772	1,659,005	-	-	1,845,772	1,659,005
Parks, recreational, and cultural	73,426	66,781	-	-	73,426	66,781
Community development	137,377	123,846	-	-	137,377	123,846
Interest on long-term debt	44,587	45,770	-	-	44,587	45,770
Recreation Commission	-	-	49,255	-	49,255	-
Landfill	-	-	257,445	256,381	257,445	256,381
Water	-	-	50,216	46,748	50,216	46,748
Total	<u>\$ 4,499,999</u>	<u>\$ 4,164,204</u>	<u>\$ 356,916</u>	<u>\$ 303,129</u>	<u>\$ 4,856,915</u>	<u>\$ 4,467,333</u>
Increase in net assets before transfers	<u>\$ 131,451</u>	<u>\$ 508,779</u>	<u>\$ 177,433</u>	<u>\$ 56,147</u>	<u>\$ 308,884</u>	<u>\$ 564,926</u>
Transfers	<u>\$ (71,075)</u>	<u>\$ (13,768)</u>	<u>\$ 71,075</u>	<u>\$ 13,768</u>	<u>\$ -</u>	<u>\$ -</u>
Increase / decrease in net assets	<u>\$ 60,376</u>	<u>\$ 495,011</u>	<u>\$ 248,508</u>	<u>\$ 69,915</u>	<u>\$ 308,884</u>	<u>\$ 564,926</u>
Net assets, beginning as adjusted	<u>\$ 6,218,309</u>	<u>\$ 5,723,298</u>	<u>\$ 1,030,051</u>	<u>\$ 960,136</u>	<u>\$ 7,248,360</u>	<u>\$ 6,683,434</u>
Net assets, ending	<u>\$ 6,278,685</u>	<u>\$ 6,218,309</u>	<u>\$ 1,278,559</u>	<u>\$ 1,030,051</u>	<u>\$ 7,557,244</u>	<u>\$ 7,248,360</u>

## Financial Analysis of the Government's Funds

As earlier mentioned, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$5,301,443. 86 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. As of June 30, 2011, total fund balance of the general fund was \$4,548,432, of which \$3,951,635 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and to total fund expenditures. Unassigned fund balance represents 106 percent of total general fund expenditures, which includes contributions to the School Board component unit of \$1,669,841.

The fund balance of the County's general fund increased by \$274,789 during the current fiscal year.

### Proprietary funds

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

Unrestricted net assets of the McDowell Water System, Highland County Refuse Disposal and Highland County Recreation Commission at the end of the year were \$658,121. Other factors concerning the finances of these funds were discussed in the County's business-type activities section of this letter.

### General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budget appropriations were a \$305,865 increase, which is 8.17 percent of the total original budget. Differences between the original budgeted revenues and the final amended budget revenues were \$21,803, which is 0.52 percent of the total original budget.

### Capital Asset and Debt Administration

#### Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2011 is \$1,715,726 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 197,365	\$ 197,365	\$ 3,816	\$ 3,816	\$ 201,181	\$ 201,181
Buildings and system	1,123,430	1,260,360	-	-	1,123,430	1,260,360
Machinery and equipment	310,081	380,096	25,813	-	335,894	380,096
Utility plant and equipment	-	-	761,305	698,538	761,305	698,538
Construction in progress	84,850	58,948	-	14,000	84,850	72,948
Total	<u>\$ 1,715,726</u>	<u>\$ 1,896,769</u>	<u>\$ 790,934</u>	<u>\$ 716,354</u>	<u>\$ 2,506,660</u>	<u>\$ 2,613,123</u>

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



## Long-term debt

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 672,096	\$ 808,811	\$ -	\$ -	\$ 672,096	\$ 808,811
Landfill closure/ post-closure liability	50,956	49,755	-	-	50,956	49,755
Revenue Bonds	-	-	170,496	174,498	170,496	174,498
Compensated absences	127,700	115,596	6,547	6,547	134,247	122,143
Total	<u>\$ 850,752</u>	<u>\$ 974,162</u>	<u>\$ 177,043</u>	<u>\$ 181,045</u>	<u>\$ 1,027,795</u>	<u>\$ 1,155,207</u>

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

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

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the County is currently 5.9 percent, which is a decrease from the rate of 8.1 percent a year ago. This compares favorably to the state's average unemployment rate of 6.0 percent and the national average rate of 8.5 percent.
- Earnings on investments, in general, continue to remain low.
- It is expected that funding from the Commonwealth of Virginia will be further decreased for constitutional officers, ABC profits, and wine taxes, care of prisoners, library aid and education.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

During fiscal year 2011, the fund balance in the general fund increased \$60,465. Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Statement of Net Assets  
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,880,761	\$ 623,100	\$ 5,503,861	\$ 333,117
Investments	-	19,588	19,588	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,345,410	-	1,345,410	-
Accounts receivable	11,788	30,142	41,930	-
Notes receivable	50,000	-	50,000	-
Due from component unit	259,887	-	259,887	-
Due from other governmental units	183,757	4,955	188,712	234,773
Inventories	-	-	-	14,974
Prepaid expenses	9,054	-	9,054	38,736
Capital assets (net of accumulated depreciation):				
Land	197,365	3,816	201,181	13,035
Buildings and improvements	1,123,430	-	1,123,430	2,602,405
Machinery and equipment	310,081	-	310,081	133,266
Utility plant and equipment	-	787,118	787,118	-
Construction in progress	84,850	-	84,850	-
Total assets	\$ 8,456,383	\$ 1,468,719	\$ 9,925,102	\$ 3,370,306
<b>LIABILITIES</b>				
Accounts payable	\$ 31,724	\$ 13,117	\$ 44,841	\$ 12,963
Accrued liabilities	-	-	-	333,115
Accrued interest payable	18,641	-	18,641	-
Due to primary government	-	-	-	259,887
Unearned revenue	1,276,581	-	1,276,581	-
Long-term liabilities:				
Due within one year	140,062	4,196	144,258	-
Due in more than one year	710,690	172,847	883,537	32,559
Total liabilities	\$ 2,177,698	\$ 190,160	\$ 2,367,858	\$ 638,524
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 1,043,630	\$ 620,438	\$ 1,664,068	\$ 2,748,706
Unrestricted	5,235,055	658,121	5,893,176	(16,924)
Total net assets	\$ 6,278,685	\$ 1,278,559	\$ 7,557,244	\$ 2,731,782

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

County of Highland, Virginia

Statement of Activities

For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 965,091	\$ 260	\$ 141,032	\$ -
Judicial administration	242,692	2,705	214,667	-
Public safety	765,268	25,758	492,723	-
Public works	53,114	-	-	-
Health and welfare	372,672	-	259,710	-
Education	1,845,772	-	-	-
Parks, recreation, and cultural	73,426	-	-	-
Community development	137,377	-	-	-
Interest on long-term debt	44,587	-	-	-
Total governmental activities	<u>\$ 4,499,999</u>	<u>\$ 28,723</u>	<u>\$ 1,108,132</u>	<u>\$ -</u>
Business-type activities:				
Refuse Disposal	\$ 257,445	\$ 317,181	\$ 6,910	\$ -
McDowell Water System	50,216	35,833	-	99,100
Recreation Commission	49,255	42,913	25,000	-
Total business-type activities	<u>\$ 356,916</u>	<u>\$ 395,927</u>	<u>\$ 31,910</u>	<u>\$ 99,100</u>
Total primary government	<u>\$ 4,856,915</u>	<u>\$ 424,650</u>	<u>\$ 1,140,042</u>	<u>\$ 99,100</u>
<b>COMPONENT UNIT:</b>				
School Board	\$ 3,773,167	\$ 53,861	\$ 2,034,897	\$ -
Total component unit	<u>\$ 3,773,167</u>	<u>\$ 53,861</u>	<u>\$ 2,034,897</u>	<u>\$ -</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use taxes

Consumers' utility taxes

Motor vehicle licenses

E-911 tax

Bank stock taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Gain on disposal of capital assets

Transfers

Total general revenues

Change in net assets

Net assets - beginning, as adjusted

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	School Board	
\$ (823,799)	\$ -	\$ (823,799)	\$ -	
(25,320)	-	(25,320)	-	
(246,787)	-	(246,787)	-	
(53,114)	-	(53,114)	-	
(112,962)	-	(112,962)	-	
(1,845,772)	-	(1,845,772)	-	
(73,426)	-	(73,426)	-	
(137,377)	-	(137,377)	-	
(44,587)	-	(44,587)	-	
<u>\$ (3,363,144)</u>	<u>\$ -</u>	<u>\$ (3,363,144)</u>	<u>\$ -</u>	
\$ -	\$ 66,646	\$ 66,646	\$ -	
-	84,717	84,717	-	
-	18,658	18,658	-	
<u>\$ -</u>	<u>\$ 170,021</u>	<u>\$ 170,021</u>	<u>\$ -</u>	
<u>\$ (3,363,144)</u>	<u>\$ 170,021</u>	<u>\$ (3,193,123)</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (1,684,409)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,684,409)</u>	
\$ 2,777,551	\$ -	\$ 2,777,551	\$ -	
97,125	-	97,125	-	
140,241	-	140,241	-	
51,219	-	51,219	-	
30,000	-	30,000	-	
12,656	-	12,656	-	
25,835	-	25,835	-	
57,999	411	58,410	-	
83,641	-	83,641	18,637	
218,328	-	218,328	1,845,195	
-	7,001	7,001	-	
(71,075)	71,075	-	-	
<u>\$ 3,423,520</u>	<u>\$ 78,487</u>	<u>\$ 3,502,007</u>	<u>\$ 1,863,832</u>	
<u>\$ 60,376</u>	<u>\$ 248,508</u>	<u>\$ 308,884</u>	<u>\$ 179,423</u>	
<u>6,218,309</u>	<u>1,030,051</u>	<u>7,248,360</u>	<u>2,552,359</u>	
<u>\$ 6,278,685</u>	<u>\$ 1,278,559</u>	<u>\$ 7,557,244</u>	<u>\$ 2,731,782</u>	



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## **FUND FINANCIAL STATEMENTS**

County of Highland, Virginia

Balance Sheet  
Governmental Funds  
June 30, 2011

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,131,921	\$ -	\$ 76,020	\$ 448,115	\$ 202,795
Receivables (net of allowance for uncollectibles):					
Taxes receivable	1,345,410	-	-	-	-
Accounts receivable	11,788	-	-	-	-
Notes receivable	50,000	-	-	-	-
Due from other funds	22,892	-	-	-	-
Due from component unit	259,887	-	-	-	-
Due from other governmental units	154,198	22,892	6,667	-	-
Prepaid items	785	-	-	8,269	-
Total assets	<u>\$ 5,976,881</u>	<u>\$ 22,892</u>	<u>\$ 82,687</u>	<u>\$ 456,384</u>	<u>\$ 202,795</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 20,959	\$ -	\$ 1,280	\$ 7,828	\$ -
Due to other funds	-	22,892	-	-	-
Deferred revenue	1,407,490	-	-	-	-
Total liabilities	<u>\$ 1,428,449</u>	<u>\$ 22,892</u>	<u>\$ 1,280</u>	<u>\$ 7,828</u>	<u>\$ -</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	\$ 785	\$ -	\$ -	\$ -	\$ -
Notes receivable	50,000	-	-	-	-
Restricted:					
Fire prevention programs	1,600	-	-	-	-
Recording equipment	768	-	-	-	-
Law library	6,371	-	-	-	-
Courthouse maintenance	22,578	-	-	-	-
E911	-	-	81,407	-	-
Forfeited assets	-	-	-	-	-
Committed:					
Assessor	200,000	-	-	-	-
Equipment replacement	38,700	-	-	-	-
Recreation commission	10,000	-	-	-	-
Auditor	4,333	-	-	-	-
Emergency food & shelter	1,529	-	-	-	-
Communications equipment	39,354	-	-	-	-
Regional jail	48,000	-	-	-	-
Comprehensive plan	15,000	-	-	-	-
Bus reserve	15,000	-	-	-	-
Transportation enhancement project	131,925	-	-	-	-
Veteran's memorial	7,092	-	-	-	-
Assigned:					
Fire prevention programs	291	-	-	-	-
Gypsy moth spraying	3,471	-	-	-	-
Unassigned, reported in:					
General fund	3,951,635	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	448,556	202,795
Total fund balances	<u>\$ 4,548,432</u>	<u>\$ -</u>	<u>\$ 81,407</u>	<u>\$ 448,556</u>	<u>\$ 202,795</u>
Total liabilities and fund balances	<u>\$ 5,976,881</u>	<u>\$ 22,892</u>	<u>\$ 82,687</u>	<u>\$ 456,384</u>	<u>\$ 202,795</u>

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

Exhibit 3

<u>Other Governmental Funds</u>		<u>Total</u>	
\$	21,910	\$	4,880,761
	-		1,345,410
	-		11,788
	-		50,000
	-		22,892
	-		259,887
	-		183,757
	-		9,054
\$	<u>21,910</u>	\$	<u>6,763,549</u>
\$	1,657	\$	31,724
	-		22,892
	-		1,407,490
\$	<u>1,657</u>	\$	<u>1,462,106</u>
\$	-	\$	785
	-		50,000
	-		1,600
	-		768
	-		6,371
	-		22,578
	-		81,407
	19,018		19,018
	-		200,000
	-		38,700
	-		10,000
	-		4,333
	-		1,529
	-		39,354
	-		48,000
	-		15,000
	-		15,000
	-		131,925
	-		7,092
	-		291
	-		3,471
	-		3,951,635
	1,235		1,235
	-		651,351
\$	<u>20,253</u>	\$	<u>5,301,443</u>
\$	<u>21,910</u>	\$	<u>6,763,549</u>

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Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 5,301,443
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,715,726
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	130,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(869,393)</u>
Net assets of governmental activities	\$ <u>6,278,685</u>

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

**County of Highland, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2011

	General	Virginia Public Assistance	E-911	County Capital Improvements	School Capital Projects
<b>REVENUES</b>					
General property taxes	\$ 2,720,255	\$ -	- \$	- \$	-
Other local taxes	327,076	-	30,000	-	-
Permits, privilege fees, and regulatory licenses	13,069	-	-	-	-
Fines and forfeitures	148	-	-	-	-
Revenue from the use of money and property	57,999	-	-	-	-
Charges for services	15,506	-	-	-	-
Miscellaneous	73,581	447	-	-	-
Intergovernmental revenues:					
Commonwealth	989,740	99,040	9,348	-	-
Federal	61,118	160,670	-	-	-
Total revenues	\$ 4,258,492	\$ 260,157	\$ 39,348	\$ -	\$ -
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 734,770	\$ -	- \$	- \$	-
Judicial administration	240,966	-	-	-	-
Public safety	710,687	-	23,952	-	-
Public works	52,035	-	-	-	-
Health and welfare	83,725	288,947	-	-	-
Education	1,669,841	-	-	-	175,354
Parks, recreation, and cultural	39,621	-	-	-	-
Community development	137,377	-	-	-	-
Nondepartmental	40,442	-	-	-	-
Capital projects	1,241	-	-	51,554	577
Debt service:					
Principal retirement	-	-	-	-	136,715
Interest and other fiscal charges	-	-	-	-	44,835
Total expenditures	\$ 3,710,705	\$ 288,947	\$ 23,952	\$ 51,554	\$ 357,481
Excess (deficiency) of revenues over (under) expenditures	\$ 547,787	\$ (28,790)	\$ 15,396	\$ (51,554)	\$ (357,481)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 260,357	\$ 38,042	- \$	120,000	\$ 182,700
Transfers out	(533,355)	(9,252)	-	-	(132,000)
Total other financing sources (uses)	\$ (272,998)	\$ 28,790	\$ -	\$ 120,000	\$ 50,700
Net change in fund balances	\$ 274,789	\$ -	\$ 15,396	\$ 68,446	\$ (306,781)
Fund balances - beginning	4,273,643	-	66,011	380,110	509,576
Fund balances - ending	\$ 4,548,432	\$ -	\$ 81,407	\$ 448,556	\$ 202,795

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

Exhibit 5

<u>Other</u>		
<u>Governmental</u>		
<u>Funds</u>	<u>Total</u>	
\$ -	\$ 2,720,255	
-	357,076	
-	13,069	
-	148	
-	57,999	
-	15,506	
9,613	83,641	
6,544	1,104,672	
-	221,788	
<u>\$ 16,157</u>	<u>\$ 4,574,154</u>	
\$ -	\$ 734,770	
-	240,966	
9,975	744,614	
-	52,035	
-	372,672	
-	1,845,195	
-	39,621	
-	137,377	
-	40,442	
-	53,372	
-	136,715	
-	44,835	
<u>\$ 9,975</u>	<u>\$ 4,442,614</u>	
<u>\$ 6,182</u>	<u>\$ 131,540</u>	
\$ 2,433	\$ 603,532	
-	(674,607)	
<u>\$ 2,433</u>	<u>\$ (71,075)</u>	
\$ 8,615	\$ 60,465	
11,638	5,240,978	
<u>\$ 20,253</u>	<u>\$ 5,301,443</u>	



Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$ 60,465
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.	(181,043)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	57,296
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	135,514
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>(11,856)</u>
Change in net assets of governmental activities	\$ <u><u>60,376</u></u>

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

Statement of Net Assets  
 Proprietary Funds  
 June 30, 2011

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 115,917	\$ 437,481	\$ 69,702	\$ 623,100
Investments	-	-	19,588	19,588
Accounts receivable	6,277	23,865	-	30,142
Due from other governmental units	4,955	-	-	4,955
Total current assets	<u>\$ 127,149</u>	<u>\$ 461,346</u>	<u>\$ 89,290</u>	<u>\$ 677,785</u>
Noncurrent assets:				
Capital assets:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Utility plant and equipment	1,118,398	78,215	3,314	1,199,927
Less accumulated depreciation	(357,093)	(55,385)	(331)	(412,809)
Total capital assets	<u>\$ 765,121</u>	<u>\$ 22,830</u>	<u>\$ 2,983</u>	<u>\$ 790,934</u>
Total assets	<u>\$ 892,270</u>	<u>\$ 484,176</u>	<u>\$ 92,273</u>	<u>\$ 1,468,719</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 27	\$ 13,090	\$ -	\$ 13,117
Bonds payable - current portion	4,196	-	-	4,196
Total current liabilities	<u>\$ 4,223</u>	<u>\$ 13,090</u>	<u>\$ -</u>	<u>\$ 17,313</u>
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 166,300	\$ -	\$ -	\$ 166,300
Compensated absences	-	6,547	-	6,547
Total noncurrent liabilities	<u>\$ 166,300</u>	<u>\$ 6,547</u>	<u>\$ -</u>	<u>\$ 172,847</u>
Total liabilities	<u>\$ 170,523</u>	<u>\$ 19,637</u>	<u>\$ -</u>	<u>\$ 190,160</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 594,625	\$ 22,830	\$ 2,983	\$ 620,438
Unrestricted	127,122	441,709	89,290	658,121
Total net assets	<u>\$ 721,747</u>	<u>\$ 464,539</u>	<u>\$ 92,273</u>	<u>\$ 1,278,559</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Funds  
 For the Year Ended June 30, 2011

	Enterprise Funds			
	McDowell Water System	Refuse Disposal	Recreation Commission	Total
<b>OPERATING REVENUES</b>				
Charges for services:				
Water revenues	\$ 35,333	\$ -	\$ -	\$ 35,333
Refuse disposal	-	295,217	-	295,217
Recycling revenues	-	7,203	-	7,203
Tire disposal	-	3,820	-	3,820
Program income	-	-	41,727	41,727
Operating grants	-	-	25,000	25,000
Other revenues	500	10,941	1,186	12,627
Total operating revenues	<u>\$ 35,833</u>	<u>\$ 317,181</u>	<u>\$ 67,913</u>	<u>\$ 420,927</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 9,950	\$ 55,687	\$ -	\$ 65,637
Fringe benefits	761	15,380	-	16,141
Contractual services	1,936	168,817	1,776	172,529
Rentals and leases	-	-	295	295
Depreciation	22,368	7,610	331	30,309
Supplies	-	-	21,235	21,235
Contribution to Highland County	-	-	13,145	13,145
Staff expenses	-	-	1,180	1,180
Utilities	-	-	5,397	5,397
Other charges	7,359	9,951	5,896	23,206
Total operating expenses	<u>\$ 42,374</u>	<u>\$ 257,445</u>	<u>\$ 49,255</u>	<u>\$ 349,074</u>
Operating income (loss)	<u>\$ (6,541)</u>	<u>\$ 59,736</u>	<u>\$ 18,658</u>	<u>\$ 71,853</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue (expense)	\$ -	\$ 6,910	\$ -	\$ 6,910
Investment earnings	177	-	234	411
Rural Business Enterprise Grant	99,100	-	-	99,100
Gain on sale of assets	-	7,001	-	7,001
Interest expense	(7,842)	-	-	(7,842)
Total nonoperating revenues (expenses)	<u>\$ 91,435</u>	<u>\$ 13,911</u>	<u>\$ 234</u>	<u>\$ 105,580</u>
Income before contributions and transfers	<u>\$ 84,894</u>	<u>\$ 73,647</u>	<u>\$ 18,892</u>	<u>\$ 177,433</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 106,580	\$ -	\$ -	\$ 106,580
Transfers out	(1,075)	(34,430)	-	(35,505)
Total other financing sources and uses	<u>\$ 105,505</u>	<u>\$ (34,430)</u>	<u>\$ -</u>	<u>\$ 71,075</u>
Change in net assets	<u>\$ 190,399</u>	<u>\$ 39,217</u>	<u>\$ 18,892</u>	<u>\$ 248,508</u>
Total net assets - beginning , as adjusted	<u>\$ 531,348</u>	<u>\$ 425,322</u>	<u>\$ 73,381</u>	<u>\$ 1,030,051</u>
Total net assets - ending	<u>\$ 721,747</u>	<u>\$ 464,539</u>	<u>\$ 92,273</u>	<u>\$ 1,278,559</u>

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

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2011

	Enterprise Fund McDowell Water System	Enterprise Fund Refuse Disposal	Enterprise Fund Recreation Commission	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 34,489	\$ 312,954	\$ 66,727	\$ 414,170
Payments to suppliers	(23,268)	(178,836)	(23,306)	(225,410)
Payments to employees	(10,711)	(71,067)	-	(81,778)
Other receipts (payments)	(4,455)	-	(24,432)	(28,887)
Net cash provided by (used in) operating activities	\$ (3,945)	\$ 63,051	\$ 18,989	\$ 78,095
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	\$ (1,075)	\$ (34,430)	\$ -	\$ (35,505)
Transfers from other funds	106,580	-	-	106,580
Intergovernmental revenues	-	6,910	-	6,910
Net cash provided by (used in) noncapital financing activities	\$ 105,505	\$ (27,520)	\$ -	\$ 77,985
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from the sale of assets	\$ -	\$ 7,001	\$ -	\$ 7,001
Proceeds from capital grants	99,100	-	-	99,100
Principal payments on bonds	(4,002)	-	-	(4,002)
Interest payments	(7,842)	-	-	(7,842)
Purchase of capital assets	(101,575)	-	(3,314)	(104,889)
Net cash provided by (used in) capital and related financing activities	\$ (14,319)	\$ 7,001	\$ (3,314)	\$ (10,632)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	\$ 177	\$ -	\$ 234	\$ 411
Net cash provided by (used in) investing activities	\$ 177	\$ -	\$ 234	\$ 411
Net increase (decrease) in cash and cash equivalents	\$ 87,418	\$ 42,532	\$ 15,909	\$ 145,859
Cash and cash equivalents - beginning	\$ 28,499	\$ 394,949	\$ 53,793	\$ 477,241
Cash and cash equivalents - ending	\$ 115,917	\$ 437,481	\$ 69,702	\$ 623,100
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (6,541)	\$ 59,736	\$ 18,658	\$ 71,853
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	\$ 22,368	\$ 7,610	\$ 331	\$ 30,309
(Increase) decrease in accounts receivable	(777)	(4,227)	-	(5,004)
(Increase) decrease in intergovernmental receivables	(4,955)	-	-	(4,955)
Increase (decrease) in accounts payable	(13,973)	(68)	-	(14,041)
Increase (decrease) in deferred revenue	(67)	-	-	(67)
Total adjustments	\$ 2,596	\$ 3,315	\$ 331	\$ 6,242
Net cash provided by (used in) operating activities	\$ (3,945)	\$ 63,051	\$ 18,989	\$ 78,095

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

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## County of Highland, Virginia

### Notes to Financial Statements As of June 30, 2011

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#### Note 1—Summary of Significant Accounting Policies:

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

##### A. Reporting Entity

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

**Blended component units** - The McDowell Water System has been determined to be a component unit of Highland County in accordance with Governmental Accounting Standards Board Statement 14. The System is a legally separate organization whose Board members are appointed by the Highland County Board of Supervisors. During the year ended June 30, 2011 all members of the Board of Supervisors were also members of the three-member System Board. Since the Board of Supervisors is able to impose its will on the System, the System is a component unit of Highland County.

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

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

The Highland County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board does not issue separate financial statements.

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

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

##### B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The general fund includes the activities of the gypsy moth, damage stamp, various grants, county reserve, CATS, fire prevention, law library, courthouse maintenance, and recordation equipment funds.

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

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

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



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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water System and Refuse Disposal enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. Assets, liabilities, and net assets or equity**

**1. Cash and cash equivalents**

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

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

**2. Receivables and payables**

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

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

**3. Property Taxes**

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

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

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

**4. Allowance for Uncollectible Accounts**

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$8,281, at June 30, 2011 and is comprised solely of property taxes. This allowance represents 0.054% of the total levies for the previous six years.

**5. Use of Estimates**

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

**6. Capital Assets**

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

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

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

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

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

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

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

**7. *Compensated Absences***

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

**8. *Long-term obligations***

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

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

**9. *Fund equity***

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

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

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

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

**9. Fund equity (continued)**

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

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

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

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

**10. Net Assets**

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$869,393) and (\$32,559) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Bonds payable	\$ (672,096)	\$ -
Landfill accrued post-closure monitoring costs	(50,956)	-
Accrued interest payable	(18,641)	-
Compensated absences	(127,700)	(32,559)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (869,393)	\$ (32,559)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of these (\$181,043) and \$171,234, differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Capital outlay	\$ 44,893	\$ 204,092
Depreciation expense	(89,221)	(169,573)
Allocation of debt financed school assets based on current year repayments	(136,715)	136,715
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (181,043)	\$ 171,234

**Note 2—Reconciliation of Government-Wide and Fund Financial Statements: (Continued)****B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)**

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$135,514 difference in the primary government are as follows:

	<b>Primary Government</b>
Increase in accrued landfill closure and post-closure monitoring costs	\$ (1,201)
Principal repayments:	
General obligation debt	136,715
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 135,514

Another element of that reconciliation states that some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this (\$11,856) and \$8,262 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<b>Primary Government</b>	<b>Component Unit School Board</b>
Compensated absences	\$ (12,104)	\$ 8,262
Accrued interest	248	-
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (11,856)	\$ 8,262

## County of Highland, Virginia

### Note to Financial Statements June 30, 2011 (Continued)

#### Note 3—Stewardship, Compliance, and Accountability

##### A. Budgetary Information

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

1. Prior to March 30, the County Treasurer and County Administrator submit to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the County Capital Improvements Fund. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

##### B. Excess of expenditures over appropriations at June 30, 2011:

Fund	Function	Excess of Expenditures over Appropriations
General	Public works	\$ 20,853
General	Capital Outlay	1,241
Total General Fund		\$ 22,094
Sheriff's grants fund	Drug enforcement	\$ 9,975
E-911 fund	Administration	23,952
Total All Funds		\$ 56,021

## County of Highland, Virginia

### Note to Financial Statements June 30, 2011 (Continued)

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#### **Note 4—Deposits and Investments:**

##### **Deposits**

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

##### **Investments**

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

##### **Credit Risk of Debt Securities**

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

The County's rated debt investments as of June 30, 2011 were rated by Moody and/or an equivalent national rating organization and the ratings are presented below using the Moody rating scale.

<b>County's Rated Debt Investments' Values</b>	
<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Rating</u></b>
	<b><u>AAA</u></b>
Local Government Investment Pool	\$ 43,498
Total	\$ 43,498

##### **External Investment Pool**

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.



County of Highland, Virginia

Note to Financial Statements  
June 30, 2011 (Continued)

**Note 5—Due from Other Governmental Units:**

	Primary Government	Component Unit
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 46,536
Local sales taxes	18,479	-
Communication taxes	11,973	-
DMV select	367	-
Rolling Stock	220	-
Recordation tax	1,546	-
Public assistance and welfare administration	9,059	-
Conservation	4,372	-
Wireless	6,667	-
Commonwealth attorney	5,787	-
Clerk of Circuit Court	11,142	-
Treasurer	5,982	-
Commissioner of Revenue	4,936	-
Sheriff	39,834	-
Fire programs	1,600	-
Federal Government:		
School grants	-	188,237
ISTEA Grant	16,682	-
Rural enterprise grant	4,955	-
Timber sales	31,278	-
Public assistance and welfare administration	13,833	-
Total	\$ <u>188,712</u>	\$ <u>234,773</u>

**Note 6—Interfund Obligations:**

Fund	Interfund Receivable	Interfund Payable	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:				
General Fund	\$ 22,892	\$ -	\$ -	\$ 259,887
VPA Fund	-	22,892	-	-
Sub-total	\$ <u>22,892</u>	\$ <u>22,892</u>	\$ <u>-</u>	\$ <u>259,887</u>
Component Unit-School Board				
School Fund	\$ -	\$ -	\$ 259,887	\$ -
Total	\$ <u>22,892</u>	\$ <u>22,892</u>	\$ <u>259,887</u>	\$ <u>259,887</u>

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

County of Highland, Virginia

Note to Financial Statements  
June 30, 2011 (Continued)

**Note 7—Interfund Transfers:**

Interfund transfers for the year ended June 30, 2011 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 260,357	\$ 533,355
Virginia Public Assistance Fund	38,042	9,252
Refuse Disposal Fund	-	34,430
McDowell Water System	106,580	1,075
County Capital Improvements Fund	120,000	-
School Capital Projects Fund	182,700	132,000
Sheriff's grants	2,433	-
Total	\$ 710,112	\$ 710,112

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

**Note 8—Long-Term Obligations:**

**Primary Government-Governmental Activity Indebtedness:**

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

Years Ending June 30,	General Obligation Bonds	
	Principal	Interest
2012	\$ 140,062	\$ 36,389
2013	143,690	27,660
2014	147,611	18,638
2015	151,794	9,356
2016	44,208	3,492
2017	44,731	1,168
Total	\$ 672,096	\$ 96,703

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

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
General obligation bonds	\$ 808,811	\$ -	\$ 136,715	\$ 672,096
Landfill closure/post-closure liability	49,755	1,201	-	50,956
Compensated absences	115,596	12,104	-	127,700
Total Long-Term Liabilities	\$ 974,162	\$ 13,305	\$ 136,715	\$ 850,752

County of Highland, Virginia

Note to Financial Statements  
June 30, 2011 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government-Governmental Activity Obligations: (Continued)

Details of long-term obligations:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>General obligation bonds:</u></b>		
\$1,654,607 Virginia Public School Authority Bonds, issued 11/22/94, maturing annually with interest payable semiannually at rates varying from 6.1% to 6.6%	\$ 411,048	\$ 97,695
\$812,178 Virginia Public School Authority Bonds, issued 11/14/96, maturing annually with interest payable semiannually at rates varying from 5.1% to 6.1%	261,048	42,367
Sub-total general obligations bonds	\$ 672,096	\$ 140,062
Landfill accrued post-closure monitoring costs	\$ 50,956	-
Compensated Absences (payable from the General Fund)	\$ 127,700	-
Total	<u>\$ 850,752</u>	<u>\$ 140,062</u>

Change in Component Unit-School Board Long-Term Liabilities:

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

	Balance July 1, 2010, as adjusted	Issuances	Retirements	Balance June 30, 2011
Compensated absences	\$ 40,821	\$ -	\$ 8,262	32,559
Total Long-Term Liabilities	<u>\$ 40,821</u>	<u>\$ -</u>	<u>\$ 8,262</u>	<u>\$ 32,559</u>

County of Highland, Virginia

Note to Financial Statements  
June 30, 2011 (Continued)

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**Note 8—Long-Term Obligations: (Continued)**

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**Primary Government-Enterprise Activity Obligations:**

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

Years Ending June 30,	Revenue Bonds	
	Principal	Interest
2012	\$ 4,196	\$ 7,648
2013	4,396	7,448
2014	4,609	7,235
2015	4,831	7,013
2016	5,064	6,780
2017	5,310	6,534
2018	5,565	6,279
2019	5,835	6,009
2020	6,117	5,727
2021	6,412	5,432
2022	6,721	5,122
2023	7,047	4,797
2024	7,388	4,456
2025	7,746	4,098
2026	8,120	3,724
2027	8,513	3,331
2028	8,925	2,919
2029	4,417	2,575
2030	3,693	2,415
2031	3,856	2,252
2032	4,025	2,084
2033	4,203	1,905
2034	4,387	1,721
2035	4,581	1,527
2036	3,520	1,338
2037	2,457	1,227
2038	2,560	1,124
2039	2,668	1,016
2040	2,780	905
2041	2,897	787
2042	3,018	666
2043	3,145	539
2044	3,278	406
2045	3,415	269
2046	3,559	125
2047	1,242	9
Total	\$ <u>170,496</u>	\$ <u>117,442</u>

County of Highland, Virginia

Note to Financial Statements  
June 30, 2011 (Continued)

**Note 8—Long-Term Obligations: (Continued)**

**Primary Government-Enterprise Activity Obligations: (Continued)**

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

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
Revenue Bonds	\$ 174,498	\$ -	\$ 4,002	\$ 170,496
Compensated absences	6,547	-	-	6,547
Total Long-Term Liabilities	<u>\$ 181,045</u>	<u>\$ -</u>	<u>\$ 4,002</u>	<u>\$ 177,043</u>

Details of long-term debt:

	Total Amount	Amount Due Within One Year
<b><u>McDowell Water System:</u></b>		
\$58,000 loan from Farmers Home Administration, \$283 payable monthly at a rate of 5%	\$ 38,972	\$ 1,479
\$40,000 loan from Farmers Home Administration, \$192 payable monthly at a rate of 5%	26,958	1,014
\$44,300 loan from Rural Development, \$202 payable monthly at a rate of 4.5%	35,979	825
\$71,000 loan from Rural Development, \$307 payable monthly at a rate of 4.125%	<u>68,587</u>	<u>878</u>
Sub-total revenue bonds	<u>\$ 170,496</u>	<u>\$ 4,196</u>
<b><u>Refuse Disposal Fund:</u></b>		
Compensated Absences	\$ 6,547	\$ -
Total	<u>\$ 177,043</u>	<u>\$ 4,196</u>

**Note 9—Employee Retirement System and Pension Plans:**

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**A. Plan Description**

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

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

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

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

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

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

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**A. Plan Description (Continued)**

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

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

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was 12.69% of annual covered payroll.

The School Board's contributions for professional employees were \$71,313, \$114,382, and \$167,802, to the teacher cost-sharing pool for the fiscal years ended June 30, 2011, 2010 and 2009, respectively and these contributions represented 3.93%, 8.81%, and 8.81% respectively, of current covered payroll.

**Note to Financial Statements**  
**June 30, 2011 (Continued)**

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

**C. Annual Pension Cost**

For fiscal year 2011, the County's annual pension cost of \$135,217 was equal to the County's required and actual contributions.

For fiscal year 2011, the County School Board's annual pension cost for the board's non-professional employees was \$21,794 which was equal to the Board's required and actual contributions.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County			
June 30, 2011	\$ 135,217	100%	\$ -
June 30, 2010	94,946	100%	-
June 30, 2009	92,931	100%	-
School Board Non Professional			
June 30, 2011	\$ 21,794	100%	\$ -
June 30, 2010	29,957	100%	-
June 30, 2009	20,737	100%	-

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the County School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded actuarial Accrued Liability (UAAL) was 20 years.

**D. Funded Status and Funding Progress:**

As of June 30, 2010, the most recent actuarial valuation date, the County's plan was 75.63% funded. The actuarial accrued liability for benefits was \$5,565,253, and the actuarial value of assets was \$4,208,988, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,356,265. The covered payroll (annual payroll of active employees covered by the plan) was \$1,050,922, and ratio of the UAAL to the covered payroll was 129.05%.



**Note to Financial Statements  
June 30, 2011 (Continued)**

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

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

As of June 30, 2010, the most recent actuarial valuation date, the County School Board's plan was 67.14% funded. The actuarial accrued liability for benefits was \$1,047,922, and the actuarial value of assets was \$703,604, resulting in an unfunded actuarial accrued liability (UAAL) of \$344,318. The covered payroll (annual payroll of active employees covered by the plan) was \$195,428, and ratio of the UAAL to the covered payroll was 176.19%.

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

**Note 10—Contingent Liabilities:**

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

**Note 11—Unearned/Deferred Revenue:**

The following is a summary of deferred revenue for the year ended June 30, 2011:

	Government- wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Primary Government:		
Deferred property tax revenue:		
Deferred revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures	\$ 1,190,245	\$ 1,321,154
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year	60,824	60,824
Emergency services grants revenue and payment in lieu of taxes revenue representing monies received in fiscal years 2003, 2004, and 2006, but to be expended in subsequent years	25,512	25,512
Total primary government	\$ <u>1,276,581</u>	\$ <u>1,407,490</u>

County of Highland, Virginia

Note to Financial Statements  
June 30, 2011 (Continued)

**Note 12—Surety Bonds:**

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

**Note 13—Capital Assets:**

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

**Governmental Activities**

	Balance July 1, 2010 Adjusted	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 197,365	\$ -	\$ -	\$ 197,365
Construction in progress	58,948	25,902	-	84,850
Total capital assets not being depreciated	\$ 256,313	\$ 25,902	\$ -	\$ 282,215
Capital assets being depreciated:				
Buildings and improvements	\$ 1,722,210	\$ 18,991	\$ (136,715)	\$ 1,604,486
Furniture, equipment and vehicles	864,085	-	(28,942)	835,143
Total capital assets being depreciated	\$ 2,586,295	\$ 18,991	\$ (165,657)	\$ 2,439,629
Less accumulated depreciation for:				
Buildings and improvements	\$ (461,850)	\$ (45,100)	\$ 25,894	\$ (481,056)
Furniture, equipment and vehicles	(483,989)	(70,015)	28,942	(525,062)
Total accumulated depreciation	\$ (945,839)	\$ (115,115)	\$ 54,836	\$ (1,006,118)
Total capital assets being depreciated, net	\$ 1,640,456	\$ (96,124)	\$ (110,821)	\$ 1,433,511
Governmental activities capital assets, net	\$ 1,896,769	\$ (70,222)	\$ (110,821)	\$ 1,715,726

**Note 13—Capital Assets: (Continued)****Business-Type Activities***McDowell Water System*

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 3,816	\$ -	\$ -	\$ 3,816
Construction in progress	14,000	-	(14,000)	-
Total capital assets not being depreciated	\$ 17,816	\$ -	\$ (14,000)	\$ 3,816
Other capital assets:				
Utility plant and equipment	\$ 1,002,823	\$ 115,575	\$ -	\$ 1,118,398
Less accumulated depreciation	(334,725)	(22,368)	-	(357,093)
Total other capital assets	\$ 668,098	\$ 93,207	\$ -	\$ 761,305
Net capital assets	\$ 685,914	\$ 93,207	\$ (14,000)	\$ 765,121

*Refuse Disposal Fund*

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Other capital assets being depreciated:				
Machinery and equipment	\$ 94,215	\$ -	\$ (16,000)	\$ 78,215
Less accumulated depreciation	(63,775)	(7,610)	16,000	(55,385)
Total other capital assets	\$ 30,440	\$ (7,610)	\$ -	\$ 22,830
Net capital assets	\$ 30,440	\$ (7,610)	\$ -	\$ 22,830

*Recreation Commission Fund*

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Other capital assets being depreciated:				
Furniture and equipment	\$ -	\$ 3,314	\$ -	\$ 3,314
Less accumulated depreciation	-	(331)	-	(331)
Total other capital assets	\$ -	\$ 2,983	\$ -	\$ 2,983
Net capital assets	\$ -	\$ 2,983	\$ -	\$ 2,983

County of Highland, Virginia

Note to Financial Statements  
June 30, 2011 (Continued)

Note 13—Capital Assets: (Continued)

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

Governmental activities:		
General government	\$	16,823
Judicial administration		1,726
Public safety		64,005
Parks and Recreation		32,561
Total depreciation expense - governmental activities	\$	<u>115,115</u>
Business-type activities:		
McDowell Water System	\$	22,368
Refuse disposal		7,610
Recreation Commission		331
Total depreciation expense - business type activities	\$	<u>30,309</u>

Component Unit: School Board

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

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 13,035	\$ -	\$ -	\$ 13,035
Total capital assets not being depreciated	\$ 13,035	\$ -	\$ -	\$ 13,035
Capital assets being depreciated:				
Buildings and improvements	\$ 3,408,649	\$ 313,878	\$ -	\$ 3,722,527
Furniture, equipment and vehicles	629,998	26,929	-	656,927
Total capital assets being depreciated	\$ 4,038,647	\$ 340,807	\$ -	\$ 4,379,454
Less accumulated depreciation for:				
Buildings and improvements	\$ (992,255)	\$ (127,867)	\$ -	\$ (1,120,122)
Furniture, equipment and vehicles	(481,955)	(41,706)	-	(523,661)
Total accumulated depreciation	\$ (1,474,210)	\$ (169,573)	\$ -	\$ (1,643,783)
Total capital assets being depreciated, net	\$ 2,564,437	\$ 171,234	\$ -	\$ 2,735,671
School Board capital assets, net	\$ 2,577,472	\$ 171,234	\$ -	\$ 2,748,706

**Note to Financial Statements**  
**June 30, 2011 (Continued)**

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**Note 13—Capital Assets: (Continued)**

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Depreciation expense was charged to education in the amount of \$169,573.

- 1) Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, as amended, changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Highland, Virginia for the year ended June 30, 2011, is that school financed assets in the amount of \$672,096 are reported in the Primary Government for financial reporting purposes.

**Note 14—Risk Management:**

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

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

**Note 15—Landfill Closure and Post-Closure Monitoring Costs:**

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State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure approval is received from the Department of Environmental Quality. The County closed its landfill in 1993. Reported landfill post-closure care liability is \$50,956 at June 30, 2011. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

## County of Highland, Virginia

### Note to Financial Statements June 30, 2011 (Continued)

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#### Note 16—Related Party Transactions:

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During fiscal year 2011, the County utilized Rexrode Masonry and Tile, owned and operated by Board member Jerry Rexrode. Payments to Rexrode Masonry and Tile totaled \$9,847 for the year ended June 30, 2011. The County makes payment to Rexrode Masonry and Tile monthly with all billings from Rexrode due 30 days from date of the billing.

#### Note 17—Notes Receivable:

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On June 13, 2008, The County loaned \$100,000 to the McDowell Volunteer Fire Department and \$25,000 to the Highland Volunteer Fire Department for the purpose of purchasing a new fire truck to better serve the Highland community. The balance of these loans at June 30, 2011 was \$35,000 and \$15,000, respectively.

#### Note 18—Prior Period Adjustments:

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The net assets of the Primary Government, School Board and Recreation Commission were adjusted as of July 1, 2010 to include a previously unrecorded capital asset of the Primary Government, unrecorded accrued leave of the School Board and unrecorded assets for the Recreation Commission as of July 1, 2010 as follows:

	Governmental Activities	Business-type Activities	School Board
Net assets as originally reported July 1, 2010	\$ 6,169,792	\$ 956,670	\$ 2,593,180
Adjustment for unrecorded capital asset	48,517	-	-
Adjustment for unrecorded accrued leave	-	-	(40,821)
Adjustment for unrecorded assets	-	73,381	-
Net assets as adjusted, July 1, 2010	<u>\$ 6,218,309</u>	<u>\$ 1,030,051</u>	<u>\$ 2,552,359</u>

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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





## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 2,674,480	\$ 2,739,480	\$ 2,720,255	\$ (19,225)
Other local taxes	324,762	329,262	327,076	(2,186)
Permits, privilege fees, and regulatory licenses	11,850	11,850	13,069	1,219
Fines and forfeitures	2,000	500	148	(352)
Revenue from the use of money and property	68,000	58,000	57,999	(1)
Charges for services	11,627	11,625	15,506	3,881
Miscellaneous	37,402	40,400	73,581	33,181
Intergovernmental revenues:				
Commonwealth	1,028,389	989,196	989,740	544
Federal	55,000	55,000	61,118	6,118
Total revenues	<u>\$ 4,213,510</u>	<u>\$ 4,235,313</u>	<u>\$ 4,258,492</u>	<u>\$ 23,179</u>
EXPENDITURES				
Current:				
General government administration	\$ 900,410	\$ 860,610	\$ 734,770	\$ 125,840
Judicial administration	221,219	243,618	240,966	2,652
Public safety	699,842	713,691	710,687	3,004
Public works	31,584	31,583	52,035	(20,452)
Health and welfare	84,675	84,675	83,725	950
Education	1,566,502	1,872,373	1,669,841	202,532
Parks, recreation, and cultural	39,390	39,640	39,621	19
Community development	153,501	156,801	137,377	19,424
Nondepartmental	45,099	45,099	40,442	4,657
Capital projects	3	-	1,241	(1,241)
Total expenditures	<u>\$ 3,742,225</u>	<u>\$ 4,048,090</u>	<u>\$ 3,710,705</u>	<u>\$ 337,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 471,285</u>	<u>\$ 187,223</u>	<u>\$ 547,787</u>	<u>\$ 360,564</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 260,357	\$ 260,357
Transfers out	-	-	(533,355)	(533,355)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (272,998)</u>	<u>\$ (272,998)</u>
Net change in fund balances	\$ 471,285	\$ 187,223	\$ 274,789	\$ 87,566
Fund balances - beginning	1,287,951	2,435,922	4,273,643	1,837,721
Fund balances - ending	<u>\$ 1,759,236</u>	<u>\$ 2,623,145</u>	<u>\$ 4,548,432</u>	<u>\$ 1,925,287</u>

## Special Revenue Fund-Virginia Public Assistance Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 447	\$ 447
Intergovernmental revenues:				
Commonwealth	170,142	166,814	99,040	(67,774)
Federal	206,582	203,096	160,670	(42,426)
Total revenues	<u>\$ 376,724</u>	<u>\$ 369,910</u>	<u>\$ 260,157</u>	<u>\$ (109,753)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 506,063	\$ 501,152	\$ 288,947	\$ 212,205
Total expenditures	<u>\$ 506,063</u>	<u>\$ 501,152</u>	<u>\$ 288,947</u>	<u>\$ 212,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (129,339)</u>	<u>\$ (131,242)</u>	<u>\$ (28,790)</u>	<u>\$ 102,452</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 38,042	\$ 38,042
Transfers out	-	-	(9,252)	(9,252)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,790</u>	<u>\$ 28,790</u>
Net change in fund balances	<u>\$ (129,339)</u>	<u>\$ (131,242)</u>	<u>\$ -</u>	<u>\$ 131,242</u>
Fund balances - beginning	129,339	131,242	-	(131,242)
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

## Special Revenue Fund-E-911 Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local taxes	\$ 1	\$ -	\$ 30,000	\$ 30,000
Intergovernmental revenues:				
Commonwealth	-	-	9,348	9,348
Total revenues	\$ 1	\$ -	\$ 39,348	\$ 39,348
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ 1	\$ -	\$ 23,952	\$ (23,952)
Total expenditures	\$ 1	\$ -	\$ 23,952	\$ (23,952)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 15,396	\$ 15,396
Net change in fund balances	\$ -	\$ -	\$ 15,396	\$ 15,396
Fund balances - beginning	-	-	66,011	66,011
Fund balances - ending	\$ -	\$ -	\$ 81,407	\$ 81,407

Schedule of Pension Funding Progress  
As of June 30, 2011

## PRIMARY GOVERNMENT:

## County Retirement Plan

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

## DISCRETELY PRESENTED COMPONENT UNIT:

## School Board Non-Professional Retirement Plan

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

## **OTHER SUPPLEMENTARY INFORMATION**



**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**



County Capital Improvements Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Federal	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital projects	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 51,554</u>	<u>\$ 68,446</u>
Total expenditures	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 51,554</u>	<u>\$ 68,446</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (120,000)</u>	<u>\$ (120,000)</u>	<u>\$ (51,554)</u>	<u>\$ 68,446</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 120,000	\$ 120,000
Transfers out	-	-	-	-
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 120,000</u>
Net change in fund balances	<u>\$ (120,000)</u>	<u>\$ (120,000)</u>	<u>\$ 68,446</u>	<u>\$ 188,446</u>
Fund balances - beginning	<u>120,000</u>	<u>120,000</u>	<u>380,110</u>	<u>260,110</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 448,556</u>	<u>\$ 448,556</u>

## School Capital Projects Fund

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

For the Year Ended June 30, 2011

	<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>
<b>EXPENDITURES</b>				
Current:				
Education	\$ -	\$ 81,584	\$ 175,354	\$ (93,770)
Capital projects	1,150	1,149	577	572
Debt service:				
Principal retirement	136,715	136,715	136,715	-
Interest and other fiscal charges	44,836	44,836	44,835	1
Total expenditures	<u>\$ 182,701</u>	<u>\$ 264,284</u>	<u>\$ 357,481</u>	<u>\$ (93,197)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (182,701)</u>	<u>\$ (264,284)</u>	<u>\$ (357,481)</u>	<u>\$ (93,197)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 182,700	\$ 182,700
Transfers out			(132,000)	(132,000)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,700</u>	<u>\$ 50,700</u>
Net change in fund balances	<u>\$ (182,701)</u>	<u>\$ (264,284)</u>	<u>\$ (306,781)</u>	<u>\$ (42,497)</u>
Fund balances - beginning	<u>182,701</u>	<u>264,284</u>	<u>509,576</u>	<u>245,292</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 202,795</u></u>	<u><u>\$ 202,795</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2011

	Sheriff's Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 5	\$ -	\$ 9,613	\$ 9,613
Intergovernmental revenues:				
Commonwealth	1	-	6,544	6,544
Total revenues	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 16,157</u>	<u>\$ 16,157</u>
EXPENDITURES				
Current:				
Public safety	\$ 6	\$ -	\$ 9,975	\$ (9,975)
Total expenditures	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 9,975</u>	<u>\$ (9,975)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,182</u>	<u>\$ 6,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 2,433	\$ 2,433
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,433</u>	<u>\$ 2,433</u>
Net change in fund balances	\$ -	\$ -	\$ 8,615	\$ 8,615
Fund balances - beginning	-	-	11,638	11,638
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,253</u>	<u>\$ 20,253</u>

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

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

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

Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2011

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 321,937	\$ 11,180	\$ 333,117
Due from other governmental units	234,713	60	234,773
Inventories	-	14,974	14,974
Prepaid items	38,136	600	38,736
Total assets	<u>\$ 594,786</u>	<u>\$ 26,814</u>	<u>\$ 621,600</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 12,963	\$ -	\$ 12,963
Accrued liabilities	321,936	11,179	333,115
Due to primary government	259,887	-	259,887
Total liabilities	<u>\$ 594,786</u>	<u>\$ 11,179</u>	<u>\$ 605,965</u>
Fund balances:			
Nonspendable	\$ 38,136	\$ 15,574	\$ 53,710
Unassigned	(38,136)	61	(38,075)
Total fund balances	<u>\$ -</u>	<u>\$ 15,635</u>	<u>\$ 15,635</u>
Total liabilities and fund balances	<u>\$ 594,786</u>	<u>\$ 26,814</u>	<u>\$ 621,600</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Total fund balances per above		\$ 15,635	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			2,748,706
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(32,559)</u>
Net assets of governmental activities		\$ 2,731,782	

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2011

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
<b>REVENUES</b>			
Charges for services	\$ 4,513	\$ 49,348	\$ 53,861
Miscellaneous	18,637	-	18,637
Intergovernmental revenues:			
Local government	1,845,195	-	1,845,195
Commonwealth	1,561,183	3,561	1,564,744
Federal	356,339	113,814	470,153
Total revenues	<u>\$ 3,785,867</u>	<u>\$ 166,723</u>	<u>\$ 3,952,590</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 3,768,360	\$ 184,303	\$ 3,952,663
Total expenditures	<u>\$ 3,768,360</u>	<u>\$ 184,303</u>	<u>\$ 3,952,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 17,507</u>	<u>\$ (17,580)</u>	<u>\$ (73)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	\$ -	\$ 17,507	\$ 17,507
Transfers out	(17,507)	-	(17,507)
Total other financing sources and uses	<u>\$ (17,507)</u>	<u>\$ 17,507</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ (73)	\$ (73)
Fund balances - beginning	-	15,708	15,708
Fund balances - ending	<u>\$ -</u>	<u>\$ 15,635</u>	<u>\$ 15,635</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (73)

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. 171,234

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. 8,262

Change in net assets of governmental activities \$ 179,423

County of Highland, Virginia

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

	School Operating Fund			Variance with Final Budget Positive Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 4,513	\$ 4,513
Miscellaneous	-	-	18,637	18,637
Intergovernmental revenues:				
Local government	1,566,502	1,872,373	1,845,195	(27,178)
Commonwealth	1,546,304	1,546,304	1,561,183	14,879
Federal	250,359	250,359	356,339	105,980
Total revenues	\$ 3,363,165	\$ 3,669,036	\$ 3,785,867	\$ 116,831
EXPENDITURES				
Current:				
Education	\$ 3,671,000	\$ 3,976,871	\$ 3,768,360	\$ 208,511
Total expenditures	\$ 3,671,000	\$ 3,976,871	\$ 3,768,360	\$ 208,511
Excess (deficiency) of revenues over (under) expenditures	\$ (307,835)	\$ (307,835)	\$ 17,507	\$ 325,342
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(17,507)	(17,507)
Total other financing sources and uses	\$ -	\$ -	\$ (17,507)	\$ (17,507)
Net change in fund balances	\$ (307,835)	\$ (307,835)	\$ -	\$ 307,835
Fund balances - beginning	307,835	307,835	-	(307,835)
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Exhibit 19

School Cafeteria Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 77,000	\$ 77,000	\$ 49,348	\$ (27,652)
-	-	-	-
-	-	-	-
2,905	2,905	3,561	656
75,000	75,000	113,814	38,814
<u>\$ 154,905</u>	<u>\$ 154,905</u>	<u>\$ 166,723</u>	<u>\$ 11,818</u>
\$ 181,135	\$ 189,334	\$ 184,303	\$ 5,031
<u>\$ 181,135</u>	<u>\$ 189,334</u>	<u>\$ 184,303</u>	<u>\$ 5,031</u>
\$ (26,230)	\$ (34,429)	\$ (17,580)	\$ 16,849
\$ -	\$ -	\$ 17,507	\$ 17,507
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,507</u>	<u>\$ 17,507</u>
\$ (26,230)	\$ (34,429)	\$ (73)	\$ 34,356
26,230	34,429	15,708	(18,721)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,635</u>	<u>\$ 15,635</u>



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## **SUPPORTING SCHEDULES**

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,445,380	\$ 2,482,380	\$ 2,466,572	\$ (15,808)
Real and personal public service corporation taxes	62,000	72,000	73,146	1,146
Personal property taxes	142,000	160,000	156,668	(3,332)
Mobile home taxes	1,800	1,800	2,074	274
Machinery and tools taxes	500	500	394	(106)
Merchants Capital taxes	2,800	2,800	2,821	21
Penalties	13,000	13,000	11,729	(1,271)
Interest	7,000	7,000	6,851	(149)
Total general property taxes	\$ 2,674,480	\$ 2,739,480	\$ 2,720,255	\$ (19,225)
Other local taxes:				
Local sales and use taxes	\$ 94,862	\$ 97,862	\$ 97,125	\$ (737)
Consumers' utility taxes	143,500	141,500	140,241	(1,259)
Consumption taxes	6,400	6,400	6,479	79
Motor vehicle licenses	47,000	50,500	51,219	719
Bank stock taxes	13,000	13,000	12,656	(344)
Taxes on recordation and wills	20,000	20,000	19,356	(644)
Total other local taxes	\$ 324,762	\$ 329,262	\$ 327,076	\$ (2,186)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,000	\$ 3,000	\$ 2,815	\$ (185)
Transfer fees	150	150	123	(27)
Permits and other licenses	8,700	8,700	10,131	1,431
Total permits, privilege fees, and regulatory licenses	\$ 11,850	\$ 11,850	\$ 13,069	\$ 1,219
Fines and forfeitures:				
Court fines and forfeitures	\$ 2,000	\$ 500	\$ 148	\$ (352)
Total fines and forfeitures	\$ 2,000	\$ 500	\$ 148	\$ (352)
Revenue from use of money and property:				
Revenue from use of money	\$ 60,000	\$ 47,000	\$ 46,539	\$ (461)
Revenue from use of property	8,000	11,000	11,460	460
Total revenue from use of money and property	\$ 68,000	\$ 58,000	\$ 57,999	\$ (1)
Charges for services:				
Charges for law enforcement and traffic control	\$ 11,375	\$ 11,375	\$ 12,689	\$ 1,314
Charges for courthouse maintenance	1	-	2,194	2,194
Charges for Commonwealth's Attorney	50	50	170	120
Charges for other services	200	200	260	60
Charges for law library	1	-	193	193
Total charges for services	\$ 11,627	\$ 11,625	\$ 15,506	\$ 3,881
Miscellaneous revenue:				
Miscellaneous	\$ 37,400	\$ 40,400	\$ 72,541	\$ 32,141
Donations	2	-	1,040	1,040
Total miscellaneous revenue	\$ 37,402	\$ 40,400	\$ 73,581	\$ 33,181
Total revenue from local sources	\$ 3,130,121	\$ 3,191,117	\$ 3,207,634	\$ 16,517

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ 4,000	\$ 4,000	\$ 3,277	\$ (723)
Taxes on deeds	7,000	7,000	4,765	(2,235)
Motor vehicle carriers' tax	100	-	220	220
State recordation tax	5,686	5,686	8,490	2,804
Personal property tax relief funds	167,000	167,000	167,052	52
Total noncategorical aid	<u>\$ 183,786</u>	<u>\$ 183,686</u>	<u>\$ 183,804</u>	<u>\$ 118</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 69,640	\$ 66,737	\$ 68,479	\$ 1,742
Sheriff	486,800	456,000	457,752	1,752
Commissioner of revenue	64,777	53,500	54,058	558
Treasurer	71,800	57,000	58,127	1,127
Registrar/electoral board	35,900	33,000	28,847	(4,153)
Clerk of the Circuit Court	112,684	136,273	146,188	9,915
Total shared expenses	<u>\$ 841,601</u>	<u>\$ 802,510</u>	<u>\$ 813,451</u>	<u>\$ 10,941</u>
Other categorical aid:				
Two-for-life grant	\$ 3,000	\$ 3,000	\$ 3,079	\$ 79
Fire prevention program	2	-	16,000	16,000
Reduction in State aid	-	-	(27,779)	(27,779)
DMV commission	-	-	1,185	1,185
Total other categorical aid	<u>\$ 3,002</u>	<u>\$ 3,000</u>	<u>\$ (7,515)</u>	<u>\$ (10,515)</u>
Total categorical aid	<u>\$ 844,603</u>	<u>\$ 805,510</u>	<u>\$ 805,936</u>	<u>\$ 426</u>
Total revenue from the Commonwealth	<u>\$ 1,028,389</u>	<u>\$ 989,196</u>	<u>\$ 989,740</u>	<u>\$ 544</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 43,892</u>	<u>\$ (11,108)</u>
Categorical aid:				
ISTEA grant	\$ -	\$ -	\$ 16,682	\$ 16,682
DEQ royalty grants	-	-	544	544
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,226</u>	<u>\$ 17,226</u>
Total revenue from the federal government	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 61,118</u>	<u>\$ 6,118</u>
Total General Fund	<u>\$ 4,213,510</u>	<u>\$ 4,235,313</u>	<u>\$ 4,258,492</u>	<u>\$ 23,179</u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous reimbursements and refunds	\$ -	\$ -	\$ 447	\$ 447
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 447</u>	<u>\$ 447</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2011 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds: (continued)</b>				
<b>Virginia Public Assistance Fund: (continued)</b>				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 37,010	\$ 33,682	\$ 91,317	\$ 57,635
Comprehensive Services Act program	133,132	133,132	7,723	(125,409)
Total categorical aid	<u>\$ 170,142</u>	<u>\$ 166,814</u>	<u>\$ 99,040</u>	<u>\$ (67,774)</u>
Total revenue from the Commonwealth	<u>\$ 170,142</u>	<u>\$ 166,814</u>	<u>\$ 99,040</u>	<u>\$ (67,774)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 206,582	\$ 203,096	\$ 160,670	\$ (42,426)
Total revenue from the federal government	<u>\$ 206,582</u>	<u>\$ 203,096</u>	<u>\$ 160,670</u>	<u>\$ (42,426)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 376,724</u></u>	<u><u>\$ 369,910</u></u>	<u><u>\$ 260,157</u></u>	<u><u>\$ (109,753)</u></u>
<b>E-911 Fund:</b>				
Revenue from local sources:				
Other local taxes:				
E-911 tax	\$ 1	\$ -	\$ 30,000	\$ 30,000
Total other local taxes	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Total revenue from local sources	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Revenue from the Commonwealth:				
Categorical aid:				
E-911 grant	\$ -	\$ -	\$ 9,348	\$ 9,348
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,348</u>	<u>\$ 9,348</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,348</u>	<u>\$ 9,348</u>
Total E-911 fund	<u><u>\$ 1</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 39,348</u></u>	<u><u>\$ 39,348</u></u>
<b>Sheriff's Grants Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous revenue	\$ 5	\$ -	\$ 9,613	\$ 9,613
Total revenue from local sources	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 9,613</u>	<u>\$ 9,613</u>
Revenue from the Commonwealth:				
Categorical aid:				
VA Juvenile Community Crime Control Act grant	\$ 1	\$ -	\$ 6,544	\$ 6,544
Total revenue from the Commonwealth	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 6,544</u>	<u>\$ 6,544</u>
Total Sheriff's Grants fund	<u><u>\$ 6</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,157</u></u>	<u><u>\$ 16,157</u></u>
Total Primary Government	<u><u>\$ 4,590,241</u></u>	<u><u>\$ 4,605,223</u></u>	<u><u>\$ 4,574,154</u></u>	<u><u>\$ (31,069)</u></u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Charges for services:				
Tuition and payments from other divisions	\$ -	\$ -	\$ 4,513	\$ 4,513
Miscellaneous revenue:				
Miscellaneous revenue	\$ -	\$ -	\$ 18,637	\$ 18,637
Total miscellaneous revenue	\$ -	\$ -	\$ 18,637	\$ 18,637
Total revenue from local sources	\$ -	\$ -	\$ 23,150	\$ 23,150
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from school capital projects fund	\$ -	\$ -	\$ 175,354	\$ 175,354
Contribution from County of Highland, Virginia	1,566,502	1,872,373	1,669,841	(202,532)
Total revenues from local governments	\$ 1,566,502	\$ 1,872,373	\$ 1,845,195	\$ (27,178)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 261,766	\$ 261,766	\$ 272,467	\$ 10,701
Basic school aid	919,326	919,326	919,347	21
Hold harmless	86,275	86,275	86,275	-
Gifted and talented	2,309	2,309	2,261	(48)
Remedial education	8,884	8,884	7,576	(1,308)
Special education	58,696	58,696	-	(58,696)
Textbook payment	2,637	2,637	774	(1,863)
Vocational standards of quality payments	26,399	26,399	82,877	56,478
Vocational adult education	-	-	2,436	2,436
Social security fringe benefits	21,681	21,681	21,236	(445)
Retirement fringe benefits	12,848	12,848	12,584	(264)
Group life insurance instructional	803	803	787	(16)
State lottery payments	-	-	1,809	1,809
Early reading intervention	1,261	1,261	1,236	(25)
Vocational education - equipment	2,562	2,562	-	(2,562)
Salary supplement	-	-	9,000	9,000
ISAEP - GED prep program	7,859	7,859	7,859	-
Technology	102,000	102,000	102,000	-
Standards of Learning algebra readiness	1,342	1,342	1,342	-
At risk funding	8,910	8,910	8,803	(107)
English as a second language	581	581	349	(232)
Other state funds	20,165	20,165	20,165	-
Total categorical aid	\$ 1,546,304	\$ 1,546,304	\$ 1,561,183	\$ 14,879
Total revenue from the Commonwealth	\$ 1,546,304	\$ 1,546,304	\$ 1,561,183	\$ 14,879

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2011 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 77,000	\$ 77,000	\$ 77,813	\$ 813
Title I	55,918	55,918	54,306	(1,612)
Jobs fund - recovery act	-	-	27,725	27,725
Title VI-B, special education flow-through	60,479	60,479	51,752	(8,727)
Title VI-B, special education pre-school	10,995	10,995	1,995	(9,000)
Drug free schools	1,044	1,044	1,045	1
Improving teacher quality	18,555	18,555	18,665	110
Perkins carryover	5,419	5,419	-	(5,419)
Rural education achievement program	20,949	20,949	19,613	(1,336)
State fiscal stabilization	-	-	97,768	97,768
Technology resource assistant	-	-	618	618
Career and technical education	-	-	5,039	5,039
Total categorical aid	<u>\$ 250,359</u>	<u>\$ 250,359</u>	<u>\$ 356,339</u>	<u>\$ 105,980</u>
Total revenue from the federal government	<u>\$ 250,359</u>	<u>\$ 250,359</u>	<u>\$ 356,339</u>	<u>\$ 105,980</u>
Total School Operating Fund	<u>\$ 3,363,165</u>	<u>\$ 3,669,036</u>	<u>\$ 3,785,867</u>	<u>\$ 116,831</u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 77,000	\$ 77,000	\$ 49,348	\$ (27,652)
Total revenue from local sources	<u>\$ 77,000</u>	<u>\$ 77,000</u>	<u>\$ 49,348</u>	<u>\$ (27,652)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 2,905	\$ 2,905	\$ 3,561	\$ 656
Total revenue from the Commonwealth	<u>\$ 2,905</u>	<u>\$ 2,905</u>	<u>\$ 3,561</u>	<u>\$ 656</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 75,000	\$ 75,000	\$ 100,208	\$ 25,208
USDA commodities received	-	-	13,606	13,606
Total categorical aid	<u>75,000</u>	<u>75,000</u>	<u>113,814</u>	<u>38,814</u>
Total revenue from the federal government	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 113,814</u>	<u>\$ 38,814</u>
Total School Cafeteria Fund	<u>\$ 154,905</u>	<u>\$ 154,905</u>	<u>\$ 166,723</u>	<u>\$ 11,818</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 3,518,070</u>	<u>\$ 3,823,941</u>	<u>\$ 3,952,590</u>	<u>\$ 128,649</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 24,289	\$ 26,989	\$ 26,933	\$ 56
Total legislative	\$ 24,289	\$ 26,989	\$ 26,933	\$ 56
General and financial administration:				
County administrator	\$ 75,085	\$ 75,085	\$ 73,330	\$ 1,755
Legal services	64,445	52,645	45,230	7,415
Independent Auditor	17,000	23,700	23,621	79
Commissioner of revenue	102,238	102,238	100,350	1,888
Assessor	77,536	77,536	5,744	71,792
Treasurer	110,665	110,665	110,364	301
Central Purchasing	378,243	340,843	301,473	39,370
Total general and financial administration	\$ 825,212	\$ 782,712	\$ 660,112	\$ 122,600
Board of elections:				
Electoral board and officials	\$ 10,697	\$ 10,697	\$ 8,680	\$ 2,017
Registrar	40,212	40,212	39,045	1,167
Total board of elections	\$ 50,909	\$ 50,909	\$ 47,725	\$ 3,184
Total general government administration	\$ 900,410	\$ 860,610	\$ 734,770	\$ 125,840
Judicial administration:				
Courts:				
Circuit court	\$ 995	\$ 995	\$ 810	\$ 185
General district court	1	-	750	(750)
Clerk of the circuit court	140,489	160,489	157,329	3,160
Total courts	\$ 141,485	\$ 161,484	\$ 158,889	\$ 2,595
Commonwealth's attorney:				
Commonwealth's attorney	\$ 79,734	\$ 82,134	\$ 82,077	\$ 57
Total commonwealth's attorney	\$ 79,734	\$ 82,134	\$ 82,077	\$ 57
Total judicial administration	\$ 221,219	\$ 243,618	\$ 240,966	\$ 2,652
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 577,051	\$ 577,051	\$ 573,085	\$ 3,966
Total law enforcement and traffic control	\$ 577,051	\$ 577,051	\$ 573,085	\$ 3,966
Fire and rescue services:				
Volunteer emergency operations	\$ 10,446	\$ 10,445	\$ 31,245	\$ (20,800)
Total fire and rescue services	\$ 10,446	\$ 10,445	\$ 31,245	\$ (20,800)
Correction and detention:				
Sheriff	\$ 40,657	\$ 54,757	\$ 48,500	\$ 6,257
Total correction and detention	\$ 40,657	\$ 54,757	\$ 48,500	\$ 6,257
Inspections:				
Building	\$ 61,041	\$ 60,641	\$ 49,758	\$ 10,883
Total inspections	\$ 61,041	\$ 60,641	\$ 49,758	\$ 10,883



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 7,947	\$ 8,097	\$ 8,079	\$ 18
Medical examiner	200	200	20	180
Emergency management grants	2,500	2,500	-	2,500
Total other protection	<u>\$ 10,647</u>	<u>\$ 10,797</u>	<u>\$ 8,099</u>	<u>\$ 2,698</u>
Total public safety	<u>\$ 699,842</u>	<u>\$ 713,691</u>	<u>\$ 710,687</u>	<u>\$ 3,004</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering/administration - ISTEAs funds	\$ 1	\$ -	\$ 20,853	\$ (20,853)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 20,853</u>	<u>\$ (20,853)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 31,583	\$ 31,583	\$ 31,182	\$ 401
Total maintenance of general buildings and grounds	<u>\$ 31,583</u>	<u>\$ 31,583</u>	<u>\$ 31,182</u>	<u>\$ 401</u>
Total public works	<u>\$ 31,584</u>	<u>\$ 31,583</u>	<u>\$ 52,035</u>	<u>\$ (20,452)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 52,793	\$ 52,793	\$ 52,793	\$ -
Total health	<u>\$ 52,793</u>	<u>\$ 52,793</u>	<u>\$ 52,793</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 5,932	\$ 5,932	\$ 5,932	\$ -
Total mental health and mental retardation	<u>\$ 5,932</u>	<u>\$ 5,932</u>	<u>\$ 5,932</u>	<u>\$ -</u>
Welfare:				
Valley Program for the Aging	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
State and local hospitalization	950	950	-	950
Total welfare	<u>\$ 25,950</u>	<u>\$ 25,950</u>	<u>\$ 25,000</u>	<u>\$ 950</u>
Total health and welfare	<u>\$ 84,675</u>	<u>\$ 84,675</u>	<u>\$ 83,725</u>	<u>\$ 950</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 1,566,502	\$ 1,872,373	\$ 1,669,841	\$ 202,532
Total education	<u>\$ 1,566,502</u>	<u>\$ 1,872,373</u>	<u>\$ 1,669,841</u>	<u>\$ 202,532</u>
Parks, recreation, and cultural:				
Library:				
Library Administration	\$ 39,390	\$ 39,640	\$ 39,621	\$ 19
Total library	<u>\$ 39,390</u>	<u>\$ 39,640</u>	<u>\$ 39,621</u>	<u>\$ 19</u>
Total parks, recreation, and cultural	<u>\$ 39,390</u>	<u>\$ 39,640</u>	<u>\$ 39,621</u>	<u>\$ 19</u>
Community development:				
Planning and community development:				
Planning	\$ 14,975	\$ 14,975	\$ 13,425	\$ 1,550
Community development	26,176	29,476	30,754	(1,278)
Swimming pool	60,725	60,725	56,036	4,689
Industrial Development Authority	1,500	1,500	1,500	-
Total planning and community development	<u>\$ 103,376</u>	<u>\$ 106,676</u>	<u>\$ 101,715</u>	<u>\$ 4,961</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Community development: (continued)				
Cooperative extension program:				
Extension office	\$ 50,125	\$ 50,125	\$ 35,662	\$ 14,463
Total cooperative extension program	\$ 50,125	\$ 50,125	\$ 35,662	\$ 14,463
 Total community development	 \$ 153,501	 \$ 156,801	 \$ 137,377	 \$ 19,424
 Nondepartmental:				
Miscellaneous	\$ 45,099	\$ 45,099	\$ 40,442	\$ 4,657
Total nondepartmental	\$ 45,099	\$ 45,099	\$ 40,442	\$ 4,657
 Capital projects:				
Capital outlay	\$ 3	\$ -	\$ 1,241	\$ (1,241)
Total capital projects	\$ 3	\$ -	\$ 1,241	\$ (1,241)
 Total General Fund	 \$ 3,742,225	 \$ 4,048,090	 \$ 3,710,705	 \$ 337,385
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 291,186	\$ 286,275	\$ 276,690	\$ 9,585
Comprehensive services	214,877	214,877	12,257	202,620
Total welfare and social services	\$ 506,063	\$ 501,152	\$ 288,947	\$ 212,205
 Total health and welfare	 \$ 506,063	 \$ 501,152	 \$ 288,947	 \$ 212,205
 Total Virginia Public Assistance Fund	 \$ 506,063	 \$ 501,152	 \$ 288,947	 \$ 212,205
<b>E-911 Fund:</b>				
Public safety:				
Other protection:				
E-911 Administration	\$ 1	\$ -	\$ 23,952	\$ (23,952)
 Total public safety	 \$ 1	 \$ -	 \$ 23,952	 \$ (23,952)
 Total E-911 Fund	 \$ 1	 \$ -	 \$ 23,952	 \$ (23,952)
<b>Sheriff's Grants Fund:</b>				
Public safety:				
Other protection:				
Drug enforcement and crime control	\$ 6	\$ -	\$ 9,975	\$ (9,975)
 Total Sheriff's Grants Fund	 \$ 6	 \$ -	 \$ 9,975	 \$ (9,975)
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
County courthouse and other capital outlay	\$ 120,000	\$ 120,000	\$ 51,554	\$ 68,446
 Total County Capital Improvements Fund	 \$ 120,000	 \$ 120,000	 \$ 51,554	 \$ 68,446

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2011 (Continued)

<b>Fund, Function, Activity, and Elements</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>School Capital Projects Fund:</b>				
Education:				
Other instructional costs:				
Contribution to County School Board	\$ -	\$ -	\$ 175,354	\$ (175,354)
Total education	\$ -	\$ -	\$ 175,354	\$ (175,354)
Capital projects expenditures:				
Building services	\$ 1,150	\$ 1,149	\$ 577	\$ 572
Total capital projects	\$ 1,150	\$ 1,149	\$ 577	\$ 572
Debt service:				
Principal retirement	\$ 136,715	\$ 136,715	\$ 136,715	\$ -
Interest and other fiscal charges	\$ 44,836	\$ 44,836	\$ 44,835	\$ 1
Total debt service	\$ 181,551	\$ 181,551	\$ 181,550	\$ 1
Total School Capital Projects Fund	\$ 182,701	\$ 182,700	\$ 357,481	\$ (174,781)
Total Primary Government	\$ 4,550,996	\$ 4,851,942	\$ 4,442,614	\$ 409,328
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 6,250	\$ 6,250	\$ 6,217	\$ 33
Executive administration services	\$ 131,184	\$ 131,184	\$ 129,036	\$ 2,148
Total administration of schools	\$ 137,434	\$ 137,434	\$ 135,253	\$ 2,181
Instruction costs:				
Elementary and secondary schools	\$ 2,428,942	\$ 2,524,459	\$ 2,339,149	\$ 185,310
Guidance services	\$ 57,212	\$ 57,212	\$ 37,401	\$ 19,811
Media services	\$ 266,624	\$ 266,624	\$ 272,677	\$ (6,053)
Office of the principal	\$ 172,579	\$ 172,579	\$ 222,464	\$ (49,885)
Total instruction costs	\$ 2,925,357	\$ 3,020,874	\$ 2,871,691	\$ 149,183
Operating costs:				
Pupil transportation	\$ 250,467	\$ 285,467	\$ 244,516	\$ 40,951
Operation and maintenance of school plant	\$ 357,742	\$ 533,096	\$ 516,900	\$ 16,196
Total operating costs	\$ 608,209	\$ 818,563	\$ 761,416	\$ 57,147
Total education	\$ 3,671,000	\$ 3,976,871	\$ 3,768,360	\$ 208,511
Total School Operating Fund	\$ 3,671,000	\$ 3,976,871	\$ 3,768,360	\$ 208,511
<b>Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 181,135	\$ 189,334	\$ 184,303	\$ 5,031
Total school food services	\$ 181,135	\$ 189,334	\$ 184,303	\$ 5,031
Total education	\$ 181,135	\$ 189,334	\$ 184,303	\$ 5,031
Total Cafeteria Fund	\$ 181,135	\$ 189,334	\$ 184,303	\$ 5,031
Total Discretely Presented Component Unit - School Board	\$ 3,852,135	\$ 4,166,205	\$ 3,952,663	\$ 213,542

## **STATISTICAL TABLES**



## STATISTICAL TABLES

### Contents

### Tables

#### Financial Trends

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

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#### Revenue Capacity

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

7 - 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.

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#### Demographic and Economic Information

This table offers 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.

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#### Operating Information

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

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#### Sources:

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

County of Highland, Virginia

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

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

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

Table 1

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



# County of Highland, Virginia

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

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

Table 2  
Page 1 of 2

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

County of Highland, Virginia

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

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

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

Table 2  
Page 2 of 2

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

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

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

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34.

County of Highland, Virginia

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

	Fiscal Year				
	2002	2003	2004	2005	2006
General fund					
Reserved	\$ 34,427	\$ -	\$ -	\$ -	\$ -
Unreserved	1,578,234	1,455,569	1,873,649	1,526,107	3,182,757
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 1,612,661</u>	<u>\$ 1,455,569</u>	<u>\$ 1,873,649</u>	<u>\$ 1,526,107</u>	<u>\$ 3,182,757</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds	\$ 29,439	\$ 92,859	\$ 147,411	\$ 260,612	\$ 227,588
Capital projects funds	178,204	309,665	264,781	299,039	256,542
Restricted, reported in:					
Special revenue funds	-	-	-	-	-
Unassigned, reported in:					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 207,643</u>	<u>\$ 402,524</u>	<u>\$ 412,192</u>	<u>\$ 559,651</u>	<u>\$ 484,130</u>

Table 4

Fiscal Year				
2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ -
3,220,466	3,868,862	4,166,881	4,273,643	-
-	-	-	-	50,785
-	-	-	-	31,317
-	-	-	-	510,933
-	-	-	-	3,762
-	-	-	-	3,951,635
<u>\$ 3,220,466</u>	<u>\$ 3,868,862</u>	<u>\$ 4,166,881</u>	<u>\$ 4,273,643</u>	<u>\$ 4,548,432</u>
\$ 568,502	\$ 131,621	\$ 111,228	\$ 77,649	\$ -
248,895	410,182	422,554	889,686	-
-	-	-	-	100,425
-	-	-	-	1,235
-	-	-	-	651,351
<u>\$ 817,397</u>	<u>\$ 541,803</u>	<u>\$ 533,782</u>	<u>\$ 967,335</u>	<u>\$ 753,011</u>



County of Highland, Virginia

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

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Revenues</b>					
General property taxes	\$ 1,666,570	\$ 1,822,785	\$ 2,078,808	\$ 2,228,621	\$ 3,621,834
Other local taxes	256,205	269,979	292,090	322,948	342,006
Permits, privilege fees and regulatory licenses	21,199	23,060	23,751	22,514	19,361
Fines and forfeitures	6,870	5,631	826	512	511
Revenue from use of money and property	100,349	58,535	46,941	58,162	97,193
Charges for services	240,557	6,135	8,531	6,350	6,579
Miscellaneous	129,992	21,964	29,128	44,644	71,108
Intergovernmental:					
Commonwealth	1,130,844	1,166,190	1,166,217	1,183,203	1,095,016
Federal	378,560	255,002	255,908	222,789	464,596
Total revenues	\$ 3,931,146	\$ 3,629,281	\$ 3,902,200	\$ 4,089,743	\$ 5,718,204
<b>Expenditures</b>					
General government administration	\$ 347,914	\$ 370,732	\$ 378,783	\$ 459,264	\$ 606,853
Judicial administration	203,987	196,551	198,372	208,968	223,133
Public safety	645,128	688,315	659,609	838,493	884,776
Public works	391,391	127,907	93,629	75,233	174,324
Health and welfare	504,385	508,263	473,336	325,334	330,961
Education	-	1,019,914	1,181,866	1,556,971	1,278,049
Parks, recreation and cultural	23,998	25,613	28,740	30,677	31,533
Community development	109,171	78,014	135,483	74,405	86,728
Nondepartmental	31,329	22,244	26,356	46,520	26,098
Capital projects	73,923	260,512	79,428	257,661	430,138
Debt service					
Principal	-	116,847	118,739	120,850	123,193
Interest and other fiscal charges	-	105,504	98,511	91,300	83,857
Total expenditures	\$ 2,331,226	\$ 3,520,416	\$ 3,472,852	\$ 4,085,676	\$ 4,279,643
Excess of revenues over (under) expenditures	\$ 1,599,920	\$ 108,865	\$ 429,348	\$ 4,067	\$ 1,438,561
Other financing sources (uses)					
Transfers in	\$ 346,431	\$ 632,796	\$ 351,151	\$ 566,643	\$ 513,369
Transfers out	(1,572,883)	(631,296)	(352,751)	(770,793)	(370,801)
Total other financing sources (uses)	\$ (1,226,452)	\$ 1,500	\$ (1,600)	\$ (204,150)	\$ 142,568
Net change in fund balances	\$ 373,468	\$ 110,365	\$ 427,748	\$ (200,083)	\$ 1,581,129
Debt service as a percentage of noncapital expenditures					
	0.000%	6.821%	6.402%	5.542%	5.379%

Table 5

Fiscal Year				
2007	2008	2009	2010	2011
\$ 2,644,502	\$ 2,706,867	\$ 2,812,841	\$ 2,700,353	\$ 2,720,255
304,077	357,353	356,880	353,146	357,076
12,318	14,809	12,504	18,593	13,069
1,059	729	2,386	1,006	148
146,115	135,833	100,362	73,747	58,543
6,307	11,402	16,288	126,474	15,506
108,487	221,956	116,701	89,922	83,641
1,521,614	1,170,907	1,150,594	1,110,210	1,104,672
253,751	268,097	241,885	205,446	221,244
<u>\$ 4,998,230</u>	<u>\$ 4,887,953</u>	<u>\$ 4,810,441</u>	<u>\$ 4,678,897</u>	<u>\$ 4,574,154</u>
\$ 557,066	\$ 498,386	\$ 470,406	\$ 486,392	\$ 734,770
240,034	242,188	263,146	237,262	240,966
1,370,500	844,971	924,520	846,162	744,614
87,089	92,760	91,210	92,620	52,035
331,330	337,223	313,429	354,901	372,672
1,386,156	1,621,412	1,454,487	1,654,434	1,845,195
35,402	37,318	39,220	38,305	39,621
80,706	105,946	106,318	123,846	137,377
27,523	52,818	37,874	37,379	40,442
301,444	208,093	648,833	66,863	53,372
125,684	128,176	130,728	133,586	136,715
76,266	68,674	61,022	53,064	44,835
<u>\$ 4,619,200</u>	<u>\$ 4,237,965</u>	<u>\$ 4,541,193</u>	<u>\$ 4,124,814</u>	<u>\$ 4,442,614</u>
<u>\$ 379,030</u>	<u>\$ 649,988</u>	<u>\$ 269,248</u>	<u>\$ 554,083</u>	<u>\$ 131,540</u>
\$ 1,104,890	\$ 715,354	\$ 636,234	\$ 879,660	\$ 603,532
(1,112,944)	(609,804)	(615,484)	(893,428)	(674,607)
<u>\$ (8,054)</u>	<u>\$ 105,550</u>	<u>\$ 20,750</u>	<u>\$ (13,768)</u>	<u>\$ (71,075)</u>
<u>\$ 370,976</u>	<u>\$ 755,538</u>	<u>\$ 289,998</u>	<u>\$ 540,315</u>	<u>\$ 60,465</u>
4.677%	4.885%	4.926%	4.600%	4.136%

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

<b>Fiscal Year</b>	<b>Local sales and use Tax</b>	<b>Consumer Utility Tax</b>	<b>Motor Vehicle License</b>	<b>E-911 Tax</b>	<b>Bank Stock Tax</b>	<b>Other Local Tax</b>	<b>Total</b>
2011	\$ 97,125	\$ 140,241	\$ 51,219	\$ 30,000	\$ 12,656	\$ 25,835	\$ 357,076
2010	95,657	141,131	55,842	24,000	12,481	24,035	353,146
2009	93,017	141,631	47,859	29,572	12,487	32,314	356,880
2008	97,120	149,008	34,003	36,429	4,484	36,309	357,353
2007	99,550	124,755	1,783	30,280	13,162	34,547	304,077
2006	92,865	112,041	43,918	30,507	21,999	40,676	342,006
2005	90,298	110,945	44,778	25,351	13,343	38,233	322,948
2004	84,699	110,465	42,573	21,671	13,089	19,593	292,090
2003	85,097	105,466	42,634	-	12,880	23,902	269,979
2002	73,979	102,846	42,635	-	13,865	22,880	256,205

## County of Highland, Virginia

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

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<b>Fiscal Year</b>		<b>Real Estate</b>		<b>Personal Property</b>		<b>Machinery and Tools</b>		<b>Minerals/ Mineral Lands</b>		<b>Merchants' Capital</b>
2011	\$	625,543,500	\$	22,152,201	\$	39,388	\$	96,200	\$	281,830
2010		621,402,600		21,025,889		54,246		96,200		282,699
2009		618,813,500		30,335,430		128,810		96,200		261,513
2008		613,889,600		26,757,134		65,200		96,200		260,642
2007		609,965,800		28,362,526		43,141		96,200		267,887
2006		605,945,300		25,715,330		51,640		114,700		227,196
2005		286,194,100		22,963,900		93,860		114,700		236,740
2004		285,474,000		21,677,710		81,960		114,700		236,400
2003		281,567,200		21,432,510		79,800		114,700		220,580
2002		278,910,100		20,509,440		71,960		114,700		213,420

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

Source: Commissioner of Revenue

Table 7

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<b>Public Service</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value (1)</b>	<b>Assessed Value as a Percentage of Actual Value (1)</b>
\$ 16,973,783	\$ 665,086,902	\$ 640,213,450	97.71%
14,732,716	657,594,350	636,072,550	97.69%
15,941,274	665,576,727	634,670,491	97.50%
16,409,311	657,478,087	630,246,905	97.40%
19,306,039	658,041,593	633,613,036	96.27%
12,989,355	645,043,521	628,449,075	96.42%
13,992,300	323,595,600	448,555,745	63.80%
16,894,372	324,479,142	414,291,993	68.91%
16,669,131	320,083,921	359,954,949	78.22%
16,894,903	316,714,523	335,818,455	83.05%

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

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2011	\$ 0.40	\$ 1.50	\$ 0.40	\$ 1.00	\$ 1.00
2010	0.40	1.50	0.40	1.00	1.00
2009	0.40	1.50	0.40	1.00	1.00
2008	0.40	1.50	0.40	1.00	1.00
2007	0.38	1.50	0.38	1.00	1.00
2006 (2)	.73/.38	1.50	0.73	1.00	1.00
2005	0.67	1.50	0.67	1.00	1.00
2004	0.62	1.50	0.62	1.00	1.00
2003	0.55	1.50	0.55	1.00	1.00
2002	0.50	1.50	0.50	1.00	1.00

(1) Per \$100 of assessed value.

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

Principal Property Taxpayers  
Current Year and the Period Ten Years Prior

Taxpayer	Type Business	Fiscal Year 2010		Fiscal Year 2000	
		2010 Assessed Valuation	% of Total Assessed Valuation	2000 Assessed Valuation	% of Total Assessed Valuation
Karin Banks	Farm	\$ 7,592,800	1.214%	\$ 4,950,300	2.509%
Red Oak Ranch	Farm	2,578,200	0.412%	1,334,800	0.677%
Hayfields Ltd.	Farm	2,528,500	0.404%	894,400	0.453%
Dividing Waters Farm	Farm	2,136,800	0.342%	948,800	0.481%
Bull Pasture Mtn Ranch	Farm	1,936,600	0.310%	310,200	0.157%
		<u>\$ 16,772,900</u>	<u>2.681%</u>	<u>\$ 8,438,500</u>	<u>4.277%</u>

Source: Commissioner of Revenue



Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	(1) Total Tax Levy for Fiscal Year		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$	2,949,448	\$ 2,815,516	95.46%	\$ -	\$ 2,815,516	95.46%
2010		2,913,404	2,783,033	95.53%	94,699	2,877,732	98.78%
2009		3,033,067	2,884,198	95.09%	132,085	3,016,283	99.45%
2008		2,856,079	2,780,175	97.34%	71,388	2,851,563	99.84%
2007		2,805,927	2,721,421	96.99%	82,528	2,803,949	99.93%
2006		3,755,547	3,724,780	99.18%	29,436	3,754,216	99.96%
2005		2,379,612	2,347,508	98.65%	31,934	2,379,442	99.99%
2004		2,203,604	2,179,593	98.91%	23,892	2,203,485	99.99%
2003		1,965,588	1,903,635	96.85%	61,953	1,965,588	100.00%
2002		1,790,069	1,762,181	98.44%	27,888	1,790,069	100.00%

Source: Commissioner of Revenue, County Treasurer's office

(1) Includes PPTRA reimbursement from Commonwealth of Virginia.

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds					
2011	\$	672,096	\$	170,496	\$ 842,592	1.14%	380
2010		808,810		174,498	983,308	1.32%	433
2009		942,396		178,310	1,120,706	1.70%	493
2008		1,073,124		181,906	1,255,030	1.73%	500
2007		1,201,300		113,682	1,314,982	1.81%	524
2006		1,326,984		116,282	1,443,266	2.18%	601
2005		1,450,177		118,795	1,568,972	2.37%	654
2004		1,571,027		121,060	1,692,087	2.56%	705
2003		1,689,766		123,310	1,813,076	3.03%	755
2002		1,806,613		125,596	1,932,209	3.12%	773

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

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

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

<b>Fiscal Year</b>		<b>Gross Bonded Debt</b>	<b>Less: Amounts Reserved for Debt Service</b>	<b>Net Bonded Debt (3)</b>	<b>Ratio of Net General Obligation Debt to Assessed Value (2)</b>	<b>Net Bonded Debt per Capita (1)</b>
2011	\$	672,096	\$ -	\$ 672,096	0.10%	303
2010		808,810	-	808,810	0.12%	356
2009		942,396	(46,372)	988,768	0.15%	435
2008		1,073,124	101,896	971,228	0.15%	387
2007		1,201,300	72,558	1,128,742	0.17%	450
2006		1,326,984	128,831	1,198,153	0.19%	499
2005		1,450,177	98,320	1,351,857	0.42%	563
2004		1,571,027	76,993	1,494,034	0.46%	623
2003		1,689,766	97,500	1,592,266	0.50%	663
2002		1,806,613	94,128	1,712,485	0.54%	685

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

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

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

Pledged-Revenue Coverage  
Last Ten Fiscal Years

Water Revenue Bonds							
Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
2011	\$ 35,333	\$ 42,374	\$ (7,041)	\$ 4,002	\$ 7,842	-59.45%	
2010	34,771	38,716	(3,945)	3,813	8,032	-33.31%	
2009	34,992	38,176	(3,184)	3,597	10,831	-22.07%	
2008	37,834	39,045	(1,211)	2,776	5,384	-14.84%	
2007	27,241	41,310	(14,069)	2,602	5,558	-172.41%	
2006	19,044	36,630	(17,586)	2,510	5,650	-215.51%	
2005	18,153	33,506	(15,353)	2,265	5,893	-188.20%	
2004	17,823	32,343	(14,520)	2,250	5,910	-177.94%	
2003	17,767	30,524	(12,757)	2,285	5,875	-156.34%	
2002	19,934	26,871	(6,937)	1,968	6,192	-85.01%	

Demographic and Economic Statistics  
Last Ten Fiscal Years

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<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age (1)</u>	<u>School Enrollment</u>	<u>Unemploy- ment Rate</u>
2011	2,215	\$ 74,052,000	\$ 31,673	53	226	6.20%
2010	2,273	74,774,000	31,497	51	232	8.10%
2009	2,273	65,998,828	29,036	49	243	9.60%
2008	2,510	72,549,040	28,904	49	272	3.30%
2007	2,510	72,549,040	28,904	49	285	3.00%
2006	2,400	66,189,600	27,579	49	305	3.30%
2005	2,400	66,189,600	27,579	-	310	3.30%
2004	2,400	66,189,600	27,579	-	298	2.10%
2003	2,400	59,748,000	24,895	-	294	3.50%
2002	2,500	61,882,500	24,753	-	304	2.60%

Source: Weldon Cooper Center, Annual school report - prepared by the county, [www.fedstats.gov](http://www.fedstats.gov)

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

Function	Fiscal Year				
	2007	2008	2009	2010	2011
General government	15	15	15	15	16
Judicial administration	5	5	5	5	5
Public safety					
Sheriff's department	14	14	15	15	15
Building inspections	2	2	1	1	1
Animal control	1	1	1	1	1
Public works					
General maintenance	3	3	3	3	3
Landfill	6	6	6	6	6
Health and welfare					
Department of social services	4	4	4	4	4
Culture and recreation					
Library	2	2	2	2	2
Totals	52	52	52	52	53

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

Source: Individual county departments

Capital Asset Statistics by Function  
Last Five Fiscal Years

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

Source: Individual county departments

## **COMPLIANCE**





# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Highland, Virginia as of and for the year ended June 30, 2011, which collectively comprise the County of Highland, Virginia's basic financial statements and have issued our report thereon dated January 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

#### **Internal Control Over Financial Reporting:**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (Reference 2011-1 and 2011-2) *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.

#### **Compliance and Other Matters:**

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

We noted certain matters involving the internal control structure and its operation that we have reported to the management of the County of Highland, Virginia in a separate letter dated January 6, 2012.

The County of Highland, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Highland, Virginia's response, and, accordingly, we express no opinion on it.

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

*Robinson, Farmer, Cox Associates*

Verona, Virginia  
January 6, 2012

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### THE BOARD OF SUPERVISORS COUNTY OF HIGHLAND, VIRGINIA

#### Compliance

We have audited County of Highland, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Highland, Virginia's major federal programs for the year ended June 30, 2011. County of Highland, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Highland, Virginia's management. Our responsibility is to express an opinion on the County of Highland, Virginia's compliance based on our audit.

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

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

#### Internal Control Over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Verona, Virginia  
January 6, 2012

County of Highland, Virginia

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

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556		\$ 13,672
Temporary Assistance for Needy Families (TANF)	93.558		15,886
Refugee and Entrant Assistance - State Administered Programs	93.566		61
Low-Income Home Energy Assistance	93.568		3,126
Child Care and Development Fund Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,695
Stephanie Tubbs Jones Child Welfare Services Program	93.645		63
Foster Care - Title IV-E	93.658		20,477
Adoption Assistance	93.659		357
Social Services Block Grant	93.667		24,119
Chafee Foster Care Independence Program	93.674		135
Children's Health Insurance Program	93.767		1,132
Medical Assistance Program	93.778		28,130
Total Department of Health and Human Services			\$ 109,853
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Rural Business Enterprise Grant	10.769		\$ 99,100
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution	10.555		\$ 13,606
Department of Education:			
Child Nutrition Cluster:			
National school lunch program	10.555		67,243
Total Child Nutrition Cluster			\$ 80,849
Department of Education:			
School breakfast program	10.553		\$ 25,265
Fresh fruit and vegetable program	10.582		7,700
Schools and Roads - Grants to States	10.665		77,813
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 48,929
ARRA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		1,888
Total State Administered Matching Grants for the Supplemental Nutrition Assistance Program			\$ 50,817
Total Department of Agriculture			\$ 341,544
Department of the Interior:			
Direct payments:			
Bureau of Land Management			
Payment in lieu of taxes	15.226		\$ 43,892
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Public Transportation Research	20.514		\$ 16,682

County of Highland, Virginia

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

Federal Grantor/State Pass - Through Grantor/Program Title or Cluster	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
Environmental Protection Agency: Pass Through Payments: Department of Environmental Quality: DEQ Royalty Grants	66.000		\$ 544
Department of Education: Pass Through Payments: Department of Education: Title I, Part A Cluster Title I: Grants to Local Educational Agencies	84.010		\$ 54,306
Special Education Cluster: Special Education-Grants to States	84.027		48,992
ARRA-Special Education-Grants to States	84.391		2,760
Special Education-Preschool Grants	84.173		1,995
Education Jobs Fund	84.410		27,725
Safe and Drug-free Schools and Communities-State Grants	84.186		1,045
Education Technology State Grants	84.318		618
Rural Education Achievement Program	84.358		19,613
Improving Teacher Quality State Grants	84.367		18,665
ARRA-State Fiscal Stabilization Fund, Education State Grants	84.394		97,768
Career and Technical Education-Basic Grants to States	84.048		5,039
Total Department of Education			\$ 278,526
Total Expenditures of Federal Awards			\$ 791,041

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Highland, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Highland, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Highland, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE C - FOOD DISTRIBUTION

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

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

Primary government:	
Governmental funds	\$ 221,788
Proprietary funds	99,100
School fund	470,153
Total primary government	\$ 791,041

**COUNTY OF HIGHLAND, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011**

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**Section I-Summary of Auditors' Results**

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Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Non compliance material to financial statements noted?        yes   x   no

**Federal Awards**

Internal control over major programs:

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

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

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

Identification of major programs:

*CFDA*

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
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Child Nutrition Cluster:

10.553 ..... School Breakfast Program  
10.555 ..... National School Lunch Program  
10.555 ..... Food Distribution

Other:

10.665 ..... Schools and Roads-Grants to States  
10.769 ..... Rural Business Enterprise Grant  
84.394 ..... ARRA-State Fiscal Stabilization Fund  
93.667 ..... Social Services Block Grant

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

Auditee qualified as low-risk auditee?        yes   x   no



**COUNTY OF HIGHLAND, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2011 (Continued)**

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**Section II-Financial Statement Findings**

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Finding 2011-1:

Criteria: A governmental entity should maintain a complete and balanced set of financial records to which postings are made frequently as transactions occur.

Condition: All transactions for the Highland County Recreation Commission component unit for fiscal year 2011 were not posted to a ledger until September 2011. In addition, detail records of cash receipts were not maintained.

Cause: The Recreation Commission treasurer is a volunteer and the Commission lacks the resources to record transactions in a formal accounting system.

Effect: Delays in recording transactions and producing a general ledger could lead to a material misstatement of the financial statements.

Recommendation: Transactions should be posted to a complete and balanced set of financial records on a regular basis and detailed records of revenues should be maintained including from whom funds are received and the purpose or program for which they are received.

Management's Response: Transactions for the fiscal year were posted to a ledger in September 2011 in preparation for the audit.

Finding 2011-2:

Criteria: A key concept of internal control is the segregation of duties so that different people are assigned to authorize transactions, record transactions and safeguard assets.

Condition: The Highland County Recreation Commission lacks a proper segregation of duties over substantially all accounting functions as the treasurer performs most approval, cash receipting and disbursing and reconciliation functions.

Cause: The Commission's financial transactions are primarily handled by a volunteer treasurer and the Commission has lacked the resources to employ additional staff to segregate accounting duties.

Effect: There is a deficiency in internal control that does not allow management to prevent, detect or correct misstatements on a timely basis.

Recommendation: To improve internal control with current resources, the Commission should adopt procedures for expanding monitoring functions by Board members. Such monitoring should include a formal approval process for expenditures and review of monthly bank statements by someone other than the treasurer.

Management's Response: The Commission is considering implementing new policies and procedures to mitigate the lack of segregation of duties including additional Board oversight.

**Section III-Federal Award Findings and Questioned Costs**

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None

**COUNTY OF HIGHLAND, VIRGINIA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2011**

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

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