

**COUNTY OF WASHINGTON, VIRGINIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2014**

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COUNTY OF WASHINGTON, VIRGINIA  
 FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2014

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## INTRODUCTORY SECTION

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# COUNTY OF WASHINGTON, VIRGINIA

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## BOARD OF SUPERVISORS

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Phillip B. McCall, Chair  
Randy L. Pennington, Vice-Chair  
William B. Gibson  
Vernon L. Smith  
Jason Berry, Clerk  
Dr. James E. Baker  
Odell Owens  
C. Wayne Stevens, Jr.

## COUNTY SCHOOL BOARD

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Tom Musick, Chair  
Dr. Douglas E. Arnold, Vice-Chair  
Terry D. Fleenor  
Dayton Owens  
Melissa Caudill, Clerk  
Billy W. Brooks  
Elizabeth P. Lowe  
Danny Ruble

## SOCIAL SERVICES BOARD

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David M. Cline, Chair  
Janet Combs, Vice-Chair  
Rhonda Lusk  
Jack C. Phelps  
Linda Crane  
G. Douglas Meade  
Kay Poole

## OTHER OFFICIALS

---

Clerk of the Circuit Court.....Patricia Moore  
Commonwealth's Attorney.....Nicole M. Price  
Commissioner of the Revenue ..... Layton David Henry  
Treasurer.....Fred W. Parker  
Sheriff ..... Fred P. Newman  
Superintendent of Schools.....Dr. Brian Ratliff  
Director of Social Services..... Randall T. Blevins  
County Administrator ..... Jason Berry  
Finance Director ..... Mark W. Seamon  
County Attorney.....Lucy E. Phillips

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## FINANCIAL SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit school board, each major fund, and the aggregate remaining fund information of County of Washington, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of any of the other component units, the Park Authority, Industrial Development Authority, and Virginia Highlands Airport Authority. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the other component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### ***Auditors' Responsibility (continued)***

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Washington, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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 and OPEB funding progress on pages 5-11, 64, and 65-66, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### ***Other Information***

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

*Other Information (continued)*

The combining and individual fund financial statements 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures as described above and the report of the other auditors, the combining and individual fund financial statements and supporting schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, on our consideration of County of Washington, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Washington, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Co. Associates*

Blacksburg, Virginia  
December 8, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As management of the County of Washington, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the basic audited financial statements.

### Financial Highlights:

- The assets of the County's governmental activities exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,778,905 (net position). Of this amount, \$23,040,261 was considered unrestricted.
- The assets of the School Board component unit exceeded its liabilities at the close of the fiscal year by \$16,220,744 (net position). Of this amount \$(1,739,767) was considered unrestricted.
- As of the close of the current fiscal year, the County's funds reported combined ending fund balances of \$25,980,836. Of the amount \$15,924,224 was considered unassigned, \$1,364,661 was considered assigned, \$5,292,796 was considered committed, \$3,347,788 was considered restricted and \$51,367 was considered nonspendable.
- During the year, the County had governmental fund expenditures that were \$1,341,733 more than revenues.

### Overview of the Financial Statements:

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

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

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

Government-wide Financial Statements – The Government-wide Financial Statements are designed to provide the readers with a broad overview of the County’s finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the County’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the Government-wide Financial Statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Our governmental activities include general government, courts, public safety, sanitation, social services, education, cultural events, and recreation.

The Government-wide Financial Statements include not only the County of Washington, Virginia itself (known as the primary government), but also a legally separate school board for which the County of Washington, Virginia is financially accountable. The financial statements also include three discretely presented component units that we do not control, but do exercise a significant financial relationship with. These include the Park Authority, the Industrial Development Authority and the Virginia Highlands Airport Authority.

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

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

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

The County maintains three individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund and the School Capital Improvement Fund, of which all three are considered to be major funds.

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

Proprietary Funds – The County maintains one proprietary fund. This Internal Service Fund accounts for activities similar to those found in the private sector.

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

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

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

#### Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a County's financial position. In the case of the County's Primary Government, assets exceed liabilities by \$30,778,905 at the close of the most recent fiscal year.

A significant portion of the County's net position \$4,390,856 reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position \$3,347,788, are subject to restrictions on how they may be used. The remaining balance of net position \$23,040,261 may be used to meet the County's ongoing obligations.

The following table summarizes the County's Statement of Net Position and Statement of Activities for 2014 and 2013.

#### Statement of Net Position

	Governmental Activities	Governmental Activities
	2014	2013
Current and other assets	\$ 56,967,359	\$ 57,137,427
Capital and other assets	34,792,436	35,480,427
Total assets	\$ 91,759,795	\$ 92,617,854
Current and other liabilities	\$ 4,401,064	\$ 2,896,582
Long-term liabilities	31,003,712	32,547,073
Total liabilities	\$ 35,404,776	\$ 35,443,655
Deferred inflows of resources	\$ 25,576,114	\$ 25,169,605
Net position:		
Net investment in capital assets	\$ 4,390,856	\$ 3,645,533
Restricted	3,347,788	2,311,343
Unrestricted	23,040,261	26,047,718
Total net position	\$ 30,778,905	\$ 32,004,594

Statement of Activities

	Governmental Activities 2014	Governmental Activities 2013
Program revenues		
Charges for services	\$ 1,875,166	\$ 1,807,743
Operating grants and contributions	9,503,961	9,560,611
Capital grants and contributions	687,141	-
General revenues		
Property taxes	34,581,104	34,703,127
Other taxes	9,229,842	9,212,536
Revenue from use of money and property	123,575	151,203
Miscellaneous	956,021	1,392,331
Intergovernmental revenues Grants and contributions not restricted to specific programs	4,413,735	4,530,687
Total revenues	<u>61,370,545</u>	<u>61,358,238</u>
Expenses		
General government	3,801,462	3,485,456
Judicial administration	1,590,653	1,588,063
Public safety	10,667,821	10,875,250
Public works	3,504,762	4,091,448
Health and welfare	8,434,168	7,797,920
Education	28,605,420	28,248,261
Parks, recreation and cultural	2,261,825	2,625,595
Community development	2,544,189	2,704,569
Interest on debt	1,185,934	1,180,439
Total expenses	<u>62,596,234</u>	<u>62,597,001</u>
Change in net position	<u>\$ (1,225,689)</u>	<u>\$ (1,238,763)</u>

At the end of the current fiscal year, the County is able to report positive balances in all categories of net positions.

Financial Analysis of the County's Funds

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

Governmental Funds – The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County’s net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the County’s governmental funds reported combined ending fund balances of \$25,980,836; .2% or \$51,367 constitutes nonspendable fund balance, 12.9% or \$3,347,788 constitutes restricted fund balance, which is not available for current spending since it has been restricted by external parties such as grantors, laws or legislation. Approximately 20.4% or \$5,292,796 has been committed by action of the Board of Supervisors and 5.2% or \$1,364,661 has been assigned by the Board of Supervisors. The remaining balance, \$15,924,224 or 61.3% is unassigned, meaning there is no restrictions placed on the funds.

The general fund is the operating fund of the County. At the end of the current fiscal year, total fund balance of the general fund was \$23,184,749; of this amount \$15,924,224 was considered unassigned. The two Capital Improvement funds had restricted fund balances of \$2,796,087.

Total governmental fund revenues increased \$1,849,520 and expenditures decreased \$534,810 over prior year amounts. For fiscal year ended June 30, 2014, expenditures exceeded revenues by \$1,341,733, as compared to the fiscal year ended June 30, 2013, expenditures exceeded revenues by \$4,126,063.

#### General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget for the current year. The County budgeted revenues of \$64,067,732 for fiscal year 2014. The actual revenues were \$62,468,482 which is an unfavorable variance of \$1,599,250. The unfavorable variance is attributed to revenue from general property taxes and intergovernmental revenues from commonwealth and federal government budgeted for more than the actual amount received. The budgeted expenditures were \$70,728,125 for the County. The actual expenditures were \$63,925,696 which is a favorable variance of \$6,802,429 which is attributed largely to expenditures for all departments budgeted for more than was actually spent.

#### Capital Assets and Debt Administration

Capital assets – The County’s investment in capital assets for its governmental funds activities as of June 30, 2014 amounts to \$34,792,436 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The main capital expenditures during fiscal year 2014 were for the purchase of vehicles for the sheriff’s department and the purchase of an ERP System for the County and School Board.

Additional information on the County of Washington’s capital assets can be found in Note 11 of this report.

Long-term obligations – At the end of the current fiscal year, the County’s primary government had total obligations outstanding as follows:

Primary Government:	
Compensated absences	\$ 1,453,075
OPEB obligation	1,032,955
General obligation bonds	15,431,377
Lease revenue notes	12,370,000
Lease purchase	251,113
Landfill post-closure costs	54,156
Literary loans	2,349,090
Total	<u>\$ 32,941,766</u>

Additional information on the County of Washington’s long-term obligations can be found in Note 6 of this report.

### Economic Factors

The June 2014 unemployment rate for the County of Washington, Virginia was 6.6%, which is a decrease from a rate of 7.1% in June 2013. This is slightly above the state’s average unemployment rate of 5.4% and the national average rate of 6.1%.

### Request for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Budget and Finance, Government Center Building, One Government Center Place, Suite A, Abingdon, Virginia 24210.

## Basic Financial Statements

County of Washington, Virginia  
Statement of Net Position  
June 30, 2014

	Primary Government		Component	
	Governmental	Units		
	<u>Activities</u>	<u>School Board</u>	<u>Other</u>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,666,781	\$ 4,529,892	\$ 2,860,129	
Investments	250,589	-	-	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	28,800,078	-	-	
Accounts receivable	555,841	-	387,058	
Notes receivable	-	507,682	12,370,000	
Grants receivable	-	-	459,702	
Due from primary government	-	1,456,547	-	
Due from other governmental units	2,642,703	2,052,132	-	
Inventories	-	-	51,522	
Prepaid items	51,367	475,913	21,248	
Capital assets (net of accumulated depreciation):				
Land	1,926,515	3,029,475	24,574,300	
Buildings and system	31,056,252	9,228,811	6,675,810	
Improvements other than buildings	28,001	-	3,586,156	
Machinery and equipment	1,495,730	5,687,446	708,903	
Construction in progress	285,938	14,779	1,450,451	
Total assets	<u>\$ 91,759,795</u>	<u>\$ 26,982,677</u>	<u>\$ 53,145,279</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Bond Issuance costs, net	\$ -	\$ -	\$ 84,932	
<b>LIABILITIES</b>				
Accounts payable	\$ 459,349	\$ 171,617	\$ 801,308	
Accrued liabilities	-	776,890	40,000	
Accrued wages	-	3,844,745	15,194	
Key deposits	-	-	942	
Accrued interest payable	547,114	-	323,549	
Due to component unit	1,456,547	-	-	
Long-term liabilities:				
Due within one year	1,938,054	-	912,569	
Due in more than one year	31,003,712	5,968,681	16,396,010	
Total liabilities	<u>\$ 35,404,776</u>	<u>\$ 10,761,933</u>	<u>\$ 18,489,572</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 25,576,114	\$ -	\$ -	
<b>NET POSITION</b>				
Net investment in capital assets	\$ 4,390,856	\$ 17,960,511	\$ 32,065,920	
Restricted	3,347,788	-	-	
Unrestricted (deficit)	23,040,261	(1,739,767)	2,674,719	
Total net position	<u>\$ 30,778,905</u>	<u>\$ 16,220,744</u>	<u>\$ 34,740,639</u>	

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

County of Washington, Virginia  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital		Primary Governmental Activities	School Board	Other Component Units
			Operating Grants and Contributions	Grants and Contributions			
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 3,801,462	\$ 132,245	\$ 399,056	\$ -	\$ (3,270,161)	\$ -	\$ -
Judicial administration	1,590,653	5,691	744,182	-	(840,780)	-	-
Public safety	10,667,821	1,215,732	2,563,547	309,692	(6,578,850)	-	-
Public works	3,504,762	327,539	13,662	-	(3,163,561)	-	-
Health and welfare	8,434,168	-	5,583,542	-	(2,850,626)	-	-
Education	28,605,420	-	-	-	(28,605,420)	-	-
Parks, recreation, and cultural	2,261,825	118,163	157,544	-	(1,986,118)	-	-
Community development	2,544,189	75,796	42,428	377,449	(2,048,516)	-	-
Interest on long-term debt	1,185,934	-	-	-	(1,185,934)	-	-
Total government activities	\$ 62,596,234	\$ 1,875,166	\$ 9,503,961	\$ 687,141	\$ (50,529,966)	\$ -	\$ -
<b>COMPONENT UNITS:</b>							
School Board	\$ 75,804,942	\$ 2,642,831	\$ 44,037,500	\$ -	\$ -	\$ (29,124,611)	\$ -
Other Component Units	3,305,985	1,608,010	19,000	2,160,119	-	-	481,144
Total component units	\$ 79,110,927	\$ 4,250,841	\$ 44,056,500	\$ 2,160,119	\$ -	\$ (29,124,611)	\$ 481,144
General revenues:							
General property taxes					\$ 34,581,104	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					6,497,788	-	-
Consumers' utility taxes					1,143,963	-	-
Utility license taxes					158,192	-	-
Motor vehicle licenses					896,246	-	-
Bank stock taxes					29,957	-	-
Taxes on recordation and wills					458,888	-	-
Hotel and motel room taxes					44,808	-	-
Unrestricted revenues from use of money and property					123,575	15,506	512,489
Miscellaneous					956,021	1,109,343	26,387
Payments from Washington County					-	27,954,327	1,513,268
Grants and contributions not restricted to specific programs					4,413,735	-	-
Total general revenues					\$ 49,304,277	\$ 29,079,176	\$ 2,052,144
Change in net position					\$ (1,225,689)	\$ (45,435)	\$ 2,533,288
Net position - beginning, as restated					32,004,594	16,266,179	32,207,351
Net position - ending					\$ 30,778,905	\$ 16,220,744	\$ 34,740,639

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

County of Washington, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 21,870,007	\$ 1,658,796	\$ 1,137,978	\$ 24,666,781
Investments	250,589	-	-	250,589
Receivables (net of allowance for uncollectibles):				
Taxes receivable	28,800,078	-	-	28,800,078
Other receivables	555,841	-	-	555,841
Due from other governmental units	2,642,703	-	-	2,642,703
Prepaid items	51,367	-	-	51,367
Total assets	<u>\$ 54,170,585</u>	<u>\$ 1,658,796</u>	<u>\$ 1,137,978</u>	<u>\$ 56,967,359</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 458,662	\$ 687	\$ -	\$ 459,349
Due to component unit	1,456,547	-	-	1,456,547
Total liabilities	<u>\$ 1,915,209</u>	<u>\$ 687</u>	<u>\$ -</u>	<u>\$ 1,915,896</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	<u>\$ 29,070,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,070,627</u>
Fund balances:				
Nonspendable	\$ 51,367	\$ -	\$ -	\$ 51,367
Restricted	551,701	1,658,109	1,137,978	3,347,788
Committed	5,292,796	-	-	5,292,796
Assigned	1,364,661	-	-	1,364,661
Unassigned	15,924,224	-	-	15,924,224
Total fund balances	<u>\$ 23,184,749</u>	<u>\$ 1,658,109</u>	<u>\$ 1,137,978</u>	<u>\$ 25,980,836</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 54,170,585</u>	<u>\$ 1,658,796</u>	<u>\$ 1,137,978</u>	<u>\$ 56,967,359</u>

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

County of Washington, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Position  
 June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 25,980,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$ 1,926,515	
Buildings and system	31,056,252	
Improvements other than buildings	28,001	
Machinery and equipment	1,495,730	
Construction in progress	<u>285,938</u>	34,792,436
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
		3,494,513
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds and notes	\$ (15,176,175)	
General obligation bond premium	(255,202)	
Literary loans	(2,349,090)	
Lease revenue notes	(12,370,000)	
Capital lease	(251,113)	
Landfill post-closure liability	(54,156)	
Net OPEB obligation	(1,032,955)	
Compensated absences	(1,453,075)	
Accrued interest payable	<u>(547,114)</u>	(33,488,880)
Net position of governmental activities		<u><u>\$ 30,778,905</u></u>

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

County of Washington, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2014

	General	County Capital Improvements	Other Governmental Funds	Total
<b>REVENUES</b>				
General property taxes	\$ 35,051,160	\$ -	\$ -	\$ 35,051,160
Other local taxes	9,229,842	-	-	9,229,842
Permits, privilege fees, and regulatory licenses	115,185	-	-	115,185
Fines and forfeitures	1,105,942	-	-	1,105,942
Revenue from the use of money and property	123,575	-	-	123,575
Charges for services	654,039	-	-	654,039
Miscellaneous	956,021	-	-	956,021
Recovered costs	627,881	-	-	627,881
Intergovernmental:				
Commonwealth	11,557,953	-	-	11,557,953
Federal	3,046,884	-	-	3,046,884
Total revenues	<u>\$ 62,468,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,468,482</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,646,300	\$ -	\$ -	\$ 3,646,300
Judicial administration	1,576,652	-	-	1,576,652
Public safety	10,879,901	23,977	-	10,903,878
Public works	3,147,631	52,340	-	3,199,971
Health and welfare	8,313,672	-	-	8,313,672
Education	28,038,854	-	201,761	28,240,615
Parks, recreation, and cultural	2,276,600	6,441	-	2,283,041
Community development	2,645,385	-	-	2,645,385
Nondepartmental	397,681	-	-	397,681
Debt service:				
Principal retirement	1,814,351	-	-	1,814,351
Interest and other fiscal charges	1,188,669	-	-	1,188,669
Total expenditures	<u>\$ 63,925,696</u>	<u>\$ 82,758</u>	<u>\$ 201,761</u>	<u>\$ 64,210,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,457,214)</u>	<u>\$ (82,758)</u>	<u>\$ (201,761)</u>	<u>\$ (1,741,733)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 47,228	\$ -	\$ 1,176,000	\$ 1,223,228
Transfers out	(1,176,000)	(47,228)	-	(1,223,228)
Issuance of capital lease	400,000	-	-	400,000
Total other financing sources (uses)	<u>\$ (728,772)</u>	<u>\$ (47,228)</u>	<u>\$ 1,176,000</u>	<u>\$ 400,000</u>
Net change in fund balances	\$ (2,185,986)	\$ (129,986)	\$ 974,239	\$ (1,341,733)
Fund balances - beginning, as restated	25,370,735	1,788,095	163,739	27,322,569
Fund balances - ending	<u>\$ 23,184,749</u>	<u>\$ 1,658,109</u>	<u>\$ 1,137,978</u>	<u>\$ 25,980,836</u>

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

County of Washington, Virginia  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds \$ (1,341,733)

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 depreciation exceeded capital outlays in the current period.

Capital Outlay	\$ 788,612	
Depreciation Expense	<u>(1,476,602)</u>	(687,990)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (470,056)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term obligations and related items.

Debt issued or incurred:		
Capital lease	\$ (400,000)	
Increase in landfill post-closure liability	(748)	
Principal repayments:		
General obligation bonds and notes	1,033,441	
Literary loans	282,023	
Lease revenue notes	350,000	
Capital lease	<u>148,887</u>	1,413,603

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.

Amortization of bond premium	\$ 18,963	
Decrease (increase) in compensated absences	(35,879)	
Decrease (increase) in net OPEB obligation	(106,369)	
Decrease (increase) in accrued interest payable	<u>(16,228)</u>	(139,513)

Change in net position of governmental activities \$ (1,225,689)

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

County of Washington, Virginia  
Statement of Net Position  
Proprietary Fund  
June 30, 2014

	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	<u>\$ 2,743,487</u>
<b>LIABILITIES</b>	
Current liabilities:	
Incurred but unpaid liability	<u>\$ 776,890</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 1,966,597</u>
Total net position	<u><u>\$ 1,966,597</u></u>

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

County of Washington, Virginia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2014

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	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 9,205,704
	<hr/>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 8,426,246
	<hr/>
Operating income (loss)	\$ 779,458
	<hr/>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	\$ 18,663
	<hr/>
Change in net position	\$ 798,121
	<hr/>
Total net position - beginning	1,168,476
Total net position - ending	\$ 1,966,597
	<hr/> <hr/>

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

County of Washington, Virginia  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2014

	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 9,205,704
Payments for premiums	<u>(8,457,543)</u>
Net cash provided by (used for) operating activities	<u>\$ 748,161</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	\$ 18,663
Net cash provided by (used for) investing activities	<u>\$ 18,663</u>
Net increase (decrease) in cash and cash equivalents	\$ 766,824
Cash and cash equivalents - beginning	<u>1,976,663</u>
Cash and cash equivalents - ending	<u><u>\$ 2,743,487</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ 779,458</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Increase (decrease) in amounts incurred but unpaid	\$ (31,297)
Net cash provided by (used for) operating activities	<u><u>\$ 748,161</u></u>

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

County of Washington, Virginia  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 344,385
Cash in custody of others	5,799
Accounts receivable	9,715
Total assets	\$ 359,899
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 161,038
Amounts held for County employee fringe benefits	31,598
Amounts held for soil erosion deposits	6,531
Amounts held for commonwealth attorney collection program	160,732
Total liabilities	\$ 359,899

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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

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

A. Financial Reporting Entity

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

Blended component units - None

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

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

Other Discretely Presented Component Units:

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

A. Financial Reporting Entity (continued)

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

Jointly Governed Organizations - None

B. Government-wide and fund financial statements

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

The statement of net position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories: 1) Net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

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

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

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

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Forfeited Asset, Law Library, Road Improvement, E-911 project, County Library, Virginia Public Assistance, Comprehensive Service, Title IV-E Rev Max, Prebook Tax and Trigon Reserve Funds.

The County Capital Improvements Fund is reported as a major *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the County.

The County reports the following nonmajor governmental fund:

The School Capital Projects fund is reported as a nonmajor *capital projects fund*. The fund accounts for and reports financial resources to be used for the acquisition and construction of major capital projects of the School Board.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

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

The County reports the following internal service fund:

*Internal Service Funds* account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the School Board's Self-health Insurance Fund.

Additionally, the County reports the following fund type:

*Fiduciary funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Fringe Benefits, Soil Erosion Deposits and Commonwealth Attorney Collection Program funds.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. Cash and cash equivalents and investments

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

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

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

2. Receivables and payables

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$343,161 at June 30, 2014 and is comprised solely of property taxes.

5. Use of Estimates

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

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 is not capitalized.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2014

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

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

6. Capital assets (continued)

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

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

7. Compensated Absences

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

8. Long-term obligations

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

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

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

9. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Washington, Virginia evaluated its funds at June 30, 2014 and classified fund balance into the following five categories:

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

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

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

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

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

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

The County's Board of Supervisors has authorized the County Administrator to assign fund balance to a specific purpose as approved within the County fund balance policy. The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County does not have any deferred outflows of resources to report at June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

11. Net Position

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

12. Net Position Flow Assumption

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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**Note 2-Stewardship, Compliance, and Accountability:**

A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and the General Capital Projects Funds. The School Operating Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

A. Excess of expenditures over appropriations

For fiscal year 2014, no departments had an excess of expenditures over appropriations.

B. Deficit fund equity

At June 30, 2014, no funds had deficit fund equity.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 3-Deposits and Investments:**

Deposits:

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

Investments:

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

Custodial Credit Risk (Investments)

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component units have an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2014 were held in the County's name by the County's custodial bank. The Local Government Investment (LGIP) Pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale for LGIP investments and Moody's rating scale for commercial paper.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
LGIP	\$ 250,589

Concentration of Credit Risk

At June 30, 2014, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 3-Deposits and Investments: (continued)**

Interest Rate Risk

At June 30, 2014, the County did not have any investments meeting the GASB 40 definition requiring interest rate risk disclosures.

External Investment Pools

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

**Note 4-Due from Other Governmental Units:**

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit- School Board</u>
<u>Local Government:</u>		
Southwest Virginia Regional Jail	\$ 468,321	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	1,136,616	-
State sales tax	-	1,286,227
Categorical aid-shared expenses	296,757	-
Categorical aid-other	9,953	-
Noncategorical aid	107,696	-
Categorical aid-VPA funds	207,581	-
Categorical aid-CSA funds	154,721	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	223,734	-
Categorical aid-other	37,324	765,905
Totals	<u>\$ 2,642,703</u>	<u>\$ 2,052,132</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**Note 5-Interfund/Component-Unit Obligations:**

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ <u>1,456,547</u>	\$ <u>-</u>
Component Unit - School Board:		
School Fund	\$ <u>-</u>	\$ <u>1,456,547</u>

**Note 6-Long-Term Obligations:**

**Primary Government - Governmental Activities Indebtedness:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>
General Obligation bonds and note	\$ 16,209,616	\$ -	\$ (1,033,441)	\$ 15,176,175
General Obligation bond premium	274,165	-	(18,963)	255,202
Literary loans	2,631,113	-	(282,023)	2,349,090
Lease revenue notes	12,720,000	-	(350,000)	12,370,000
Capital lease	-	400,000	(148,887)	251,113
Landfill post-closure liability	53,408	748	-	54,156
Net OPEB obligation	926,586	166,569	(60,200)	1,032,955
Compensated absences	1,417,196	35,879	-	1,453,075
	<u>1,417,196</u>	<u>35,879</u>	<u>-</u>	<u>1,453,075</u>
Total	\$ <u>34,232,084</u>	\$ <u>603,196</u>	\$ <u>(1,893,514)</u>	\$ <u>32,941,766</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**Note 6-Long-Term Obligations: (continued)**

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

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

Year Ending June 30,	Literary Loans		GO Bonds and Note		Lease Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 282,023	\$ 70,473	\$ 1,176,154	\$ 407,729	\$ 360,000	\$ 584,832
2016	282,023	62,012	1,316,805	357,485	365,000	576,445
2017	282,023	53,551	1,385,603	314,166	385,000	566,589
2018	282,023	45,091	1,410,644	272,882	390,000	555,201
2019	282,023	36,630	1,446,981	229,957	405,000	542,273
2020-2024	910,473	66,100	5,574,034	575,139	2,265,000	2,459,075
2025-2029	28,502	855	2,865,954	116,996	2,875,000	1,844,000
2030-2034	-	-	-	-	2,060,000	1,156,307
2035-2039	-	-	-	-	2,205,000	607,888
2040-2041	-	-	-	-	1,060,000	59,125
Totals	<u>\$ 2,349,090</u>	<u>\$ 334,712</u>	<u>\$ 15,176,175</u>	<u>\$ 2,274,354</u>	<u>\$ 12,370,000</u>	<u>\$ 8,951,735</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds and Note						
GO Bond	6.1-6.6%	11/22/1994	2015	\$ 585,000	\$ 25,000	\$ 25,000
GO Bond	6.1-6.6%	11/22/1994	2015	143,947	10,028	10,028
GO Bond	5.4-5.975%	5/18/1995	2016	1,260,000	120,000	60,000
GO Bond	5.1-6.1%	12/21/1995	2016	2,086,692	264,117	130,052
GO Bond	4.1-5.225%	5/13/1999	2020	1,400,000	420,000	70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	527,219	61,954
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	524,407	48,404
GO Bond	5.05%	11/1/2007	2027	1,565,886	1,144,293	73,773
GO Bond	5.05%	11/1/2007	2027	1,204,508	880,217	56,748
GO Bond	5.05%	11/1/2007	2027	1,243,435	908,662	58,582
GO Bond	5.05%	11/1/2007	2027	989,925	723,409	46,639
Early retirement refunding note	6.95%	7/15/2001	2021	9,889,483	2,038,823	234,974
QSC Bond	5.31%	7/1/2010	2027	8,145,000	7,590,000	300,000
Total General Obligation Bonds and Note					<u>\$ 15,176,175</u>	<u>\$ 1,176,154</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 6-Long-Term Obligations: (continued)**

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

Details of long-term indebtedness: (continued)

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<b>Literary Loans:</b>						
State Literary Fund Loan	3%	12/15/2000	2021	\$ 957,237	\$ 333,237	\$ 48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	400,465	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	469,058	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	212,000	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	264,546	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	65,720	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	151,106	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	139,756	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	241,796	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	71,406	6,490
<b>Total Literary Loans</b>					<b>\$ 2,349,090</b>	<b>\$ 282,023</b>
<b>Leave Revenue Notes:</b>						
Lease Revenue Note	2% - 5%	12/16/2010	2041	\$ 4,860,000	\$ 4,300,000	\$ 200,000
Lease Revenue Note	2% - 5%	12/16/2010	2041	8,480,000	8,070,000	160,000
<b>Total Lease Revenue Notes</b>					<b>\$ 12,370,000</b>	<b>\$ 360,000</b>
<b>Other Obligations:</b>						
Capital lease	1.80%	9/1/2013	9/1/2016	\$ 400,000	\$ 251,113	\$ 99,097
Landfill Post-closure liability	n/a	n/a	n/a	n/a	54,156	-
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	31,184	3,118
Premium on \$5,003,754 bonds	n/a	n/a	n/a	n/a	224,018	17,662
Net OPEB obligation	n/a	n/a	n/a	n/a	1,032,955	-
Compensated Absences	n/a	n/a	n/a	n/a	1,453,075	-
<b>Total Other Obligations</b>					<b>\$ 3,046,501</b>	<b>\$ 119,877</b>
<b>Total Long-term obligations</b>					<b>\$ 32,941,766</b>	<b>\$ 1,938,054</b>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 6-Long-Term Obligations: (continued)**

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2014.

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Compensated absences	\$ 3,454,039	\$ -	\$ (224,026)	\$ 3,230,013
Net OPEB obligation	<u>2,616,441</u>	<u>639,627</u>	<u>(517,400)</u>	<u>2,738,668</u>
Total	<u>\$ 6,070,480</u>	<u>\$ 639,627</u>	<u>\$ (741,426)</u>	<u>\$ 5,968,681</u>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 3,230,013	\$ -
Net OPEB Obligation	n/a	n/a	n/a	n/a	<u>2,738,668</u>	<u>-</u>
Total Other Obligations					<u>\$ 5,968,681</u>	<u>\$ -</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**Note 7-Capital Lease:**

Primary Government

The County entered into a capital lease agreement to purchase municipal software. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their minimum lease payments at the date of inception. As of June 30, 2014, the asset related to this capital lease was included as construction in progress in the amount of \$285,939.

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30,	ERP System
2015	\$ 103,174
2016	103,174
2017	51,587
Subtotal	\$ 257,935
Less, amount representing interest	(6,822)
Present Value of Lease Agreement	\$ 251,113

**Note 8-Employee Retirement System and Pension Plan:**

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)  
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

A. Plan Description (continued)

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

**VRS – PLAN 1**

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

A. Plan Description (continued)

**VRS – PLAN 1 (CONTINUED)**

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

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

A. Plan Description (continued)

**VRS - PLAN 1 (CONTINUED)**

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

A. Plan Description (continued)

**VRS – PLAN 2**

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1-Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1- Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1-Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1-Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.

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

A. Plan Description (continued)

**VRS – PLAN 2 (CONTINUED)**

**11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**14. Eligibility** - Same as VRS Plan 1–Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

**16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

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

A. Plan Description (continued)

<b>HYBRID RETIREMENT PLAN</b>
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1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")
  - The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
  
2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
  - State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

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

A. Plan Description (continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

5. **Creditable Service**

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

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

A. Plan Description (continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

**6. Vesting**

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

**7. Calculating the Benefit**

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

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

A. Plan Description (continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

**9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**10. Normal Retirement Age**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**11. Earliest Unreduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**12. Earliest Reduced Retirement Eligibility**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**13. Cost-of-Living Adjustment (COLA) in Retirement**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

**14. Eligibility** - Same as VRS Plan 1— Refer to Section 14.

**15. Exceptions to COLA Effective Dates** - Refer to VRS Plan 1—Section 15.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

A. Plan Description (continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

**16. Disability Coverage** - Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**17. Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-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

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of this 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund 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 2014 was 13.80% of annual covered payroll.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

B. Funding Policy (continued)

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of this 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was 13.50% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County and School Board's annual pension cost of \$1,379,320 and \$353,300 was equal to the County and School Board's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 963,188	100.00%	-
	6/30/2013	1,305,322	100.00%	-
	6/30/2014	1,379,320	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 277,364	100.00%	-
	6/30/2013	366,465	100.00%	-
	6/30/2014	353,300	100.00%	-

<sup>1</sup> Employer portion only

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

C. Annual Pension Cost (continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and 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 and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 73.39% funded. The actuarial accrued liability for benefits was \$40,963,847, and the actuarial value of assets was \$30,065,391, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,898,456. The covered payroll (annual payroll of active employees covered by the plan) was \$9,554,189, and ratio of the UAAL to the covered payroll was 114.07%.

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

As of June 30, 2013, the most recent actuarial valuation date, the plan was 73.71% funded. The actuarial accrued liability for benefits was \$14,045,486, and the actuarial value of assets was \$10,352,944, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,692,542. The covered payroll (annual payroll of active employees covered by the plan) was \$2,705,962, and ratio of the UAAL to the covered payroll was 136.46%.

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

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

Plan Description

The Washington County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The most recent report may be downloaded from the System's website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$4,110,610, \$4,145,991, and \$2,047,185, for the fiscal years ended 2014, 2013, and 2012, respectively. Employer contributions represented 11.66%, 11.66%, and 6.33% of covered payroll for the fiscal years ended 2014, 2013, and 2011, respectively.

**Note 9-Other Postemployment Benefits - Health Insurance:**

A. Plan Description

The County's Retiree Medical Program (the "Program") is a single-employer defined benefit healthcare plan administered by the County. The Program provides health insurance benefits to eligible retirees and their spouses. To be eligible as a retiree from the County, employees must be a full-time employee who retires directly from the County and is eligible to receive an early or regular retirement benefit from VRS. Retirees of the Public Schools must also be employed for at least ten consecutive years. The benefit provisions, including employer and employee contributions, are governed by County and can be amended through County Board action. The Program does not issue a publicly available financial report.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**Note 9-Other Postemployment Benefits - Health Insurance: (continued)**

B. Funding Policy

The Washington County Government establishes employer medical contribution rates for all medical plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will be partially funded or fully funded in the upcoming fiscal year. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the County. For fiscal year 2014, the County and the Schools continued to follow the pay-as-you-go basis with no pre-funding.

Retirees of the County who had fifteen years of continuous full-time employment with Washington County and were enrolled in the County's health insurance program for at least three years receive \$45 per month from the County. All other retired government employees who participate in the retiree medical plan pay the entire blended active and early retiree rate to continue coverage.

Retired school employees who participate in the retiree medical and dental plans pay the entire blended active and early retiree rate to continue coverage with the exception of a \$125 per month school board supplement for employees electing the Supplemental Retirement Program. This benefit is available to the employee for 5-7 years.

The following are the 2014 blended medical rates for active employees and early retirees:

County:

<u>Medical Option</u>	<u>Monthly Premiums</u>		
	<u>EE/RE only</u>	<u>EE/RE plus Dependent</u>	<u>Family</u>
Ket Advantage 500	\$ 430	\$ 796	\$ 1,161
Ket Advantage 200	460	851	1,242
Advantage 65	190	380	n/a

School Board:

<u>Medical Option</u>	<u>Monthly Premiums</u>				
	<u>EE/RE only</u>	<u>EE/RE plus Child</u>	<u>EE/RE plus Children</u>	<u>EE/RE plus Spouse</u>	<u>Family</u>
Anthem Key Care 25	\$ 613	\$ 1,040	\$ 1,171	\$ 1,287	\$ 1,713
Anthem Key Care 30/1000	600	1,018	1,146	1,259	1,678
Anthem Key Care 30/2000	574	972	1,096	1,204	1,603
Lumenos HAS	457	775	877	960	1,278

EE/RE: Employee/Retiree

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 9-Other Postemployment Benefits - Health Insurance: (continued)**

C. Annual OPEB Cost and Net OPEB Obligation

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

	County	School Board	Total
Annual required contribution	\$ 168,400	\$ 644,800	\$ 813,200
Interest on net OPEB obligation	32,431	91,575	124,006
Adjustment to annual required contribution	(34,262)	(96,748)	(131,010)
Annual OPEB cost (expense)	166,569	639,627	806,196
Contributions made	(60,200)	(517,400)	(577,600)
Increase in net OPEB obligation	106,369	122,227	228,596
Net OPEB obligation - beginning of year	926,586	2,616,441	3,543,027
Net OPEB obligation - end of year	\$ 1,032,955	\$ 2,738,668	\$ 3,771,623

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 166,569	36%	\$ 1,032,955
6/30/2013	347,927	30%	926,586
6/30/2012	236,177	37%	683,611

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 9-Other Postemployment Benefits - Health Insurance: (continued)**

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

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 639,627	81%	\$ 2,738,668
6/30/2013	1,546,283	44%	2,616,441
6/30/2012	1,171,736	72%	1,743,648

D. Funded Status and Funding Progress

County:

As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$1,661,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,563,000, and the ratio of the UAAL to the covered payroll was 17.38%.

School Board:

As of June 30, 2014, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) were \$6,928,300, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$39,178,800, and ratio of the UAAL to the covered payroll was 17.68%.

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

E. Actuarial Methods and Assumptions

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 9-Other Postemployment Benefits - Health Insurance: (continued)**

E. Actuarial Methods and Assumptions (continued)

In the June 30, 2014 most recent actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return per annum and payroll growth of 3.0%. Also, a medical cost trend rate of 5.8% graded to 4.5% over 69 years is used for the County and a rate of 5.8% graded to 4.4% over 56 years is used for the School Board. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2014, was 30 years.

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

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

B. Funding Policy

As a participating local political subdivision, the County and School Board are required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and School Board's contribution rate for the fiscal year ended 2014 was 0.13% and 0.86%, respectively, of annual covered payroll.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2014, the County and School Board's contribution of \$1,231 and \$22,415, respectively, was equal to the ARC and OPEB cost. The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and preceding two years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County:			
June 30, 2014	\$ 1,231	100%	-
June 30, 2013	2,049	100%	-
June 30, 2012	2,606	100%	-
School Board:			
June 30, 2014	\$ 22,415	100%	-
June 30, 2013	23,345	100%	-
June 30, 2012	18,928	100%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 200,214	\$ 313,285
Actuarial value of plan assets	\$ 202,883	\$ 30,476
Unfunded actuarial accrued liability (UAAL)	\$ (2,669)	\$ 282,809
Funded ratio (actuarial value of plan assets/AAL)	101.33%	9.73%
Covered payroll (active plan members)	\$ 3,132,360	\$ 2,705,962
UAAL as a percentage of covered payroll	-0.09%	10.45%

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

**D. Funded Status and Funding Progress (continued)**

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

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

**E. Actuarial Methods and Assumptions**

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2013 was 30 years.

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

**F. Professional Employees - Discretely Presented Component Unit School Board**

**Plan Description**

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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

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

Plan Description (continued)

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2014 was \$391,319 and equaled the required contributions.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

**Note 11-Capital Assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,926,515	\$ -	\$ -	\$ 1,926,515
Construction in progress	173,000	285,938	(173,000)	285,938
Total capital assets not being depreciated	<u>\$ 2,099,515</u>	<u>\$ 285,938</u>	<u>\$ (173,000)</u>	<u>\$ 2,212,453</u>
Capital assets, being depreciated:				
Buildings	\$ 37,269,639	\$ 299,437	\$ -	\$ 37,569,076
Improvements other than buildings	178,924	-	-	178,924
Machinery and equipment	9,789,069	376,236	(269,335)	9,895,970
Total capital assets being depreciated	<u>\$ 47,237,632</u>	<u>\$ 675,673</u>	<u>\$ (269,335)</u>	<u>\$ 47,643,970</u>
Accumulated depreciation:				
Buildings	\$ (5,766,843)	\$ (745,981)	\$ -	\$ (6,512,824)
Improvements other than buildings	(142,909)	(8,014)	-	(150,923)
Machinery and equipment	(7,946,968)	(722,607)	269,335	(8,400,240)
Total accumulated depreciation	<u>\$ (13,856,720)</u>	<u>\$ (1,476,602)</u>	<u>\$ 269,335</u>	<u>\$ (15,063,987)</u>
Total capital assets being depreciated, net	<u>\$ 33,380,912</u>	<u>\$ (800,929)</u>	<u>\$ -</u>	<u>\$ 32,579,983</u>
Governmental activities capital assets, net	<u>\$ 35,480,427</u>	<u>\$ (514,991)</u>	<u>\$ (173,000)</u>	<u>\$ 34,792,436</u>

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

Governmental activities:	
General government administration	\$ 53,245
Judicial administration	15,182
Public safety	539,407
Public works	391,153
Health and welfare	35,332
Education	364,805
Parks, recreation, and cultural	<u>77,478</u>
Total depreciation expense-primary government	<u>\$ 1,476,602</u>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014

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

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,029,475	\$ -	\$ -	\$ 3,029,475
Construction in progress	-	317,018	(302,239)	14,779
Total capital assets not being depreciated	<u>\$ 3,029,475</u>	<u>\$ 317,018</u>	<u>\$ (302,239)</u>	<u>\$ 3,044,254</u>
Capital assets, being depreciated:				
Buildings	\$ 40,340,903	\$ 424,881	\$ -	\$ 40,765,784
Machinery and equipment	18,758,587	1,067,854	(255,156)	19,571,285
Total capital assets being depreciated	<u>\$ 59,099,490</u>	<u>\$ 1,492,735</u>	<u>\$ (255,156)</u>	<u>\$ 60,337,069</u>
Accumulated depreciation:				
Buildings	\$ (30,679,235)	\$ (857,738)	\$ -	\$ (31,536,973)
Machinery and equipment	(12,887,009)	(1,251,986)	255,156	(13,883,839)
Total accumulated depreciation	<u>\$ (43,566,244)</u>	<u>\$ (2,109,724)</u>	<u>\$ 255,156</u>	<u>\$ (45,420,812)</u>
Total capital assets being depreciated, net	<u>\$ 15,533,246</u>	<u>\$ (616,989)</u>	<u>\$ -</u>	<u>\$ 14,916,257</u>
Governmental activities capital assets, net	<u>\$ 18,562,721</u>	<u>\$ (299,971)</u>	<u>\$ (302,239)</u>	<u>\$ 17,960,511</u>

**Note 12-Risk Management:**

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

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 13-Contingent Liabilities:**

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

**Note 14-Surety Bonds:**

Primary Government:

<u>Fidelity &amp; Deposit Company of Maryland-Surety:</u>	
Patricia S. Moore, Clerk of the Circuit Court	\$ 330,000
Fred W. Parker, Treasurer	750,000
Layton David Henry, Commissioner of the Revenue	3,000
Fred P. Newman, Sheriff	30,000
All constitutional officers: blanket bond	50,000
<u>Virginia Association of Counties</u>	
All Social Services employees: blanket bond	\$ 250,000
All County employees-blanket bond	250,000

Component Unit - School Board:

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

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**Note 15-Landfill Liability:**

State and federal laws and regulations required the County to place a final cover on its landfill site which was closed on March 20, 1995, and to perform certain maintenance and monitoring functions at the site for ten years after closure. While the County has completed its required 10 year monitoring period, its landfill has not been released from (Department of Environmental Quality) DEQ monitoring requirements. The \$54,156 liability is the total estimated post-closure care liability at June 30, 2014 and represents what it would cost to perform all post-closure care in 2014. Actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the DEQ's assurance requirements for landfill post-closure costs.

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

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

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

**Note 17 - Unavailable Revenue:**

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$29,070,627 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014, but paid in advance by the taxpayers totaled \$439,154 at June 30, 2014.

Property Taxes Receivable - Taxes billed and not due until after June 30, 2014, less amounts received 60 days after the period end totaled \$28,631,473 at June 30, 2014.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 18 - Self Health Insurance:**

The County of Washington, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2014, a total of 8,426,246 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$776,890 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2014 were as follows:

<u>Fiscal Year</u>	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2013-2014	\$ 808,187	\$ 8,426,246	(8,457,543)	\$ 776,890

**Note 19 - Litigation:**

A complaint was filed in Washington County Circuit Court by a former employee asserting that he was denied due process prior to his termination. The Plaintiff has demanded damages in the amount of \$250,000 for back pay and damages. The County filed a demurrer on November 20, 2013; however, the former employee has not filed a response to the County's demurrer and has been unresponsive to requests for dates to schedule a hearing. The County will continue to vigorously defend this lawsuit.

**Note 20-Restatement of Net Position/Fund Balance:**

The beginning equity was restated by removal of two funds to be presented as fiduciary funds. The restatement is demonstrated below.

	<u>Net Position</u>	<u>Fund Balance</u>
As previously reported 6/30/13	\$ 32,140,590	\$ 25,506,731
Less adjustments for fiduciary funds	(135,996)	(135,996)
As restated 6/30/13	<u>\$ 32,004,594</u>	<u>\$ 25,370,735</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2014

**Note 21 - Fund Balance:**

	General Fund	County Capital Improvements	School Capital Improvements	School Fund
<b>Nonspendable:</b>				
Prepays	\$ 51,367	\$ -	\$ -	\$ -
<b>Restricted:</b>				
Forfeited Asset Sharing	\$ 300,243	\$ -	\$ -	\$ -
Health Insurance	251,458	-	-	-
Capital Improvements	-	1,658,109	1,137,978	-
	<u>\$ 551,701</u>	<u>\$ 1,658,109</u>	<u>\$ 1,137,978</u>	<u>\$ -</u>
<b>Committed:</b>				
Law Library	\$ 13,095	\$ -	\$ -	\$ -
Road Improvements	279,701	-	-	-
Cash Flows	5,000,000	-	-	-
	<u>\$ 5,292,796</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Assigned:</b>				
Economic Development	\$ 328,018	\$ -	\$ -	\$ -
Utilities	64,723	-	-	-
Traffic Enforcement	424,836	-	-	-
School Board	-	-	-	1,786,404
Library	152,872	-	-	-
Social Services	60,000	-	-	-
School Capital Needs	334,212	-	-	-
	<u>\$ 1,364,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,786,404</u>

**Note 22—Upcoming Pronouncements:**

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

## Required Supplementary Information

County of Washington, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 35,331,650	\$ 35,331,649	\$ 35,051,160	\$ (280,489)
Other local taxes	9,285,000	9,285,000	9,229,842	(55,158)
Permits, privilege fees, and regulatory licenses	124,750	124,750	115,185	(9,565)
Fines and forfeitures	804,200	1,042,853	1,105,942	63,089
Revenue from the use of money and property	175,000	175,000	123,575	(51,425)
Charges for services	632,362	632,362	654,039	21,677
Miscellaneous	942,921	973,129	956,021	(17,108)
Recovered costs	605,500	622,090	627,881	5,791
Intergovernmental:				
Commonwealth	11,715,343	12,128,556	11,557,953	(570,603)
Federal	2,549,596	3,752,343	3,046,884	(705,459)
Total revenues	<u>\$ 62,166,322</u>	<u>\$ 64,067,732</u>	<u>\$ 62,468,482</u>	<u>\$ (1,599,250)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 3,473,117	\$ 3,772,741	\$ 3,646,300	\$ 126,441
Judicial administration	1,581,584	1,825,245	1,576,652	248,593
Public safety	10,729,641	12,028,300	10,879,901	1,148,399
Public works	3,601,663	3,674,463	3,147,631	526,832
Health and welfare	8,842,434	8,942,434	8,313,672	628,762
Education	28,716,066	30,268,061	28,038,854	2,229,207
Parks, recreation, and cultural	2,175,016	2,462,194	2,276,600	185,594
Community development	2,420,775	3,925,290	2,645,385	1,279,905
Nondepartmental	548,766	535,766	397,681	138,085
Debt service:				
Principal retirement	1,701,695	1,701,695	1,814,351	(112,656)
Interest and other fiscal charges	1,591,936	1,591,936	1,188,669	403,267
Total expenditures	<u>\$ 65,382,693</u>	<u>\$ 70,728,125</u>	<u>\$ 63,925,696</u>	<u>\$ 6,802,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,216,371)</u>	<u>\$ (6,660,393)</u>	<u>\$ (1,457,214)</u>	<u>\$ 5,203,179</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 47,228	\$ 47,228	\$ -
Transfers out	(1,176,000)	(1,176,000)	(1,176,000)	-
Issuance of capital leases	-	-	400,000	400,000
Total other financing sources (uses)	<u>\$ (1,176,000)</u>	<u>\$ (1,128,772)</u>	<u>\$ (728,772)</u>	<u>\$ 400,000</u>
Net change in fund balances	<u>\$ (4,392,371)</u>	<u>\$ (7,789,165)</u>	<u>\$ (2,185,986)</u>	<u>\$ 5,603,179</u>
Fund balances - beginning, as restated	4,392,371	7,789,165	25,370,735	17,581,570
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,184,749</u>	<u>\$ 23,184,749</u>

County of Washington, Virginia  
Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2014

Primary Government:  
County Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 30,065,391	\$ 40,963,847	\$ 10,898,456	73.39%	\$ 9,554,189	114.07%
June 30, 2012	28,729,841	40,364,966	11,635,125	71.18%	8,672,546	134.16%
June 30, 2011	28,747,194	38,709,070	9,961,876	74.26%	8,598,964	115.85%

County Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ -	\$ 1,661,900	\$ 1,661,900	0.00%	\$ 9,563,000	17.38%
July 1, 2012	-	2,883,248	2,883,248	0.00%	8,551,054	33.72%
July 1, 2010	-	2,085,032	2,085,032	0.00%	8,764,831	23.79%

County VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 202,883	\$ 200,214	\$ (2,669)	101.33%	\$ 3,132,360	-0.09%
June 30, 2012	190,552	204,783	14,231	93.05%	2,801,664	0.51%
June 30, 2011	200,128	189,053	(11,075)	105.86%	2,654,927	-0.42%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 10,352,944	\$ 14,045,486	\$ 3,692,542	73.71%	\$ 2,705,962	136.46%
June 30, 2012	10,230,155	14,035,313	3,805,158	72.89%	2,443,498	155.73%
June 30, 2011	10,584,143	13,843,158	3,259,015	76.46%	2,449,930	133.02%

County of Washington, Virginia  
Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2014

Discretely Presented Component Unit: (Continued)

School Board Post-Retirement Medical Plan:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ -	\$ 6,928,300	\$ 6,928,300	0.00%	\$ 39,178,800	17.68%
July 1, 2012	-	15,543,864	15,543,864	0.00%	38,697,882	40.17%
July 1, 2010	-	12,434,361	12,434,361	0.00%	39,665,329	31.35%

School Board Non-Professional VRS Health Insurance Credit:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 30,476	\$ 313,285	\$ 282,809	9.73%	\$ 2,705,962	10.45%
June 30, 2012	26,459	319,369	292,910	8.28%	2,443,498	11.99%
June 30, 2011	34,021	321,979	287,958	10.57%	2,449,930	11.75%

## Other Supplementary Information

County of Washington, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2014

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Current:				
Public safety	\$ -	\$ 70,382	\$ 23,977	\$ 46,405
Public works	75,000	82,664	52,340	30,324
Parks, recreation, and cultural	-	46,800	6,441	40,359
Capital projects	-	180,591	-	180,591
Total expenditures	<u>\$ 75,000</u>	<u>\$ 380,437</u>	<u>\$ 82,758</u>	<u>\$ 297,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (75,000)</u>	<u>\$ (380,437)</u>	<u>\$ (82,758)</u>	<u>\$ 297,679</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ (47,228)	\$ (47,228)	\$ -
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (47,228)</u>	<u>\$ (47,228)</u>	<u>\$ -</u>
Net change in fund balances	\$ (75,000)	\$ (427,665)	\$ (129,986)	\$ 297,679
Fund balances - beginning	75,000	427,665	1,788,095	1,360,430
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,658,109</u>	<u>\$ 1,658,109</u>

County of Washington, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 School Capital Projects Fund  
 For the Year Ended June 30, 2014

	School Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Total revenues	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
<b>EXPENDITURES</b>				
Current:				
Education	\$ 1,197,500	\$ 1,356,728	\$ 201,761	\$ 1,154,967
Total expenditures	\$ 1,197,500	\$ 1,356,728	\$ 201,761	\$ 1,154,967
Excess (deficiency) of revenues over (under) expenditures	\$ (1,196,000)	\$ (1,355,228)	\$ (201,761)	\$ 1,153,467
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,176,000	\$ 1,176,000	\$ 1,176,000	\$ -
Total other financing sources (uses)	\$ 1,176,000	\$ 1,176,000	\$ 1,176,000	\$ -
Net change in fund balances	\$ (20,000)	\$ (179,228)	\$ 974,239	\$ 1,153,467
Fund balances - beginning	20,000	179,228	163,739	(15,489)
Fund balances - ending	\$ -	\$ -	\$ 1,137,978	\$ 1,137,978

## FIDUCIARY FUNDS

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

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

County of Washington, Virginia  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2014

	Agency Funds				Commonwealth Attorney Collection Program	Total
	Special Welfare	Fringe Benefits	Soil Erosion Deposits			
<b>ASSETS</b>						
Cash and cash equivalents	\$ 151,739	\$ 31,598	\$ 6,531	\$	154,517	\$ 344,385
Cash in custody of others	5,799	-	-	-	-	5,799
Accounts receivable	3,500	-	-	-	6,215	9,715
Total assets	<u>\$ 161,038</u>	<u>\$ 31,598</u>	<u>\$ 6,531</u>	<u>\$</u>	<u>160,732</u>	<u>\$ 359,899</u>
<b>LIABILITIES</b>						
Amounts held for social services clients	\$ 161,038	\$ -	\$ -	\$ -	-	\$ 161,038
Amounts held for County employee fringe benefits	-	31,598	-	-	-	31,598
Amounts held for soil erosion deposits	-	-	6,531	-	-	6,531
Amounts held for commonwealth attorney collection program	-	-	-	-	160,732	160,732
Total liabilities	<u>\$ 161,038</u>	<u>\$ 31,598</u>	<u>\$ 6,531</u>	<u>\$</u>	<u>160,732</u>	<u>\$ 359,899</u>

County of Washington, Virginia  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents				
Special Welfare	\$ 189,261	\$ 96,882	\$ (128,605)	\$ 157,538
Fringe Benefits	30,737	69,732	(68,871)	31,598
Soil Erosion Deposits	6,200	29,898	(29,567)	6,531
Commonwealth Attorney Collection Program	129,795	159,939	(135,217)	154,517
Total cash and cash equivalents	<u>\$ 355,993</u>	<u>\$ 356,451</u>	<u>\$ (362,260)</u>	<u>\$ 350,184</u>
Accounts receivable				
Special Welfare	\$ -	\$ 3,500	\$ -	\$ 3,500
Commonwealth Attorney Collection Program	-	6,215	-	6,215
Total accounts receivable	<u>\$ -</u>	<u>\$ 9,715</u>	<u>\$ -</u>	<u>\$ 9,715</u>
Total Assets	<u>\$ 355,993</u>	<u>\$ 366,166</u>	<u>\$ (362,260)</u>	<u>\$ 359,899</u>
<b>Liabilities</b>				
Amounts held for social services clients	\$ 189,261	\$ 100,382	\$ (128,605)	\$ 161,038
Amounts held for County employees	30,737	69,732	(68,871)	31,598
Amounts held for soil erosion deposits	6,200	29,898	(29,567)	6,531
Amounts held for Commonwealth Attorney	129,795	166,154	(135,217)	160,732
Total Liabilities	<u>\$ 355,993</u>	<u>\$ 366,166</u>	<u>\$ (362,260)</u>	<u>\$ 359,899</u>

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**DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD**

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**MAJOR GOVERNMENTAL FUNDS**

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

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County of Washington, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2014

		<u>School Operating Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,786,405
Accounts receivable		507,682
Due from primary government		1,456,547
Due from other governmental units		2,052,132
Total assets	\$	<u>5,802,766</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$	171,617
Accrued wages		3,844,745
Total liabilities	\$	<u>4,016,362</u>
Fund balances:		
Assigned	\$	1,786,404
Total fund balances	\$	<u>1,786,404</u>
Total liabilities and fund balances	\$	<u>5,802,766</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	1,786,404
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	3,029,475
Buildings and system		9,228,811
Machinery and equipment		5,687,446
Construction in progress		14,779
		<u>17,960,511</u>
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position..		
		475,913
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		1,966,597
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB obligation	\$	(2,738,668)
Compensated absences		(3,230,013)
		<u>(5,968,681)</u>
Net position of governmental activities	\$	<u>16,220,744</u>

County of Washington, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2014

		<u>School Operating Fund</u>
<b>REVENUES</b>		
Revenue from the use of money and property	\$	15,506
Charges for services		2,642,831
Miscellaneous		1,109,343
Recovered costs		85,000
Intergovernmental:		
Local government		27,954,327
Commonwealth		37,879,017
Federal		6,158,483
Total revenues	\$	<u>75,844,507</u>
<b>EXPENDITURES</b>		
Current:		
Education	\$	<u>76,100,898</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>(256,391)</u>
Net change in fund balances	\$	(256,391)
Fund balances - beginning		2,042,795
Fund balances - ending	\$	<u>1,786,404</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	\$	(256,391)
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 depreciation exceeded capital outlays in the current period.		
Capital Outlay	\$	1,507,514
Depreciation Expense		<u>(2,109,724)</u> (602,210)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.		(86,754)
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.		
Decrease (increase) in compensated absences	\$	224,026
Decrease (increase) in net OPEB obligation		<u>(122,227)</u> 101,799
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		798,121
Change in net position of governmental activities	\$	<u>(45,435)</u>

County of Washington, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 15,100	\$ 15,100	\$ 15,506	\$ 406
Charges for services	3,256,228	3,256,228	2,642,831	(613,397)
Miscellaneous	1,074,613	1,074,613	1,109,343	34,730
Recovered costs	120,000	120,000	85,000	(35,000)
Intergovernmental:				
Local government	28,631,539	30,183,534	27,954,327	(2,229,207)
Commonwealth	37,513,150	37,513,150	37,879,017	365,867
Federal	8,131,188	8,131,188	6,158,483	(1,972,705)
Total revenues	<u>\$ 78,741,818</u>	<u>\$ 80,293,813</u>	<u>\$ 75,844,507</u>	<u>\$ (4,449,306)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 80,620,110	\$ 82,172,105	\$ 76,100,898	\$ 6,071,207
Excess (deficiency) of revenues over (under) expenditures	\$ (1,878,292)	\$ (1,878,292)	\$ (256,391)	\$ 1,621,901
Net change in fund balances	\$ (1,878,292)	\$ (1,878,292)	\$ (256,391)	\$ 1,621,901
Fund balances - beginning	1,878,292	1,878,292	2,042,795	164,503
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,786,404</u>	<u>\$ 1,786,404</u>

County of Washington, Virginia  
Combining Statement of Net Position  
Other Component Units  
June 30, 2014

	<u>Park Authority</u>	<u>Industrial Develop- ment Authority</u>	<u>Virginia Highlands Airport Authority</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 251,814	\$ 1,752,811	\$ 855,504	\$ 2,860,129
Accounts receivable	-	338,470	48,588	387,058
Notes receivable	-	12,370,000	-	12,370,000
Grants receivable	-	-	459,702	459,702
Inventories	-	-	51,522	51,522
Prepaid items	16,197	-	5,051	21,248
Other assets:				
Unamortized bond issue costs	-	-	-	-
Capital assets (net of accumulated depreciation):				
Land	753,776	15,289,483	8,531,041	24,574,300
Buildings and system	99,624	1,554,886	5,021,300	6,675,810
Improvements other than buildings	534,462	-	3,051,694	3,586,156
Machinery and equipment	19,679	-	689,224	708,903
Infrastructure	-	-	-	-
Construction in progress	-	-	1,450,451	1,450,451
Total assets	<u>\$ 1,675,552</u>	<u>\$ 31,305,650</u>	<u>\$ 20,164,077</u>	<u>\$ 53,145,279</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Bond Issuance costs, net	\$ -	\$ 84,932	\$ -	\$ 84,932
<b>LIABILITIES</b>				
Accounts payable	\$ 17,383	\$ 145,418	\$ 638,507	\$ 801,308
Accrued liabilities	-	40,000	-	40,000
Accrued wages	-	-	15,194	15,194
Key deposits	942	-	-	942
Accrued interest payable	-	316,225	7,324	323,549
Due within one year	-	895,000	17,569	912,569
Due in more than one year	-	15,953,500	442,510	16,396,010
Total liabilities	<u>\$ 18,325</u>	<u>\$ 17,350,143</u>	<u>\$ 1,121,104</u>	<u>\$ 18,489,572</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,407,541	\$ 12,365,869	\$ 18,292,510	\$ 32,065,920
Unrestricted	249,686	1,674,570	750,463	2,674,719
Total Net Position	<u>\$ 1,657,227</u>	<u>\$ 14,040,439</u>	<u>\$ 19,042,973</u>	<u>\$ 34,740,639</u>

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

County of Washington, Virginia  
 Combining Statement of Activities  
 Other Component Units  
 For the Year Ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit			Total
					Washington County Park Authority	Industrial Development Authority	Virginia Highlands Airport Authority	
OTHER COMPONENT UNITS:								
Washington Park Authority	\$ 253,866	\$ 217,296	\$ -	\$ -	\$ (36,570)	\$ -	\$ -	\$ (36,570)
Industrial Development Authority	1,051,608	-	19,000	-	-	(1,032,608)	-	(1,032,608)
Virginia Highlands Airport Authority	2,000,511	1,390,714	-	2,160,119	-	-	1,550,322	1,550,322
Total other component units	\$ 3,305,985	\$ 1,608,010	\$ 19,000	\$ 2,160,119	\$ (36,570)	\$ (1,032,608)	\$ 1,550,322	\$ 481,144

General revenues:

Unrestricted revenues from use of money and property	\$ 5,156	\$ 223,235	\$ 284,098	\$ 512,489
Miscellaneous	-	12,797	13,590	26,387
Payments from Washington County	-	1,493,330	19,938	1,513,268
Total general revenues	\$ 5,156	\$ 1,729,362	\$ 317,626	\$ 2,052,144
Change in net position	\$ (31,414)	\$ 696,754	\$ 1,867,948	\$ 2,533,288
Net position - beginning	1,688,641	13,343,685	17,175,025	32,207,351
Net position - ending	\$ 1,657,227	\$ 14,040,439	\$ 19,042,973	\$ 34,740,639

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

## **SUPPORTING SCHEDULES**

County of Washington, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014

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	\$ 24,352,350	\$ 24,352,349	\$ 23,996,154	\$ (356,195)
Real and personal public service corporation taxes	1,225,000	1,225,000	1,210,736	(14,264)
Personal property taxes	6,326,000	6,326,000	6,254,438	(71,562)
Mobile home taxes	118,300	118,300	121,561	3,261
Machinery and tools taxes	2,725,000	2,725,000	2,819,324	94,324
Penalties	310,000	310,000	284,679	(25,321)
Interest	275,000	275,000	364,268	89,268
Total general property taxes	<u>\$ 35,331,650</u>	<u>\$ 35,331,649</u>	<u>\$ 35,051,160</u>	<u>\$ (280,489)</u>
Other local taxes:				
Local sales and use taxes	\$ 6,750,000	\$ 6,750,000	\$ 6,497,788	\$ (252,212)
Consumers' utility taxes	1,150,000	1,150,000	1,143,963	(6,037)
Utility license taxes	165,000	165,000	158,192	(6,808)
Motor vehicle licenses	875,000	875,000	896,246	21,246
Bank stock taxes	31,000	31,000	29,957	(1,043)
Taxes on recordation and wills	276,500	276,500	458,888	182,388
Hotel and motel room taxes	37,500	37,500	44,808	7,308
Total other local taxes	<u>\$ 9,285,000</u>	<u>\$ 9,285,000</u>	<u>\$ 9,229,842</u>	<u>\$ (55,158)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 39,500	\$ 39,500	\$ 34,195	\$ (5,305)
Zoning, subdivision plat and soil erosion permits	81,500	81,500	75,796	(5,704)
Building permits	1,250	1,250	1,215	(35)
Waste hauling fees	2,500	2,500	2,855	355
Other permits and licenses	-	-	1,124	1,124
Total permits, privilege fees, and regulatory licenses	<u>\$ 124,750</u>	<u>\$ 124,750</u>	<u>\$ 115,185</u>	<u>\$ (9,565)</u>
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 804,200	\$ 1,042,853	\$ 1,105,942	\$ 63,089
Revenue from use of money and property:				
Revenue from use of money	\$ 175,000	\$ 175,000	\$ 123,335	\$ (51,665)
Revenue from use of property	-	-	240	240
Total revenue from use of money and property	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ 123,575</u>	<u>\$ (51,425)</u>
Charges for services:				
Excess fees of clerk	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Charges for law enforcement and traffic control	68,362	68,362	63,780	(4,582)
Charges for transportation of prisoners	10,000	10,000	9,476	(524)
Charges for copies	5,000	5,000	4,207	(793)
Charges for Commonwealth's Attorney	7,500	7,500	5,691	(1,809)
Charges for highways and streets	5,000	5,000	13,086	8,086
Commission fees	41,000	41,000	128,038	87,038
Charges for sanitation and waste removal and other related fees	384,500	384,500	311,598	(72,902)
Charges for parks and recreation	81,000	81,000	87,999	6,999
Charges for library	25,000	25,000	30,164	5,164
Total charges for services	<u>\$ 632,362</u>	<u>\$ 632,362</u>	<u>\$ 654,039</u>	<u>\$ 21,677</u>

County of Washington, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 93,000	\$ 123,208	\$ 178,676	\$ 55,468
Bristol, Tenn.-payment in lieu of taxes	1,250	1,250	1,202	(48)
Bristol, VA utilities board	48,671	48,671	48,671	-
Tennessee Valley Authority-payment in lieu of taxes	800,000	800,000	727,472	(72,528)
Total miscellaneous	<u>\$ 942,921</u>	<u>\$ 973,129</u>	<u>\$ 956,021</u>	<u>\$ (17,108)</u>
Recovered costs:				
Insurance recoveries	\$ -	\$ 8,134	\$ 24,459	\$ 16,325
Regional jail	150,000	150,000	468,321	318,321
Facility management CS building	-	-	62,962	62,962
Alcohol, tobacco and firearms funds	18,000	18,000	4,126	(13,874)
Other recovered costs	437,500	445,956	68,013	(377,943)
Total recovered costs	<u>\$ 605,500</u>	<u>\$ 622,090</u>	<u>\$ 627,881</u>	<u>\$ 5,791</u>
Total revenue from local sources	<u>\$ 47,901,383</u>	<u>\$ 48,186,833</u>	<u>\$ 47,863,645</u>	<u>\$ (323,188)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 90,000	\$ 90,000	\$ 39,691	\$ (50,309)
Mobile home titling tax	90,000	90,000	62,664	(27,336)
Mining rent and royalties	2,000	2,000	666	(1,334)
Motor vehicle rental tax	7,500	7,500	10,517	3,017
Grantors tax	200,000	200,000	81,423	(118,577)
Communications sales taxes	1,675,000	1,675,000	1,625,894	(49,106)
Personal property tax relief funds	2,559,286	2,559,286	2,559,286	-
Total noncategorical aid	<u>\$ 4,623,786</u>	<u>\$ 4,623,786</u>	<u>\$ 4,380,141</u>	<u>\$ (243,645)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 403,300	\$ 403,300	\$ 392,834	\$ (10,466)
Sheriff	2,180,000	2,180,000	2,181,829	1,829
Commissioner of revenue	155,500	155,500	151,585	(3,915)
Treasurer	152,500	152,500	153,432	932
Registrar/electoral board	47,500	47,500	44,844	(2,656)
Clerk of the Circuit Court	352,000	352,000	351,348	(652)
Total shared expenses	<u>\$ 3,290,800</u>	<u>\$ 3,290,800</u>	<u>\$ 3,275,872</u>	<u>\$ (14,928)</u>
Other categorical aid:				
Virginia Public Assistance	\$ 2,245,478	\$ 2,245,478	\$ 2,275,316	\$ 29,838
Comprehensive services	1,114,182	1,114,182	781,760	(332,422)
Victim witness grant	50,000	50,000	33,007	(16,993)
Litter control grant	12,500	12,500	13,662	1,162
EMS grant-Four for life	60,000	60,000	50,669	(9,331)
Fire programs	125,000	125,000	133,391	8,391
Dog and cat sterilization grant	-	-	1,359	1,359
E-911 wireless grant	45,000	45,000	48,782	3,782
Library state aid	148,597	152,544	152,544	-
Asset forfeiture funds	-	191,746	309,692	117,946
Arts grant	-	5,000	5,000	-

County of Washington, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (Continued)				
SLC E-rate	\$ -	\$ -	\$ 17,452	\$ 17,452
DOJ - internet crimes against children	-	50,000	5,135	(44,865)
Library of VA preservation of records	-	35,323	31,743	(3,580)
Stormwater grant	-	111,974	42,428	(69,546)
Police Equipment	-	15,223	-	(15,223)
Total other categorical aid	<u>\$ 3,800,757</u>	<u>\$ 4,213,970</u>	<u>\$ 3,901,940</u>	<u>\$ (312,030)</u>
Total categorical aid	<u>\$ 7,091,557</u>	<u>\$ 7,504,770</u>	<u>\$ 7,177,812</u>	<u>\$ (326,958)</u>
Total revenue from the Commonwealth	<u>\$ 11,715,343</u>	<u>\$ 12,128,556</u>	<u>\$ 11,557,953</u>	<u>\$ (570,603)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 24,750</u>	<u>\$ 24,750</u>	<u>\$ 33,594</u>	<u>\$ 8,844</u>
Categorical aid:				
Virginia Public Assistance	\$ 2,493,346	\$ 2,493,346	\$ 2,526,466	\$ 33,120
DHCD grant	-	1,093,163	377,449	(715,714)
DMV Highway safety	-	29,009	13,500	(15,509)
VDEM grant	-	50,775	59,015	8,240
DCJS-VSTOP grant	31,500	31,500	13,905	(17,595)
Alcohol safety	-	29,800	22,955	(6,845)
Total categorical aid	<u>\$ 2,524,846</u>	<u>\$ 3,727,593</u>	<u>\$ 3,013,290</u>	<u>\$ (714,303)</u>
Total revenue from the federal government	<u>\$ 2,549,596</u>	<u>\$ 3,752,343</u>	<u>\$ 3,046,884</u>	<u>\$ (705,459)</u>
Total General Fund	<u>\$ 62,166,322</u>	<u>\$ 64,067,732</u>	<u>\$ 62,468,482</u>	<u>\$ (1,599,250)</u>
<b>Capital Projects Funds</b>				
<b>School Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,500	\$ 1,500	\$ -	\$ (1,500)
Total School Capital Projects Fund	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ (1,500)</u>
Total Primary Government	<u>\$ 62,167,822</u>	<u>\$ 64,069,232</u>	<u>\$ 62,468,482</u>	<u>\$ (1,600,750)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 14,500	\$ 14,500	\$ 6,770	\$ (7,730)
Revenue from the use of property	600	600	8,736	8,136
Total revenue from use of money and property	<u>\$ 15,100</u>	<u>\$ 15,100</u>	<u>\$ 15,506</u>	<u>\$ 406</u>

County of Washington, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 778,250	\$ 778,250	\$ 919,737	\$ 141,487
Governor's School	866,111	866,111	373,941	(492,170)
Transportation of pupils	60,000	60,000	50,462	(9,538)
Cafeteria sales	1,551,867	1,551,867	1,298,691	(253,176)
Total charges for services	<u>\$ 3,256,228</u>	<u>\$ 3,256,228</u>	<u>\$ 2,642,831</u>	<u>\$ (613,397)</u>
Miscellaneous revenue:				
Other miscellaneous	<u>\$ 1,074,613</u>	<u>\$ 1,074,613</u>	<u>\$ 1,109,343</u>	<u>\$ 34,730</u>
Recovered costs:				
Other recovered costs	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 85,000</u>	<u>\$ (35,000)</u>
Total revenue from local sources	<u>\$ 4,465,941</u>	<u>\$ 4,465,941</u>	<u>\$ 3,852,680</u>	<u>\$ (613,261)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	<u>\$ 28,631,539</u>	<u>\$ 30,183,534</u>	<u>\$ 27,954,327</u>	<u>\$ (2,229,207)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 7,498,674	\$ 7,498,674	\$ 7,258,197	\$ (240,477)
Basic school aid	18,327,402	18,327,402	18,460,455	133,053
GED funding	23,576	23,576	26,082	2,506
Summer remedial	140,097	140,097	148,662	8,565
Regular foster care	339,412	339,412	108,121	(231,291)
Adult high school courses	4,200	4,200	16,906	12,706
Gifted and talented	211,786	211,786	211,676	(110)
Remedial education	584,715	584,715	584,410	(305)
National board certified teacher	-	-	12,500	12,500
Compensation supplement	-	-	450,263	450,263
Preschool initiative	784,354	784,354	743,104	(41,250)
Special education	1,892,265	1,892,265	1,891,279	(986)
Textbook payment	413,122	413,122	412,906	(216)
Vocational education	718,232	718,232	717,858	(374)
Vocational adult education	182,995	182,995	65,776	(117,219)
Vocational equipment	-	-	17,422	17,422
Vocational educational occupational tech ed	-	-	120,451	120,451
Social security fringe benefits	1,201,657	1,201,657	1,201,031	(626)
Retirement fringe benefits	2,002,762	2,002,762	2,015,808	13,046
Life insurance fringe benefits	73,665	73,665	73,626	(39)
State lottery payments	450,547	450,547	-	(450,547)
Early reading intervention	48,457	48,457	68,648	20,191
Governors school	620,730	620,730	544,215	(76,515)
Jobs for Virginia graduates-lottery proceeds	-	-	21,000	21,000
Adult literacy	-	-	119,012	119,012
Homebound	37,621	37,621	62,144	24,523
School food	-	-	51,221	51,221
Regional programs	104,408	104,408	173,956	69,548
Special education - foster care	-	-	266,344	266,344
Electronic classroom	-	-	1,377	1,377

County of Washington, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
At risk payments	\$ 523,715	\$ 523,715	\$ 523,312	\$ (403)
Mentor teacher program	4,660	4,660	2,726	(1,934)
Primary class size	737,519	737,519	734,923	(2,596)
Technology	466,000	466,000	504,448	38,448
SOL algebra readiness	84,799	84,799	88,837	4,038
Special ed jail program	2,233	2,233	539	(1,694)
English as a second language	33,547	33,547	30,848	(2,699)
GED testing	-	-	80,698	80,698
Other state funds	-	-	68,236	68,236
Total revenue from the Commonwealth	<u>\$ 37,513,150</u>	<u>\$ 37,513,150</u>	<u>\$ 37,879,017</u>	<u>\$ 365,867</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 11,000	\$ 11,000	\$ 21,744	\$ 10,744
Adult basic education	468,460	468,460	423,760	(44,700)
Title I	1,507,726	1,507,726	1,651,527	143,801
Title VI-B, special education flow-through	1,505,846	1,505,846	1,541,280	35,434
Title VI-B, special education preschool	46,180	46,180	43,643	(2,537)
Vocational education	117,000	117,000	118,675	1,675
Title II Part A	332,144	332,144	260,633	(71,511)
School breakfast and lunch program	1,732,571	1,732,571	2,095,241	362,670
Other federal	2,410,261	2,410,261	1,980	(2,408,281)
Total revenue from the federal government	<u>\$ 8,131,188</u>	<u>\$ 8,131,188</u>	<u>\$ 6,158,483</u>	<u>\$ (1,972,705)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 78,741,818</u>	<u>\$ 80,293,813</u>	<u>\$ 75,844,507</u>	<u>\$ (4,449,306)</u>

County of Washington, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 157,124	\$ 246,260	\$ 226,068	\$ 20,192
General and financial administration:				
County administrator	\$ 362,463	\$ 286,963	\$ 250,222	\$ 36,741
Personnel	93,960	93,960	83,326	10,634
Legal services	244,080	417,948	396,996	20,952
Commissioner of revenue	602,114	602,114	597,044	5,070
Treasurer	705,461	763,392	695,436	67,956
Central accounting and purchasing	262,301	263,750	254,049	9,701
Information technology	645,343	698,083	813,367	(115,284)
Assessor	50,000	50,000	24,413	25,587
Auditor	71,000	71,000	65,200	5,800
Total general and financial administration	<u>\$ 3,036,722</u>	<u>\$ 3,247,210</u>	<u>\$ 3,180,053</u>	<u>\$ 67,157</u>
Board of elections:				
Registrar	\$ 145,725	\$ 145,725	\$ 141,254	\$ 4,471
Electoral board	133,546	133,546	98,925	34,621
Total board of elections	<u>\$ 279,271</u>	<u>\$ 279,271</u>	<u>\$ 240,179</u>	<u>\$ 39,092</u>
Total general government administration	<u>\$ 3,473,117</u>	<u>\$ 3,772,741</u>	<u>\$ 3,646,300</u>	<u>\$ 126,441</u>
Judicial administration:				
Courts:				
Circuit court	\$ 74,194	\$ 74,194	\$ 63,737	\$ 10,457
General district court	32,771	33,538	30,057	3,481
Special magistrates	5,420	5,420	4,437	983
Clerk of the circuit court	655,877	691,200	651,790	39,410
Law library	12,000	14,689	-	14,689
Total courts	<u>\$ 780,262</u>	<u>\$ 819,041</u>	<u>\$ 750,021</u>	<u>\$ 69,020</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 801,322	\$ 1,006,204	\$ 826,631	\$ 179,573
Total judicial administration	<u>\$ 1,581,584</u>	<u>\$ 1,825,245</u>	<u>\$ 1,576,652</u>	<u>\$ 248,593</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,600,310	\$ 2,876,381	\$ 2,619,698	\$ 256,683
Litter Control	120,888	120,888	112,348	8,540
Victim witness assistance	58,938	61,220	54,098	7,122
Animal control	275,964	287,203	246,827	40,376
Interstate enforcement	1,763,658	2,012,375	1,997,780	14,595
Court security	268,164	354,955	347,376	7,579
Other Sheriff grants	41,458	168,024	103,717	64,307
Total law enforcement and traffic control	<u>\$ 5,129,380</u>	<u>\$ 5,881,046</u>	<u>\$ 5,481,844</u>	<u>\$ 399,202</u>
Fire and rescue services:				
Volunteer fire departments	\$ 1,478,191	\$ 1,578,191	\$ 1,303,034	\$ 275,157
E-911	672,083	672,083	668,283	3,800
Other fire and rescue services	-	54,573	54,573	-
Total fire and rescue services	<u>\$ 2,150,274</u>	<u>\$ 2,304,847</u>	<u>\$ 2,025,890</u>	<u>\$ 278,957</u>

County of Washington, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Regional jail payments	\$ 2,390,210	\$ 2,472,287	\$ 2,388,654	\$ 83,633
Juvenile probation and detention	143,896	143,896	143,896	-
Total correction and detention	<u>\$ 2,534,106</u>	<u>\$ 2,616,183</u>	<u>\$ 2,532,550</u>	<u>\$ 83,633</u>
Inspections:				
Building	\$ 391,817	\$ 526,228	\$ 386,991	\$ 139,237
Other protection:				
Medical examiner	\$ 1,000	\$ 1,000	\$ 1,000	-
Emergency services	523,064	698,996	451,626	247,370
Total other protection	<u>\$ 524,064</u>	<u>\$ 699,996</u>	<u>\$ 452,626</u>	<u>\$ 247,370</u>
Total public safety	<u>\$ 10,729,641</u>	<u>\$ 12,028,300</u>	<u>\$ 10,879,901</u>	<u>\$ 1,148,399</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,246,666	\$ 2,251,466	\$ 2,038,162	\$ 213,304
Maintenance of general buildings and grounds:				
General properties	\$ 1,354,997	\$ 1,422,997	\$ 1,109,469	\$ 313,528
Total public works	<u>\$ 3,601,663</u>	<u>\$ 3,674,463</u>	<u>\$ 3,147,631</u>	<u>\$ 526,832</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 501,865	\$ 501,865	\$ 501,865	-
Mental health and mental retardation:				
Community services board	\$ 348,499	\$ 348,499	\$ 348,499	-
Welfare:				
Virginia public assistance	\$ 5,884,207	\$ 5,984,207	\$ 5,678,702	\$ 305,505
Area agency on aging	64,555	64,555	64,555	-
Senior services	108,000	108,000	108,000	-
Community action agency	309,537	309,537	309,537	-
Community services	1,623,271	1,623,271	1,302,514	320,757
Indigent care	2,500	2,500	-	2,500
Total welfare	<u>\$ 7,992,070</u>	<u>\$ 8,092,070</u>	<u>\$ 7,463,308</u>	<u>\$ 628,762</u>
Total health and welfare	<u>\$ 8,842,434</u>	<u>\$ 8,942,434</u>	<u>\$ 8,313,672</u>	<u>\$ 628,762</u>
Education:				
Other instructional costs:				
Contributions to community college	\$ 84,527	\$ 84,527	\$ 84,527	-
Contribution to County School Board	28,631,539	30,183,534	27,954,327	2,229,207
Total education	<u>\$ 28,716,066</u>	<u>\$ 30,268,061</u>	<u>\$ 28,038,854</u>	<u>\$ 2,229,207</u>

County of Washington, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 158,602	\$ 159,102	\$ 142,791	\$ 16,311
Recreation	267,396	267,396	241,599	25,797
Total parks and recreation	<u>\$ 425,998</u>	<u>\$ 426,498</u>	<u>\$ 384,390</u>	<u>\$ 42,108</u>
Cultural enrichment:				
Cultural enrichment	\$ 120,238	\$ 125,238	\$ 125,238	\$ -
Library:				
Washington County library	\$ 1,296,430	\$ 1,561,608	\$ 1,441,842	\$ 119,766
Branch libraries	332,350	348,850	325,130	23,720
Total library	<u>\$ 1,628,780</u>	<u>\$ 1,910,458</u>	<u>\$ 1,766,972</u>	<u>\$ 143,486</u>
Total parks, recreation, and cultural	<u>\$ 2,175,016</u>	<u>\$ 2,462,194</u>	<u>\$ 2,276,600</u>	<u>\$ 185,594</u>
Community development:				
Planning and community development:				
Regional planning	\$ 45,467	\$ 45,467	\$ 45,467	\$ -
Zoning	161,825	161,825	156,930	4,895
Community development	367,939	1,586,454	727,389	859,065
Economic development	296,420	309,420	309,420	-
Contribution to Virginia Highlands Airport	192,290	192,290	192,290	-
Contribution to Washington County Industrial Development Authority	1,074,441	1,177,441	1,036,355	141,086
Contribution to Economic development	140,000	280,000	8,574	271,426
Total planning and community development	<u>\$ 2,278,382</u>	<u>\$ 3,752,897</u>	<u>\$ 2,476,424</u>	<u>\$ 1,276,473</u>
Environmental management:				
Contribution to soil and water district	\$ 28,310	\$ 58,310	\$ 58,310	\$ -
Cooperative extension program:				
Extension office	\$ 114,083	\$ 114,083	\$ 110,651	\$ 3,432
Total community development	<u>\$ 2,420,775</u>	<u>\$ 3,925,290</u>	<u>\$ 2,645,385</u>	<u>\$ 1,279,905</u>
Nondepartmental:				
Revenue refunds	\$ -	\$ -	\$ 142,712	\$ (142,712)
Other non departmental	548,766	535,766	254,969	280,797
Total nondepartmental	<u>\$ 548,766</u>	<u>\$ 535,766</u>	<u>\$ 397,681</u>	<u>\$ 138,085</u>
Debt service:				
Principal retirement	\$ 1,701,695	\$ 1,701,695	\$ 1,814,351	\$ (112,656)
Interest and other fiscal charges	1,591,936	1,591,936	1,188,669	403,267
Total debt service	<u>\$ 3,293,631</u>	<u>\$ 3,293,631</u>	<u>\$ 3,003,020</u>	<u>\$ 290,611</u>
Total General Fund	<u>\$ 65,382,693</u>	<u>\$ 70,728,125</u>	<u>\$ 63,925,696</u>	<u>\$ 6,802,429</u>

County of Washington, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2014

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Public safety:				
Equipment	\$ -	\$ 70,382	\$ 23,977	\$ 46,405
Public works:				
Maintenance of general buildings and grounds:				
Solid waste equipment	\$ 25,000	\$ 25,000	\$ 19,828	\$ 5,172
Solid waste facilities	50,000	57,664	32,512	25,152
Total public works	\$ 75,000	\$ 82,664	\$ 52,340	\$ 30,324
Parks, recreation, and cultural:				
Parks and recreation:				
White's Mill restoration	\$ -	\$ 46,800	\$ 1	\$ 46,799
Oak park expenses	-	-	6,440	(6,440)
Total parks, recreation, and cultural	\$ -	\$ 46,800	\$ 6,441	\$ 40,359
Capital projects expenditures:				
Contingencies	\$ -	\$ 180,591	\$ -	\$ 180,591
Total Capital Projects Fund	\$ 75,000	\$ 199,846	\$ 82,758	\$ 117,088
<b>School Capital Projects Fund:</b>				
Education:				
Operating costs:				
Facilities	\$ 1,197,500	\$ 1,356,728	\$ 201,761	\$ 1,154,967
Total School Capital Projects Fund	\$ 1,197,500	\$ 1,356,728	\$ 201,761	\$ 1,154,967
Total Primary Government	\$ 66,655,193	\$ 72,284,699	\$ 64,210,215	\$ 8,074,484
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction costs				
Administration, attendance and health	\$ 2,814,929	\$ 2,998,335	\$ 2,716,227	\$ 282,108
Instruction	60,643,034	60,738,738	55,658,912	5,079,826
Instructional technology	2,071,281	2,288,197	2,205,165	83,032
Total instruction costs	\$ 65,529,244	\$ 66,025,270	\$ 60,580,304	\$ 5,444,966
Operating costs:				
Pupil transportation	\$ 4,893,391	\$ 4,903,968	\$ 4,927,537	\$ (23,569)
Operation and maintenance of school plant	6,986,081	7,263,868	7,075,031	188,837
School food services	3,211,394	3,978,999	3,518,026	460,973
Total operating costs	\$ 15,090,866	\$ 16,146,835	\$ 15,520,594	\$ 626,241
Total Discretely Presented Component Unit - School Board	\$ 80,620,110	\$ 82,172,105	\$ 76,100,898	\$ 6,071,207

## OTHER STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Total
2013-14	\$ 3,801,462	\$ 1,590,653	\$ 10,667,821	\$ 3,504,762	\$ 8,434,168	\$ 28,605,420	\$ 2,261,825	\$ 2,544,189	\$ -	\$ 1,185,934	\$ 62,596,234
2012-13	3,485,456	1,588,063	10,875,250	4,091,448	7,797,920	28,248,261	2,625,595	2,704,569	-	1,180,439	62,597,001
2011-12	3,392,022	1,442,053	10,373,244	4,710,465	7,571,268	22,448,687	2,153,236	3,599,243	-	1,223,756	56,913,974
2010-11	2,758,254	1,434,023	10,819,665	3,984,154	7,631,737	21,598,926	2,450,828	3,308,476	-	1,546,660	55,532,723
2009-10	2,444,129	1,397,161	10,394,379	3,106,061	7,750,392	21,628,724	2,656,439	2,449,360	-	852,142	52,678,787
2008-09	2,811,456	1,445,528	7,537,178	3,123,952	7,953,182	22,493,692	1,920,026	5,671,641	-	823,279	53,779,934
2007-08	2,932,775	1,374,450	9,184,107	3,205,042	7,878,987	22,874,878	2,383,626	1,703,097	104,973	767,918	52,409,853
2006-07	2,615,012	1,207,193	8,618,032	2,980,655	6,507,588	19,514,072	2,523,061	3,150,805	74,973	606,752	47,798,143
2005-06	2,086,597	1,076,485	7,907,347	2,768,015	6,356,765	20,769,223	2,230,629	3,138,763	36,915	722,722	46,993,461
2004-05	2,576,583	955,655	6,504,777	2,773,862	6,033,168	18,710,982	1,826,571	2,398,560	-	695,607	42,475,765

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2013-14	\$ 1,875,166	\$ 9,503,961	\$ 687,141	\$ 34,581,104	\$ 9,229,842	\$ 123,575	\$ 956,021	\$ 4,413,735	\$ 61,370,545		
2012-13	1,807,743	9,560,611	-	34,703,127	9,212,536	151,203	1,392,331	4,530,687	61,358,238		
2011-12	1,830,599	11,403,196	-	32,986,799	9,109,624	193,751	1,582,918	4,645,697	61,752,584		
2010-11	1,524,271	11,941,158	-	30,775,045	9,042,116	255,378	1,541,929	3,649,262	58,729,159		
2009-10	1,485,955	9,857,596	-	39,788,130	8,725,269	190,909	647,220	4,386,748	65,081,827		
2008-09	1,570,422	10,464,847	96,650	27,016,329	10,579,402	298,747	737,526	2,990,777	53,754,700		
2007-08	1,597,834	9,367,762	145,954	27,402,967	10,300,503	772,256	375,646	2,984,398	52,947,320		
2006-08	1,504,305	8,271,422	950,924	27,165,999	9,989,193	962,314	290,841	3,076,887	52,211,885		
2005-06	1,430,988	8,145,800	558,988	26,006,562	9,658,574	677,984	228,164	2,984,389	49,691,449		
2004-05	1,103,253	7,613,600	106,713	22,923,994	8,818,508	304,809	283,502	2,781,514	43,935,893		
2003-04	864,568	8,031,632	113,694	21,794,488	8,109,926	149,444	310,098	3,054,045	42,427,895		

Table 3

County of Washington, Virginia  
General Governmental Expenditures by Function (1)  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Capital Projects	Debt Service	Total
2013-14	\$ 3,646,300	\$ 1,576,652	\$ 10,879,901	\$ 3,147,631	\$ 8,313,672	\$ 76,185,425	\$ 2,276,600	\$ 2,645,385	\$ 397,661	\$ -	\$ 3,003,020	\$ 112,072,267
2012-13	3,608,619	1,543,209	10,788,060	3,288,417	7,714,318	77,804,981	2,153,788	2,579,586	276,258	-	2,870,052	112,627,288
2011-12	3,236,958	1,433,084	10,380,260	3,750,554	7,578,463	71,395,719	2,029,542	3,595,679	522,018	-	2,002,655	105,924,932
2010-11	2,900,525	1,407,319	10,644,584	3,549,820	7,589,378	68,481,337	2,123,190	3,286,491	231,976	-	1,491,190	101,705,810
2009-10	2,770,049	1,362,945	10,559,641	2,968,124	7,657,509	71,791,638	2,099,216	2,570,449	134,080	-	1,896,518	103,820,169
2008-09	3,075,945	1,400,889	10,271,050	3,044,273	7,852,356	77,482,208	2,214,686	2,057,953	169,856	-	1,985,076	109,554,292
2007-08	2,842,081	1,368,456	8,699,315	3,138,392	7,822,985	74,909,110	2,234,793	2,321,698	104,973	-	1,565,256	105,007,059
2006-07	2,634,968	1,202,363	8,937,458	2,838,179	6,677,452	68,809,819	2,379,074	2,258,385	74,973	-	1,631,432	97,444,103
2005-06	2,244,878	1,074,231	8,610,710	2,699,574	6,516,858	65,171,654	2,027,826	2,574,454	36,915	-	1,791,288	92,748,388
2004-05	2,694,084	945,152	7,132,070	2,839,772	6,054,137	60,747,665	1,855,139	2,373,141	-	-	1,731,564	86,372,724

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2013-14	\$ 35,051,160	\$ 9,229,842	\$ 115,185	\$ 1,105,942	\$ 139,081	\$ 3,296,870	\$ 2,065,364	\$ 712,881	\$ 58,642,337	\$ 110,358,662
2012-13	33,590,230	9,212,536	110,451	1,075,125	171,524	3,211,190	2,353,100	440,890	59,589,903	109,754,949
2011-12	32,681,231	9,109,624	119,384	897,988	213,505	3,639,101	2,528,526	478,582	60,445,175	110,113,116
2010-11	30,533,935	9,042,116	118,976	834,151	258,728	3,238,561	2,044,463	426,123	58,409,708	104,906,761
2009-10	39,065,655	8,725,269	154,291	722,986	204,914	3,107,170	1,877,392	748,070	60,875,451	115,481,198
2008-09	26,768,962	10,319,402	125,669	854,554	277,468	3,280,511	1,517,479	725,498	61,985,504	105,855,047
2007-08	27,299,486	10,300,503	157,441	738,157	822,081	3,420,910	1,697,307	802,570	58,876,159	104,114,614
2006-07	27,046,503	9,989,193	205,520	641,383	1,010,631	3,315,650	1,912,090	567,255	57,148,625	101,836,850
2005-06	26,054,693	9,658,574	190,732	511,401	707,243	3,142,978	1,563,953	793,956	51,939,383	94,562,913
2004-05	22,978,358	8,818,508	189,395	203,629	320,188	2,888,994	1,260,837	875,276	48,641,733	86,176,918

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2013-14	\$ 34,784,577	\$ 33,893,005	97.44%	\$ 948,362	\$ 34,841,367	100.16%	\$ 3,563,916	10.25%
2012-13	33,132,974	31,903,695	96.29%	1,014,696	32,918,391	99.35%	3,643,003	11.00%
2011-12	30,637,829	29,876,309	97.51%	2,227,356	32,103,665	104.78%	3,074,774	10.04%
2010-11	30,081,650	28,926,656	96.16%	1,149,142	30,075,798	99.98%	2,776,060	9.23%
2009-10 (3)	39,292,118	37,636,876	95.79%	861,595	38,498,471	97.98%	2,693,322	6.85%
2008-09	29,830,388	28,883,204	96.82%	445,044	29,328,248	98.32%	1,187,140	3.98%
2007-08	29,509,653	28,665,654	97.14%	733,341	29,398,995	99.63%	934,569	3.17%
2006-07	29,237,381	28,414,846	97.19%	613,503	29,028,349	99.29%	777,927	2.66%
2005-06	28,406,115	27,555,596	97.01%	589,755	28,145,351	99.08%	707,620	2.49%
2004-05	24,976,439	24,334,405	97.43%	575,192	24,909,597	99.73%	684,019	2.74%

(1) Exclusive of penalties and interest.

(2) Includes current year taxes receivable only.

(3) 2009-10 was the first year that the County began twice-year tax collections.

Table 6

**County of Washington, Virginia**  
**Assessed Value of Taxable Property (1)**  
**Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property and Mobile Homes (3)	Machinery and Tools	Public Utility (2)		Total
				Real Estate and Personal Property	Public Utility (2)	
2013-14	\$ 3,856,764,808	\$ 553,941,886	\$ 179,966,820	\$ 190,675,256	\$	4,781,348,770
2012-13	3,643,100,137	542,187,701	176,763,685	155,434,116		4,517,485,639
2011-12	3,644,529,884	513,404,833	162,194,740	177,754,621		4,497,884,078
2010-11	3,714,880,800	498,040,367	160,572,846	176,316,906		4,549,810,919
2009-10	3,684,810,300	470,661,432	158,176,655	171,979,877		4,485,628,264
2008-09	3,269,165,800	492,537,196	129,910,105	161,732,484		4,053,345,585
2007-08	3,269,046,000	463,976,908	310,175,750	181,363,006		4,224,561,664
2006-07	3,176,091,700	436,066,753	229,222,785	203,630,931		4,045,012,169
2005-06	3,112,082,500	410,332,545	229,320,270	216,983,390		3,968,718,705
2004-05	2,529,993,382	376,789,058	196,611,365	184,733,489		3,288,127,294

(1) Assessed at 100% of fair market value.

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

(3) Includes Volunteer and Air Tax assessments.

Table 7

County of Washington, Virginia  
Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools
2013-14	\$ 0.63	\$ 1.70	1.55
2012-13	0.63	1.55	1.55
2011-12	0.63	1.55	1.55
2010-11	0.58	1.55	1.55
2009-10	0.57	1.55	1.55
2008-09	0.57	1.55	1.55
2007-08	0.57	1.55	1.55
2006-07	0.57	1.55	1.55
2005-06	0.57	1.55	1.55
2004-05	0.60	1.55	1.55

(1) Per \$100 of assessed value.

Table 8

**County of Washington, Virginia**  
**Ratio of Net General Bonded Debt to**  
**Assessed Value and Net Bonded Debt Per Capita**  
**Last Ten Fiscal Years**

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2013-14	54,876	\$ 4,781,349	\$ 17,525,265	\$ 17,525,265	0.37%	319
2012-13	54,876	4,517,486	18,840,729	18,840,729	0.42%	343
2011-12	54,876	4,497,884	20,136,009	20,136,009	0.45%	367
2010-11	54,876	4,549,811	21,466,830	21,466,830	0.47%	391
2009-10	51,103	4,485,628	22,397,804	22,397,804	0.50%	438
2008-09	51,103	4,053,346	15,474,811	15,474,811	0.38%	303
2007-08	51,103	4,224,562	16,610,898	16,610,898	0.39%	325
2006-07	51,103	4,045,012	12,545,145	12,545,145	0.31%	245
2005-06	51,103	3,968,719	13,532,193	13,532,193	0.34%	265
2004-05	51,103	3,288,127	14,549,075	14,549,075	0.44%	285

(1) Bureau of the Census.

(2) Assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Washington, Virginia  
 Ratio of Annual Debt Service Expenditures for General Bonded  
 Debt to Total General Governmental Expenditures (1)  
 Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2013-14	\$ 1,814,351	\$ 1,188,669	\$ 3,003,020	\$ 112,072,267	2.68%
2012-13	1,645,280	1,224,772	2,870,052	112,627,288	2.55%
2011-12	1,330,821	671,834	2,002,655	105,924,932	1.89%
2010-11(2)	20,934,980	1,201,012	22,135,992	101,705,810	21.76%
2009-10	1,168,001	858,534	2,026,535	103,820,169	1.95%
2008-09	1,136,087	848,989	1,985,076	109,554,292	1.81%
2007-08	958,523	606,733	1,565,256	105,007,059	1.49%
2006-07	1,016,567	617,865	1,634,432	97,444,103	1.68%
2005-06	1,046,741	744,547	1,791,288	92,748,388	1.93%
2004-05	995,687	735,877	1,731,564	86,372,724	2.00%

(1) Includes General fund of the Primary Government and the Discretely Presented Component Unit - School Board.

(2) Includes principal of \$17,950,000 to pay off anticipation notes and bonds.

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## COMPLIANCE SECTION

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Washington, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Washington, Virginia's basic financial statements, and have issued our report thereon dated December 8, 2014.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Robinson, Fauser, Co. Associates*

Blacksburg, Virginia  
December 8, 2014

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

### Report on Compliance for Each Major Federal Program

We have audited County of Washington, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Washington, Virginia's major federal programs for the year ended June 30, 2014. County of Washington, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditors' Responsibility*

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

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

### *Opinion on Each Major Federal Program*

In our opinion, County of Washington, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

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

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

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

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

*Robinson, Farmer, Co. Associates*

Blacksburg, Virginia  
December 8, 2014

County of Washington, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113, 0760114	\$ 61,199
Promoting Safe and Stable Families	93.556	0950113	26,052
Temporary Assistance for Needy Families	93.558	0400113, 0400114	433,113
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113, 0500114	2,736
Low-income Home Energy Assistance	93.568	0600413, 0600414	47,590
Stephanie Tubbs Jones Child Welfare Services Programs	93.645	0900113, 0900114	3,169
Foster Care - Title IV-E	93.658	1100113, 1100114	386,033
Adoption Assistance	93.659	1120114, 1120114	336,998
Social Services Block Grant	93.667	1000113, 1000114	368,185
Chafee Foster Care Independence Program	93.674	9150113, 9150114	6,272
Children's Health Insurance Program	93.767	0540113, 0540114	13,386
Medical Assistance Program	93.778	1200113, 1200114	394,574
			\$ 2,079,307
Total Department of Health and Human Services			
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution (Note 3)	10.555	40623	\$ 217,383
Department of Education:			
National School Lunch Program	10.555	40623	1,388,224
School Breakfast Program	10.553	40591	489,634
Department of Education:			
Schools and Roads--Grants to States	10.665	43841	21,744
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113, 0010114	447,159
			\$ 2,564,144
Total Department of Agriculture			
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	56500, 66500	\$ 13,905
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	53194, 54279	\$ 13,500
Alcohol Open Container Requirements	20.607	53177, 54129	22,955
			\$ 36,455
Total Department of Transportation			
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Management:			
Emergency Management Performance Grants	97.042	52741, 52743	\$ 59,015

County of Washington, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Awards
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,651,527
<i>Special Education Cluster:</i>			
Special Education - Grants to states	84.027	43071	1,541,280
Special Education - Preschool grants	84.173	62521	43,643
Improving Teacher Quality State Grants	84.367	61480	260,633
Adult Education Basic Grants to States	84.002	42801, 61111, 61380	423,760
Career and Technical Education: Basic Grants to States	84.048	61095	118,675
Advanced Placement Program	84.330	60957	<u>1,980</u>
Total Department of Education			<u>\$ 4,041,498</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant / State's Program and Non-Entitlements Grants in Hawaii	14.228	50790	<u>\$ 377,449</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,171,773</u></u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Washington, Virginia under programs of the federal government for the year ended June 30, 2014. 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 Washington, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Washington, Virginia.

Note 2 -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB A-87, *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 3 -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of commodities received and disbursed. At June 30, 2014, the County had no food commodities in inventory.

Note 4 -- Relationship to the Financial Statements Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 3,046,884
Less: Payment in lieu of taxes	<u>(33,594)</u>
Total primary government:	<u>\$ 3,013,290</u>
Component Unit School Board:	
School Operating Fund	<u>\$ 6,158,483</u>
Total expenditures of federal awards per basic financial statements	<u>\$ 9,171,773</u>
Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 9,171,773</u></u>

**COUNTY OF WASHINGTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any findings disclosed that are required to be reported in accordance with Circular A-133 Section 510(a)?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
84.002	Adult Basic Education
93.667	Social Services Block Grant
93.659	Adoption Assistance
93.778	Medical Assistance Program (Title XIX)
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2014

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Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

None