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**COUNTY OF WASHINGTON, VIRGINIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2008**



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**FISCAL YEAR ENDED JUNE 30, 2008**

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**COUNTY OF WASHINGTON, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2008**

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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	Kenneth O. Reynolds, Chair	Paul Price
Thomas G. Taylor		Jack R. McCrady, Jr.
Dulcie M. Mumpower		Odell Owens
	Mark K. Reeter, Clerk	

## COUNTY SCHOOL BOARD

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Herschel Stevens	Tom D. Musick, Chair	Curtis Burkett
Billy W. Brooks		William B. Boone
Elizabeth P. Lowe		Dayton Owens
	Melissa Caudill, Clerk	

## SOCIAL SERVICES BOARD

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	Stephen B. Talbert, Chair	
Randall T. Blevins		Dan C. Ball
John B. Roberts		Richard C. Buchanan
Lisa D. Andis		Sarah Haderer

## OTHER OFFICIALS

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Chief Judge of the Circuit Court.....	C. Randall Lowe
Judge of the Circuit Court.....	Larry Kirksey
Judge of the Circuit Court.....	Issac S. Freeman
Judge of the District Court.....	Joseph S. Tate
Judge of the District Court.....	Sage B. Johnson
Judge of Juvenile and Domestic Relations Court.....	Charles F. Lincoln
Judge of Juvenile and Domestic Relations Court.....	Florence A. Powell
Clerk of the Circuit Court.....	Patricia S. Phipps
Commonwealth's Attorney.....	Dennis Godfrey
Commissioner of the Revenue.....	David Henry
Treasurer.....	Fred W. Parker
Sheriff.....	Fred P. Newman
Superintendent of Schools.....	Dr. Alan T. Lee
Director of Social Services.....	Tommy L. Casteel
County Administrator.....	Mark K. Reeter
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

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, the major fund, and the aggregate remaining fund information of the County of Washington, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Washington, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Washington County Service Authority, the Virginia Highlands Airport Commission and the Industrial Development Authority of Washington County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Washington County Service Authority, the Virginia Highlands Airport Commission and the Industrial Development Authority of Washington County is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the 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, the major fund, and the aggregate remaining fund information of the County of Washington, Virginia, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the County of Washington, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Washington, Virginia's basic financial statements. The introductory section, the combining and individual nonmajor fund financial statements, and other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Washington, Virginia. The schedule of expenditures of federal awards 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. The introductory section and other supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Faerner, Cox Associates*

Christiansburg, Virginia  
December 12, 2008

## Management's Discussion and Analysis

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As management of the County of Washington, Virginia we offer the following discussion and analysis of the County's financial performance and overview of the County's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the County's financial statements, which follow this section.

### Financial Highlights For Fiscal Year 2008

- Total net assets for governmental activities were \$13.2 million at the end of FY 2008. This figure is based on assets totaling \$63.3 million and liabilities of \$50.1 million. The liabilities amount includes a non-current component for long-term debt associated with the acquisition of assets for the County and School system. The total for assets includes only the school properties with related debt. (Exhibit 1).
- During the year, the County's General Revenues, which includes property taxes and other local taxes for the primary government, were \$0.5 million more than the \$41.3 million of net primary government expenses. (Exhibit 2).
- Total general fund revenues equaled the final budgeted amount. Actual expenditures were \$7.9 million less than the final expenditure budget. (Exhibit 8)
- The County's total outstanding debt at fiscal year end increased by \$4.9 million because the County incurred new debt for the school system. Since 1991, the School system has made several improvements to current school facilities by issuing new debt as old debt is retiring. In lieu of building new school facilities, the School system has upgraded its facilities to meet ADA requirements, to make them energy efficient and to extend their useful life.
- Component Unit net assets were \$76.5 million at the end of FY2008. Of this amount, \$68.5 million is invested in capital assets, net of related debt.
- At the end of the current fiscal year, undesignated fund balance for the general fund was approximately \$9.8 million. The Board of Supervisors has adopted a policy to keep the undesignated general fund balance at a minimum of \$3.5 million. The County needs to keep an adequate cash reserve to cover expenses until the collection of property tax revenues start.

### Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. **The user of this report, however, must keep in mind that School related debt activities may distort net assets.**

The *statement of activities* presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets 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 this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial administration, public safety, health and welfare, parks and recreation, solid waste and community development. The County does not have any business-type activities.

The government-wide financial statements include the County (known as the *primary government*) as well as funds of the Washington County School Board, the Washington County Service Authority, the Virginia Highlands Airport Commission and the Washington County Industrial Development Authority (known as the *component unit*). Financial information for this component unit is reported separately from the financial information presented for the primary government.

### **Fund Financial Statements**

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The focus is now on the County's most significant funds, and the fund financial statements provide more information about these funds – not the County as a whole.

The County has three kinds of funds:

Governmental funds – Most of the County's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year end that are available for spending. Consequently, the governmental funds statements report financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship (or difference) between them.

Proprietary funds – When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported with the full accrual accounting method as are all activities reported in the Statement of Net Assets and Statement of Activities. Enterprise funds are a type of proprietary fund and are the same as the government-wide business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The County's component unit Service Authority and other component units are presented as proprietary funds.

Fiduciary funds – The County is the trustee, or fiduciary, for the County's agency funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in 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 basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

## Financial Analysis of the County as a Whole

A comparative analysis of government-wide information is as follows:

### Summary of Net Assets:

The following table reflects the condensed Statement of Net Assets as presented in the government-wide financial statements (in millions):

	Governmental Activities		Component Units	
	FY2008	FY2007	FY2008	FY2007
Current and other assets	\$55.6	\$50.7	\$21.2	\$20.2
Capital assets, net	7.7	6.2	83.7	82.1
Total assets	63.3	56.9	104.9	102.3
Other liabilities	33.2	31.1	6.8	4.8
Long-term liabilities	16.9	13.1	21.6	20.0
Total liabilities	50.1	44.2	28.4	24.8
Net assets:				
Invested in capital assets, net of related debt	2.3	2.6	68.5	66.4
Restricted	6.2	0.7	14.8	15.6
Unrestricted	4.7	9.4	(6.8)	(4.5)
Total net assets	\$13.2	\$12.7	\$76.5	\$77.5

The County's combined net assets increased from \$12.7 million to \$13.2 million as a result of the increase in net activities of governmental activities of \$0.5 million. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day activities of the County began the fiscal year at \$9.4 million. By the end of the fiscal year, the unrestricted net assets were reduced to \$4.7 million. Net assets invested in capital assets, net of related debt, represents the amount of capital assets owned by the County. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or imposed by law through constitutional provisions or enabling legislation.

Component unit net assets decreased slightly as the result of an increase in expenses.

**Summary of Activities:**

The following table shows the revenues and expenses of the governmental activities for the year ended June 30, 2008 (in millions):

(Exhibit 2)	Governmental Activities		Component Units	
	<u>FY2008</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2007</u>
<b>Revenues:</b>				
<b>Program revenues:</b>				
Charges for Services	\$1.6	\$1.5	\$15.1	\$14.7
Operating Grants & Contributions	9.4	8.3	46.3	46.2
Capital Grants & Contributions	0.1	1.0	1.1	0.7
<b>General Revenues</b>				
Property Taxes	27.4	27.2	0.0	0.0
Other Taxes	10.3	10.0	0.0	0.0
Other	4.1	4.3	2.0	2.0
Payments from the County	0.0	0.0	23.5	20.5
<b>Total Revenues</b>	<u>52.9</u>	<u>52.3</u>	<u>88.0</u>	<u>84.1</u>
<b>Expenses</b>				
General Government	2.9	2.6	0.0	0.0
Judicial Administration	1.4	1.2	0.0	0.0
Public Safety	9.2	8.6	0.0	0.0
Public Works	3.2	3.0	10.5	10.7
Health and Welfare	7.9	6.5	0.0	0.0
Education	22.9	19.5	71.9	67.8
Parks, Recreation and Cultural	2.4	2.5	0.0	0.0
Community Development	1.7	3.2	6.5	3.8
Interest on Long-Term Debt	0.8	0.6	0.0	0.0
Water	0.0	0.0	0.0	0.0
<b>Total Expenses</b>	<u>52.4</u>	<u>47.7</u>	<u>88.9</u>	<u>82.3</u>
<b>Change in Net Assets</b>	0.5	4.4	(0.9)	1.8
Transfers	0.0	0.0	0.0	0.0
Net Assets, Beginning of Year	12.7	8.3	77.5	75.7
Net Assets, Ending	<u>\$13.2</u>	<u>\$12.7</u>	<u>\$76.6</u>	<u>\$77.5</u>

## Revenues

For the fiscal year ended June 30, 2008, revenues from governmental funds totaled \$52.9 million. Property tax revenues, the County's largest revenue source, were \$27.4 million, an increase of \$0.2 million over the prior fiscal year. Other local taxes (including sales taxes, recordation taxes, and meals taxes) were \$10.3 million, an increase of \$0.3 million over FY2007. Population growth contributed to these increases. Intergovernmental revenues, totaling \$12.4 million, included some increases in support from the Commonwealth of Virginia for Constitutional Officers and other state shared revenues.

Component unit revenues total \$87.9 million, including a \$23.5 million transfer from the general fund. Increased revenues are due to an increase in programs, resulting in additional State revenues, Federal revenues and local transfers.

## Expenses / Expenditures

For the fiscal year ended June 30, 2008, expenses for governmental activities totaled \$52.4 million. Included in the expenses are increases in employee compensation, transfers for educational expenses to the School Board, and interest on long-term debt.

Education is a very high priority in the Washington County community; consequently the Board of Supervisors contributed \$22.6 million to the operation of the Washington County schools. This amount represented about 43% of the County's general fund expenses.

## Financial Analysis of the County's Funds

For the fiscal year ended June 30, 2008, the governmental funds reflect a combined fund balance of \$22.6 million, an Increase of \$4.0 million from the fiscal year ended June 30, 2007. This increase is due to higher than budgeted revenues being received, and less than budgeted expenditures being expended.

### **General Fund Budgetary Highlights**

The following table presents revenue and expenditure for the General Fund only for FY 2008 (in millions):

	<u>Original Budget</u>		<u>Final Budget</u>		<u>Actual</u>
<b>Revenues:</b>					
Taxes	\$ 37.2	\$	37.2	\$	37.6
Intergovernmental	11.9		13.1		12.4
Other	2.6		3.0		3.2
Total	\$ 51.7	\$	53.3	\$	53.2
<b>Expenditures and Transfers:</b>					
Expenditures	\$ 53.9	\$	60.8	\$	52.8
Transfers	0.1		0.8		0.8
Total	54.0		61.6		53.6
Changes in Fund Balance	\$ (2.3)	\$	(8.3)	\$	0.4

A discussion of the variances between the original budget and the final budget and of the variance between the final budget and the actual results is constructive.

The most significant increase in comparing final budget to actual revenues is found in the "Recovered Cost" category. It exceeded the final budget amount by approximately \$0.6 million.

The most significant increase in comparing original budget to final budget in expenditures is primarily due to the carryover of unexpended funds for various projects and commitments from the prior fiscal year. Also, a significant decrease can be found in comparing final budget to actual in expenditures because of unexpended funds for various fiscal year 2008 projects and commitments.

**Capital Assets**

The following table displays the County and Schools (Discretely Presented Component Unit) capital assets at June 30, 2008, in millions of dollars:

	Governmental Activities		Discretely Presented Component Unit School Board	
	<u>FY2008</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2007</u>
<b>Non-Depreciable Assets:</b>				
Land	\$0.8	\$0.8	\$2.8	\$2.8
Construction in Progress	1.8	0.0	0.6	0.2
<b>Other Capital Assets:</b>				
Buildings and Systems	7.3	7.2	36.6	35.5
Machinery and Equipment	7.3	7.6	12.5	11.8
Accumulated Depreciation	<u>(9.6)</u>	<u>(9.4)</u>	<u>(35.0)</u>	<u>(33.8)</u>
Totals	<u>\$7.6</u>	<u>\$6.2</u>	<u>\$17.5</u>	<u>\$16.5</u>

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The table below shows the change in total County and Schools (Discretely Presented Component Unit) capital assets for the fiscal year ended June 30, 2008 in millions of dollars:

	Balance June 30, 2007	Net Additions/Deletions	Balance June 30, 2008
<b>Non-Depreciable Assets:</b>			
Land	\$3.6	\$0.0	\$3.6
Construction in Progress	0.2	2.2	2.4
<b>Other Capital Assets:</b>			
Buildings and Systems	42.7	1.2	43.9
Machinery and Equipment	19.4	0.4	19.8
Accumulated Depreciation	(43.2)	(1.4)	(44.6)
Totals	<u>\$22.7</u>	<u>\$2.4</u>	<u>\$25.1</u>

Additional detailed capital asset information can be found in Note 11 in the "Notes to Financial Statements" section of the report.

### Long Term Debt

The following table displays the County and Schools (Discretely Presented Component Unit) Outstanding Debt at June 30, 2008, in millions of dollars:

	Governmental Activities		Discretely Presented Component Unit School Board	
	FY2008	FY2007	FY2008	FY2007
General Obligation Bonds	\$12.8	\$8.1	\$0.0	\$0.0
Revenue Bonds	0.0	0.0	0.0	0.0
Literary Loans	4.1	4.5	0.0	0.0
Capital Leases	0.0	0.0	0.0	0.0
Landfill Closure/Post Closure Liability	0.1	0.1	0.0	0.0
Compensated Absences	1.1	0.5	3.2	3.1
Total	<u>\$18.1</u>	<u>\$13.2</u>	<u>\$3.2</u>	<u>\$3.1</u>

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### **Economic Factors**

For the fiscal year ended June 30, 2008, the economic growth in Washington County, Virginia continued to keep pace with the national economy. The major increases in revenues during the fiscal year were from the reassessment of real property in the County, additional state revenues for education, and state/ federal grant awards.

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Accounting Department, 205 Academy Drive, Abingdon, Virginia 24210.

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**BASIC FINANCIAL STATEMENTS**

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County of Washington, Virginia  
Statement of Net Assets  
June 30, 2008

	Primary Government		Component		
	Governmental		School Board	Service Authority	Other
	Activities				
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,202,501	\$ 2,348,495	\$ -	\$ -	-
Cash in custody of others	-	300	2,769,642		4,034,007
Receivables (net of allowance for uncollectibles):					
Taxes receivable	30,006,396	-	-	-	-
Accounts receivable	644,167	175,810	1,083,405		608,068
Due from primary government	-	1,960,288	-		-
Due from other governmental units	2,792,628	1,811,604	32,704		-
Inventories	-	-	409,622		2,140
Prepaid expenses	-	-	155,221		66,850
Restricted assets:					11,872
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	-	5,097,741		-
Other assets:					
Unamortized bond issue costs	-	-	426,319		210,857
Capital assets (net of accumulated depreciation):					
Land	785,505	2,774,475	421,061		10,019,234
Buildings and system	3,595,739	10,053,497	8,126,818		4,113,004
Improvements other than buildings	71,310	-	-		6,174,222
Machinery and equipment	1,352,990	4,127,830	1,362,776		141,302
Infrastructure	-	-	32,814,966		-
Construction in progress	1,849,127	574,899	2,381,259		616,975
Total assets	\$ 63,300,363	\$ 23,827,198	\$ 55,081,534	\$ -	25,998,531
<b>LIABILITIES</b>					
Accounts payable	\$ 963,241	\$ 212,473	\$ 589,789	\$ -	504,813
Accrued liabilities	-	-	287,589		3,663
Accrued wages	-	3,756,549	-		8,621
Accrued interest payable	334,187	-	71,622		91,832
Due to component unit	1,960,288	-	-		-
Deferred revenue	28,744,618	-	-		-
Long-term liabilities:					
Due within one year	1,155,924	-	915,709		374,815
Due in more than one year	16,902,239	3,326,706	14,259,828		4,013,907
Total liabilities	\$ 50,060,497	\$ 7,295,728	\$ 16,124,537	\$ -	4,997,651
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 2,297,044	\$ 17,530,701	\$ 30,749,241	\$ -	20,249,874
Restricted for:					
Debt service	141,875	-	14,783,958		-
Construction	3,585,648	-	-		-
Traffic Enforcement	501,868	-	-		-
Law Library	1,871	-	-		-
Forfeited Assets	89,604	-	-		-
Unrestricted (deficit)	6,621,956	(999,231)	(6,576,202)		751,006
Total net assets	\$ 13,239,866	\$ 16,531,470	\$ 38,956,997	\$ -	21,000,880

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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit		
						School Board	Service Authority	Other Component Units
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 2,932,775	\$ 59,660	\$ 1,005,440	\$ -	\$ (1,867,675)	\$ -	\$ -	\$ -
Judicial administration	1,374,450	847,140	780,107	-	252,797	-	-	-
Public safety	9,184,107	160,199	2,681,838	-	(6,342,070)	-	-	-
Public works	3,205,042	464,569	-	-	(2,740,473)	-	-	-
Health and welfare	7,878,987	-	4,519,950	-	(3,359,037)	-	-	-
Education	22,875,317	-	-	-	(22,875,317)	-	-	-
Parks, recreation, and cultural	2,383,626	60,176	192,527	-	(2,130,923)	-	-	-
Community development	1,703,097	6,090	187,900	145,954	(1,363,153)	-	-	-
Nondepartmental	104,973	-	-	-	(104,973)	-	-	-
Interest on long-term debt	767,918	-	-	-	(767,918)	-	-	-
<b>Total primary government</b>	<b>\$ 52,410,292</b>	<b>\$ 1,597,834</b>	<b>\$ 9,367,762</b>	<b>\$ 145,954</b>	<b>\$ (41,298,742)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>COMPONENT UNITS:</b>								
School Board	\$ 71,904,030	\$ 2,718,674	\$ 45,600,906	\$ 199,410	\$ -	\$ (23,385,040)	\$ -	\$ -
Service Authority	10,491,315	10,299,193	-	-	-	-	(192,122)	-
Other Component Units	6,521,046	2,069,234	5,237	930,901	-	-	-	(3,515,674)
<b>Total component units</b>	<b>\$ 88,916,391</b>	<b>\$ 15,087,101</b>	<b>\$ 45,606,143</b>	<b>\$ 1,130,311</b>	<b>\$ -</b>	<b>\$ (23,385,040)</b>	<b>\$ (192,122)</b>	<b>\$ (3,515,674)</b>
General revenues:								
General property taxes					\$ 27,402,967	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes					6,190,757	-	-	-
Consumers' utility taxes					1,124,398	-	-	-
Local consumption taxes					1,854,780	-	-	-
Utility license taxes					120,378	-	-	-
Motor vehicle licenses					510,143	-	-	-
Bank stock taxes					31,049	-	-	-
Taxes on recordation and wills					426,529	-	-	-
Hotel and motel room taxes					42,469	-	-	-
Unrestricted revenues from use of money and property					772,256	49,825	270,037	143,667
Miscellaneous					375,646	1,424,595	-	-
Recovered costs					-	48,832	-	-
Payments from Washington County					-	22,602,873	-	898,365
Grants and contributions not restricted to specific programs					2,984,398	723,683	-	-
<b>Total general revenues</b>					<b>\$ 41,835,770</b>	<b>\$ 24,849,808</b>	<b>\$ 270,037</b>	<b>\$ 1,042,032</b>
Change in net assets					\$ 537,028	\$ 1,464,768	\$ 77,915	\$ (2,473,642)
Net assets - beginning					12,702,838	15,066,702	38,879,082	23,474,522
<b>Net assets - ending</b>					<b>\$ 13,239,866</b>	<b>\$ 16,531,470</b>	<b>\$ 38,956,997</b>	<b>\$ 21,000,880</b>

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

County of Washington, Virginia  
 Balance Sheet  
 Governmental Funds  
 June 30, 2008

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,609,690	\$ 6,453,626	\$ 4,139,185	\$ 22,202,501
Receivables (net of allowance for uncollectibles):				
Taxes receivable	30,006,396	-	-	30,006,396
Other local taxes receivable	393,862	-	-	393,862
Other receivables	250,305	-	-	250,305
Due from other governmental units	2,646,674	145,954	-	2,792,628
Total assets	<u>\$ 44,906,927</u>	<u>\$ 6,599,580</u>	<u>\$ 4,139,185</u>	<u>\$ 55,645,692</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 396,961	\$ 12,743	\$ 553,537	\$ 963,241
Due to component unit	1,960,288	-	-	1,960,288
Deferred revenue	30,079,772	-	-	30,079,772
Total liabilities	<u>\$ 32,437,021</u>	<u>\$ 12,743</u>	<u>\$ 553,537</u>	<u>\$ 33,003,301</u>
Fund balances:				
Reserved for:				
Economic Development	\$ 141,875	\$ -	\$ -	\$ 141,875
Construction	-	-	3,585,648	3,585,648
Traffic Enforcement	501,868	-	-	501,868
Law Library	1,871	-	-	1,871
Forfeited Assets	89,604	-	-	89,604
Unreserved, reported in:				
General fund	11,734,688	-	-	11,734,688
Capital projects funds	-	6,586,837	-	6,586,837
Total fund balances	<u>\$ 12,469,906</u>	<u>\$ 6,586,837</u>	<u>\$ 3,585,648</u>	<u>\$ 22,642,391</u>
Total liabilities and fund balances	<u>\$ 44,906,927</u>	<u>\$ 6,599,580</u>	<u>\$ 4,139,185</u>	<u>\$ 55,645,692</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 Assets  
June 30, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 22,642,391
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,654,671
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,335,154
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(18,392,350)
Net assets of governmental activities	<u>\$ 13,239,866</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, 2008

	<u>General</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 27,299,486	\$ -	\$ -	\$ 27,299,486
Other local taxes	10,300,503	-	-	10,300,503
Permits, privilege fees, and regulatory licenses	157,441	-	-	157,441
Fines and forfeitures	738,157	-	-	738,157
Revenue from the use of money and property	643,911	-	128,345	772,256
Charges for services	702,236	-	-	702,236
Miscellaneous	272,712	102,934	-	375,646
Recovered costs	753,738	-	-	753,738
Intergovernmental revenues:				
Commonwealth	9,968,414	145,954	-	10,114,368
Federal	2,383,746	-	-	2,383,746
Total revenues	<u>\$ 53,220,344</u>	<u>\$ 248,888</u>	<u>\$ 128,345</u>	<u>\$ 53,597,577</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,842,081	\$ -	\$ -	\$ 2,842,081
Judicial administration	1,368,456	-	-	1,368,456
Public safety	8,699,315	-	-	8,699,315
Public works	3,138,392	19,094	-	3,157,486
Health and welfare	7,822,985	-	-	7,822,985
Education	22,737,373	-	1,898,094	24,635,467
Parks, recreation, and cultural	2,234,793	-	-	2,234,793
Community development	2,321,698	80,896	-	2,402,594
Nondepartmental	104,973	-	-	104,973
Debt service:				
Principal retirement	958,523	-	-	958,523
Interest and other fiscal charges	606,733	-	-	606,733
Total expenditures	<u>\$ 52,835,322</u>	<u>\$ 99,990</u>	<u>\$ 1,898,094</u>	<u>\$ 54,833,406</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 385,022</u>	<u>\$ 148,898</u>	<u>\$ (1,769,749)</u>	<u>\$ (1,235,829)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 759,060	\$ -	\$ 759,060
Transfers out	(759,060)	-	-	(759,060)
Proceeds of general obligation bond	-	-	5,284,956	5,284,956
Total other financing sources (uses)	<u>\$ (759,060)</u>	<u>\$ 759,060</u>	<u>\$ 5,284,956</u>	<u>\$ 5,284,956</u>
Net change in fund balances	\$ (374,038)	\$ 907,958	\$ 3,515,207	\$ 4,049,127
Fund balances - beginning	12,843,944	5,678,879	70,441	18,593,264
Fund balances - ending	<u>\$ 12,469,906</u>	<u>\$ 6,586,837</u>	<u>\$ 3,585,648</u>	<u>\$ 22,642,391</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, 2008

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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	\$ 4,049,127
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	1,465,771
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	103,481
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,327,591)
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.	(753,760)
Change in net assets of governmental activities	<u>\$ 537,028</u>

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

County of Washington, Virginia  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2008

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 240,689
Total assets	\$ 240,689
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 202,345
Amounts held for County employee fringe benefits	38,344
Total liabilities	\$ 240,689

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

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**NOTES TO FINANCIAL STATEMENTS**

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

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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. 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 Washington County Service Authority was created by the Board of Supervisors of the County to acquire, finance, and operate water and sewer systems throughout the County. The Board of Directors of the Service Authority is appointed by the County Board of Supervisors and there currently exists a financial benefit/burden relationship between the Service Authority and the County. A complete financial report of the Authority can be obtained by contacting the Authority.

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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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

A. Reporting Entity (continued)

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.

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

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

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

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  
JUNE, 30, 2008

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

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

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

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

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

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

The County reports the following non-major governmental fund:

The School Capital Projects fund is reported as a non-major *capital projects fund*. The fund accounts for 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  
JUNE, 30, 2008

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

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

Additionally, the County reports the following fund types:

*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, and FICA Sick Pay funds.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's 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 *non-operating* 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 non-operating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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

D. Assets, liabilities, and net assets or equity (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 reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 20<sup>th</sup>. Personal property taxes are due and collectible annually on December 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 \$354,730 at June 30, 2008 and is composed 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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

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

6. Capital assets (continued)

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
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 Government 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 debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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

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

8. Long-term obligations (continued)

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

9. Fund equity

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

10. Net Assets

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

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(18,392,350) and \$(3,326,706) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
Literary loans	\$ (4,118,793)	\$ -
Bonds, bond premium and note	(12,823,199)	-
Accrued interest payable	(334,187)	-
Landfill accrued post-closure monitoring costs	(49,428)	-
Compensated absences	<u>(1,066,743)</u>	<u>(3,326,706)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (18,392,350)</u>	<u>\$ (3,326,706)</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$1,456,771 and \$1,141,738 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
	<u>                    </u>	<u>                    </u>
Capital outlays	\$ 2,332,782	\$ 2,665,855
Depreciation expenses	(867,011)	(1,524,117)
Assets deleted	(734,342)	(366,511)
Accumulated depreciation deleted	<u>734,342</u>	<u>366,511</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,465,771</u>	<u>\$ 1,141,738</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(4,327,591) difference in the primary government, are as follows:

	<u>Primary Government</u>
Debt Issued or Incurred:	
General obligation bonds	\$ (5,284,956)
Landfill post-closure care costs	(1,158)
Principal Payments:	
Literary loans	344,487
Bonds and note	593,514
Premium amortization	3,118
Capital lease	<u>17,404</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>(4,327,591)</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(753,760) and \$(168,813) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) decrease in compensated absences	\$ (592,575)	\$ (168,813)
(Increase) decrease in accrued interest	<u>(161,185)</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (753,760)</u>	<u>\$ (168,813)</u>

**Note 3-Stewardship, Compliance, and Accountability:**

- A. Budgetary information

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

1. Prior to 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.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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**Note 3-Stewardship, Compliance, and Accountability: (continued)**

A. Budgetary information (continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), Debt Service Funds, and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2008, there were no excess of expenditures over appropriations.

C. Deficit fund equity

At June 30, 2008, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

All cash of the County of Washington, Virginia and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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).

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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**Note 4-Deposits and Investments: (Continued)**

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, 2008 were held in the County's name by the County's custodial bank; except, \$561,397 of U.S Government money market funds where the underlying securities were uninsured and held by the investment's counterparty's trust department or agent but not in the name of the County. The Local Government Investment (LGIP) and State Non-Arbitrage (SNAP) 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, 2008 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 and SNAP investments and Moody's rating scale for commercial paper.

Rated Debt Investments	Fair Quality Ratings		
	AAAm	AAm	P-1
LGIP	\$ 11,495,027	\$ -	\$ -
SNAP	-	4,125,331	-

Concentration of Credit Risk

At June 30, 2008, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 4-Deposits and Investments: (Continued)**

Interest Rate Risk

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

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

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

	Primary Government	Component Unit- School Board
	<u>                    </u>	<u>                    </u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 1,108,534	\$ -
State sales tax	-	1,148,041
Categorical aid-shared expenses	345,020	-
Categorical aid-other	143,297	-
Non-categorical aid	101,363	-
Categorical aid-VPA funds	170,586	-
Other state aid	779,296	-
<u>Federal Government:</u>		
Categorical aid-VPA funds	144,532	-
Categorical aid-other	-	663,563
	<u>                    </u>	<u>                    </u>
Totals	\$ 2,792,628	\$ 1,811,604

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 6-Interfund/Component-Unit Obligations:**

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 1,960,288	\$ -
Component Unit - School Board:		
School Fund	\$ -	\$ 1,960,288

**Note 7-Long-Term Debt:**

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	Literary Loans		GO Bonds and Note	
	Principal	Interest	Principal	Interest
2009	\$ 282,023	\$ 121,237	\$ 856,723	\$ 694,302
2010	310,487	115,103	851,552	633,558
2011	310,487	105,788	873,707	584,921
2012	302,660	96,474	896,879	535,399
2013	282,023	87,394	842,699	485,969
2014-2018	1,410,115	310,060	4,098,388	1,705,096
2019-2023	1,134,929	100,148	2,612,247	663,266
2024-2026	86,069	3,437	1,459,910	183,118
Totals	\$ 4,118,793	\$ 939,641	\$ 12,492,105	\$ 5,485,629

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 7-Long-Term Debt: (continued)**

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

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2008.

	Balance		Balance	
	July 1, 2007	Issuances	Retirements	June 30, 2008
GO bonds	\$ 8,081,865	\$ 5,003,754	\$ (593,514)	\$ 12,492,105
GO bond premium	53,010	281,202	(3,118)	331,094
Literary loans	4,463,280	-	(344,487)	4,118,793
Capital lease	17,404	-	(17,404)	-
Landfill post-closure liability	48,270	1,158	-	49,428
Compensated absences	474,167	592,576	-	1,066,743
<b>Total</b>	<b>\$ 13,137,996</b>	<b>\$ 5,878,690</b>	<b>\$ (958,523)</b>	<b>\$ 18,058,163</b>

Details of long-term indebtedness:

	Interest Rates	Issue Date	Maturity Date	Original Issue	Governmental Activities	Due Within One Year
General Obligation Bonds and Note:						
GO bond	6.1-6.4%	5/19/1992	2012	\$ 305,000	\$ 60,000	\$ 15,000
GO bond	4.85-6.6%	1/15/1992	2012	801,818	213,944	50,026
GO bond	6.1-6.6%	11/22/1994	2015	585,000	195,000	30,000
GO bond	6.1-6.6%	11/22/1994	2015	143,947	61,915	7,800
GO Bond	5.4-5.975%	5/18/1995	2016	1,260,000	480,000	60,000
GO Bond	5.1-6.1%	12/21/1995	2016	2,086,692	970,674	109,837
GO Bond	4.1-5.225%	5/13/1999	2020	1,400,000	840,000	70,000
GO Bond	3.1-5.35%	11/15/2001	2022	1,217,614	880,994	57,218
GO Bond	3.1-5.35%	12/23/2003	2024	972,237	800,443	44,462
GO Bond	5.05%	11/1/2007	2027	1,565,886	1,565,886	66,344
GO Bond	5.05%	11/1/2007	2027	1,204,508	1,204,508	51,027
GO Bond	5.05%	11/1/2007	2027	1,243,435	1,243,435	52,676
GO Bond	5.05%	11/1/2007	2027	989,925	989,925	41,932
Early retirement refunding note	6.771%	7/15/2001	2021	3,889,483	2,985,381	200,401
<b>Total GO Bonds and Note</b>					<b>\$ 12,492,105</b>	<b>\$ 856,723</b>

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 7-Long-Term Debt: (continued)**

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	<u>Rates</u>	<u>Date</u>	<u>Date</u>	<u>Issue</u>	<u>Activities</u>	<u>One Year</u>
Literary Loans:						
State Literary Fund Loan	3%	7/15/1991	2012	188,959	\$ 27,459	\$ -
State Literary Fund Loan	3%	7/15/1991	2012	293,214	38,214	-
State Literary Fund Loan	3%	7/15/1991	2012	79,280	11,892	-
State Literary Fund Loan	3%	12/15/2000	2021	957,237	621,237	48,000
State Literary Fund Loan	3%	10/1/2001	2022	1,001,149	700,807	50,057
State Literary Fund Loan	3%	10/1/2001	2022	1,172,618	820,838	58,630
State Literary Fund Loan	3%	10/1/2001	2022	530,000	371,000	26,500
State Literary Fund Loan	3%	10/1/2001	2022	661,338	462,942	33,066
State Literary Fund Loan	3%	7/15/1991	2012	164,300	115,010	8,215
State Literary Fund Loan	3%	3/15/2004	2024	302,206	241,766	15,110
State Literary Fund Loan	3%	3/15/2004	2024	279,506	223,606	13,975
State Literary Fund Loan	3%	5/1/2005	2025	439,616	373,676	21,980
State Literary Fund Loan	3%	5/1/2005	2025	129,816	110,346	6,490
Total Literary Loans					\$ 4,118,793	\$ 282,023
Other Obligations:						
Landfill Post-closure						
Monitoring Costs	n/a	n/a	n/a	n/a	\$ 49,428	\$ -
Premium on \$972,237 GO bond	n/a	n/a	n/a	n/a	49,892	3,118
Premium on \$5,003,754 2007 bonds	n/a	n/a	n/a	n/a	281,202	14,060
Compensated Absences	n/a	n/a	n/a	n/a	1,066,743	-
Total Other Obligations					\$ 1,447,265	\$ 17,178
Total Long-term debt					\$ 18,058,163	\$ 1,155,924

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 8-Long-term Debt-Component Unit School Board:**

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
Compensated absences	\$ 3,157,893	\$ 168,813	\$ -	\$ 3,326,706

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	\$ 3,326,706	\$ -

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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

A. Plan Description

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

The County contributes to the Virginia Retirement System (VRS). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65.

The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at [http://www.varetire.org/Pdf/Publications/2007\\_annurept.pdf](http://www.varetire.org/Pdf/Publications/2007_annurept.pdf) or obtained by writing to the System 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% of their annual salary to the VRS. The employer may assume this 5% 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 2008 was 5.98% of annual covered payroll.

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% of their annual salary to the VRS. The employer may assume this 5% 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 2008 was 12.75% of annual covered payroll.

**COUNTY OF WASHINGTON, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008**

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

C. Annual Pension Cost

For fiscal year 2008, the County of Washington, Virginia's annual pension cost of \$496,026 and \$332,693 was equal to the County of Washington, Virginia'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	6/30/2006	285,213	100.00%	-
	6/30/2007	454,841	100.00%	-
	6/30/2008	496,026	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2006	211,694	100.00%	-
	6/30/2007	315,889	100.00%	-
	6/30/2008	332,693	100.00%	-

<sup>1</sup> Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County of Washington, Virginia'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 of Washington, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 93.34% funded. The actuarial accrued liability for benefits was \$27,405,305, and the actuarial value of assets was \$25,581,251, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,824,054. The covered payroll (annual payroll of active employees covered by the plan) was \$7,669,385, and ratio of the UAAL to the covered payroll was 23.78%.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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

D. Funded Status and Funding Progress (continued)

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

As of June 30, 2007, the most recent actuarial valuation date, the plan was 83.82% funded. The actuarial accrued liability for benefits was \$12,354,735, and the actuarial value of assets was \$10,355,313, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,999,422. The covered payroll (annual payroll of active employees covered by the plan) was \$2,460,723, and ratio of the UAAL to the covered payroll was 81.25%.

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 liability for benefits.

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. That report may be downloaded from the System's web site at <http://www.varetire.org/Pdf/2007AnnuRept.pdf> or obtained by writing to the System 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% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. 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 \$3,449,046, \$2,977,726, and \$1,901,599 for the fiscal years ended 2008, 2007, and 2006 respectively. Employer contributions represented 10.03%, 9.20%, and 6.62% of covered payroll for the fiscal years ended 2008, 2007, and 2006, respectively.

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 785,505	\$ -	\$ -	\$ 785,505
Construction in progress	-	1,849,127	-	1,849,127
Total capital assets not being depreciated	<u>\$ 785,505</u>	<u>\$ 1,849,127</u>	<u>\$ -</u>	<u>\$ 2,634,632</u>
Capital assets, being depreciated:				
Buildings	\$ 7,131,999	\$ 10,494	\$ -	\$ 7,142,493
Improvements other than buildings	98,777	60,382	-	159,159
Machinery and equipment	7,609,719	412,778	(734,342)	7,288,155
Total capital assets being depreciated	<u>\$ 14,840,495</u>	<u>\$ 483,654</u>	<u>\$ (734,342)</u>	<u>\$ 14,589,807</u>
Less: accumulated depreciation for:				
Buildings	\$ (3,405,241)	\$ (141,513)	\$ -	\$ (3,546,754)
Improvements other than buildings	(69,706)	(18,143)		(87,849)
Machinery and equipment	(5,962,152)	(707,355)	734,342	(5,935,165)
Total accumulated depreciation	<u>\$ (9,437,099)</u>	<u>\$ (867,011)</u>	<u>\$ 734,342</u>	<u>\$ (9,569,768)</u>
Total capital assets being depreciated, net	<u>\$ 5,403,396</u>	<u>\$ (383,357)</u>	<u>\$ -</u>	<u>\$ 5,020,039</u>
Governmental activities capital assets, net	<u>\$ 6,188,901</u>	<u>\$ 1,465,770</u>	<u>\$ -</u>	<u>\$ 7,654,671</u>

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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

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

Governmental activities:	
General government	\$ 132,013
Judicial administration	17,715
Public safety	328,431
Public works	162,579
Health and welfare	29,136
Education	70,737
Parks, recreation, and culture	<u>126,400</u>
 Total depreciation expense-primary government	 \$ <u><u>867,011</u></u>

Capital asset activity for the School Board for the year ended June 30, 2008 was as follows:

Discretely Presented Component Unit:

Governmental Activities:

Capital assets, not being depreciated:

Land	\$ 2,774,475	\$ -	\$ -	\$ 2,774,475
Construction in progress	<u>165,966</u>	<u>574,900</u>	<u>(165,967)</u>	<u>574,899</u>
Total capital assets not being depreciated	<u>\$ 2,940,441</u>	<u>\$ 574,900</u>	<u>\$ (165,967)</u>	<u>\$ 3,349,374</u>

Capital assets, being depreciated:

Buildings	\$ 35,473,100	\$ 1,060,921	\$ -	\$ 36,534,021
Machinery and equipment	<u>11,782,263</u>	<u>1,196,003</u>	<u>(366,511)</u>	<u>12,611,755</u>
Total capital assets being depreciated	<u>\$ 47,255,363</u>	<u>\$ 2,256,924</u>	<u>\$ (366,511)</u>	<u>\$ 49,145,776</u>

Less: accumulated depreciation for:

Buildings	\$ (25,713,447)	\$ (767,077)	\$ -	\$ (26,480,524)
Machinery and equipment	<u>(8,093,396)</u>	<u>(757,040)</u>	<u>366,511</u>	<u>(8,483,925)</u>
Total accumulated depreciation	<u>\$ (33,806,843)</u>	<u>\$ (1,524,117)</u>	<u>\$ 366,511</u>	<u>\$ (34,964,449)</u>

Total capital assets being depreciated, net	<u>\$ 13,448,520</u>	<u>\$ 732,807</u>	<u>\$ -</u>	<u>\$ 14,181,327</u>
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Governmental activities capital assets, net	<u>\$ 16,388,961</u>	<u>\$ 1,307,707</u>	<u>\$ (165,967)</u>	<u>\$ 17,530,701</u>
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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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**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.

**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:

Fidelity & Deposit Company of Maryland-Surety:

Patricia S. Phipps, Clerk of the Circuit Court	\$	330,000
Fred W. Parker, Treasurer		750,000
David Henry, Commissioner of the Revenue		3,000
Fred P. Newman, Sheriff		30,000
All constitutional officers: blanket bond		50,000

Virginia Association of Counties

All Social Services employees: blanket bond	\$	250,000
All County employees-blanket bond		250,000

COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

**Note 14-Surety Bonds: (continued)**

Component Unit – School Board:

Fidelity & Deposit Company of Maryland-Surety:

All School Board employees: blanket bond	\$	100,000
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Travelers-Surety:

Melissa W. Caudill, Clerk of the School Board	\$	10,000
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United States Fidelity and Guaranty Company-Surety:

Deputy Clerk of the School Board	\$	10,000
Textbook Clerk		10,000
Alan Lee, Ed. D., Superintendent of Schools		10,000

**Note 15-Reserved Fund Balance/Restricted Net Assets:**

Primary Government:

Reserved for School construction projects	\$	3,585,648
Reserved for law library		1,871
Reserved for forfeited assets		89,604
Reserved traffic enforcement		501,868
Reserved for debt service		141,875

Total Primary Government	\$	<u>4,320,866</u>
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The reserved fund balance amounts presented above are also restricted net assets excluding School construction which is offset by outstanding debt.

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COUNTY OF WASHINGTON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE, 30, 2008

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**Note 16-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 \$49,428 liability is the total estimated post-closure care liability at June 30, 2008 and represents what it would cost to perform all post-closure care in 2008. 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.

**Note 17—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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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County of Washington, Virginia  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 27,073,501	\$ 27,081,328	\$ 27,299,486	\$ 218,158
Other local taxes	10,182,500	10,182,500	10,300,503	118,003
Permits, privilege fees, and regulatory licenses	188,000	188,000	157,441	(30,559)
Fines and forfeitures	764,000	1,112,383	738,157	(374,226)
Revenue from the use of money and property	786,400	786,400	643,911	(142,489)
Charges for services	511,756	548,907	702,236	153,329
Miscellaneous	174,996	186,043	272,712	86,669
Recovered costs	110,000	129,216	753,738	624,522
Intergovernmental revenues:				
Commonwealth	9,356,873	10,247,477	9,968,414	(279,063)
Federal	2,530,761	2,803,892	2,383,746	(420,146)
Total revenues	\$ 51,678,787	\$ 53,266,146	\$ 53,220,344	\$ (45,802)
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,890,027	\$ 3,016,985	\$ 2,842,081	\$ 174,904
Judicial administration	1,390,282	1,592,196	1,368,456	223,740
Public safety	9,318,120	9,973,243	8,699,315	1,273,928
Public works	3,406,858	3,578,285	3,138,392	439,893
Health and welfare	7,268,496	8,285,769	7,822,985	462,784
Education	22,198,787	24,993,232	22,737,373	2,255,859
Parks, recreation, and cultural	2,366,181	2,526,803	2,234,793	292,010
Community development	3,118,653	4,991,893	2,321,698	2,670,195
Nondepartmental	477,443	253,157	104,973	148,184
Debt service:				
Principal retirement	940,222	940,222	958,523	(18,301)
Interest and other fiscal charges	606,218	606,218	606,733	(515)
Total expenditures	\$ 53,981,287	\$ 60,758,003	\$ 52,835,322	\$ 7,922,681
Excess (deficiency) of revenues over (under) expenditures	\$ (2,302,500)	\$ (7,491,857)	\$ 385,022	\$ 7,876,879
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (65,000)	\$ (804,169)	\$ (759,060)	\$ 45,109
Total other financing sources and uses	\$ (65,000)	\$ (804,169)	\$ (759,060)	\$ 45,109
Net change in fund balances	\$ (2,367,500)	\$ (8,296,026)	\$ (374,038)	\$ 7,921,988
Fund balances - beginning, as restated	2,367,500	8,296,026	12,843,944	4,547,918
Fund balances - ending	\$ -	\$ -	\$ 12,469,906	\$ 12,469,906

County of Washington, Virginia  
Required Supplementary Information

Schedule of Funding Progress Defined Benefit Plan  
For the Year Ended June 30, 2008

Primary Government: County Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2007	\$ 25,581,251	\$ 27,405,305	\$ 1,824,054	93.34%	\$ 7,669,385	23.78%
June 30, 2006	22,939,894	24,385,537	1,445,643	94.07%	7,244,651	19.95%
June 30, 2005	21,715,816	24,214,860	2,499,044	89.68%	6,771,810	36.90%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2007	\$ 10,355,313	\$ 12,354,735	\$ 1,999,422	83.82%	\$ 2,460,723	81.25%
June 30, 2006	9,379,022	11,669,435	2,290,413	80.37%	2,421,001	94.61%
June 30, 2005	9,009,803	11,612,137	2,602,334	77.59%	2,338,124	111.30%

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**SUPPLEMENTARY FINANCIAL STATEMENTS**

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County of Washington, Virginia  
 Capital Projects Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2008

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	-	-	102,934	102,934
Intergovernmental revenues:				
Commonwealth	\$ -	\$ -	\$ 145,954	\$ 145,954
Total revenues	\$ -	\$ -	\$ 248,888	\$ 248,888
<b>EXPENDITURES</b>				
Current:				
Public works	\$ 125,000	\$ 125,000	\$ 19,094	\$ 105,906
Community development	-	-	80,896	(80,896)
Capital projects	4,881,983	6,364,616	-	6,364,616
Total expenditures	\$ 5,006,983	\$ 6,489,616	\$ 99,990	\$ 6,389,626
Excess (deficiency) of revenues over (under) expenditures	\$ (5,006,983)	\$ (6,489,616)	\$ 148,898	\$ 6,638,514
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 65,000	\$ 804,169	\$ 759,060	\$ (45,109)
Net change in fund balances	(4,941,983)	(5,685,447)	907,958	6,593,405
Fund balances - beginning	4,941,983	5,685,447	5,678,879	(6,568)
Fund balances - ending	\$ -	\$ -	\$ 6,586,837	\$ 6,586,837

County of Washington, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Capital Projects Fund  
For the Year Ended June 30, 2008

	School Capital Improvements Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 128,345	\$ 128,345
Total revenues	\$ -	\$ -	\$ 128,345	\$ 128,345
<b>EXPENDITURES</b>				
Current:				
Education	\$ 15,000	\$ 5,344,202	\$ 1,898,094	\$ 3,446,108
Excess (deficiency) of revenues over (under) expenditures	\$ (15,000)	\$ (5,344,202)	\$ (1,769,749)	\$ 3,574,453
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general obligation bond	\$ -	\$ 5,273,760	\$ 5,284,956	\$ 11,196
Total other financing sources and uses	\$ -	\$ 5,273,760	\$ 5,284,956	\$ 11,196
Net change in fund balances	\$ (15,000)	\$ (70,442)	\$ 3,515,207	\$ 3,585,649
Fund balances - beginning	15,000	70,442	70,441	(1)
Fund balances - ending	\$ -	\$ -	\$ 3,585,648	\$ 3,585,648

## **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 Assets  
 Fiduciary Funds  
 June 30, 2008

	<u>Agency Funds</u>		<u>Total</u>
	<u>Special Welfare</u>	<u>Fringe Benefits</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 202,345	\$ 38,344	\$ 240,689
Total assets	<u>\$ 202,345</u>	<u>\$ 38,344</u>	<u>\$ 240,689</u>
<b>LIABILITIES</b>			
Amounts held for social services clients	\$ 202,345	\$ -	\$ 202,345
Amounts held for County employee fringe benefits	-	38,344	38,344
Total liabilities	<u>\$ 202,345</u>	<u>\$ 38,344</u>	<u>\$ 240,689</u>

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

**MAJOR GOVERNMENTAL FUNDS**

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

County of Washington, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2008

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	<b>School Operating Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	2,348,495
Cash in custody of others	300
Accounts receivable	175,810
Due from primary government	1,960,288
Due from other governmental units	1,811,604
Total assets	\$ 6,296,497
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 212,473
Contracts payable	3,756,549
Total liabilities	\$ 3,969,022
Fund balances:	
Unreserved:	
Undesignated	300
Designated for others	2,327,175
Total fund balances	2,327,475
Total liabilities and fund balances	\$ 6,296,497
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,327,475
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	17,530,701
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,326,706)
Net assets of governmental activities	\$ 16,531,470

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, 2008

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 49,825
Charges for services	2,718,674
Miscellaneous	1,424,595
Recovered costs	48,832
Intergovernmental revenues:	
Local government	22,602,873
Commonwealth	40,441,013
Federal	6,082,986
Total revenues	<u>\$ 73,368,798</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>\$ 72,876,955</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 491,843
Fund balances - beginning	1,835,632
Fund balances - ending	<u>\$ 2,327,475</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	\$ 491,843
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	1,141,738
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.	(168,813)
Change in net assets of governmental activities	<u>\$ 1,464,768</u>

County of Washington, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2008

	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	\$ 19,200	\$ 19,200	\$ 49,825	\$ 30,625
Charges for services	2,663,706	2,763,706	2,718,674	(45,032)
Miscellaneous	1,003,681	1,003,681	1,424,595	420,914
Recovered costs	45,300	45,300	48,832	3,532
Intergovernmental revenues:				
Local government	22,066,817	24,858,732	22,602,873	(2,255,859)
Commonwealth	40,191,932	40,203,969	40,441,013	237,044
Federal	6,949,145	6,837,108	6,082,986	(754,122)
Total revenues	<u>\$ 72,939,781</u>	<u>\$ 75,731,696</u>	<u>\$ 73,368,798</u>	<u>\$ (2,362,898)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>\$ 74,453,698</u>	<u>\$ 77,245,613</u>	<u>\$ 72,876,955</u>	<u>\$ 4,368,658</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,513,917)</u>	<u>\$ (1,513,917)</u>	<u>\$ 491,843</u>	<u>\$ 2,005,760</u>
Net change in fund balances	<u>\$ (1,513,917)</u>	<u>\$ (1,513,917)</u>	<u>\$ 491,843</u>	<u>\$ 2,005,760</u>
Fund balances - beginning	1,513,917	1,513,917	1,835,632	321,715
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,327,475</u>	<u>\$ 2,327,475</u>

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**SUPPORTING SCHEDULES**

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County of Washington, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2008

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	\$ 17,763,000	\$ 17,770,827	\$ 18,277,697	\$ 506,870
Real and personal public service corporation taxes	1,200,000	1,200,000	1,037,647	(162,353)
Personal property taxes	4,010,000	4,010,000	4,162,934	152,934
Mobile home taxes	110,501	110,501	102,623	(7,878)
Machinery and tools taxes	3,600,000	3,600,000	3,261,517	(338,483)
Penalties	230,000	230,000	241,053	11,053
Interest	160,000	160,000	216,015	56,015
Total general property taxes	<u>\$ 27,073,501</u>	<u>\$ 27,081,328</u>	<u>\$ 27,299,486</u>	<u>\$ 218,158</u>
Other local taxes:				
Local sales and use taxes	\$ 6,248,000	\$ 6,248,000	\$ 6,190,757	\$ (57,243)
Consumers' utility taxes	900,000	900,000	1,124,398	224,398
Communications sales taxes	1,900,000	1,900,000	1,854,780	(45,220)
Utility license taxes	155,000	155,000	120,378	(34,622)
Motor vehicle licenses	465,000	465,000	510,143	45,143
Bank stock taxes	25,000	25,000	31,049	6,049
Taxes on recordation and wills	452,000	452,000	426,529	(25,471)
Hotel and motel room taxes	37,500	37,500	42,469	4,969
Total other local taxes	<u>\$ 10,182,500</u>	<u>\$ 10,182,500</u>	<u>\$ 10,300,503</u>	<u>\$ 118,003</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses and other animal related fees	\$ 38,500	\$ 38,500	\$ 53,650	\$ 15,150
Zoning, subdivision plat and soil erosion permits	5,000	5,000	6,090	1,090
Transfer and public hearing fees	1,500	1,500	1,400	(100)
Building permits	125,000	125,000	89,801	(35,199)
Waste hauling fees	18,000	18,000	6,500	(11,500)
Total permits, privilege fees, and regulatory licenses	<u>\$ 188,000</u>	<u>\$ 188,000</u>	<u>\$ 157,441</u>	<u>\$ (30,559)</u>
Fines and forfeitures:				
Court fines, forfeitures and interest	\$ 762,500	\$ 1,110,883	\$ 738,157	\$ (372,726)
Dog violation fines	1,500	1,500	-	(1,500)
Total fines and forfeitures	<u>\$ 764,000</u>	<u>\$ 1,112,383</u>	<u>\$ 738,157</u>	<u>\$ (374,226)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 750,000	\$ 750,000	\$ 594,840	\$ (155,160)
Revenue from use of property	36,400	36,400	49,071	12,671
Total revenue from use of money and property	<u>\$ 786,400</u>	<u>\$ 786,400</u>	<u>\$ 643,911</u>	<u>\$ (142,489)</u>
Charges for services:				
Excess fees of clerk	\$ 29,806	\$ 29,806	\$ 98,822	\$ 69,016
Charges for law enforcement and traffic control	2,500	2,500	2,458	(42)
Charges for transportation of prisoners	-	-	7,526	7,526
Charges for jail processing and other jail related fees	2,750	2,750	5,364	2,614
Charges for copies	10,000	10,000	7,804	(2,196)
Law library fees	8,000	8,000	8,102	102
Charges for Commonwealth's Attorney	1,200	1,200	2,059	859
Charges for highways and streets	-	-	2,878	2,878

County of Washington, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2008

<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)				
Charges for services: (Continued)				
Commission fees	\$ 2,800	\$ 39,951	\$ 51,856	\$ 11,905
Charges for sanitation and waste removal and other related fees	391,500	391,500	455,191	63,691
Charges for parks and recreation	30,000	30,000	31,593	1,593
Charges for library	33,200	33,200	28,583	(4,617)
Total charges for services	<u>\$ 511,756</u>	<u>\$ 548,907</u>	<u>\$ 702,236</u>	<u>\$ 153,329</u>
Miscellaneous revenue:				
Miscellaneous	\$ 90,500	\$ 101,547	\$ 183,199	\$ 81,652
Bristol, Tenn.-payment in lieu of taxes	825	825	476	(349)
Bristol, VA utilities board	48,671	48,671	48,671	-
Tennessee Valley Authority-payment in lieu of taxes	35,000	35,000	40,366	5,366
Total miscellaneous revenue	<u>\$ 174,996</u>	<u>\$ 186,043</u>	<u>\$ 272,712</u>	<u>\$ 86,669</u>
Recovered costs:				
Insurance recoveries	-	-	16,498	16,498
VDOT Rt 1717 Project	-	-	566,346	566,346
Facility management CS building	95,000	95,000	130,499	35,499
Other recovered costs	15,000	34,216	40,395	6,179
Total recovered costs	<u>\$ 110,000</u>	<u>\$ 129,216</u>	<u>\$ 753,738</u>	<u>\$ 624,522</u>
Total revenue from local sources	<u>\$ 39,791,153</u>	<u>\$ 40,214,777</u>	<u>\$ 40,868,184</u>	<u>\$ 653,407</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 23,862	\$ 23,862	-	(23,862)
Wine taxes	25,012	25,012	-	(25,012)
Motor vehicle carriers' tax	37,500	37,500	42,582	5,082
Mobile home titling tax	125,000	125,000	123,587	(1,413)
Mining rent and royalties	-	-	1,860	1,860
Grantors tax	190,000	190,000	233,592	43,592
Personal property tax relief funds	2,559,281	2,559,281	2,559,286	5
Total noncategorical aid	<u>\$ 2,960,655</u>	<u>\$ 2,960,655</u>	<u>\$ 2,960,907</u>	<u>\$ 252</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 365,000	\$ 365,000	\$ 400,316	\$ 35,316
Sheriff	2,225,000	2,225,000	2,272,628	47,628
Commissioner of revenue	180,000	180,000	177,174	(2,826)
Treasurer	180,000	180,000	190,419	10,419
Medical examiner	1,500	1,500	-	(1,500)
Registrar/electoral board	62,500	62,500	78,347	15,847
Clerk of the Circuit Court	281,000	428,989	379,791	(49,198)
Emergency services	4,500	4,500	-	(4,500)
Total shared expenses	<u>\$ 3,299,500</u>	<u>\$ 3,447,489</u>	<u>\$ 3,498,675</u>	<u>\$ 51,186</u>
Other categorical aid:				
Virginia Public Assistance	\$ 1,937,027	\$ 1,938,296	\$ 1,968,766	\$ 30,470
Comprehensive services	600,400	1,190,617	998,890	(191,727)
Victim witness grant	50,000	50,000	68,549	18,549
Litter control grant	-	-	17,525	17,525

County of Washington, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2008

<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 revenues:				
Other categorical aid:				
EMS grant-Four for life	\$ 45,000	\$ 45,284	\$ 78,124	\$ 32,840
Fire programs	110,000	110,000	107,297	(2,703)
Dog and cat sterilization grant	800	800	23	(777)
E-911 wireless grant	-	-	43,486	43,486
Library state aid	348,241	348,241	187,527	(160,714)
Asset forfeiture funds	-	36,916	26,426	(10,490)
Arts grant	5,250	5,250	5,000	(250)
DCJS-Edward Byrne IT grant	-	71,769	-	(71,769)
DMV/DUI Mini grant	-	42,160	-	(42,160)
Timber sales	-	-	7,219	7,219
Total other categorical aid	<u>\$ 3,096,718</u>	<u>\$ 3,839,333</u>	<u>\$ 3,508,832</u>	<u>\$ (330,501)</u>
Total categorical aid	<u>\$ 6,396,218</u>	<u>\$ 7,286,822</u>	<u>\$ 7,007,507</u>	<u>\$ (279,315)</u>
Total revenue from the Commonwealth	<u>\$ 9,356,873</u>	<u>\$ 10,247,477</u>	<u>\$ 9,968,414</u>	<u>\$ (279,063)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 23,500</u>	<u>\$ 23,500</u>	<u>\$ 23,491</u>	<u>\$ (9)</u>
Categorical aid:				
Virginia Public Assistance	\$ 2,016,090	\$ 2,099,821	\$ 2,111,794	\$ 11,973
Local law enforcement block grant	-	-	13,672	13,672
Violence against women	25,000	25,000	27,594	2,594
Emergency management preparedness grant	-	-	4,383	4,383
CDBG projects grant	451,171	640,571	187,900	(452,671)
Alcohol, tobacco and firearms funds	15,000	15,000	12,084	(2,916)
Alcohol safety	-	-	2,828	2,828
Total categorical aid	<u>\$ 2,507,261</u>	<u>\$ 2,780,392</u>	<u>\$ 2,360,255</u>	<u>\$ (420,137)</u>
Total revenue from the federal government	<u>\$ 2,530,761</u>	<u>\$ 2,803,892</u>	<u>\$ 2,383,746</u>	<u>\$ (420,146)</u>
Total General Fund	<u>\$ 51,678,787</u>	<u>\$ 53,266,146</u>	<u>\$ 53,220,344</u>	<u>\$ (45,802)</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 102,934	\$ 102,934
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,934</u>	<u>\$ 102,934</u>
Total revenue from local sources	<u>-</u>	<u>-</u>	<u>102,934</u>	<u>102,934</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
VDOT-Industrial access road funds	\$ -	\$ -	\$ 145,954	\$ 145,954
Total noncategorical aid	<u>-</u>	<u>-</u>	<u>145,954</u>	<u>145,954</u>
Total revenue from the Commonwealth	<u>-</u>	<u>-</u>	<u>145,954</u>	<u>145,954</u>
Total County Capital Improvements Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,888</u>	<u>\$ 248,888</u>

County of Washington, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008

<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>Nonmajor Capital Projects Funds:</b>				
<b>School Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 128,345	\$ 128,345
Total School Capital Improvements Fund	\$ -	\$ -	\$ 128,345	\$ 128,345
Total Primary Government	\$ 51,678,787	\$ 53,266,146	\$ 53,597,577	\$ 331,431
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 14,200	\$ 14,200	\$ 48,596	\$ 34,396
Revenue from the use of property	5,000	5,000	1,229	(3,771)
Total revenue from use of money and property	\$ 19,200	\$ 19,200	\$ 49,825	\$ 30,625
Charges for services:				
Charges for education	\$ 410,706	\$ 510,706	\$ 490,465	\$ (20,241)
Governor's School	380,000	380,000	341,741	(38,259)
Transportation of pupils	50,000	50,000	63,079	13,079
Cafeteria sales	1,823,000	1,823,000	1,823,389	389
Total charges for services	\$ 2,663,706	\$ 2,763,706	\$ 2,718,674	\$ (45,032)
Miscellaneous revenue:				
Other miscellaneous	\$ 1,003,681	\$ 1,003,681	\$ 1,424,595	\$ 420,914
Recovered costs:				
Other recovered costs	\$ 45,300	\$ 45,300	\$ 48,832	\$ 3,532
Total revenue from local sources	\$ 3,731,887	\$ 3,831,887	\$ 4,241,926	\$ 410,039
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Washington, Virginia	\$ 22,066,817	\$ 24,858,732	\$ 22,602,873	\$ (2,255,859)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,939,809	\$ 6,939,809	\$ 6,637,967	\$ (301,842)
Basic school aid	20,553,713	20,553,713	20,787,465	233,752
GED funding	23,576	23,576	23,576	-
Summer remedial	130,352	130,352	161,505	31,153
Regular foster care	199,398	199,398	61,541	(137,857)
Adult high school courses	4,200	4,200	21,689	17,489
Gifted and talented	198,707	198,707	198,925	218
Remedial education	474,959	474,959	475,478	519
National board certified teacher	-	-	688	688
Compensation supplement	1,323,101	1,323,101	1,339,102	16,001
Preschool initiative	318,354	318,354	318,354	-
Special education	1,754,441	1,754,441	1,756,358	1,917
Virtual ap exam	-	-	2,074	2,074
Textbook payment	483,936	483,936	486,540	2,604

County of Washington, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Student achievement grants	\$ -	\$ -	\$ 64,774	\$ 64,774
Vocational education	639,741	639,741	640,440	699
Vocational adult education	120,492	120,492	76,640	(43,852)
Vocational equipment	-	-	21,322	21,322
Vocational educational occupational tech ed	-	-	102,696	102,696
Social security fringe benefits	1,105,007	1,105,007	1,106,215	1,208
Retirement fringe benefits	1,657,511	1,657,511	1,659,322	1,811
Life insurance fringe benefits	58,158	58,158	58,222	64
Industry certification costs	-	12,037	37,228	25,191
State lottery payments	1,071,033	1,071,033	1,080,985	9,952
Early reading intervention	38,341	38,341	51,121	12,780
Governors school	751,527	751,527	623,909	(127,618)
Jobs for Virginia graduates-lottery proceeds	-	-	25,000	25,000
Adult literacy	49,607	49,607	159,973	110,366
Assistance for sol	-	-	374	374
Homebound	76,376	76,376	52,489	(23,887)
School food	-	-	53,973	53,973
Regional programs	192,038	192,038	153,121	(38,917)
Special education - foster care	-	-	176,581	176,581
At risk payments	461,708	461,708	462,303	595
Mentor teacher program	-	-	5,120	5,120
Primary class size	719,182	719,182	739,661	20,479
Technology	518,000	518,000	518,000	-
Special ed jail program	27,099	27,099	1,005	(26,094)
School construction	199,345	199,345	199,345	-
SOL algebra readiness	67,421	67,421	67,332	(89)
English as a second language	34,800	34,800	22,213	(12,587)
GED testing	-	-	5,000	5,000
Other state funds	-	-	5,387	5,387
Total categorical aid	\$ 40,191,932	\$ 40,203,969	\$ 40,441,013	\$ 237,044
Total revenue from the Commonwealth	\$ 40,191,932	\$ 40,203,969	\$ 40,441,013	\$ 237,044
Revenue from the federal government:				
Categorical aid:				
Forest reserve fund	\$ 11,000	\$ 11,000	\$ 12,413	\$ 1,413
Adult basic education	400,000	400,000	354,683	(45,317)
Title I	1,461,627	1,461,627	1,616,924	155,297
Title VI-B, special education flow-through	1,371,900	1,371,900	1,425,394	53,494
Title VI-B, special education preschool	47,722	47,722	47,705	(17)
Vocational education	130,000	138,237	143,949	5,712
Title II Part A	372,358	372,358	433,097	60,739
Drug free schools	42,389	42,389	30,242	(12,147)
Goals	-	-	26,679	26,679
Smiles VI grant fund	175,000	175,000	94,287	(80,713)
School lunch program	1,364,000	1,364,000	1,460,448	96,448
Reading first	300,000	328,035	369,929	41,894
Learn and serve america	(12,283)	47,938	13,493	(34,445)

County of Washington, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Education technology formula grant	\$ -	\$ -	\$ 15,996	\$ 15,996
Title V	18,919	18,919	19,611	692
Other federal funds	1,266,513	1,057,983	18,136	(1,039,847)
Total categorical aid	<u>\$ 6,949,145</u>	<u>\$ 6,837,108</u>	<u>\$ 6,082,986</u>	<u>\$ (754,122)</u>
Total revenue from the federal government	<u>\$ 6,949,145</u>	<u>\$ 6,837,108</u>	<u>\$ 6,082,986</u>	<u>\$ (754,122)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 72,939,781</u>	<u>\$ 75,731,696</u>	<u>\$ 73,368,798</u>	<u>\$ (2,362,898)</u>

County of Washington, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2008

<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	\$ 151,980	\$ 151,980	\$ 145,212	\$ 6,768
General and financial administration:				
County administrator	\$ 208,961	\$ 211,900	\$ 194,087	\$ 17,813
Legal services	205,780	205,780	173,656	32,124
Commissioner of revenue	489,943	489,943	476,129	13,814
Treasurer	549,295	593,294	562,566	30,728
Central accounting and purchasing	250,180	250,180	234,287	15,893
Information technology	623,748	675,190	590,276	84,914
Assessor	150,000	166,078	212,058	(45,980)
Auditor	48,000	60,500	54,300	6,200
Total general and financial administration	<u>\$ 2,525,907</u>	<u>\$ 2,662,865</u>	<u>\$ 2,497,359</u>	<u>\$ 155,506</u>
Board of elections:				
Registrar	\$ 124,850	\$ 124,850	\$ 120,256	\$ 4,594
Electoral board	87,290	87,290	79,254	8,036
Total board of elections	<u>\$ 212,140</u>	<u>\$ 212,140</u>	<u>\$ 199,510</u>	<u>\$ 12,630</u>
Total general government administration	<u>\$ 2,890,027</u>	<u>\$ 3,016,985</u>	<u>\$ 2,842,081</u>	<u>\$ 174,904</u>
Judicial administration:				
Courts:				
Circuit court	\$ 60,060	\$ 62,646	\$ 55,103	\$ 7,543
General district court	18,100	18,100	14,004	4,096
Juvenile and domestic relations court	20,800	20,800	18,021	2,779
Special magistrates	5,800	5,800	5,357	443
Clerk of the circuit court	556,828	714,789	564,159	150,630
Law library	8,000	11,176	10,068	1,108
Total courts	<u>\$ 669,588</u>	<u>\$ 833,311</u>	<u>\$ 666,712</u>	<u>\$ 166,599</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 720,694	\$ 758,885	\$ 701,744	\$ 57,141
Total judicial administration	<u>\$ 1,390,282</u>	<u>\$ 1,592,196</u>	<u>\$ 1,368,456</u>	<u>\$ 223,740</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,642,238	\$ 3,722,182	\$ 3,601,966	\$ 120,216
School resource grant	126,023	126,023	121,611	4,412
Litter Control	117,559	117,559	100,525	17,034
Victim witness assistance	55,152	55,152	50,607	4,545
Animal control	238,984	239,644	221,003	18,641
Interstate enforcement	400,000	748,873	284,755	464,118
Other Sheriff grants	41,220	266,582	196,294	70,288
Total law enforcement and traffic control	<u>\$ 4,621,176</u>	<u>\$ 5,276,015</u>	<u>\$ 4,576,761</u>	<u>\$ 699,254</u>
Fire and rescue services:				
Volunteer fire departments	\$ 1,123,938	\$ 1,123,938	\$ 1,117,296	\$ 6,642
Volunteer emergency operations	724,929	725,213	723,213	2,000
E-911	654,387	654,387	614,825	39,562
Other fire and rescue services	100,000	100,000	99,637	363
Total fire and rescue services	<u>\$ 2,603,254</u>	<u>\$ 2,603,538</u>	<u>\$ 2,554,971</u>	<u>\$ 48,567</u>

County of Washington, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2008

<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	\$ 1,636,527	\$ 1,636,527	\$ 1,125,930	\$ 510,597
Juvenile probation and detention	150,000	150,000	150,000	-
Total correction and detention	<u>\$ 1,786,527</u>	<u>\$ 1,786,527</u>	<u>\$ 1,275,930</u>	<u>\$ 510,597</u>
Inspections:				
Building	\$ 227,668	\$ 227,668	\$ 218,051	\$ 9,617
Other protection:				
Domestic preparedness grant	\$ -	\$ -	\$ -	-
Medical examiner	2,500	2,500	740	1,760
Emergency services	76,995	76,995	72,862	4,133
Total other protection	<u>\$ 79,495</u>	<u>\$ 79,495</u>	<u>\$ 73,602</u>	<u>\$ 5,893</u>
Total public safety	<u>\$ 9,318,120</u>	<u>\$ 9,973,243</u>	<u>\$ 8,699,315</u>	<u>\$ 1,273,928</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ -	\$ -	\$ -	-
Road improvements	200,000	295,014	65,970	229,044
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 200,000</u>	<u>\$ 295,014</u>	<u>\$ 65,970</u>	<u>\$ 229,044</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 2,240,468	\$ 2,240,468	\$ 2,143,127	\$ 97,341
Total sanitation and waste removal	<u>\$ 2,240,468</u>	<u>\$ 2,240,468</u>	<u>\$ 2,143,127</u>	<u>\$ 97,341</u>
Maintenance of general buildings and grounds:				
General properties	\$ 966,390	\$ 1,042,803	\$ 929,295	\$ 113,508
Total public works	<u>\$ 3,406,858</u>	<u>\$ 3,578,285</u>	<u>\$ 3,138,392</u>	<u>\$ 439,893</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 517,552	\$ 517,552	\$ 517,552	-
Mental health and mental retardation:				
Community services board	\$ 365,929	\$ 365,929	\$ 365,929	-
Welfare:				
Virginia public assistance	\$ 4,989,739	\$ 5,094,739	\$ 4,952,036	\$ 142,703
Speech and hearing	16,000	16,000	16,000	-
Parent aide services grant	5,383	5,383	2,917	2,466
State and local hospitalization	17,500	17,500	16,288	1,212
Area agency on aging	42,761	42,761	42,761	-
Senior services	145,121	145,121	145,121	-
Community action agency	246,580	288,580	288,580	-
Revenue max. program	-	55,056	55,056	-
Community services	915,931	1,731,148	1,420,745	310,403
Indigent care	6,000	6,000	-	6,000
Total welfare	<u>\$ 6,385,015</u>	<u>\$ 7,402,288</u>	<u>\$ 6,939,504</u>	<u>\$ 462,784</u>
Total health and welfare	<u>\$ 7,268,496</u>	<u>\$ 8,285,769</u>	<u>\$ 7,822,985</u>	<u>\$ 462,784</u>

County of Washington, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2008

<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>				
Education:				
Other instructional costs:				
Contributions to community college	\$ 75,808	\$ 75,808	\$ 75,808	\$ -
Other educational contributions	56,162	58,692	58,692	-
Contribution to County School Board	22,066,817	24,858,732	22,602,873	2,255,859
Total education	<u>\$ 22,198,787</u>	<u>\$ 24,993,232</u>	<u>\$ 22,737,373</u>	<u>\$ 2,255,859</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks	\$ 59,467	\$ 65,467	\$ 56,679	\$ 8,788
Recreation	147,337	147,337	128,902	18,435
Washington County Park Authority	85,000	85,000	84,890	110
Community centers	139,330	161,480	161,480	-
Town recreation programs	104,000	104,000	104,000	-
Athletic group activities	75,695	75,695	75,695	-
Total parks and recreation	<u>\$ 610,829</u>	<u>\$ 638,979</u>	<u>\$ 611,646</u>	<u>\$ 27,333</u>
Cultural enrichment:				
Cultural enrichment	\$ 226,800	\$ 227,200	\$ 227,200	\$ -
Library:				
Washington County library	\$ 1,331,884	\$ 1,450,209	\$ 1,194,968	\$ 255,241
Branch libraries	196,668	210,415	200,979	9,436
Total library	<u>\$ 1,528,552</u>	<u>\$ 1,660,624</u>	<u>\$ 1,395,947</u>	<u>\$ 264,677</u>
Total parks, recreation, and cultural	<u>\$ 2,366,181</u>	<u>\$ 2,526,803</u>	<u>\$ 2,234,793</u>	<u>\$ 292,010</u>
Community development:				
Planning and community development:				
Planning	\$ 99,605	\$ 99,605	\$ 46,589	\$ 53,016
Regional planning	37,799	37,799	37,799	-
Planning commission	25,357	25,357	23,118	2,239
Zoning	138,317	138,317	123,500	14,817
Community development	187,084	187,084	152,635	34,449
Economic development	252,053	253,703	253,703	-
Contribution to Virginia Highlands Airport	218,575	218,575	218,575	-
Contribution to Smyth/Washington Industrial Facility	132,050	176,677	176,677	-
Contribution to Washington County Industrial Development Authority	109,000	109,000	109,000	-
Contribution to Economic development	1,776,171	3,603,134	1,041,650	2,561,484
Total planning and community development	<u>\$ 2,976,011</u>	<u>\$ 4,849,251</u>	<u>\$ 2,183,246</u>	<u>\$ 2,666,005</u>
Environmental management:				
Contribution to soil and water district	\$ 34,700	\$ 34,700	\$ 33,700	\$ 1,000
Cooperative extension program:				
Extension office	\$ 107,942	\$ 107,942	\$ 104,752	\$ 3,190
Total community development	<u>\$ 3,118,653</u>	<u>\$ 4,991,893</u>	<u>\$ 2,321,698</u>	<u>\$ 2,670,195</u>
Nondepartmental:				
Revenue refunds	\$ -	\$ 920	\$ 64,272	\$ (63,352)
Other non departmental	477,443	252,237	40,701	211,536
Total nondepartmental	<u>\$ 477,443</u>	<u>\$ 253,157</u>	<u>\$ 104,973</u>	<u>\$ 148,184</u>

County of Washington, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2008

<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>				
Debt service:				
Principal retirement	\$ 940,222	\$ 940,222	\$ 958,523	\$ (18,301)
Interest and other fiscal charges	606,218	606,218	606,733	(515)
Total debt service	<u>\$ 1,546,440</u>	<u>\$ 1,546,440</u>	<u>\$ 1,565,256</u>	<u>\$ (18,816)</u>
Total General Fund	<u>\$ 53,981,287</u>	<u>\$ 60,758,003</u>	<u>\$ 52,835,322</u>	<u>\$ 7,922,681</u>
<b>Capital Projects Fund:</b>				
<b>County Capital Improvements Fund:</b>				
Public works:				
Sanitation and waste removal:				
Capital improvements	\$ 125,000	\$ 125,000	\$ 19,094	\$ 105,906
Total public works	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 19,094</u>	<u>\$ 105,906</u>
Community development:				
Planning and community development:				
Recreation complex	\$ -	\$ -	\$ 6,000	\$ (6,000)
Damascus recreation facility	-	-	5,000	(5,000)
Library improvements	-	-	30,896	(30,896)
County government complex	-	-	39,000	(39,000)
Total planning and community development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,896</u>	<u>\$ (80,896)</u>
Capital projects expenditures:				
Contingencies	\$ 4,881,983	\$ 6,364,616	\$ -	\$ 6,364,616
Total Capital Projects Fund	<u>\$ 5,006,983</u>	<u>\$ 6,489,616</u>	<u>\$ 99,990</u>	<u>\$ 6,389,626</u>
<b>School Capital Improvements Fund:</b>				
Education:				
Operating costs:				
Facilities	\$ 15,000	\$ 5,344,202	\$ 1,898,094	\$ 3,446,108
Total Primary Government	<u>\$ 59,003,270</u>	<u>\$ 72,591,821</u>	<u>\$ 54,833,406</u>	<u>\$ 17,758,415</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration, attendance and health	\$ 3,349,401	\$ 3,616,834	\$ 3,131,974	\$ 484,860
instruction	54,396,366	56,544,978	51,865,885	4,679,093
Instructional technology	1,535,731	1,898,168	1,870,332	27,836
Total instruction costs	<u>\$ 55,932,097</u>	<u>\$ 58,443,146</u>	<u>\$ 53,736,217</u>	<u>\$ 4,706,929</u>
Operating costs:				
Pupil transportation	\$ 4,779,418	\$ 4,779,016	\$ 5,064,598	\$ (285,582)
Operation and maintenance of school plant	6,405,365	6,419,200	7,632,523	(1,213,323)
School food services	3,987,417	3,987,417	3,311,643	675,774
Total operating costs	<u>\$ 15,172,200</u>	<u>\$ 15,185,633</u>	<u>\$ 16,008,764</u>	<u>\$ (823,131)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 74,453,698</u>	<u>\$ 77,245,613</u>	<u>\$ 72,876,955</u>	<u>\$ 4,368,658</u>

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**OTHER STATISTICAL INFORMATION**

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Table 1

**County of Washington, Virginia**  
**Government-Wide Expenses by Function**  
**Last Ten Fiscal Years (1)**

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
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	7,807,347	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
2003-04	2,425,661	964,271	6,014,035	2,901,134	5,944,374	18,128,858	1,945,075	1,911,480	-	731,995	40,966,883
2002-03	1,965,513	907,096	6,199,608	2,636,127	5,660,015	18,636,740	1,767,870	2,203,361	-	764,540	40,740,870

(1) Information has only been available for 6 years.

Table 2

County of Washington, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years (1)

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		
2007-08	\$ 1,597,834	\$ 9,367,762	\$ 145,954	\$ 24,402,967	\$ 10,300,503	\$ 772,256	\$ 375,646	\$ 2,984,398	\$ 49,947,320	
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	
2002-03	1,009,977	7,804,373	-	21,394,709	7,857,865	160,768	265,955	2,810,066	41,303,713	

(1) Information has only been available for 6 years.

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
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
2003-04	2,494,880	979,086	6,391,711	3,204,556	5,955,399	55,503,567	1,967,825	1,653,248	-	113,181	1,664,198	79,927,651
2002-03	1,974,159	891,155	6,490,676	2,775,497	5,655,059	52,941,775	1,812,792	1,640,176	-	-	1,702,725	75,884,014
2001-02	2,004,168	961,544	6,273,257	2,759,583	5,273,000	51,901,352	1,690,285	1,051,687	-	1,553,224	1,502,666	74,970,766
2000-01	2,268,065	976,013	5,930,692	2,660,547	5,385,486	50,902,417	1,584,677	859,788	-	2,423,183	1,532,211	74,523,079
1999-00	2,011,749	777,107	5,320,931	2,387,785	5,159,122	48,361,851	1,429,880	761,856	-	2,154,008	1,378,573	69,742,862
1998-99	1,724,383	592,760	4,805,894	2,485,969	5,243,083	44,958,386	1,272,929	642,993	-	1,263,930	1,583,980	64,574,307

(1) Includes General, Special Revenue funds of the Primary Government and its Discretely Presented Component Units. (Excludes County Capital Improvements Fund)

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

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
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
2003-04	21,736,872	8,109,926	163,692	52,500	156,575	2,930,174	1,401,782	796,201	45,220,337	80,568,059
2002-03	20,954,014	7,857,865	159,222	38,101	169,320	3,005,906	910,321	601,200	42,853,981	76,549,930
2001-02	20,367,934	7,440,430	190,769	46,270	313,267	3,089,810	669,185	229,100	42,519,287	74,866,052
2000-01	18,597,253	7,286,725	190,798	35,350	859,229	2,594,751	592,411	201,054	42,364,479	72,722,050
1999-00	18,379,774	7,176,753	223,139	19,237	932,442	2,717,227	455,381	155,087	38,837,886	68,896,926
1998-99	18,189,212	7,049,230	222,059	19,138	809,864	2,421,563	304,865	112,351	37,780,721	66,909,003

(1) Includes General, Special Revenue funds of the Primary Government and its Discretely Presented Component Units. (Excludes County Capital Improvements 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 (1,2)	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 (1,3,4)	Percent of Delinquent Taxes to Tax Levy
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%
2003-04	23,847,667	23,143,193	97.05%	658,030	23,801,223	99.81%	736,482	3.09%
2002-03	23,080,947	22,418,839	97.13%	489,539	22,908,378	99.25%	715,056	3.10%
2001-02	22,411,076	21,863,723	97.56%	455,267	22,318,990	99.59%	561,003	2.50%
2000-01	19,727,486	19,328,860	97.98%	423,687	19,752,547	100.13%	519,036	2.63%
1999-00	19,038,648	18,659,368	98.01%	279,594	18,938,962	99.48%	691,388	3.63%
1998-99	17,858,977	17,549,695	98.27%	390,363	17,940,058	100.45%	660,062	3.70%

(1) Exclusive of penalties and interest.

(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(3) Includes current year taxes receivable only.

(4) Excludes bills totalling \$128,957 that are before the tax commissioner and are not considered

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) Real Estate and Personal Property	Total
2007-08	\$ 3,269,046,000	\$ 463,976,908	\$ 310,175,750	\$ 161,732,484	\$ 4,204,931,142
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
2003-04	2,464,931,423	377,647,003	190,009,524	211,993,150	3,244,581,100
2002-03	2,415,334,275	367,167,603	171,601,551	214,914,064	3,169,017,493
2001-02	2,376,123,800	366,583,026	192,089,250	124,865,310	3,059,661,386
2000-01	1,776,693,700	344,937,707	157,207,670	97,615,143	2,376,454,220
1999-00	1,725,506,800	305,794,713	165,459,215	95,874,153	2,292,634,881
1998-99	1,672,757,100	274,206,455	144,286,376	94,698,192	2,185,948,123

(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
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
2003-04	0.57	1.55	1.55
2002-03	0.57	1.55	1.55
2001-02	0.57	1.55	1.55
2000-01	0.66	1.55	1.55
1999-00	0.66	1.55	1.55
1998-99	0.66	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
2007-08	51,103	\$ 4,204,931	\$ 16,610,898	\$ 16,610,898	0.40%	\$ 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
2003-04	51,103	3,244,581	15,520,021	15,520,021	0.48%	304
2002-03	51,103	3,169,017	15,582,385	15,582,385	0.49%	305
2001-02	51,103	3,059,661	15,656,012	15,656,012	0.51%	306
2000-01	51,103	2,376,454	10,573,661	10,573,661	0.44%	207
1999-00	45,887	2,292,635	8,829,559	8,829,559	0.39%	192
1998-99	45,887	2,185,948	8,645,165	8,645,165	0.40%	188

(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 (2)	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2003-04	934,382	729,816	1,664,198	79,927,651	2.08%
2002-03	940,192	762,533	1,702,725	75,884,014	2.24%
2001-02	619,624	883,042	1,532,211	74,970,766	2.04%
2000-01	-	-	1,378,573	74,523,079	1.85%
1999-00	-	-	1,583,980	69,742,862	2.27%
1998-99	-	-	2,001,991	64,574,307	3.10%

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

(2) Detail unavailable prior to fiscal year 2002

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**COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited 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, 2008, which collectively comprise the County of Washington, Virginia's basic financial statements and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Washington, Virginia in a separate letter dated December 12, 2008.

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

*Robinson, Faimer, Cox Associates*

Christiansburg, Virginia  
December 12, 2008

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

#### COMPLIANCE

We have audited the compliance of the County of Washington, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County of Washington, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Washington, Virginia's management. Our responsibility is to express an opinion on the County of Washington, Virginia's compliance based on our audit.

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

In our opinion, the County of Washington, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### INTERNAL CONTROL OVER COMPLIANCE

The management of the County of Washington, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Washington, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the County of Washington, Virginia internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of

compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

*Rehman, Farmer, Cox Associates*

Christiansburg, Virginia  
December 12, 2008

County of Washington, Virginia  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 76,552
Temporary Assistance to Needy Families (TANF)	93.558	296,187
Refugee and Entrant Assistance - Discretionary Grants	93.566	1,520
Low Income Home Energy Assistance	93.568	8,066
Child Care Cluster-Payments to States for Child Care Assistance	93.575	137,380
Child Care Cluster-Child Care and Development Fund	93.596	133,896
Chafee Education & Training Voucher	93.599	2,235
Child Welfare Services - State Grants	96,645	2,801
Foster Care - Title IV-E	93.658	270,411
Adoption Assistance	93.659	58,318
Social Services Block Grant	93.667	453,507
Independent Living	93.674	5,663
State Children's Insurance Program	93.767	16,766
Medical Assistance Program (Title XIX)	93.778	275,525
		<hr/>
Total Department Health and Human Services		\$ 1,738,827
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Child Nutrition Cluster-Food Distribution (Note 2)	10.555	\$ 220,462
Department of Education:		
Child Nutrition Cluster-National school lunch program	10.555	1,460,448
Schools and Roads Cluster-Schools and Roads--Grants to States	10.665	12,413
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	372,967
		<hr/>
Total Department of Agriculture		\$ 2,066,290
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Service:		
Domestic Violence Grant	16.588	\$ 27,594
Drug control and system improvement grant	16.879	13,672
		<hr/>
Total Department of Justice		\$ 41,266
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
Alcohol Safety	20.601	14,912
		<hr/>

County of Washington, Virginia  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Federal Awards
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	\$ 354,683
Title I: Educationally deprived children	84.010	1,616,924
Special Education Cluster-Title VI-B: Handicapped state grants	84.027	1,425,394
Vocational Education: Basic grants to states	84.048	143,949
Special Education Cluster-Title VI-B: Handicapped preschool incentive grant	84.173	47,705
Drug free schools and communities	84.186	30,242
Goals	84.276	26,679
Title VI: Innovative Education Program Strategies	84.298	94,287
Comprehensive School Reform Demonstration	84.332	19,611
Reading First	84.357	369,929
Title II-Part A	84.367	433,097
State Assessments and Related Activities	84.369	<u>15,996</u>
Total Department of Education		<u>\$ 4,578,496</u>
Appalachian Regional Commission:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community development block grant	14.228	<u>\$ 187,900</u>
Department of National Community Service:		
Pass Through Payments:		
Department of Education:		
Learn and Service America	94.004	<u>\$ 31,629</u>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Services:		
Emergency Management Preparedness Grant	97.042	<u>\$ 4,383</u>
Total Department of Homeland Security		<u>\$ 4,383</u>
Total Federal Assistance		<u><u>\$ 8,663,703</u></u>

**County of Washington, Virginia**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**For the Year Ended June 30, 2008**

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Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Washington County, Virginia and is presented on the modified accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 -- Food Distribution

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

Note 3 -- 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	\$ 2,383,746
Less: Payment in lieu of taxes	<u>(23,491)</u>

Total primary government:	<u>\$ 2,360,255</u>
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Component Unit Schools:

School Operating Fund	<u>\$ 6,082,986</u>
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Non-cash expenditures - value of donated commodities	<u>\$ 220,462</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 8,663,703</u></u>
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COUNTY OF WASHINGTON, VIRGINIA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008

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Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	None reported
Significant deficiencies identified not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs:	Unqualified
Any findings disclosed that are required to be reported in accordance with section 310(a) of Circular A-133	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.002	Adult Basic Education
84.027/84.173	Special Education Cluster (IDEA)
93.667	Social Services Block Grant

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

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2008**

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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