



COUNTY  
OF  
SHENANDOAH, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012

---

**COUNTY OF SHENANDOAH, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2012**

Prepared by  
Garland Miller, Budget Manager  
Shenandoah County, Virginia



COUNTY OF SHENANDOAH, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012

---

Table of Contents

---

**INTRODUCTORY SECTION**

|   | <b><u>Page</u></b> |
|---|--------------------|
| Letter of Transmittal .....                   | 1-4                |
| Organizational Chart .....                    | 5-6                |
| List of Elected and Appointed Officials ..... | 7                  |

**FINANCIAL SECTION**

|   |       |
|---|-------|
| Independent Auditors' Report.....         | 8-9   |
| Management's Discussion and Analysis..... | 10-17 |

**Basic Financial Statements:**

Government—Wide Financial Statements

|           |                               |       |
|-----------|-------------------------------|-------|
| Exhibit 1 | Statement of Net Assets ..... | 18    |
| Exhibit 2 | Statement of Activities ..... | 19-20 |

Fund Financial Statements

|            |   |    |
|------------|---|----|
| Exhibit 3  | Balance Sheet — Governmental Funds .....  | 21 |
| Exhibit 4  | Reconciliation of the Balance Sheet of Governmental Funds to the<br>Statement of Net Assets.....  | 22 |
| Exhibit 5  | Statement of Revenues, Expenditures, and Changes in Fund Balances<br>Governmental Funds.....  | 23 |
| Exhibit 6  | Reconciliation of Statement of Revenues, Expenditures, and Changes in<br>Fund Balances Governmental Funds to the Statement of Activities..... | 24 |
| Exhibit 7  | Statement of Net Assets — Proprietary Funds .....   | 25 |
| Exhibit 8  | Statement of Revenues, Expenditures, and Changes in Fund Net Assets —<br>Proprietary Funds.....   | 26 |
| Exhibit 9  | Statement of Cash Flows — Proprietary Funds .....   | 27 |
| Exhibit 10 | Statement of Fiduciary Net Assets — Fiduciary Funds .....   | 28 |
| Exhibit 11 | Statement of Changes in Fiduciary Net Assets — Fiduciary Funds .....  | 29 |

**COUNTY OF SHENANDOAH, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012**

**Table of Contents (Continued)**

**FINANCIAL SECTION (CONTINUED)**

|  | <b><u>Page</u></b> |
|--|--------------------|
| Notes to Financial Statements.....   | 30-71              |
| <b>Required Supplementary Information:</b>   |                    |
| Exhibit 12    General Fund — Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual.....   | 72                 |
| Exhibit 13    Schedule of Pension Funding Progress.....  | 73                 |
| Exhibit 14    Other Post-Employment Benefit Program - Schedule of OPEB Funding Progress  | 74                 |
| <b>Other Supplementary Information:</b>  |                    |
| Exhibit 15    County Debt Service Fund — Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual .....                                      | 75                 |
| Exhibit 16    County Capital Projects Fund — Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual .....                                  | 76                 |
| <b>Combining Fund Statements:</b>  |                    |
| Exhibit 17    Combining Balance Sheet — Nonmajor Governmental Funds .....  | 77                 |
| Exhibit 18    Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Governmental Funds.....   | 78                 |
| Exhibit 19    Combining Balance Sheet — Nonmajor Special Revenue Funds .....   | 79                 |
| Exhibit 20    Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Nonmajor Special Revenue Funds .....   | 80                 |
| Exhibit 21    Combining Statement of Fiduciary Net Assets — Fiduciary Funds .....  | 81                 |
| Exhibit 22    Combining Statement of Changes in Assets and Liabilities — Agency Funds  | 82                 |
| <b>Discretely Presented Component Unit — School Board</b>  |                    |
| Exhibit 23    Combining Balance Sheet — Discretely Presented Component Unit — School Board.....  | 83                 |
| Exhibit 24    Combining Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds — Discretely Presented Component Unit — School Board..... | 84                 |
| Exhibit 25    Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual — Discretely Presented Component Unit — School Board.....   | 85-86              |

**COUNTY OF SHENANDOAH, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012**

---

**Table of Contents (Continued)**

---

**FINANCIAL SECTION (CONTINUED)**

**Supporting Schedules** Page

|            |   |       |
|------------|---|-------|
| Schedule 1 | Schedule of Revenues — Budget and Actual — Governmental Funds.....      | 87-92 |
| Schedule 2 | Schedule of Expenditures — Budget and Actual — Governmental Funds ..... | 93-96 |

**STATISTICAL SECTION**

|          |  |         |
|----------|--|---------|
| Table 1  | Net Assets by Component.....   | 97-98   |
| Table 2  | Changes in Net Assets .....  | 99-102  |
| Table 3  | Governmental Activities Tax Revenues by Source .....                                   | 103     |
| Table 4  | Fund Balances of Governmental Funds .....  | 104-105 |
| Table 5  | Changes in Fund Balances of Governmental Funds.....                                    | 106-107 |
| Table 6  | General Governmental Tax Revenues by Source.....                                       | 108     |
| Table 7  | Assessed Value and Estimated Actual Value of Taxable Property.....                     | 109-110 |
| Table 8  | Property Tax Rates .....   | 111     |
| Table 9  | Principal Property Taxpayers.....  | 112     |
| Table 10 | Property Tax Levies and Collections .....  | 113     |
| Table 11 | Ratio of Outstanding Debt by Type.....   | 114-115 |
| Table 12 | Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita..... | 116     |
| Table 13 | Pledged-Revenue Coverage .....   | 117     |
| Table 14 | Demographic and Economic Statistics .....  | 118     |
| Table 15 | Principal Employers.....   | 119     |
| Table 16 | Full-time Equivalent County Government Employees by Function.....                      | 120     |
| Table 17 | Operating Indicators by Function.....  | 121     |
| Table 18 | Capital Asset Statistics by Function.....  | 122     |

COUNTY OF SHENANDOAH, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012

---

Table of Contents (Continued)

---

COMPLIANCE SECTION

|  | <u>Page</u> |
|--|-------------|
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....          | 123-124     |
| Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133..... | 125-126     |
| Schedule of Expenditures of Federal Awards .....   | 127-128     |
| Notes to the Schedule of Expenditures of Federal Awards .....  | 129         |
| Schedule of Findings and Questioned Costs .....  | 130         |
| Summary Schedule of Prior Audit Findings .....   | 131         |

# **INTRODUCTORY SECTION**

# County of Shenandoah

## BOARD OF SUPERVISORS

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

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



Tel: 540.459.6165 Fax: 540.459.6168  
[www.shenandoahcountyva.us](http://www.shenandoahcountyva.us)

## OFFICE OF COUNTY ADMINISTRATION

DOUGLAS C. WALKER  
COUNTY ADMINISTRATOR

MARY T. PRICE  
ASSISTANT COUNTY ADMINISTRATOR

November 30, 2012

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

The comprehensive annual financial report of the County of Shenandoah for the year ended June 30, 2012 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the County of Shenandoah issue annually a report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants.

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

The accounting firm of Robinson, Farmer, Cox Associates, Certified Public Accountants, have audited the County's financial statements. The goal of the independent audit is to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. This examination was conducted using guidelines set forth by Government Auditing Standards and the Specification for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts. Based upon this audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

### □ The Reporting Entity and Economic Outlook □

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

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

Although a rural county, Shenandoah County's 2012 population was 42,289. Shenandoah County enjoys a diversified economy, with manufacturing accounting for approximately 25% of the jobs in the County. Agriculture accounts for less than 10% of the full time and part time jobs in the County due to the fact that most farmers are self-employed and many have jobs off the farm to supplement their incomes. The ten largest manufacturers employ approximately 5,125 of 13,197 plus workers in the County's labor force and make-up 1.2% of the total local property taxes. The national economy and a slow housing market continue to impact the economy of Shenandoah County during fiscal year 2012. The County housing market has stabilized because of the lower interest rates. Despite the fact that consumer confidence in the economy remained sluggish, sales, hotel, and meals taxes for the County improved slightly over FY11. Unemployment remains near the State average and during the FY12 calendar year Shenandoah County saw unemployment rates decrease from 7.0 percent to 6.6 percent.

### □ Major Initiatives and Goals □

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

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

In 2010, Rappahannock, Shenandoah and Warren Counties formed the RSW Regional Jail Authority. The RSW Jail Authority hired an architectural firm to design a 375 bed regional jail to be constructed on land purchased in Warren County, Virginia. The jail will be funded by a 50 percent match from the Commonwealth of Virginia. The remaining portion will be funded by each locality based on their proportional share of beds utilized. Plans for the jail were completed in the fall of 2011. Application for long term financing was completed during the winter 2011-12 and closing was held in June 2012. Construction began in June 2012 with a completion date of 2015.

Shenandoah County received a PPEA proposal in May 2011 to renovate the old Edinburg School located in Edinburg, Virginia. The proposal would convert the building to a school for students with special needs. Other competitive PPEA proposals were sought in the summer of 2011. The Board of Supervisor accepted the original proposal in the fall of 2011 and began the process to generate construction drawings and cost estimates. Approval for the project was given in the fall of 2012.

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

### □ **Financial Information** □

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

#### **Single Audit**

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

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the system of internal control, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2012 provided no instances of material weaknesses in the system of internal control and no violations of applicable laws and regulations.

#### **Budgeting Controls**

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

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

#### **Relevant financial policies**

The County of Shenandoah, Virginia has adopted a comprehensive set of financial policies. The County has a policy which requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to appropriations and transfers to other funds). As a result of the economic downturn, however, estimated revenues were less than appropriations and transfers to other funds by \$2,077,107. In such cases, the policy allows for appropriation of fund balance to close the gap. However, thanks to measures taken during the year to control expenditures and an increase in certain revenue sources, the County ultimately had to spend only \$545,302 to close the operating deficit for the year.

**Independent Audit**

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

**Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report will meet the Certificate of Achievement Program's requirements and we will submit it to the GFOA to determine its eligibility for the certificate.

**Acknowledgments**

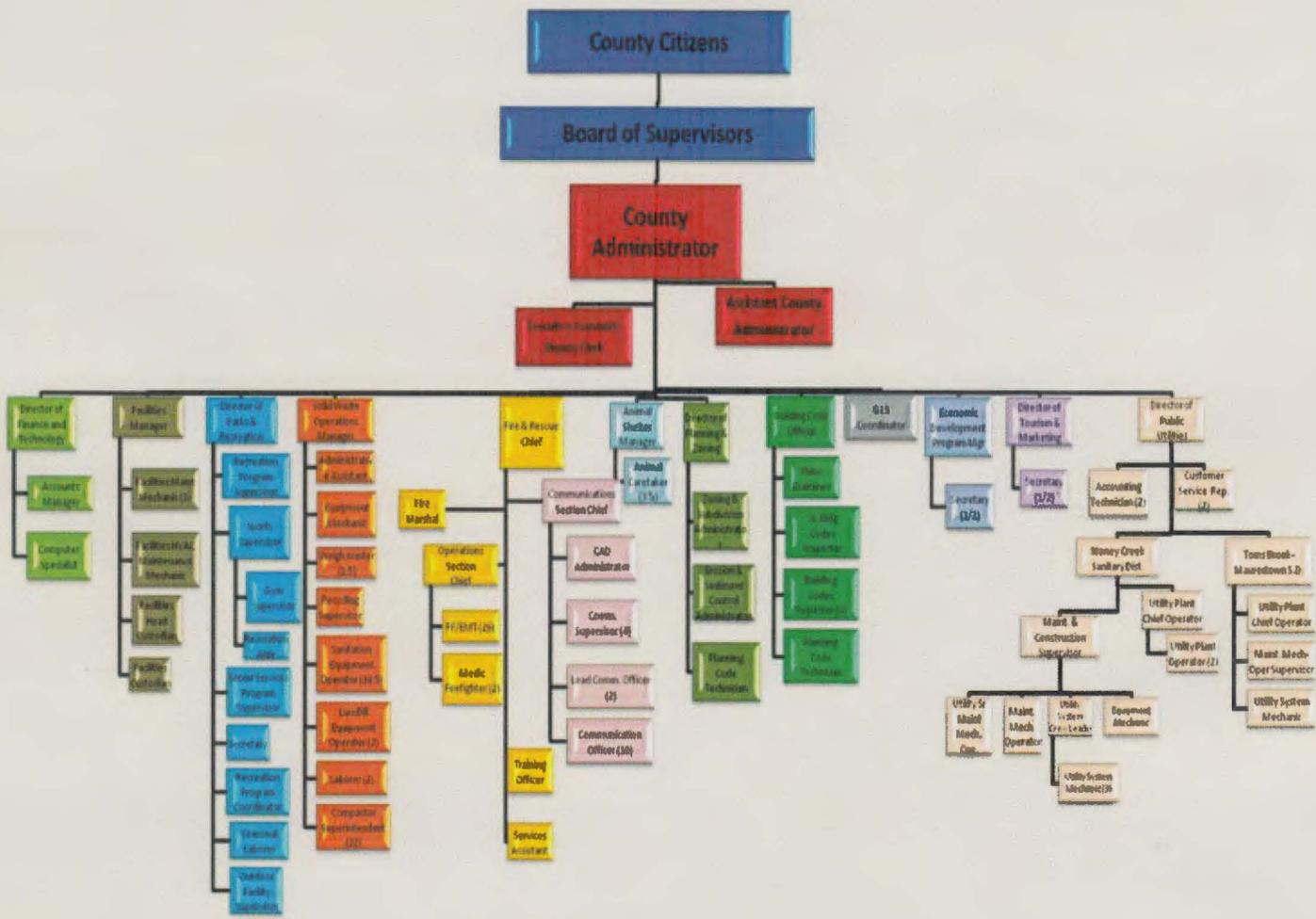
The preparation of this annual financial report could not have been accomplished without the dedicated effort of Douglas Walker, County Administrator, Mary Beth Price, Assistant County Administrator, Cindy George, Treasurer, the School Board and the members of their staffs. We would like to express our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

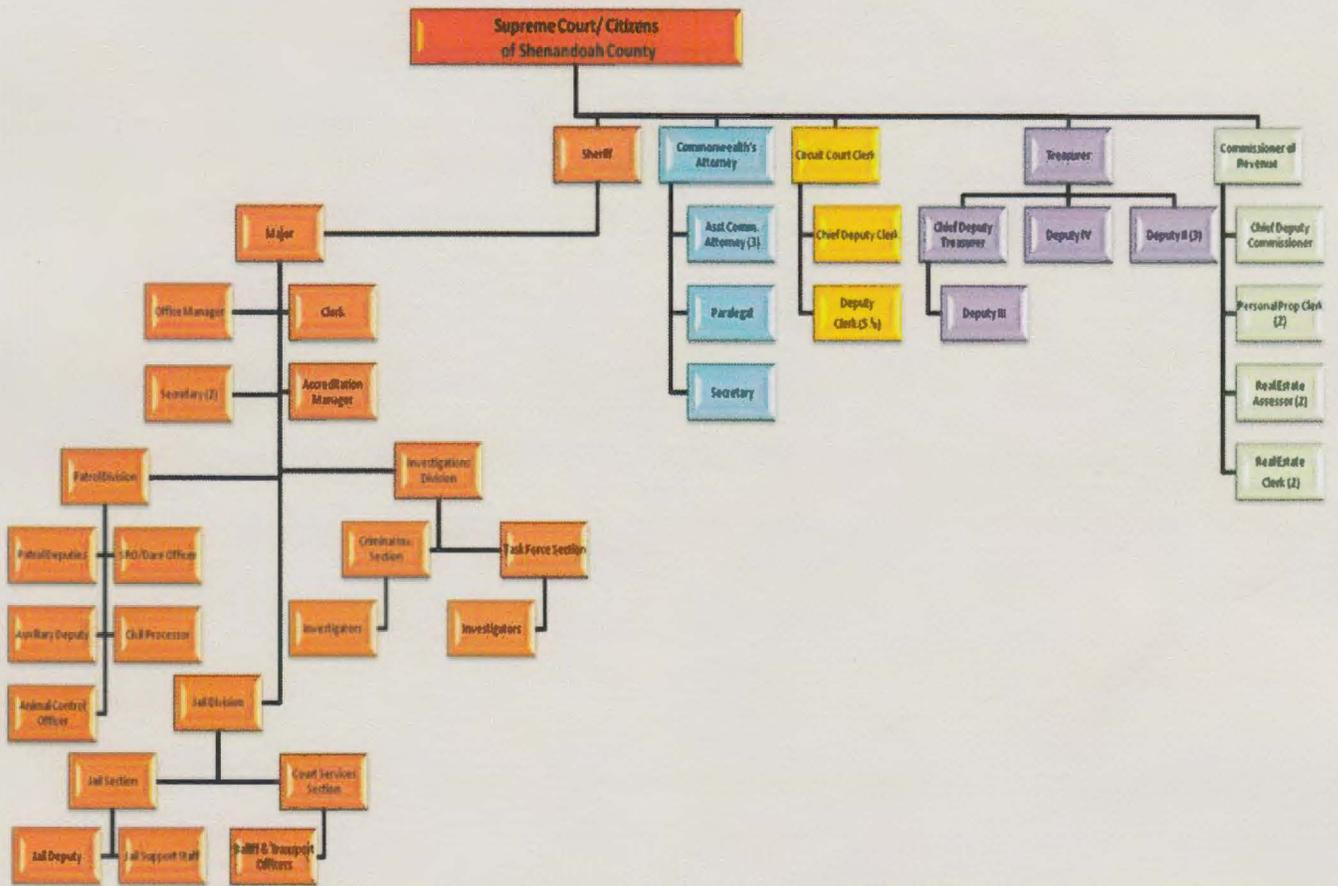
Also, without the leadership and support of the Board of Supervisors, preparation of this report would not have been possible.

Sincerely,



Garland Miller Jr  
Budget Manager





**COUNTY OF SHENANDOAH, VIRGINIA**

---

**BOARD OF SUPERVISORS**

---

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

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

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

**COUNTY SCHOOL BOARD**

---

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

Irving L. Getz  
Karen Whetzel

Kathryn Holsinger  
Sonya Williams-Giersch

**OTHER OFFICIALS**

---

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

**THIS PAGE LEFT BLANK INTENTIONALLY**

# **FINANCIAL SECTION**

---

## INDEPENDENT AUDITORS' REPORT

---

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of and for the year ended June 30, 2012, 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 Shenandoah, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Shenandoah, Virginia, as of June 30, 2012, 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 November 30, 2012, on our consideration of the County of Shenandoah, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Shenandoah, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$17,107,070 (net assets). Of this amount, \$7,456,923 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the County's funds reported combined ending fund balances of \$25,380,918, a decrease of \$6,002,146 in comparison with the prior year. Approximately thirty eight percent of the total amount, \$9,655,914 is available for spending at the Shenandoah's discretion (unreserved fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,655,914 or 19.3% percent of total general fund expenditures.
- The County of Shenandoah, Virginia's total debt decreased by \$1,400,398 during the current fiscal year.

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

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

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

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

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

The statement of net 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 statement of activities presents information showing how the County's nets assets changed during the most 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

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

## **Overview of the Financial Statements (Continued)**

**Fiduciary funds** - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net 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. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

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

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

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

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$17,107,070 at the close of the end of the fiscal year. The County's net assets are divided into three categories: (1) invested in capital assets, net of debt; (2) restricted; and (3) unrestricted.

Shenandoah County's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, represents 33.5 percent of total net assets. The County uses these capital assets to provide services to citizens; therefore these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Government-wide Financial Analysis (Continued)****County of Shenandoah, Virginia's Net Assets**

|   | Governmental Activities |                | Business-type Activities |              | Total          |                |
|---|-------------------------|----------------|--------------------------|--------------|----------------|----------------|
|   | 2012                    | 2011           | 2012                     | 2011         | 2012           | 2011           |
| Current and other assets                        | \$ 47,613,583           | \$ 52,669,503  | \$ 2,518,948             | \$ 2,053,077 | \$ 50,132,531  | \$ 54,722,580  |
| Capital assets                                  | 48,772,234              | 49,534,593     | 9,183,580                | 6,017,370    | 57,955,814     | 55,551,963     |
| Total assets                                    | \$ 96,385,817           | \$ 102,204,096 | \$ 11,702,528            | \$ 8,070,447 | \$ 108,088,345 | \$ 110,274,543 |
| Current liabilities                             | \$ 18,864,938           | \$ 18,962,180  | \$ 627,492               | \$ 557,340   | \$ 19,492,430  | \$ 19,519,520  |
| Long-term liabilities                           | 57,084,096              | 70,446,039     | 14,404,749               | 2,443,204    | 71,488,845     | 72,889,243     |
| Total liabilities                               | \$ 75,949,034           | \$ 89,408,219  | \$ 15,032,241            | \$ 3,000,544 | \$ 90,981,275  | \$ 92,408,763  |
| Net assets:                                     |                         |                |                          |              |                |                |
| Invested in capital assets, net of related debt | \$ (352,810)            | \$ 3,331,416   | \$ 6,106,858             | \$ 3,633,593 | \$ 5,754,048   | \$ 6,965,009   |
| Restricted:                                     |                         |                |                          |              |                |                |
| Debt service                                    | -                       | 692,618        | -                        | -            | -              | 692,618        |
| Asset forfeiture                                | 3,896,099               | 3,680,367      | -                        | -            | 3,896,099      | 3,680,367      |
| Unrestricted                                    | 16,893,494              | 5,091,476      | (9,436,571)              | 1,436,310    | 7,456,923      | 6,527,786      |
| Total net assets                                | \$ 20,436,783           | \$ 12,795,877  | \$ (3,329,713)           | \$ 5,069,903 | \$ 17,107,070  | \$ 17,865,780  |

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

**Governmental Activities** - Governmental activities increased the County's net assets by \$7,640,906. Key elements of this increase are as follows:

**County of Shenandoah, Virginia's Change in Net Assets**

|  | Governmental Activities |               | Business-type Activities |              | Total         |               |
|--|-------------------------|---------------|--------------------------|--------------|---------------|---------------|
|  | 2012                    | 2011          | 2012                     | 2011         | 2012          | 2011          |
| Revenues:  |                         |               |                          |              |               |               |
| Program revenues:                                  |                         |               |                          |              |               |               |
| Charges for services                               | \$ 1,538,496            | \$ 2,751,345  | \$ 2,748,547             | \$ 1,555,987 | \$ 4,287,043  | \$ 4,307,332  |
| Operating grants and contributions                 | 8,043,215               | 8,500,571     | -                        | -            | 8,043,215     | 8,500,571     |
| Capital grants and contributions                   | 1,411,363               | 3,996,634     | 329,067                  | 239,000      | 1,740,430     | 4,235,634     |
| General Revenues:                                  |                         |               |                          |              |               |               |
| Property taxes                                     | 33,793,896              | 31,699,815    | 562,552                  | 561,634      | 34,356,448    | 32,261,449    |
| Other local taxes                                  | 6,638,102               | 6,480,927     | 23,331                   | 19,004       | 6,661,433     | 6,499,931     |
| Other  | 5,196,950               | 6,607,493     | 89,893                   | 139,622      | 5,286,843     | 6,747,115     |
| Total revenues                                     | \$ 56,622,022           | \$ 60,036,785 | \$ 3,753,390             | \$ 2,515,247 | \$ 60,375,412 | \$ 62,552,032 |
| Expenses:  |                         |               |                          |              |               |               |
| General government                                 | \$ 2,714,331            | \$ 2,402,794  | \$ -                     | \$ -         | \$ 2,714,331  | \$ 2,402,794  |
| Judicial administration                            | 1,908,573               | 1,794,214     | -                        | -            | 1,908,573     | 1,794,214     |
| Public safety                                      | 11,627,376              | 11,247,826    | -                        | -            | 11,627,376    | 11,247,826    |
| Public works                                       | 1,840,310               | 4,836,959     | -                        | -            | 1,840,310     | 4,836,959     |
| Health and welfare                                 | 7,462,916               | 6,728,853     | -                        | -            | 7,462,916     | 6,728,853     |
| Education  | 25,310,174              | 24,476,243    | -                        | -            | 25,310,174    | 24,476,243    |
| Parks, recreation and culture                      | 1,528,660               | 1,487,353     | -                        | -            | 1,528,660     | 1,487,353     |
| Community development                              | 745,870                 | 1,606,664     | -                        | -            | 745,870       | 1,606,664     |
| Interest   | 2,845,792               | 2,728,110     | -                        | -            | 2,845,792     | 2,728,110     |
| Business-type activities                           | -                       | -             | 5,150,121                | 2,297,807    | 5,150,121     | 2,297,807     |
| Total expenses                                     | \$ 55,984,002           | \$ 57,309,016 | \$ 5,150,121             | \$ 2,297,807 | \$ 61,134,123 | \$ 59,606,823 |
| Increase (decrease) in net assets before transfers | \$ 638,020              | \$ 2,727,769  | \$ (1,396,731)           | \$ 217,440   | \$ (758,711)  | \$ 2,945,209  |
| Transfers  | 7,002,886               | (343,777)     | (7,002,886)              | 343,777      | -             | -             |
| Increase (decrease) in net assets                  | \$ 7,640,906            | \$ 2,383,992  | \$ (8,399,617)           | \$ 561,217   | \$ (758,711)  | \$ 2,945,209  |
| Net assets beginning                               | 12,795,877              | 10,411,885    | 5,069,904                | 4,508,687    | 17,865,781    | 14,920,572    |
| Net assets-ending                                  | \$ 20,436,783           | \$ 12,795,877 | \$ (3,329,713)           | \$ 5,069,904 | \$ 17,107,070 | \$ 17,865,781 |

- Property taxes increased \$2,094,081 during the year. Real Estate tax rates were increased by \$0.04 in 2012 and therefore June 2012 collections were impacted.
- Other local taxes increased by \$157,175. Seventy-Six percent of this increase resulted from gains in local sales taxes.
- Transfers and the increase (decrease) in net assets were impacted by the creation of the Landfill Enterprise fund which makes and FY11 to FY12 comparison difficult.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-type activities. Business-type activities of the two Sanitary Districts increased the Shenandoah County Government's net assets by \$327,987. This was slightly less more than the \$217,439 from the previous fiscal year. Key elements of this increase are as follows. Stoney Creek Sanitary District maintained the occupancy rates of the units in the Bayse area. Toms Brook Sanitary District continued to have increases in the number of new connections.

Two other enterprise funds are included in the Business-type activities. First is the North Fork Wastewater Treatment Plant and the second is the Landfill Enterprise Fund. In FY11, the North Fork Wastewater Treatment Plant fund was created and the shift of generated an increase in assets. In FY12 this fund experienced a decrease in assets of \$37,297. The landfill enterprise fund was created in FY12 in response to the leachate line project. The creation of this fund required significant changes to the financials as assets moved from the general fund to the landfill fund. The landfill had a negative impact on business-type activities of \$8,690,307, however, the general fund assets would benefit from this transfer.

### **Financial Analysis of the County's Funds**

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$25,380,918. Approximately thirty eight percent of the total fund balance, \$9,655,914 constitutes unassigned fund balance, which is available for spending at the County's discretion. An additional \$8,046,955 is assigned in the major capital project fund for emergencies but not committed, which would bring the total available to \$17,702,869. The remainder of fund balance is reserved to indicate that is not available for new spending because it is committed to various County projects.

The general fund is the operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,655,914, while the total fund balance was \$14,689,016. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.3 percent of total general fund expenditures, while total fund balance represents 29.3 percent of that same amount.

The general fund balance decreased \$545,302 during the current fiscal year.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$ 4,281,677 increase in appropriations) and can be briefly summarized as follows:

- \$302,804 increase in public works expenditures, two-thirds of this increase was to pay off capital leases.
- \$ 24,592 increase in judicial administration expenditures.
- \$719,334 increase in public safety expenditures from Department of Justice grant, funding for roadside safety checks and to pay off capital leases.
- \$494,966 increase capital projects, funding for an Industrial Access Road funds and a TEA/21 grant.

## Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds as of June 30, 2012 amounts to \$48,772,234 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment. The total of the County's investment in capital assets for the current fiscal year decreased \$762,359.

### County of Shenandoah, Virginia's Capital Assets

|                           | <u>Governmental Activities</u> |                      | <u>Business-type Activities</u> |                      | <u>Total</u>         |                      |
|---------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                           | <u>2012</u>                    | <u>2011</u>          | <u>2012</u>                     | <u>2011</u>          | <u>2012</u>          | <u>2011</u>          |
| Land                      | \$ 1,008,987                   | \$ 1,606,239         | \$ 503,500                      | \$ 126,248           | \$ 1,512,487         | \$ 1,732,487         |
| Building and improvements | 46,058,747                     | 51,796,135           | -                               | -                    | 46,058,747           | 51,796,135           |
| Utility plant in service  | -                              | -                    | 25,659,531                      | 16,859,570           | 25,659,531           | 16,859,570           |
| Equipment                 | 7,178,884                      | 10,873,674           | -                               | -                    | 7,178,884            | 10,873,674           |
| Construction in progress  | 6,944,988                      | 2,022,678            | 470,073                         | 659,272              | 7,415,061            | 2,681,950            |
| Subtotal                  | <u>\$ 61,191,606</u>           | <u>\$ 66,298,726</u> | <u>\$ 26,633,104</u>            | <u>\$ 17,645,090</u> | <u>\$ 87,824,710</u> | <u>\$ 83,943,816</u> |
| Less:                     |                                |                      |                                 |                      |                      |                      |
| accumulated depreciation  | <u>(12,419,372)</u>            | <u>(16,764,133)</u>  | <u>(17,449,524)</u>             | <u>(11,627,720)</u>  | <u>(29,868,896)</u>  | <u>(28,391,853)</u>  |
| Net capital assets        | <u>\$ 48,772,234</u>           | <u>\$ 49,534,593</u> | <u>\$ 9,183,580</u>             | <u>\$ 6,017,370</u>  | <u>\$ 57,955,814</u> | <u>\$ 55,551,963</u> |

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$57,084,096. The bonded debt outstanding comprises debt backed by the full faith and credit of the County.

During the current fiscal year, the County's general fund debt decreased by \$13,361,943. The majority of this was the result of moving \$10,683,371 for landfill closures and post closure care to business type activities when the landfill enterprise fund was created. In total, the County's debt decreased by \$1,400,398.

Additional information on the County of Shenandoah, Virginia's long-term debt can be found in Note 11 of this report.

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

- The June 2012 unemployment rate for the County was 6.6 percent, which is a decrease from a rate of 7.0 percent in June 2011. This compares favorably to the region's average unemployment rate of 6.5, the state average of 6.0 percent and the national average rate of 8.4 percent
- Despite low interest rates for home mortgages, the residential building market has stabilized but well below the peak years of 2006 and 2007.

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

The proposed FY13 general fund budget was \$52,729,069. Of this amount, \$29,596,792 (56.1%) was transferred to Public Schools, Social Services, Comprehensive Service Act and Debt Service. Total appropriations were \$100,329,348 which includes additional revenue to Public Schools, Social Services and Comprehensive Service Act not part of the general fund. The budget reflects a plan to balance increasing needs in a year of declining or stagnant revenues. It is well documented that significant portions of the state's budget woes have been passed onto the localities.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



COUNTY OF SHENANDOAH, VIRGINIA  
Statement of Net Assets  
June 30, 2012

Exhibit 1

|  | Primary Government |                |                | Component Units |            |
|--|--------------------|----------------|----------------|-----------------|------------|
|  | Governmental       | Business-type  | Total          | School Board    | Library    |
|  | Activities         | Activities     |                |                 |            |
| <b>ASSETS</b>                                      |                    |                |                |                 |            |
| Cash and cash equivalents                          | \$ 19,309,238      | \$ 1,610,918   | \$ 20,920,156  | \$ 6,353,956    | \$ 293,322 |
| Cash in custody of others                          | 12,175             | -              | 12,175         | -               | 10,623     |
| Restricted assets-customer deposits                | -                  | 16,250         | 16,250         | -               | -          |
| Receivables (net of allowance for uncollectibles): |                    |                |                |                 |            |
| Taxes receivable                                   | 19,653,420         | 437,094        | 20,090,514     | -               | -          |
| Accounts receivable                                | 819,959            | 317,980        | 1,137,939      | 1,254,159       | 7,927      |
| Internal balances                                  | 3,997              | (3,997)        | -              | -               | -          |
| Due from component unit                            | 2,761,810          | -              | 2,761,810      | -               | -          |
| Due from other governmental units                  | 1,749,056          | -              | 1,749,056      | 1,305,165       | -          |
| Inventories  | -                  | -              | -              | 81,355          | -          |
| Prepaid items                                      | 88,905             | 46,075         | 134,980        | 10,051          | 8,026      |
| Deposits   | -                  | -              | -              | 5,000           | -          |
| Restricted assets:                                 |                    |                |                |                 |            |
| Temporarily restricted:                            |                    |                |                |                 |            |
| Cash and cash equivalents                          | 2,887,739          | 60,639         | 2,948,378      | -               | -          |
| Bond issue costs (net of amortization)             | 327,284            | 33,989         | 361,273        | -               | -          |
| Capital assets (net of accumulated depreciation):  |                    |                |                |                 |            |
| Land   | 1,008,987          | 503,500        | 1,512,487      | 6,165,275       | -          |
| Buildings  | 38,176,493         | 1,251,000      | 39,427,493     | 35,040,486      | 215,670    |
| Wells, lines, reservoirs                           | -                  | 3,233,556      | 3,233,556      | -               | -          |
| Machinery and equipment                            | 2,641,766          | 3,725,451      | 6,367,217      | 771,126         | 18,240     |
| Construction in progress                           | 6,944,988          | 470,073        | 7,415,061      | -               | -          |
| Total assets                                       | \$ 96,385,817      | \$ 11,702,528  | \$ 108,088,345 | \$ 50,986,573   | \$ 553,808 |
| <b>LIABILITIES</b>                                 |                    |                |                |                 |            |
| Accounts payable and accrued liabilities           | \$ 1,057,971       | \$ 318,057     | \$ 1,376,028   | \$ 5,277,209    | \$ 431     |
| Accrued interest payable                           | 668,353            | 14,788         | 683,141        | -               | -          |
| Due to primary government                          | -                  | -              | -              | 2,761,810       | -          |
| Unearned revenue                                   | 17,138,614         | 278,397        | 17,417,011     | -               | -          |
| Deposits payable                                   | -                  | 16,250         | 16,250         | -               | -          |
| Long-term liabilities:                             |                    |                |                |                 |            |
| Due within one year                                | 4,196,942          | 293,601        | 4,490,543      | 220,193         | -          |
| Due in more than one year                          | 52,887,154         | 14,111,148     | 66,998,302     | 1,914,579       | -          |
| Total liabilities                                  | \$ 75,949,034      | \$ 15,032,241  | \$ 90,981,275  | \$ 10,173,791   | \$ 431     |
| <b>NET ASSETS</b>                                  |                    |                |                |                 |            |
| Invested in capital assets, net of related debt    | \$ (352,810)       | \$ 6,106,858   | \$ 5,754,048   | \$ 41,976,887   | \$ 233,910 |
| Restricted for:                                    |                    |                |                |                 |            |
| Asset forfeiture                                   | 3,896,099          | -              | 3,896,099      | -               | -          |
| Unrestricted (deficit)                             | 16,893,494         | (9,436,571)    | 7,456,923      | (1,164,105)     | 319,467    |
| Total net assets                                   | \$ 20,436,783      | \$ (3,329,713) | \$ 17,107,070  | \$ 40,812,782   | \$ 553,377 |

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

COUNTY OF SHENANDOAH, VIRGINIA  
Statement of Activities  
For the Year Ended June 30, 2012

| <u>Functions/Programs</u>               | <u>Expenses</u> | <u>Program Revenues</u>     |   |   |
|---|-----------------|-----------------------------|---|---|
|   |                 | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| <b>PRIMARY GOVERNMENT:</b>              |                 |                             |   |   |
| Governmental activities:                |                 |                             |   |   |
| General government administration       | \$ 2,714,331    | \$ 41,362                   | \$ 289,417                                | \$ -                                    |
| Judicial administration                 | 1,908,573       | 258,918                     | 598,445                                   | -                                       |
| Public safety                           | 11,627,376      | 73,224                      | 3,099,582                                 | 783,348                                 |
| Public works                            | 1,840,310       | -                           | 15,317                                    | 52,557                                  |
| Health and welfare                      | 7,462,916       | -                           | 4,031,093                                 | -                                       |
| Education                               | 25,310,174      | 388,851                     | -   | -                                       |
| Parks, recreation, and cultural         | 1,528,660       | 454,494                     | 9,361                                     | -                                       |
| Community development                   | 745,870         | 321,647                     | -   | 575,458                                 |
| Interest on long-term debt              | 2,845,792       | -                           | -   | -                                       |
| Total governmental activities           | \$ 55,984,002   | \$ 1,538,496                | \$ 8,043,215                              | \$ 1,411,363                            |
| Business-type activities:               |                 |                             |   |   |
| Stoney Creek Sanitary District          | \$ 1,447,136    | \$ 938,358                  | \$ -                                      | \$ 80,567                               |
| Toms Brook Maurertown Sanitary District | 764,205         | 596,127                     | -   | 248,500                                 |
| North Fork Wastewater                   | 169,990         | 132,693                     | -   | -                                       |
| Landfill                                | 2,768,790       | 1,081,369                   | -   | -                                       |
| Total business-type activities          | 5,150,121       | 2,748,547                   | -   | 329,067                                 |
| Total primary government                | \$ 61,134,123   | \$ 4,287,043                | \$ 8,043,215                              | \$ 1,740,430                            |
| <b>COMPONENT UNITS:</b>                 |                 |                             |   |   |
| School Board                            | \$ 59,584,911   | \$ 2,944,580                | \$ 32,265,055                             | \$ 471,198                              |
| Library                                 | 807,648         | 32,070                      | 781,925                                   | -                                       |
| Total component units                   | \$ 60,392,559   | \$ 2,976,650                | \$ 33,046,980                             | \$ 471,198                              |

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

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

| Net (Expense) Revenue and<br>Changes in Net Assets |                             |                        |                        |                   |  |
|--|-----------------------------|------------------------|------------------------|-------------------|--|
| Primary Government                                 |                             |                        | Component Units        |                   |  |
| Governmental<br>Activities                         | Business-type<br>Activities | Total                  | School Board           | Library           |  |
| \$ (2,383,552)                                     | \$ -                        | \$ (2,383,552)         | \$ -                   | \$ -              |  |
| (1,051,210)  | -                           | (1,051,210)            | -                      | -                 |  |
| (7,671,222)  | -                           | (7,671,222)            | -                      | -                 |  |
| (1,772,436)  | -                           | (1,772,436)            | -                      | -                 |  |
| (3,431,823)  | -                           | (3,431,823)            | -                      | -                 |  |
| (24,921,323)                                       | -                           | (24,921,323)           | -                      | -                 |  |
| (1,064,805)  | -                           | (1,064,805)            | -                      | -                 |  |
| 151,235  | -                           | 151,235                | -                      | -                 |  |
| (2,845,792)  | -                           | (2,845,792)            | -                      | -                 |  |
| <u>\$ (44,990,928)</u>                             | <u>\$ -</u>                 | <u>\$ (44,990,928)</u> | <u>\$ -</u>            | <u>\$ -</u>       |  |
| \$ -   | \$ (428,211)                | \$ (428,211)           | \$ -                   | \$ -              |  |
| -  | 80,422                      | 80,422                 | -                      | -                 |  |
| -  | (37,297)                    | (37,297)               | -                      | -                 |  |
| -  | (1,687,421)                 | (1,687,421)            | -                      | -                 |  |
| -  | (2,072,507)                 | (2,072,507)            | -                      | -                 |  |
| <u>\$ (44,990,928)</u>                             | <u>\$ (2,072,507)</u>       | <u>\$ (47,063,435)</u> | <u>\$ -</u>            | <u>\$ -</u>       |  |
| \$ -   | \$ -                        | \$ -                   | \$ (23,904,078)        | \$ -              |  |
| -  | -                           | -                      | -                      | 6,347             |  |
| <u>\$ -</u>  | <u>\$ -</u>                 | <u>\$ -</u>            | <u>\$ (23,904,078)</u> | <u>\$ 6,347</u>   |  |
| \$ 33,793,896                                      | \$ 562,552                  | \$ 34,356,448          | \$ -                   | \$ -              |  |
| 3,168,917  | -                           | 3,168,917              | -                      | -                 |  |
| 1,962,053  | -                           | 1,962,053              | -                      | -                 |  |
| 826,120  | -                           | 826,120                | -                      | -                 |  |
| 258,430  | -                           | 258,430                | -                      | -                 |  |
| 164,242  | -                           | 164,242                | -                      | -                 |  |
| 258,340  | 23,331                      | 281,671                | 1,806                  | 69                |  |
| 1,237,842  | 89,893                      | 1,327,735              | 282,112                | 6,428             |  |
| 3,959,108  | -                           | 3,959,108              | 24,624,435             | 5,317             |  |
| 7,002,886  | (7,002,886)                 | -                      | -                      | -                 |  |
| <u>\$ 52,631,834</u>                               | <u>\$ (6,327,110)</u>       | <u>\$ 46,304,724</u>   | <u>\$ 24,908,353</u>   | <u>\$ 11,814</u>  |  |
| \$ 7,640,906                                       | \$ (8,399,617)              | \$ (758,711)           | \$ 1,004,275           | \$ 18,161         |  |
| 12,795,877   | 5,069,904                   | 17,865,781             | 39,808,507             | 535,216           |  |
| <u>\$ 20,436,783</u>                               | <u>\$ (3,329,713)</u>       | <u>\$ 17,107,070</u>   | <u>\$ 40,812,782</u>   | <u>\$ 553,377</u> |  |

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **FUND FINANCIAL STATEMENTS**

COUNTY OF SHENANDOAH, VIRGINIA  
 Balance Sheet  
 Governmental Funds  
 June 30, 2012

Exhibit 3

|  | Primary Government   |                      |                      |                          |
|--|----------------------|----------------------|----------------------|--------------------------|
|  | General              | Capital Projects     | Total Nonmajor Funds | Total Governmental Funds |
| <b>ASSETS</b>                                      |                      |                      |                      |                          |
| Cash and cash equivalents                          | \$ 11,101,556        | \$ 8,071,116         | \$ 136,566           | \$ 19,309,238            |
| Cash in custody of others                          | 12,175               | -                    | -                    | 12,175                   |
| Receivables (net of allowance for uncollectibles): |                      |                      |                      |                          |
| Taxes receivable                                   | 19,653,420           | -                    | -                    | 19,653,420               |
| Accounts receivable                                | 817,329              | -                    | 2,630                | 819,959                  |
| Due from other funds                               | 119,901              | -                    | -                    | 119,901                  |
| Due from component unit                            | 2,761,810            | -                    | -                    | 2,761,810                |
| Due from other governmental units                  | 1,749,056            | -                    | -                    | 1,749,056                |
| Prepaid items                                      | 88,905               | -                    | -                    | 88,905                   |
| Restricted assets:                                 |                      |                      |                      |                          |
| Temporarily restricted:                            |                      |                      |                      |                          |
| Cash and cash equivalents                          | 381,988              | 2,505,751            | -                    | 2,887,739                |
| <b>Total assets</b>                                | <b>\$ 36,686,140</b> | <b>\$ 10,576,867</b> | <b>\$ 139,196</b>    | <b>\$ 47,402,203</b>     |
| <b>LIABILITIES AND FUND BALANCES</b>               |                      |                      |                      |                          |
| Liabilities:                                       |                      |                      |                      |                          |
| Accounts payable and accrued liabilities           | \$ 1,033,810         | \$ 24,161            | \$ -                 | \$ 1,057,971             |
| Due to other funds                                 | 115,904              | -                    | -                    | 115,904                  |
| Deferred revenue                                   | 20,847,410           | -                    | -                    | 20,847,410               |
| <b>Total liabilities</b>                           | <b>\$ 21,997,124</b> | <b>\$ 24,161</b>     | <b>\$ -</b>          | <b>\$ 22,021,285</b>     |
| Fund balances:                                     |                      |                      |                      |                          |
| Nonspendable                                       | \$ 88,905            | \$ -                 | \$ -                 | \$ 88,905                |
| Restricted   | 3,896,099            | 2,505,751            | -                    | 6,401,850                |
| Committed  | 5,035                | -                    | 39,303               | 44,338                   |
| Assigned   | 1,043,063            | 8,046,955            | 99,893               | 9,189,911                |
| Unassigned   | 9,655,914            | -                    | -                    | 9,655,914                |
| <b>Total fund balances</b>                         | <b>\$ 14,689,016</b> | <b>\$ 10,552,706</b> | <b>\$ 139,196</b>    | <b>\$ 25,380,918</b>     |
| <b>Total liabilities and fund balances</b>         | <b>\$ 36,686,140</b> | <b>\$ 10,576,867</b> | <b>\$ 139,196</b>    | <b>\$ 47,402,203</b>     |

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

COUNTY OF SHENANDOAH, VIRGINIA  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
June 30, 2012

---

Exhibit 4

Primary  
Government

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

|  |    |                     |
|--|----|---------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds   | \$ | 25,380,918          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                    |    | 48,772,234          |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.                   |    | 4,036,080           |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. |    | <u>(57,752,449)</u> |
| Net assets of governmental activities  | \$ | <u>20,436,783</u>   |

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

COUNTY OF SHENANDOAH, VIRGINIA  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

Exhibit 5

|   | Primary Government |                |                  |                      |                          |
|---|--------------------|----------------|------------------|----------------------|--------------------------|
|   | General            | Debt Service   | Capital Projects | Total Nonmajor Funds | Total Governmental Funds |
| <b>REVENUES</b>   |                    |                |                  |                      |                          |
| General property taxes                                    | \$ 33,009,862      | \$ -           | \$ -             | \$ -                 | \$ 33,009,862            |
| Other local taxes   | 6,379,762          | -              | -                | -                    | 6,379,762                |
| Permits, privilege fees, and regulatory licenses          | 321,647            | -              | -                | -                    | 321,647                  |
| Fines and forfeitures                                     | 77,345             | -              | -                | -                    | 77,345                   |
| Revenue from the use of money and property                | 243,014            | -              | 15,316           | 10                   | 258,340                  |
| Charges for services                                      | 1,095,074          | -              | -                | 44,430               | 1,139,504                |
| Miscellaneous   | 682,571            | 552,582        | -                | 2,689                | 1,237,842                |
| Recovered costs   | 276,297            | -              | -                | -                    | 276,297                  |
| Intergovernmental revenues:                               |                    |                |                  |                      |                          |
| Commonwealth  | 9,948,179          | -              | -                | -                    | 9,948,179                |
| Federal   | 3,355,382          | -              | 110,126          | -                    | 3,465,508                |
| Total revenues  | \$ 55,389,133      | \$ 552,582     | \$ 125,442       | \$ 47,129            | \$ 56,114,286            |
| <b>EXPENDITURES</b>                                       |                    |                |                  |                      |                          |
| Current:  |                    |                |                  |                      |                          |
| General government administration                         | \$ 2,435,352       | \$ -           | \$ -             | \$ -                 | \$ 2,435,352             |
| Judicial administration                                   | 1,685,561          | -              | -                | -                    | 1,685,561                |
| Public safety   | 11,645,005         | -              | -                | -                    | 11,645,005               |
| Public works  | 1,100,767          | -              | -                | -                    | 1,100,767                |
| Health and welfare  | 6,876,762          | -              | -                | -                    | 6,876,762                |
| Education   | 22,090,351         | -              | -                | -                    | 22,090,351               |
| Parks, recreation, and cultural                           | 1,439,274          | -              | -                | 47,945               | 1,487,219                |
| Community development                                     | 953,673            | -              | -                | -                    | 953,673                  |
| Nondepartmental   | 133,482            | -              | -                | -                    | 133,482                  |
| Capital projects  | 1,314,131          | -              | 5,314,244        | -                    | 6,628,375                |
| Debt service:   |                    |                |                  |                      |                          |
| Principal retirement                                      | 445,600            | 6,730,459      | -                | -                    | 7,176,059                |
| Interest and other fiscal charges                         | 29,618             | 2,771,236      | -                | -                    | 2,800,854                |
| Bond issuance costs                                       | -                  | 57,604         | -                | -                    | 57,604                   |
| Total expenditures  | \$ 50,149,576      | \$ 9,559,299   | \$ 5,314,244     | \$ 47,945            | \$ 65,071,064            |
| Excess (deficiency) of revenues over (under) expenditures | \$ 5,239,557       | \$ (9,006,717) | \$ (5,188,802)   | \$ (816)             | \$ (8,956,778)           |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                    |                |                  |                      |                          |
| Transfers in  | \$ -               | \$ 5,252,205   | \$ 572,891       | \$ 36,614            | \$ 5,861,710             |
| Transfers out   | (6,315,727)        | -              | (303,840)        | (572,891)            | (7,192,458)              |
| Issuance of general obligation bonds                      | -                  | 3,255,000      | -                | -                    | 3,255,000                |
| Premium on refunding bonds issued                         | -                  | 499,512        | -                | -                    | 499,512                  |
| Capital lease   | 530,868            | -              | -                | -                    | 530,868                  |
| Total other financing sources and (uses)                  | \$ (5,784,859)     | \$ 9,006,717   | \$ 269,051       | \$ (536,277)         | \$ 2,954,632             |
| Net change in fund balances                               | \$ (545,302)       | \$ -           | \$ (4,919,751)   | \$ (537,093)         | \$ (6,002,146)           |
| Fund balances - beginning                                 | 15,234,318         | -              | 15,472,457       | 676,289              | 31,383,064               |
| Fund balances - ending                                    | \$ 14,689,016      | \$ -           | \$ 10,552,706    | \$ 139,196           | \$ 25,380,918            |

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

COUNTY OF SHENANDOAH, VIRGINIA  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2012

Exhibit 6

|  | <u>Primary<br/>Government</u> |
|--|-------------------------------|
| Amounts reported for governmental activities in the statement of activities are different because:   |                               |
| Net change in fund balances - total governmental funds   | \$ (6,002,146)                |
| 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.  | 1,667,328                     |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   | 784,034                       |
| 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. | 2,679,914                     |
| 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.   | 178,142                       |
| On June 30, 2012, the general fund transferred capital assets and long-term debt to the newly created landfill fund. However, capital assets and long-term debt are not reported in governmental funds. As a result, this amount represents the net effect of the transfers of capital assets and long-term debt to the business-type activities.  | <u>8,333,634</u>              |
| Change in net assets of governmental activities  | <u>\$ 7,640,906</u>           |

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

|   | Enterprise Funds                  |  |                          |                | Total          |
|---|-----------------------------------|--|--------------------------|----------------|----------------|
|   | Stoney Creek<br>Sanitary District | Toms Brook<br>Mauretown<br>Sanitary District | North Fork<br>Wastewater | Landfill       |                |
| <b>ASSETS</b>   |                                   |  |                          |                |                |
| Current assets:   |                                   |  |                          |                |                |
| Cash and cash equivalents                                 | \$ 641,350                        | \$ 811,601                                   | \$ 157,967               | \$ -           | \$ 1,610,918   |
| Restricted assets-customer deposits                       | 6,400                             | 9,850  | -                        | -              | 16,250         |
| Taxes receivable, net of allowances for uncollectibles    | 401,526                           | 35,568                                       | -                        | -              | 437,094        |
| Accounts receivable, net of allowances for uncollectibles | 153,575                           | 54,782                                       | -                        | 109,623        | 317,980        |
| Due from other funds                                      | 105,781                           | 10,677                                       | -                        | -              | 116,458        |
| Prepaid items   | 35,142                            | 10,933                                       | -                        | -              | 46,075         |
| Total current assets                                      | \$ 1,343,774                      | \$ 933,411                                   | \$ 157,967               | \$ 109,623     | \$ 2,544,775   |
| Noncurrent assets:  |                                   |  |                          |                |                |
| Designated cash-septage                                   | \$ -                              | \$ 60,639                                    | \$ -                     | \$ -           | \$ 60,639      |
| Bond issue costs, net of amortization                     | -                                 | 33,989                                       | -                        | -              | 33,989         |
| Capital assets (net of accumulated depreciation):         |                                   |  |                          |                |                |
| Land  | 37,251                            | 84,047                                       | 4,950                    | 377,252        | 503,500        |
| Buildings   | 26,306                            | 41,869                                       | 35,512                   | 1,147,313      | 1,251,000      |
| Wells, lines, reservoirs                                  | 2,034,790                         | 1,198,766                                    | -                        | -              | 3,233,556      |
| Machinery and equipment                                   | 1,015,434                         | 803,688                                      | 1,354,667                | 551,662        | 3,725,451      |
| Construction in progress                                  | 100,428                           | -  | -                        | 369,645        | 470,073        |
| Total noncurrent assets                                   | \$ 3,214,209                      | \$ 2,222,998                                 | \$ 1,395,129             | \$ 2,445,872   | \$ 9,278,208   |
| Total assets  | \$ 4,557,983                      | \$ 3,156,409                                 | \$ 1,553,096             | \$ 2,555,495   | \$ 11,822,983  |
| <b>LIABILITIES</b>  |                                   |  |                          |                |                |
| Current liabilities:                                      |                                   |  |                          |                |                |
| Accounts payable and accrued liabilities                  | \$ 242,720                        | \$ 61,261                                    | \$ -                     | \$ 14,076      | \$ 318,057     |
| Accrued interest payable                                  | 13,125                            | 1,663  | -                        | -              | 14,788         |
| Due to other funds  | -                                 | 120,455                                      | -                        | -              | 120,455        |
| Unearned revenue  | 252,053                           | 26,344                                       | -                        | -              | 278,397        |
| Deposits payable  | 6,400                             | 9,850  | -                        | -              | 16,250         |
| Long-term liabilities:                                    |                                   |  |                          |                |                |
| Due within one year                                       | 237,858                           | 40,441                                       | -                        | 15,302         | 293,601        |
| Due in more than one year                                 | 922,403                           | 725,705                                      | 1,246,616                | 11,216,424     | 14,111,148     |
| Total liabilities   | \$ 1,674,559                      | \$ 985,719                                   | \$ 1,246,616             | \$ 11,245,802  | \$ 15,152,696  |
| <b>NET ASSETS</b>   |                                   |  |                          |                |                |
| Invested in capital assets, net of related debt           | \$ 2,129,907                      | \$ 1,382,566                                 | \$ 148,513               | \$ 2,445,872   | \$ 6,106,858   |
| Unrestricted  | 753,517                           | 788,124                                      | 157,967                  | (11,136,179)   | (9,436,571)    |
| Total net assets  | \$ 2,883,424                      | \$ 2,170,690                                 | \$ 306,480               | \$ (8,690,307) | \$ (3,329,713) |

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

COUNTY OF SHENANDOAH, VIRGINIA  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

Exhibit 8

|   | Enterprise Funds                  |   |                          |                |                |
|---|-----------------------------------|---|--------------------------|----------------|----------------|
|   | Stoney Creek<br>Sanitary District | Toms Brook<br>Maurertown<br>Sanitary District | North Fork<br>Wastewater | Landfill       | Total          |
| <b>OPERATING REVENUES</b>                                 |                                   |   |                          |                |                |
| Charges for services:                                     |                                   |   |                          |                |                |
| Water sales   | \$ 413,469                        | \$ 222,796                                    | \$ -                     | \$ -           | \$ 636,265     |
| Sewer sales   | 524,889                           | 349,952                                       | -                        | -              | 874,841        |
| Septage income  | -                                 | 23,379  | 132,693                  | -              | 156,072        |
| Waste collection charges                                  | -                                 | -   | -                        | 1,081,369      | 1,081,369      |
| Total operating revenues                                  | \$ 938,358                        | \$ 596,127                                    | \$ 132,693               | \$ 1,081,369   | \$ 2,748,547   |
| <b>OPERATING EXPENSES</b>                                 |                                   |   |                          |                |                |
| Treatment and purification                                | \$ 460,664                        | \$ 211,742                                    | \$ -                     | \$ -           | \$ 672,406     |
| Maintenance   | 179,359                           | 109,430                                       | 101,652                  | -              | 390,441        |
| Administration  | 445,074                           | 160,516                                       | -                        | -              | 605,590        |
| Other   | 39,571                            | 85,618  | 31,041                   | -              | 156,230        |
| Refuse collection   | -                                 | -   | -                        | 793,313        | 793,313        |
| Refuse disposal   | -                                 | -   | -                        | 1,195,017      | 1,195,017      |
| Depreciation and amortization                             | 267,964                           | 161,680                                       | 37,297                   | 314,635        | 781,576        |
| Total operating expenses                                  | \$ 1,392,632                      | \$ 728,986                                    | \$ 169,990               | \$ 2,302,965   | \$ 4,594,573   |
| Operating income (loss)                                   | \$ (454,274)                      | \$ (132,859)                                  | \$ (37,297)              | \$ (1,221,596) | \$ (1,846,026) |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                   |                                   |   |                          |                |                |
| General property taxes                                    | \$ 510,770                        | \$ 51,782                                     | \$ -                     | \$ -           | \$ 562,552     |
| Investment earnings                                       | 15,894                            | 7,437   | -                        | -              | 23,331         |
| Other   | 71,435                            | 18,458  | -                        | -              | 89,893         |
| Interest expense  | (54,504)                          | (35,219)                                      | -                        | -              | (89,723)       |
| Landfill closure expense                                  | -                                 | -   | -                        | (465,825)      | (465,825)      |
| Total nonoperating revenues (expenses)                    | \$ 543,595                        | \$ 42,458                                     | \$ -                     | \$ (465,825)   | \$ 120,228     |
| Income before contributions and transfers                 | \$ 89,321                         | \$ (90,401)                                   | \$ (37,297)              | \$ (1,687,421) | \$ (1,725,798) |
| Capital contributions                                     | \$ 80,567                         | \$ 248,500                                    | \$ -                     | \$ -           | \$ 329,067     |
| Contributed capital (assumption of liabilities) (Note 22) | -                                 | -   | -                        | (8,333,634)    | (8,333,634)    |
| Transfers in  | -                                 | -   | -                        | 1,330,748      | 1,330,748      |
| Change in net assets                                      | \$ 169,888                        | \$ 158,099                                    | \$ (37,297)              | \$ (8,690,307) | \$ (8,399,617) |
| Total net assets - beginning                              | \$ 2,713,536                      | \$ 2,012,591                                  | \$ 343,777               | \$ -           | \$ 5,069,904   |
| Total net assets - ending                                 | \$ 2,883,424                      | \$ 2,170,690                                  | \$ 306,480               | \$ (8,690,307) | \$ (3,329,713) |

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

|   | Enterprise Funds                  |   |                          |                |                |
|---|-----------------------------------|---|--------------------------|----------------|----------------|
|   | Stoney Creek<br>Sanitary District | Toms Brook<br>Maurertown<br>Sanitary District | North Fork<br>Wastewater | Landfill       | Total          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                                   |   |                          |                |                |
| Receipts from customers and users   | \$ 934,939                        | \$ 588,796                                    | \$ 132,693               | \$ 971,746     | \$ 2,628,174   |
| Payments to suppliers   | (161,093)                         | (232,175)                                     | (132,693)                | (783,732)      | (1,309,693)    |
| Payments to employees   | (771,994)                         | (296,912)                                     | -                        | (1,187,942)    | (2,256,848)    |
| Net cash provided (used for) operating activities   | \$ 1,852                          | \$ 59,709                                     | \$ -                     | \$ (999,928)   | \$ (938,367)   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                                   |   |                          |                |                |
| Transfers from other funds  | \$ -                              | \$ -  | \$ -                     | \$ 1,330,748   | \$ 1,330,748   |
| General property taxes  | 473,056                           | 48,734  | -                        | -              | 521,790        |
| Other income  | 69,928                            | 18,458  | -                        | -              | 88,386         |
| Net cash provided (used for) noncapital financing activities                                  | \$ 542,984                        | \$ 67,192                                     | \$ -                     | \$ 1,330,748   | \$ 1,940,924   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                               |                                   |   |                          |                |                |
| Acquisition and construction of capital assets  | \$ (321,109)                      | \$ (35,779)                                   | \$ (828,019)             | \$ (330,820)   | \$ (1,515,727) |
| Proceeds from issuance of debt  | -                                 | -   | 1,036,988                | -              | 1,036,988      |
| Principal paid on capital debt  | (252,284)                         | (40,757)                                      | -                        | -              | (293,041)      |
| Repayment of debt due to general fund   | -                                 | (3,085)                                       | (51,002)                 | -              | (54,087)       |
| Interest paid on capital debt   | (56,394)                          | (35,368)                                      | -                        | -              | (91,762)       |
| Capital contributions   | 80,567                            | 248,500                                       | -                        | -              | 329,067        |
| Proceeds from sales of capital assets   | 1,507                             | -   | -                        | -              | 1,507          |
| Net cash provided (used for) capital and related financing activities                         | \$ (547,713)                      | \$ 133,511                                    | \$ 157,967               | \$ (330,820)   | \$ (587,055)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                                   |   |                          |                |                |
| Interest received   | \$ 15,894                         | \$ 7,437                                      | \$ -                     | \$ -           | \$ 23,331      |
| Net cash provided (used for) investing activities   | \$ 15,894                         | \$ 7,437                                      | \$ -                     | \$ -           | \$ 23,331      |
| Net increase (decrease) in cash and cash equivalents  | \$ 13,017                         | \$ 267,849                                    | \$ 157,967               | \$ -           | \$ 438,833     |
| Cash and cash equivalents (including designated cash)- beginning                              | 634,733                           | 614,241                                       | -                        | -              | 1,248,974      |
| Cash and cash equivalents (including designated cash)- ending                                 | \$ 647,750                        | \$ 882,090                                    | \$ 157,967               | \$ -           | \$ 1,687,807   |
| <b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>    |                                   |   |                          |                |                |
| Operating income (loss)   | \$ (454,274)                      | \$ (132,859)                                  | \$ (37,297)              | \$ (1,221,596) | \$ (1,846,026) |
| Adjustments to reconcile operating loss to net cash provided (used for) operating activities: |                                   |   |                          |                |                |
| Depreciation and amortization expense   | 267,964                           | 161,680                                       | 37,297                   | 314,635        | 781,576        |
| (Increase) decrease in accounts receivable  | 6,778                             | 648   | -                        | (109,623)      | (102,197)      |
| (Increase) decrease in prepaid expense  | (11,897)                          | 537   | -                        | -              | (11,360)       |
| (Increase) decrease in due from other funds   | 4,399                             | (4,399)                                       | -                        | -              | -              |
| Increase (decrease) in accounts payable and accrued liabilities                               | 194,196                           | 49,195  | -                        | 14,076         | 257,467        |
| Increase (decrease) in compensated absences payable   | (4,779)                           | (4,076)                                       | -                        | (3,217)        | (12,072)       |
| Increase (decrease) in prepaid water and sewer charges  | -                                 | (8,929)                                       | -                        | -              | (8,929)        |
| Increase (decrease) in security deposits  | 1,700                             | 950   | -                        | -              | 2,650          |
| Increase (decrease) in net OPEB obligation  | (2,235)                           | (3,038)                                       | -                        | 5,797          | 524            |
| Total adjustments   | \$ 456,126                        | \$ 192,568                                    | \$ 37,297                | \$ 221,668     | \$ 907,659     |
| Net cash provided (used for) operating activities   | \$ 1,852                          | \$ 59,709                                     | \$ -                     | \$ (999,928)   | \$ (938,367)   |
| Schedule of non-cash capital and related financing activities:                                |                                   |   |                          |                |                |
| Landfill closure costs  | \$ -                              | \$ -  | \$ -                     | \$ 465,825     | \$ -           |
| Contributions of capital assets   | -                                 | -   | -                        | 2,429,687      | -              |
| Assumption of liabilities   | -                                 | -   | -                        | (8,333,634)    | -              |

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

COUNTY OF SHENANDOAH, VIRGINIA  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

Exhibit 10

|   | <u>Private-<br/>Purpose<br/>Trust</u> | <u>Agency<br/>Funds</u> |
|---|---------------------------------------|-------------------------|
| <b>ASSETS</b>                           |                                       |                         |
| Cash and cash equivalents               | \$ 13,697                             | \$ 5,920                |
| Cash in custody of others               | -                                     | 32,188                  |
| Total assets                            | <u>\$ 13,697</u>                      | <u>\$ 38,108</u>        |
| <b>LIABILITIES</b>                      |                                       |                         |
| Amounts held for social service clients | \$ -                                  | \$ 5,920                |
| Amounts held for inmates                | -                                     | 32,188                  |
| Total liabilities                       | <u>\$ -</u>                           | <u>\$ 38,108</u>        |
| <b>NET ASSETS</b>                       |                                       |                         |
| Restricted for scholarships             | <u>\$ 13,697</u>                      | <u>\$ -</u>             |

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

COUNTY OF SHENANDOAH, VIRGINIA  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2012

---

Exhibit 11

|                        | <u>Private-Purpose<br/>Trust</u> |
|------------------------|----------------------------------|
| <b>ADDITIONS</b>       |                                  |
| Investment earnings:   |                                  |
| Interest               | \$ 8                             |
| Total additions        | <u>\$ 8</u>                      |
| <b>DEDUCTIONS</b>      |                                  |
| Scholarships           | \$ 400                           |
| Total deductions       | <u>\$ 400</u>                    |
| Change in net assets   | <u>\$ (392)</u>                  |
| Net assets - beginning | <u>14,089</u>                    |
| Net assets - ending    | <u><u>\$ 13,697</u></u>          |

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012

---

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

---

**A. Reporting Entity**

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

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

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

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

**Jointly Governed Organizations** – The County, in conjunction with other localities has created the Northwestern Regional Juvenile Detention Center and the Northwestern Community Services Board. The School Board participates in the Shenandoah Valley Regional Program for Special Education. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$230,187 for operations to the Northwestern Community Services Board and \$380,412 to the Northwestern Regional Juvenile Detention Center. The School Board contributed \$1,126,583 to the Shenandoah Valley Regional Program for operations.

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

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

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

---

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

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in another fund. The General Fund includes the activities for Virginia Public Assistance, E-911, EMS Billing, Forfeited Drug Assets, Sheriff Federal Case, Law Library, Transient Occupancy, Gypsy Moth, Spay/Neuter, Pump and Haul, Seven Bends Day Care, Jail Telephone, Purchase Development Rights, Project Lifesaver, Triad, Crime Prevention, DARE, Sludge Disposal and Landfill Recovery Funds.

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

---

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

*Special revenue funds* account for the proceeds of the specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Parks and Recreation and Landfill Contingency Funds are special revenue funds of the County.

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

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

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

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

---

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

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 inter-fund activity has been eliminated from the government-wide financial statements.

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

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

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

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

**1. 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.

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

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

**2. Receivables and payables**

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

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

---

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

**3. Property taxes**

Property is assessed at its value on January 1. Property taxes attached as an enforceable lien on property as of January 1. Taxes are due and collectible semi-annually on June 5<sup>th</sup> and December 5<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 \$867,624 at June 30, 2012 and is comprised solely of property taxes. This allowance represents .5442% of the total levies for the previous six years.

Accounts receivable are stated at book value. The Sanitary Districts calculate their allowance for uncollectible utility accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$4,486 for Toms Brook-Maurertown Sanitary District and \$6,054 for Stoney Creek Sanitary District at June 30, 2012.

**5. Inventories and prepaid items**

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

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

**6. Restricted assets**

At June 30, 2012, the County had the following restricted assets. Restricted assets in the Toms Brook-Maurertown Sanitary District consist of funds restricted for septage expenses in the amount of \$60,639. The restricted assets in the General Fund are for debt service in the amount of \$381,988. The Capital Projects fund had unspent bond proceeds in the amount of \$2,505,751.

**7. Capital assets**

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

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

---

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

**7. Capital assets (continued)**

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

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

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

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

**8. Compensated absences**

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

**9. Long-term obligations**

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

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

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

---

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

**10. Fund equity**

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

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

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

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

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

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

**10. Fund equity (continued)**

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

|                                      | <u>General<br/>Fund</u> | <u>Major<br/>Capital<br/>Projects<br/>Fund</u> | <u>Other<br/>Funds</u> | <u>Total</u>         |
|--------------------------------------|-------------------------|--|------------------------|----------------------|
| <b>Fund Balances:</b>                |                         |  |                        |                      |
| <b>Nonspendable:</b>                 |                         |  |                        |                      |
| Prepaid items                        | \$ 88,905               | \$ -   | \$ -                   | \$ 88,905            |
| <b>Restricted for:</b>               |                         |  |                        |                      |
| Debt service proceeds                | \$ 381,988              | \$ 2,505,751                                   | \$ -                   | \$ 2,887,739         |
| Asset forfeiture proceeds-Virginia   | 11,058                  | -  | -                      | 11,058               |
| Asset forfeiture proceeds-Federal    | 3,503,053               | -  | -                      | 3,503,053            |
| <b>Total Restricted Fund Balance</b> | <u>\$ 3,896,099</u>     | <u>\$ 2,505,751</u>                            | <u>\$ -</u>            | <u>\$ 6,401,850</u>  |
| <b>Committed to:</b>                 |                         |  |                        |                      |
| Conservation easements               | \$ 5,035                | \$ -   | \$ -                   | \$ 5,035             |
| Landfill contingency                 | -                       | -  | 39,303                 | 39,303               |
| <b>Total Committed Fund Balance</b>  | <u>\$ 5,035</u>         | <u>\$ -</u>                                    | <u>\$ 39,303</u>       | <u>\$ 44,338</u>     |
| <b>Assigned to:</b>                  |                         |  |                        |                      |
| Capital projects                     | \$ -                    | \$ 8,046,955                                   | \$ 99,893              | \$ 8,146,848         |
| Transient occupancy                  | 110,000                 | -  | -                      | 110,000              |
| Seven Bends Student Center           | 113,608                 | -  | -                      | 113,608              |
| Sludge disposal                      | 355,328                 | -  | -                      | 355,328              |
| Landfill recovery                    | 219,449                 | -  | -                      | 219,449              |
| Telephone commissions                | 131,330                 | -  | -                      | 131,330              |
| Other purposes                       | 113,348                 | -  | -                      | 113,348              |
| <b>Total Assigned Fund Balance</b>   | <u>\$ 1,043,063</u>     | <u>\$ 8,046,955</u>                            | <u>\$ 99,893</u>       | <u>\$ 9,189,911</u>  |
| <b>Unassigned Fund Balance</b>       | <u>\$ 9,655,914</u>     | <u>\$ -</u>                                    | <u>\$ -</u>            | <u>\$ 9,655,914</u>  |
| <b>Total Fund Balances</b>           | <u>\$ 14,689,016</u>    | <u>\$ 10,552,706</u>                           | <u>\$ 139,196</u>      | <u>\$ 25,380,918</u> |

**11. Reclassifications**

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

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

**E. Investments**

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

**F. Use of Estimates**

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

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

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

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

|   | <b>Primary<br/>Government</b> | <b>Component<br/>Unit School<br/>Board</b> |
|---|-------------------------------|--|
| General obligation bonds  | \$ (46,576,498)               | \$ -                                       |
| Lease revenue bonds payable   | (3,255,000)                   |  |
| Unamortized bond premium  | (1,730,473)                   | -  |
| Literary loans payable  | (2,830,500)                   | -  |
| Accrued interest payable  | (668,353)                     | -  |
| Capital leases payable  | (1,145,505)                   | -  |
| Deferred amount on refunding  | (363,200)                     | -  |
| Net OPEB obligation   | (343,271)                     | (1,254,000)                                |
| Compensated absences  | (839,649)                     | (880,772)                                  |
|   | <hr/>                         | <hr/>                                      |
| <i>Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities</i> | <b>\$ (57,752,449)</b>        | <b>\$ (2,134,772)</b>                      |

**NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED):**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of these differences are as follows:

|  | <b>Primary<br/>Government</b> | <b>Component<br/>Unit<br/>School Board</b> |
|--|-------------------------------|--|
| Capital outlay   | \$ 5,971,875                  | \$ 287,623                                 |
| Depreciation expense   | (1,626,140)                   | (1,692,459)                                |
| Primary government capital asset allocation  | <u>(2,678,407)</u>            | <u>2,678,407</u>                           |
| <i>Net adjustment to increase (decrease) net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities</i> | <u>\$ 1,667,328</u>           | <u>\$ 1,273,571</u>                        |

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 these differences are on the following page:

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED):**

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

|   | <u>Primary<br/>Government</u> |
|---|-------------------------------|
| Debt issued or incurred:  |                               |
| Proceeds of lease revenue bonds   | \$ (3,255,000)                |
| Premium on refunding bonds issues   | (499,512)                     |
| Bond issuance costs   | 57,604                        |
| Deferred amount on refunding  | 116,432                       |
| Amortization of premium on bond issue   | (21,601)                      |
| Amortization of bond issue costs  | (395,064)                     |
| Amortization of deferred amount on refunding  | 31,864                        |
| Capital lease financing   | (530,868)                     |
| Principal repayments:   |                               |
| General obligation bonds  | 6,510,459                     |
| Notes payable   | 220,000                       |
| Capital leases  | 445,600                       |
|   | <u>2,679,914</u>              |
| <i>Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities</i> | <u>\$ 2,679,914</u>           |

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these differences are as follows:

|   | <u>Primary<br/>Government</u> | <u>Component<br/>Unit<br/>School Board</u> |
|---|-------------------------------|--|
| Compensated absences  | \$ 48,049                     | \$ (118,502)                               |
| Accrued interest  | 223,431                       | -  |
| Other post employment benefits  | (93,338)                      | (299,000)                                  |
| <i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities</i> | <u>\$ 178,142</u>             | <u>\$ (417,502)</u>                        |

**NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

---

**A. Budgets and Budgetary Accounting**

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

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

**NOTE 4—DEPOSITS AND INVESTMENTS:**

---

Deposits

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

Investments

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 4—DEPOSITS AND INVESTMENTS (CONTINUED):**

Custodial Credit Risk (Investments)

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

Credit Risk of Debt Securities

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

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

Credit Risk of Debt Securities (Continued)

**Locality's Rated Debt Investments' Values**

| <u>Rated Debt Investments</u>    | <u>Fair Quality Ratings</u> |             |             |             |                |
|----------------------------------|-----------------------------|-------------|-------------|-------------|----------------|
|                                  | <u>AAA</u>                  | <u>AA</u>   | <u>A</u>    | <u>A1</u>   | <u>Unrated</u> |
| Local Government Investment Pool | \$ 4,093,113                | \$ -        | \$ -        | \$ -        | \$ -           |
| State Non-Arbitrage Program      | 1,677,858                   |             |             |             |                |
| Total                            | <u>\$ 5,770,971</u>         | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u>    |

External Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 5—INTERFUND OBLIGATIONS:**

|   | Receivable<br>Primary<br>Government/<br>Component<br>Unit | Payable<br>Primary<br>Government/<br>Component<br>Unit | Due from<br>Other<br>Funds | Due to<br>Other<br>Funds |
|---|---|--|----------------------------|--------------------------|
| Primary Government:                     |   |  |                            |                          |
| General Fund                            | \$ 2,761,810  | \$ -   | \$ 119,901                 | \$ 115,904               |
| Toms Brook-Maurertown Sanitary District | -   | -  | 10,677                     | 120,455                  |
| Stoney Creek Sanitary District          | -   | -  | 105,781                    | -                        |
| Sub-total                               | <u>\$ 2,761,810</u>                                       | <u>\$ -</u>  | <u>\$ 236,359</u>          | <u>\$ 236,359</u>        |
| Discretely Presented Component Units:   |   |  |                            |                          |
| School Fund                             | \$ -  | \$ 2,761,810   | \$ 112,366                 | \$ -                     |
| School Cafeteria Fund                   | -   | -  | -                          | 112,366                  |
| Sub-total                               | <u>\$ -</u>   | <u>\$ 2,761,810</u>                                    | <u>\$ 112,366</u>          | <u>\$ 112,366</u>        |
| Total reporting entity                  | <u>\$ 2,761,810</u>                                       | <u>\$ 2,761,810</u>                                    | <u>\$ 348,725</u>          | <u>\$ 348,725</u>        |

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

**NOTE 6—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2012 consisted of the following:

| Fund                      | Transfers In        | Transfers Out         |
|---------------------------|---------------------|-----------------------|
| Primary Government:       |                     |                       |
| General Fund              | \$ -                | \$ (6,315,727)        |
| County Debt Service Fund  | 5,252,205           | -                     |
| Landfill Contingency Fund | 36,614              | (572,891)             |
| Capital Projects Fund     | 572,891             | (303,840)             |
| Landfill                  | 1,330,748           | -                     |
| Total                     | <u>\$ 7,192,458</u> | <u>\$ (7,192,458)</u> |

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

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

During fiscal year 1994, the General Fund built a septage handling facility at the Toms Brook-Maurertown Sanitary District location for \$235,240. This amount is being repaid to the General Fund from tipping fees that are collected by Toms Brook and from septic application fees collected by the General Fund on behalf of the District. The balance as of June 30, 2012 was \$119,901.

**NOTE 8—DUE FROM OTHER GOVERNMENTAL UNITS:**

|                                  | Primary<br>Government | Component<br>Unit<br>School Board |
|----------------------------------|-----------------------|-----------------------------------|
| Commonwealth of Virginia:        |                       |                                   |
| State sales taxes                | \$ -                  | \$ 1,022,721                      |
| Local sales taxes                | 578,236               | -                                 |
| Comprehensive services act funds | 273,781               | -                                 |
| Public assistance and welfare    | 105,585               | -                                 |
| Fringe benefits                  | 274,113               | -                                 |
| Other funds                      | 367,172               | -                                 |
| Federal Government:              |                       |                                   |
| Public assistance and welfare    | 108,238               | -                                 |
| Other funds                      | 21,384                | -                                 |
| ARRA sheriff grant               | 20,547                | -                                 |
| School funds                     | -                     | 247,362                           |
| Cafeteria funds                  | -                     | 35,082                            |
| Total                            | \$ <u>1,749,056</u>   | \$ <u>1,305,165</u>               |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

NOTE 9—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government

|  | Beginning<br>Balance        | Increases                  | Decreases                    | Ending<br>Balance           |
|--|-----------------------------|----------------------------|------------------------------|-----------------------------|
| <b>Governmental activities:</b>                |                             |                            |                              |                             |
| Capital assets not being depreciated:          |                             |                            |                              |                             |
| Land   | \$ 1,606,239                | \$ -                       | \$ (597,252)                 | \$ 1,008,987                |
| Construction in progress                       | 2,022,678                   | 4,988,115                  | (65,805)                     | 6,944,988                   |
| Total capital assets<br>not being depreciated  | <u>\$ 3,628,917</u>         | <u>\$ 4,988,115</u>        | <u>\$ (663,057)</u>          | <u>\$ 7,953,975</u>         |
| Capital assets being depreciated:              |                             |                            |                              |                             |
| Buildings                                      | \$ 51,796,135               | \$ -                       | \$ (5,737,388)               | \$ 46,058,747               |
| Machinery and equipment                        | 10,873,674                  | 983,760                    | (4,678,550)                  | 7,178,884                   |
| Total capital assets being depreciated         | <u>\$ 62,669,809</u>        | <u>\$ 983,760</u>          | <u>\$ (10,415,938)</u>       | <u>\$ 53,237,631</u>        |
| Less accumulated depreciation for:             |                             |                            |                              |                             |
| Buildings                                      | \$ (8,760,064)              | \$ (1,135,384)             | \$ 2,013,194                 | \$ (7,882,254)              |
| Machinery and equipment                        | (8,004,069)                 | (490,756)                  | 3,957,707                    | (4,537,118)                 |
| Total accumulated depreciation                 | <u>\$ (16,764,133)</u>      | <u>\$ (1,626,140)</u>      | <u>\$ 5,970,901</u>          | <u>\$ (12,419,372)</u>      |
| Total capital assets<br>being depreciated, net | <u>\$ 45,905,676</u>        | <u>\$ (642,380)</u>        | <u>\$ (4,445,037)</u>        | <u>\$ 40,818,259</u>        |
| Governmental activities capital assets, net    | <u><u>\$ 49,534,593</u></u> | <u><u>\$ 4,345,735</u></u> | <u><u>\$ (5,108,094)</u></u> | <u><u>\$ 48,772,234</u></u> |
| <b>Business-type activities:</b>               |                             |                            |                              |                             |
| Capital assets not being depreciated:          |                             |                            |                              |                             |
| Land   | \$ 126,248                  | \$ 377,252                 | \$ -                         | \$ 503,500                  |
| Construction in progress                       | 659,272                     | 609,196                    | (798,395)                    | 470,073                     |
| Total capital assets<br>not being depreciated  | <u>\$ 785,520</u>           | <u>\$ 986,448</u>          | <u>\$ (798,395)</u>          | <u>\$ 973,573</u>           |
| Capital assets being depreciated:              |                             |                            |                              |                             |
| Buildings                                      | \$ 1,229,326                | \$ 2,799,985               | \$ -                         | \$ 4,029,311                |
| Wells, lines and reservoirs                    | 9,599,504                   | 418,790                    | (1,362)                      | 10,016,932                  |
| Machinery and equipment                        | 6,030,740                   | 5,604,068                  | (21,520)                     | 11,613,288                  |
| Total capital assets being depreciated         | <u>\$ 16,859,570</u>        | <u>\$ 8,822,843</u>        | <u>\$ (22,882)</u>           | <u>\$ 25,659,531</u>        |
| Less accumulated depreciation for:             |                             |                            |                              |                             |
| Buildings                                      | \$ (934,805)                | \$ (1,843,506)             | \$ -                         | \$ (2,778,311)              |
| Wells, lines and reservoirs                    | (6,495,418)                 | (288,435)                  | 477                          | (6,783,376)                 |
| Machinery and equipment                        | (4,197,497)                 | (3,711,860)                | 21,520                       | (7,887,837)                 |
| Total accumulated depreciation                 | <u>\$ (11,627,720)</u>      | <u>\$ (5,843,801)</u>      | <u>\$ 21,997</u>             | <u>\$ (17,449,524)</u>      |
| Business-type activities , capital assets, net | <u><u>\$ 6,017,370</u></u>  | <u><u>\$ 3,965,490</u></u> | <u><u>\$ (799,280)</u></u>   | <u><u>\$ 9,183,580</u></u>  |

Note: The landfill assets were transferred to business-type activities from governmental activities at June 30, 2012. \$7,494,282 in capital assets and \$5,064,595 were transferred to the landfill.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 9—CAPITAL ASSETS (CONTINUED):**

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

|   |                     |
|---|---------------------|
| Governmental activities:                            |                     |
| General government                                  | \$ 250,688          |
| Judicial administration                             | 210,024             |
| Public safety                                       | 426,152             |
| Public works  | 6,266               |
| Health and welfare                                  | 12,840              |
| Education   | 692,413             |
| Culture and recreation                              | 27,757              |
| Total depreciation expense-governmental activities  | <u>\$ 1,626,140</u> |
| Business-type activities:                           |                     |
| Stoney Creek Sanitary District                      | \$ 267,964          |
| Toms Brook-Maurertown Sanitary District             | 161,680             |
| North Fork Wastewater Fund                          | 37,297              |
| Landfill  | 314,635             |
| Total depreciation expense business-type activities | <u>\$ 781,576</u>   |

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

The assets acquired through capital leases are as follows:

|                                | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| Asset:                         |                            |                             |
| Equipment                      | \$ 2,349,525               | \$ 114,368                  |
| Less: Accumulated depreciation | (1,365,675)                | (100,760)                   |
| Total                          | <u>\$ 983,850</u>          | <u>\$ 13,608</u>            |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

| Year Ended June 30,                     | Governmental<br>Activities | Business-type<br>Activities |
|---|----------------------------|-----------------------------|
| 2013                                    | \$ 434,988                 | \$ 4,313                    |
| 2014                                    | 270,842                    | -                           |
| 2015                                    | 193,573                    | -                           |
| 2016                                    | 193,573                    | -                           |
| 2017                                    | 112,430                    | -                           |
| Total minimum lease payments            | \$ 1,205,406               | \$ 4,313                    |
| Less: Amount representing interest      | (59,901)                   | (12)                        |
| Present value of minimum lease payments | <u>\$ 1,145,505</u>        | <u>\$ 4,301</u>             |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 9—CAPITAL ASSETS (CONTINUED):**

**Discretely presented component units:**

Activity for the School Board for the year ended June 30, 2012 was as follows:

|  | Beginning<br>Balance | Increases      | Decreases    | Ending<br>Balance |
|--|----------------------|----------------|--------------|-------------------|
| Capital assets not being depreciated:          |                      |                |              |                   |
| Land   | \$ 5,945,275         | \$ 220,000     | \$ -         | \$ 6,165,275      |
| Total capital assets<br>not being depreciated  | \$ 5,945,275         | \$ 220,000     | \$ -         | \$ 6,165,275      |
| Capital assets being depreciated:              |                      |                |              |                   |
| Buildings                                      | \$ 54,257,762        | \$ 3,471,180   | \$ -         | \$ 57,728,942     |
| Machinery and equipment                        | 7,151,648            | 460,515        | (783,418)    | 6,828,745         |
| Total capital assets<br>being depreciated      | \$ 61,409,410        | \$ 3,931,695   | \$ (783,418) | \$ 64,557,687     |
| Less accumulated depreciation for:             |                      |                |              |                   |
| Buildings                                      | \$ (21,069,010)      | \$ (1,619,446) | \$ -         | \$ (22,688,456)   |
| Machinery and equipment                        | (5,582,359)          | (712,514)      | 237,254      | (6,057,619)       |
| Total accumulated depreciation                 | \$ (26,651,369)      | \$ (2,331,960) | \$ 237,254   | \$ (28,746,075)   |
| Total capital assets<br>being depreciated, net | \$ 34,758,041        | \$ 1,599,735   | \$ (546,164) | \$ 35,811,612     |
| School Board capital assets, net               | \$ 40,703,316        | \$ 1,819,735   | \$ (546,164) | \$ 41,976,887     |

Depreciation expense for the Component Unit School Board was \$2,384,872 and a net transfer of (\$52,912) was transferred in accumulated depreciation from the primary government due to debt repayments for the year ended June 30, 2012.

Activity for the Shenandoah County Library for the year ended June 30, 2012 was as follows:

|   | Beginning<br>Balance | Increases   | Decreases | Ending<br>Balance |
|---|----------------------|-------------|-----------|-------------------|
| Capital assets not being depreciated:       |                      |             |           |                   |
| Buildings and system                        | \$ 285,197           | \$ -        | \$ -      | \$ 285,197        |
| Machinery and equipment                     | 230,644              | -           | -         | 230,644           |
| Total capital assets being depreciated      | \$ 515,841           | \$ -        | \$ -      | \$ 515,841        |
| Less accumulated depreciation for:          |                      |             |           |                   |
| Buildings and system                        | \$ (62,397)          | \$ (7,130)  | \$ -      | \$ (69,527)       |
| Machinery and equipment                     | (200,576)            | (11,828)    | -         | (212,404)         |
| Total accumulated depreciation              | \$ (262,973)         | \$ (18,958) | \$ -      | \$ (281,931)      |
| Total capital assets being depreciated, net | \$ 252,868           | \$ (18,958) | \$ -      | \$ 233,910        |

**NOTE 10—UNEARNED REVENUE:**

---

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$17,417,011 is comprised of the following:

- A. Prepaid Property Taxes – Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$1,496,034 in the general fund and \$12,286 in the enterprise funds at June 30, 2012.
- B. Unearned Revenue – Former Employee – In conjunction with the plea agreement of the former County landfill director on criminal charges of mail fraud, money laundering and forfeiture of assets, he agreed to provide restitution to the County in the amount of \$400,000 of which \$238,856 was outstanding at June 30, 2012. Payments commenced February 1, 1996, with final payment due February 1, 2001. This agreement is secured by the personal residence of the former director and other assets. Other restitution received by the County from the sale of assets seized by the authorities in September 1994 will not be applied against this restitution amount. The February 1, 1998 and 1997 payments were not made by the former employee. Therefore, the plea agreement was violated. As a result of violating the agreement, the former employee's personal residence was seized and sold on September 23, 1997, for \$192,500. After payment of liens and selling expense, the County received \$106,598 in July 1998.
- C. Unbilled Property Taxes – Property taxes for the second half of 2012 that had not been billed as of June 30, 2012 amounted to \$15,403,724 in the general fund and \$266,111 in the enterprise funds.

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES:**

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

| Years Ending<br>June 30, | Governmental Activities |                  |                     |                     |
|--------------------------|-------------------------|------------------|---------------------|---------------------|
|                          | Capital Leases          |                  | Lease Revenue Bonds |                     |
|                          | Principal               | Interest         | Principal           | Interest            |
| 2013                     | \$ 407,565              | \$ 27,423        | \$ 155,000          | \$ 150,722          |
| 2014                     | 254,947                 | 15,895           | 160,000             | 145,200             |
| 2015                     | 183,798                 | 9,775            | 170,000             | 137,244             |
| 2016                     | 188,284                 | 5,289            | 175,000             | 128,928             |
| 2017                     | 110,911                 | 1,521            | 185,000             | 120,878             |
| 2018                     | -                       | -                | 190,000             | 112,469             |
| 2019                     | -                       | -                | 200,000             | 104,150             |
| 2020                     | -                       | -                | 210,000             | 95,769              |
| 2021                     | -                       | -                | 220,000             | 86,250              |
| 2022                     | -                       | -                | 230,000             | 75,494              |
| 2023                     | -                       | -                | 240,000             | 63,450              |
| 2024                     | -                       | -                | 255,000             | 50,766              |
| 2025                     | -                       | -                | 270,000             | 37,313              |
| 2026                     | -                       | -                | 280,000             | 23,219              |
| 2027                     | -                       | -                | 225,000             | 10,278              |
| 2028                     | -                       | -                | 70,000              | 2,719               |
| 2029                     | -                       | -                | 20,000              | 463                 |
| Total                    | \$ <u>1,145,505</u>     | \$ <u>59,903</u> | \$ <u>3,255,000</u> | \$ <u>1,345,309</u> |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

NOTE 11—LONG-TERM LIABILITIES (CONTINUED):

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

| Years Ending<br>June 30, | Governmental Activities  |                      |                      |                   |
|--------------------------|--------------------------|----------------------|----------------------|-------------------|
|                          | General Obligation Bonds |                      | State Literary Loans |                   |
|                          | Principal                | Interest             | Principal            | Interest          |
| 2013                     | \$ 3,021,129             | \$ 2,239,330         | \$ 314,500           | \$ 84,914         |
| 2014                     | 2,939,190                | 2,120,492            | 314,500              | 75,480            |
| 2015                     | 3,012,560                | 2,006,539            | 314,500              | 66,046            |
| 2016                     | 3,121,250                | 1,885,158            | 314,500              | 56,610            |
| 2017                     | 3,245,277                | 1,756,699            | 314,500              | 47,174            |
| 2018                     | 3,379,655                | 1,619,034            | 314,500              | 37,740            |
| 2019                     | 3,509,398                | 1,479,771            | 314,500              | 28,306            |
| 2020                     | 3,649,519                | 1,332,368            | 314,500              | 18,870            |
| 2021                     | 3,788,879                | 1,173,813            | 314,500              | 9,434             |
| 2022                     | 3,932,565                | 1,007,332            | -                    | -                 |
| 2023                     | 4,072,128                | 833,193              | -                    | -                 |
| 2024                     | 2,162,468                | 703,893              | -                    | -                 |
| 2025                     | 2,218,180                | 622,133              | -                    | -                 |
| 2026                     | 2,032,314                | 538,513              | -                    | -                 |
| 2027                     | 2,094,789                | 452,190              | -                    | -                 |
| 2028                     | 262,490                  | 9,947                | -                    | -                 |
| 2029                     | 134,704                  | 2,015                | -                    | -                 |
| Total                    | \$ <u>46,576,498</u>     | \$ <u>19,782,418</u> | \$ <u>2,830,500</u>  | \$ <u>424,574</u> |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES (CONTINUED):**

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

|              |          | Business-Type Activities Debt |                   |                 |              |
|--------------|----------|-------------------------------|-------------------|-----------------|--------------|
|              |          | Stoney Creek                  |                   | Stoney Creek    |              |
|              |          | Sanitary District Bonds       |                   | Capital Leases  |              |
| Years Ending | June 30, | Principal                     | Interest          | Principal       | Interest     |
| 2013         | \$       | 210,000                       | \$ 47,250         | \$ 4,301        | \$ 12        |
| 2014         |          | 220,000                       | 36,500            | -               | -            |
| 2015         |          | 240,000                       | 25,000            | -               | -            |
| 2016         |          | 260,000                       | 12,500            | -               | -            |
| 2017         |          | 150,000                       | 3,000             | -               | -            |
| Total        | \$       | <u>1,080,000</u>              | <u>\$ 124,250</u> | <u>\$ 4,301</u> | <u>\$ 12</u> |

|              |          | Business-Type Activities Debt |                   |                       |                   |
|--------------|----------|-------------------------------|-------------------|-----------------------|-------------------|
|              |          | Toms Brook-Maurertown         |                   | North Fork Wastewater |                   |
|              |          | Sanitary District Bonds       |                   | VRA Loan              |                   |
| Years Ending | June 30, | Principal                     | Interest          | Principal             | Interest          |
| 2013         | \$       | 33,141                        | \$ 33,868         | \$ -                  | \$ -              |
| 2014         |          | 36,664                        | 32,192            | 25,111                | 19,168            |
| 2015         |          | 38,421                        | 30,434            | 51,332                | 37,228            |
| 2016         |          | 40,411                        | 28,592            | 52,847                | 35,712            |
| 2017         |          | 42,193                        | 26,663            | 54,406                | 34,153            |
| 2018         |          | 44,218                        | 24,638            | 56,012                | 32,547            |
| 2019         |          | 46,338                        | 22,519            | 57,665                | 30,894            |
| 2020         |          | 48,559                        | 20,297            | 59,367                | 29,192            |
| 2021         |          | 50,889                        | 17,967            | 61,120                | 27,440            |
| 2022         |          | 53,330                        | 15,525            | 62,924                | 25,636            |
| 2023         |          | 55,889                        | 12,968            | 64,781                | 23,779            |
| 2024         |          | 49,270                        | 10,369            | 66,693                | 21,867            |
| 2025         |          | 37,212                        | 8,532             | 68,661                | 19,898            |
| 2026         |          | 39,026                        | 6,822             | 70,688                | 17,872            |
| 2027         |          | 40,709                        | 5,035             | 72,774                | 15,785            |
| 2028         |          | 42,580                        | 3,164             | 74,922                | 13,637            |
| 2029         |          | 29,955                        | 1,289             | 77,133                | 11,426            |
| 2030         |          | 7,691                         | 614               | 79,410                | 9,150             |
| 2031         |          | 6,456                         | 1,129             | 81,753                | 6,806             |
| 2032         |          | 2,853                         | 5                 | 84,166                | 4,393             |
| 2033         |          | -                             | -                 | 24,852                | 1,911             |
| Total        | \$       | <u>745,805</u>                | <u>\$ 302,622</u> | <u>\$ 1,246,616</u>   | <u>\$ 418,492</u> |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES (CONTINUED):**

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities transactions of the Primary Government for the year ended June 30, 2012:

|  | Balance<br>July 1,<br>2011 | Issuances/<br>Increases | Retirements          | Balance<br>June 30,<br>2012 |
|--|----------------------------|-------------------------|----------------------|-----------------------------|
| <b>Governmental activities:</b>        |                            |                         |                      |                             |
| General obligation bonds               | \$ 49,019,783              | \$ -                    | \$ 2,443,285         | \$ 46,576,498               |
| Bond Premium                           | 1,347,393                  | 499,512                 | 116,432              | 1,730,473                   |
| Literary loan funds                    | 3,145,000                  | -                       | 314,500              | 2,830,500                   |
| Compensated Absences                   | 952,124                    | 458,799                 | 571,274              | 839,649                     |
| Net OPEB Obligation                    | 265,457                    | 77,814                  | -                    | 343,271                     |
| Capital Leases                         | 1,060,237                  | 530,868                 | 445,600              | 1,145,505                   |
| Note Payable                           | 220,000                    | -                       | 220,000              | -                           |
| Lease Revenue Bonds                    | 3,752,674                  | 3,255,000               | 3,752,674            | 3,255,000                   |
| Deferred amount on refunding           | -                          | 395,064                 | 31,864               | 363,200                     |
| Landfill Closure and Post Closure Care | 10,683,371                 | -                       | 10,683,371           | -                           |
| Total Governmental Activities          | <u>\$ 70,446,039</u>       | <u>\$ 5,217,057</u>     | <u>\$ 18,579,000</u> | <u>\$ 57,084,096</u>        |
| <b>Business-type activities:</b>       |                            |                         |                      |                             |
| General Obligation/Revenue Bonds       | \$ 2,284,811               | \$ 1,036,988            | \$ 249,378           | \$ 3,072,421                |
| Note Payable                           | 1,379                      | -                       | 1,379                | -                           |
| Capital Leases                         | 46,585                     | -                       | 42,284               | 4,301                       |
| Net OPEB Obligation                    | 27,680                     | 21,321                  | 5,272                | 43,729                      |
| Compensated Absences                   | 82,749                     | 67,284                  | 14,932               | 135,101                     |
| Landfill Closure and Post Closure Care | -                          | 11,149,197              | -                    | 11,149,197                  |
| Total Business-type Activities         | <u>\$ 2,443,204</u>        | <u>\$ 12,274,790</u>    | <u>\$ 313,245</u>    | <u>\$ 14,404,749</u>        |
| Total Long-Term Liabilities            | <u>\$ 72,889,243</u>       | <u>\$ 17,491,847</u>    | <u>\$ 18,892,245</u> | <u>\$ 71,488,845</u>        |

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES (CONTINUED):**

PRIMARY GOVERNMENT

Details of Long-term liabilities:

Governmental Activities:

Capital leases:

|  | Total<br>Amount<br>Due | Amount<br>Due Within<br>One Year |
|--|------------------------|----------------------------------|
| \$389,280 issued June 20, 2007, due in quarterly installments of \$15,421 beginning November 15, 2008, through August 15, 2012, for the purchase of five school buses          | \$ 21,699              | \$ 21,699                        |
| \$449,875 issued June 9, 2008, due in semi-annually installments of \$38,738 beginning December 8, 2008, through December 8, 2013, for the purchase of six school buses        | 96,659                 | 96,659                           |
| \$195,600 issued June 9, 2008, due in semi-annual installments of \$19,369 beginning July 21, 2009, through July 21, 2014, for the purchase of three school buses              | 41,497                 | 41,497                           |
| \$351,990 issued May 21, 2009, due in quarterly installments of \$19,331 beginning December 8, 2008, through December 8, 2013, for the purchase of six school buses            | 148,416                | 72,884                           |
| \$377,850 issued June 20, 2011, due in quarterly installments of \$20,286 beginning December 1, 2011, through December 1, 2015, for the purchase of six school buses           | 306,364                | 73,472                           |
| \$148,883 issued December 8, 2011, due in quarterly installments of \$8,031-\$10,809 beginning July 15, 2012, through April 15, 2017, for the purchase of field lighting       | 148,885                | 27,396                           |
| \$381,985 issued June 25, 2012, due in quarterly installments of \$20,123 beginning August 15, 2012, through May 15, 2017, for the purchase of six school buses                | 381,985                | 73,958                           |
| Total capital leases   | \$ 1,145,505           | \$ 407,565                       |
| Lease Revenue Bonds:   |                        |                                  |
| \$3,255,000 2011B refunding bonds were issued on November 26, 2011, due in varying annual installments beginning June 1, 2012, through June 1, 2029, bearing interest at 2.97% | \$ 3,255,000           | \$ 155,000                       |
| Total lease revenue bonds  | \$ 3,255,000           | \$ 155,000                       |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES (CONTINUED):**

PRIMARY GOVERNMENT (continued)

Details of Long-term liabilities: (continued)

Governmental Activities: (continued)

|   | Total<br>Amount<br>Due | Amount<br>Due Within<br>One Year |
|---|------------------------|----------------------------------|
| General Obligation Bonds:   |                        |                                  |
| \$4,000,000 VRA bond for Town of Mt. Jackson WWTP expansion project, issued in 2008, maturing semi-annually on January 1, 2029, with interest payable at 3%.  | \$ 3,525,691           | \$ 167,931                       |
| \$15,760,000 VRA bond issued November 19, 2009, due in semi-annual installments commencing April 1, 2010, and maturing October 1, 2026, with interest payable at 5.125%   | 15,760,000             | 775,000                          |
| \$5,485,000 Virginia Public School Authority Bonds 1993A, issued April 29, 1993, maturing annually through December 15, 2012, with interest payable semi-annually at rates of 5.1% to 5.5%  | 190,000                | 190,000                          |
| \$5,615,000 Virginia Public School Authority Bonds 1993B, issued December 1, 1993, maturing annually through December 15, 2013, with interest payable semi-annually at rates of 4.475% to 5.0%                                    | 60,000                 | 30,000                           |
| \$25,140,000 Virginia Public School Authority Bonds 2002, issued May 16, 2002, at a premium of \$836,018, maturing annually through July 15, 2022, with interest payable semi-annually at rates of 3.6% to 5.6%.                  | 16,990,000             | 1,180,000                        |
| \$4,130,808 Virginia Public School Authority Bonds 2004B, issued November 10, 2004, at a premium of \$303,424, maturing annually through January 15, 2025, with interest payable semi-annually at rates of 4.6% to 5.6%.          | 2,835,807              | 198,198                          |
| \$7,435,000 Virginia Public School Authority Bonds 2010, issued July 8, 2010, maturing annually through June 1, 2027, with interest payable semi-annually at rates of 2.7%. Interest is reimbursed by a federal interest subsidy. | 7,215,000              | 480,000                          |
| Total general obligation bonds  | \$ 46,576,498          | \$ 3,021,129                     |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES (CONTINUED):**

PRIMARY GOVERNMENT (continued)

Details of Long-term liabilities: (continued)

Governmental Activities: (continued)

|  | <u>Total<br/>Amount<br/>Due</u> | <u>Amount<br/>Due Within<br/>One Year</u> |
|--|---------------------------------|---|
| Literary Fund Loans  |                                 |   |
| \$1,290,000 issued April 1, 2001 for the renovation of Ashby Lee Elementary School, due in annual installments of \$64,500 from April 1, 2002 through April 1, 2021, plus interest at 3%       | \$ 580,500                      | \$ 64,500                                 |
| \$1,931,000 issued April 1, 2001 for the renovation of Sandy Hook Elementary School, due in annual installments of \$96,550 from April 1, 2002 through April 1, 2021, plus interest at 3%      | 868,950                         | 96,550                                    |
| \$3,069,000 issued April 1, 2001 for the renovation of W. W. Robinson Elementary School, due in annual installments of \$153,450 from April 1, 2002 through April 1, 2021, plus interest at 3% | 1,381,050                       | 153,450                                   |
| Total Literary Fund Loans  | <u>\$ 2,830,500</u>             | <u>\$ 314,500</u>                         |
| Unamortized Bond Premium   | \$ 1,730,473                    | \$ 56,972                                 |
| Compensated absences   | \$ 839,649                      | \$ 209,912                                |
| Net OPEB obligation  | \$ 343,271                      | \$ -                                      |
| Deferred amount on refunding bond  | \$ 363,200                      | \$ 31,864                                 |
| Total Long-term Debt   | <u>\$ 57,084,096</u>            | <u>\$ 4,196,942</u>                       |

Business-type Activities:

Stone Creek Sanitary District:

Revenue bond:

|  |                     |                   |
|--|---------------------|-------------------|
| \$2,660,000 Water and Sewer Revenue Bonds issued August 7, 2003, due in annual principal installments of \$35,000 to \$260,000 from October 1, 2003, through October 1, 2016, interest rates from 2.0% to 5.0% payable semi-annually | \$ 1,080,000        | \$ 210,000        |
| Capital leases:  |                     |                   |
| \$114,368 capital lease payable, issued September 7, 2007, payable in monthly installments of \$2,156.04, at 4.85% interest beginning October 1, 2007 and ending October 1, 2012   | 4,301               | 4,301             |
| Compensated absences   | 58,893              | 23,557            |
| Net OPEB obligation  | 17,067              | -                 |
| Total Stoney Creek Sanitary District   | <u>\$ 1,160,261</u> | <u>\$ 237,858</u> |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES (CONTINUED):**

PRIMARY GOVERNMENT (continued)

Details of Long-term liabilities: (continued)

|   | Total<br>Amount<br>Due | Amount<br>Due Within<br>One Year |
|---|------------------------|----------------------------------|
| <u>Business-type Activities: (continued)</u>  |                        |                                  |
| <u>Toms Brook-Maurertown Sanitary District:</u>   |                        |                                  |
| \$60,000 Water Revenue Bond Series of 1972, amended March 22, 1984, payable in monthly installments of \$310, including principal and interest at 5% per annum beginning April 1, 1984, and ending July 1, 2012   | \$ 149                 | 149                              |
| \$398,700 Sewer Revenue Bond Series of 1984, payable in monthly installments of \$1,926, including principal and interest a 5% per annum beginning Mary 1, 1984, and ending April 1, 2024   | 201,822                | 12,580                           |
| \$634,000 General Obligation Bond Series of 1995, with interest only payable annually in February 1996 and 1997, and thereafter payable in monthly installments of \$3,120, including principal and interest at 4.5% per annum beginning in March 1997, and ending in February 2029 | 437,500                | 17,328                           |
| \$68,000 General Obligation Bond Series of 1997, with interest only payable through December 22, 1998, and thereafter payable in monthly installments of \$331, including principal and interest at 4.5% per annum beginning January 1999, and ending January 2032                  | 51,099                 | 1,634                            |
| \$42,000 Water Revenue Bond Series of 1997, with interest only payable through December 22, 1998, and thereafter payable in monthly installments of \$205, including principal and interest at 4.55 per annum beginning in January 1999 and ending January 2032                     | 31,435                 | 870                              |
| \$32,000 Water Revenue Bond Series of 1997, with interest only payable on December 22, 1998, and thereafter payable in monthly installments of \$156, including principal and interest at 4.5% per annum beginning in January 1999 and ending January 2032                          | 23,800                 | 580                              |
| Total general obligation revenue bonds  | \$ 745,805             | \$ 33,141                        |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 11—LONG-TERM LIABILITIES (CONTINUED):**

PRIMARY GOVERNMENT (continued)

Details of Long-term liabilities: (continued)

Business-type activities: (continued)

|  | Total<br>Amount<br>Due | Amount<br>Due Within<br>One Year |
|--|------------------------|----------------------------------|
|  | <u>          </u>      | <u>          </u>                |
| Compensated absences   | \$ 15,000              | \$ 7,300                         |
| Net OPEB obligation  | \$ 5,341               | \$ -                             |
| Total Toms Brook-Maurertown Sanitary District  | <u>\$ 766,146</u>      | <u>\$ 40,441</u>                 |
| North Fork Wastewater:<br>Lease Revenue Bond:  |                        |                                  |
| \$1,304,415 VRA Bond 2011, payable semi-annually beginning on<br>December 1, 2012 of \$7,106, including principal and interest at 2.93%,<br>and ending in June 2032. | \$ 1,246,616           | \$ -                             |
| Landfill:  |                        |                                  |
| Landfill closure and post-closure care   | \$ 11,149,197          | \$ -                             |
| Compensated absences   | \$ 61,208              | \$ 15,302                        |
| Net OPEB obligation  | \$ 21,321              | \$ -                             |
| Total landfill   | <u>\$ 11,231,726</u>   | <u>\$ 15,302</u>                 |
| Total Business-type Activities   | <u>\$ 14,404,749</u>   | <u>\$ 293,601</u>                |

**DISCRETLY PRESENTED COMPONENT UNIT-SCHOOL BOARD:**

Changes in Long-term liabilities:

The following is a summary of long-term liability transactions of the Component Unit – School Board for the year ended June 30, 2012:

|                      | Balance<br>July 1,<br>2011 | Issuances           | Retirements        | Balance<br>June 30,<br>2012 | Amount<br>Due Within<br>One Year |
|----------------------|----------------------------|---------------------|--------------------|-----------------------------|----------------------------------|
|                      | <u>          </u>          | <u>          </u>   | <u>          </u>  | <u>          </u>           | <u>          </u>                |
| Compensated absences | \$ 762,270                 | \$ 437,335          | \$ 318,833         | \$ 880,772                  | \$ 220,193                       |
| Net OPEB obligation  | <u>955,000</u>             | <u>638,000</u>      | <u>(339,000)</u>   | <u>1,254,000</u>            | <u>-</u>                         |
| Total                | <u>\$ 1,717,270</u>        | <u>\$ 1,075,335</u> | <u>\$ (20,167)</u> | <u>\$ 2,134,772</u>         | <u>\$ 220,193</u>                |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

---

**NOTE 12—OTHER LIABILITIES – ENTERPRISE FUNDS:**

---

The other liabilities of the Sanitary Districts at June 30, 2012, consist of the following:

|                   | <u>Stoney Creek</u> | <u>Toms-Brook<br/>Maurertown</u> | <u>Total</u>     |
|-------------------|---------------------|----------------------------------|------------------|
| Security deposits | \$ 6,400            | \$ 9,850                         | \$ 16,250        |
| Total             | <u>\$ 6,400</u>     | <u>\$ 9,850</u>                  | <u>\$ 16,250</u> |

**NOTE 13—DEFERRED COMPENSATION PLAN:**

---

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

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

**NOTE 14—DEFINED BENEFIT PENSION PLAN:**

---

**A. Plan Description**

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

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

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

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

**NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

---

**A. Plan Description (continued)**

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

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School's non-professional employee contribution rates for the fiscal year ended 2012 were 9.10% and 8.90%, respectively, of annual covered payroll.

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

**B. Funding Policy (continued)**

The School Board's contributions for professional employees were \$1,887,320, \$1,177,089, and \$1,958,090, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011 and 2010, respectively and these contributions represented 6.33%, 6.33%, and 8.81% of annual covered payroll for the fiscal years ended June 30, 2012, 2011 and 2010, respectively, of current covered payroll.

**C. Annual Pension Cost**

For fiscal year 2012, the County's annual pension cost of \$990,583 was equal to the County's required and actual contributions.

For fiscal year 2012, the County School Board's annual pension cost for the board's non-professional employees was \$303,522 which was equal to the Board's required and actual contributions.

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

| Fiscal Year Ending             | Annual<br>Pension<br>Cost (APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|--------------------------------|---------------------------------|-------------------------------------|------------------------------|
| County:                        |                                 |                                     |                              |
| June 30, 2012                  | \$ 990,583                      | 100%                                | \$ -                         |
| June 30, 2011                  | 1,001,771                       | 100%                                | -                            |
| June 30, 2010                  | 1,036,977                       | 100%                                | -                            |
| School Board Non-Professional: |                                 |                                     |                              |
| June 30, 2012                  | \$ 303,522                      | 100%                                | \$ -                         |
| June 30, 2011                  | 324,864                         | 100%                                | -                            |
| June 30, 2010                  | 321,370                         | 100%                                | -                            |

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and the County School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**NOTE 14—DEFINED BENEFIT PENSION PLAN (CONTINUED):**

---

**D. Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the County's plan was 75.18% funded. The actuarial accrued liability for benefits was \$37,152,968, and the actuarial value of assets was \$27,931,405, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,221,563. The covered payroll (annual payroll of active employees covered by the plan) was \$10,915,982, and ratio of the UAAL to the covered payroll was 84.48%.

As of June 30, 2011, the most recent actuarial valuation date, the County School Board's non-professional plan was 77.90% funded. The actuarial accrued liability for benefits was \$11,464,113, and the actuarial value of assets was \$8,930,536, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,533,577. The covered payroll (annual payroll of active employees covered by the plan) was \$3,675,456, and ratio of the UAAL to the covered payroll was 68.93%.

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

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM:**

---

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

**Primary Government**

**A. Plan Description**

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

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

**Primary Government (Continued)**

**B. Funding Policy**

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

**C. Annual OPEB Cost and Net OPEB Obligation**

The annual cost of other post employment benefits under GASB 45 is based on the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$146,000 for fiscal year 2012. The County has elected not to pre-fund OPEB liabilities. The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

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

|  |    |                |
|--|----|----------------|
| Annual Required Contribution (ARC)       | \$ | 146,000        |
| Interest on OPEB Obligation              |    | 12,000         |
| Adjustment to ARC                        |    | (12,000)       |
| Annual OPEB cost                         | \$ | 146,000        |
| Estimated Contributions Made During FY12 |    | (52,137)       |
| Increase in Net OPEB Obligation          | \$ | 93,863         |
| New OPEB Obligation - beginning of year  |    | 293,137        |
| Net OPEB Obligation - end of year        | \$ | <u>387,000</u> |

The County's net OPEB obligation was reported as \$343,271 and \$43,729 in the governmental and business-type activities, respectively. The general fund is responsible for the payment of the governmental activities net OPEB obligation. Likewise, the Stoney Creek and Toms Brook-Maurertown Sanitary Districts are responsible for the business-type activities net OPEB cost.

The County made an OPEB contribution of \$52,137 during fiscal year 2012. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

| Primary Government: |                  |  |                     |
|---------------------|------------------|--|---------------------|
| Fiscal Year Ended   | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
| June 30, 2012       | \$ 146,000       | 35.7%                                      | \$ 387,000          |
| June 30, 2011       | 138,000          | 21%  | 293,137             |
| June 30, 2010       | 128,000          | 32%  | 183,000             |

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

---

**Primary Government (Continued)**

**D. Funded Status and Funding Progress**

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

|   | <u>Primary<br/>Government</u> |
|---|-------------------------------|
| Actuarial accrued liability (AAL)                 | \$ 1,076,000                  |
| Actuarial value of plan assets                    | -                             |
| Unfunded actuarial accrued liability              | 1,076,000                     |
| Funded ratio (actuarial value of plan assets/AAL) | 0%                            |
| Covered payroll (active plan members)             | 10,200,000                    |
| UAAL as a percentage of covered payroll           | 10.5%                         |

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

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

**E. Actuarial Methods and Assumptions**

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

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

**Primary Government (Continued)**

**E. Actuarial Methods and Assumptions (Continued)**

*Cost Method*

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

Actuarial Assumptions

|                |                 |
|----------------|-----------------|
|                | <u>Unfunded</u> |
| Discount rate  | 4.25%           |
| Payroll growth | 2.50%           |

**VRS Health Insurance Credit Program**

**A. Plan Description**

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

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

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

---

**Primary Government (Continued)**

**A. Plan Description (continued)**

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

**B. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .28% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$30,503, \$30,827, and \$16,945, respectively and equaled the required contributions for each year.

**Component Unit School Board:**

**Other Post-Employment Benefit Program**

**A. Plan Description**

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

**B. Funding Policy**

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

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation:**

The annual cost of other post employment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The estimated pay as you go cost for OPEB benefits is \$638,000 for fiscal year 2012. The Component Unit School Board has elected not to pre-fund OPEB liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

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

|  |                            |
|--|----------------------------|
| Annual Required Contribution (ARC)       | \$ 638,000                 |
| Interest on OPEB Obligation              | 41,000                     |
| Adjustment to ARC                        | <u>(41,000)</u>            |
| Annual OPEB cost                         | \$ 638,000                 |
| Estimated Contributions Made During FY12 | <u>(339,000)</u>           |
| Increase in Net OPEB Obligation          | \$ 299,000                 |
| New OPEB Obligation - beginning of year  | <u>955,000</u>             |
| Net OPEB Obligation - end of year        | <u><u>\$ 1,254,000</u></u> |

*Annual OPEB Cost.*

The Component Unit School Board made an OPEB contribution of \$339,000 during fiscal year 2012. The Component Unit School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

| Component Unit School Board: |                        |  |                           |
|------------------------------|------------------------|--|---------------------------|
| Fiscal Year<br>Ended         | Annual<br>OPEB<br>Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net<br>OPEB<br>Obligation |
| June 30, 2012                | \$ 638,000             | 53.1%  | \$ 1,254,000              |
| June 30, 2011                | 615,000                | 47.0%  | 955,000                   |
| June 30, 2010                | 610,000                | 53.0%  | 636,000                   |

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

**Component Unit School Board: (Continued)**

**D. Funded Status and Funding Progress**

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

|   | <u>Component Unit<br/>School Board</u> |
|---|--|
| Actuarial accrued liability (AAL)                 | \$ 5,735,000                           |
| Actuarial value of plan assets                    | -                                      |
| Unfunded actuarial accrued liability              | 5,735,000                              |
| Funded ratio (actuarial value of plan assets/AAL) | 0%                                     |
| Covered payroll (active plan members)             | 28,250,000                             |
| UAAL as a percentage of covered payroll           | 20.3%                                  |

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

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

**E. Actuarial Methods and Assumptions**

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

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

**Component Unit School Board: (Continued)**

**E. Actuarial Methods and Assumptions (Continued)**

*Cost Method*

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

*Actuarial Assumptions*

|                |   |
|----------------|---|
|                | Component Unit<br>School Board<br><u>Unfunded</u> |
| Discount rate  | 4.25%   |
| Payroll growth | 2.50%   |

**VRS Health Insurance Credit Program**

**A. Plan Description**

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

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

---

**NOTE 15—OTHER POST-EMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

---

**Component Unit School Board: (Continued)**

**VRS Health Insurance Credit Program (Continued)**

**A. Plan Description (continued)**

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

**C. Funding Policy**

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$178,893, \$179,708, and \$231,148, respectively and equaled the required contributions for each year.

**NOTE 16—CONTINGENT LIABILITIES:**

---

Federal programs in which the county and its component units participate were audited in accordance with the provisions of the U. S. Office of Management and Budget (OMB) A-133 Compliance Supplement. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures, if any, would be immaterial.

While \$488,599 of the General Obligation Bond Series of 1995 and 1997 have been recorded in the Toms Brook-Maurertown Sanitary District, from which repayment is anticipated, the General Fund has a contingent liability for the repayment of this amount should the Sanitary District be unable to do so.

**COUNTY OF SHENANDOAH, VIRGINIA**

**Notes to the Financial Statements  
June 30, 2012 (Continued)**

---

**NOTE 17—RISK MANAGEMENT:**

---

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

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The county pays Virginia Municipal Group contributions and assessments based upon classifications and rates. These amounts are deposited into a designated cash reserve fund of the association out of which expenses, claims and awards are to be paid. In the event of a catastrophic loss which creates an equity deficit and for which all available excess insurance is depleted, the Association may assess all members in proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

**NOTE 18—LANDFILL CLOSURE AND POSTCLOSURE CARE COST:**

---

State and federal laws and regulations require the County of Shenandoah place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. During fiscal year 2003, the County opened new landfill cells and significantly completed closure of its old landfill. The estimated liability for landfill closure and postclosure care costs has a balance of \$11,867,837 as of June 30, 2012, which is based on the estimated number of years remaining, which is zero for the old landfill and four years for the new landfill cells and the capacity used to date which is estimated to be 94.13% for the new landfill. The estimated total current cost of the landfill closure and postclosure care of \$11,149,197 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain both of the landfills were incurred as of June 30, 2012. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

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

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Financial Statements  
June 30, 2012 (Continued)

**NOTE 19—SEGMENT INFORMATION FOR BUSINESS-TYPE ACTIVITIES:**

|  | Stoney Creek<br>Sanitary<br>District | Toms Brook<br>Sanitary<br>District | North Fork<br>Wastewater<br>Fund | Landfill<br>Fund | Total<br>Enterprise<br>Funds |
|--|--------------------------------------|------------------------------------|----------------------------------|------------------|------------------------------|
| Operating revenue  | \$ 938,358                           | \$ 596,127                         | \$ 132,693                       | \$ 1,081,369     | \$ 2,748,547                 |
| Depreciation and amortization                                  | 267,964                              | 161,680                            | 37,297                           | 314,635          | 781,576                      |
| Operating income (loss)  | (454,274)                            | (132,859)                          | (37,297)                         | (1,221,596)      | (1,846,026)                  |
| Current connection fees  | 80,567                               | 248,500                            | -                                | -                | 329,067                      |
| Property, plant and equipment<br>additions, net of retirements | (321,109)                            | (35,779)                           | (828,019)                        | (330,820)        | (1,515,727)                  |
| Net working capital  | 829,476                              | 713,838                            | 157,967                          | 95,547           | 1,796,828                    |
| Total assets   | 4,557,983                            | 3,156,409                          | 1,553,096                        | 2,555,495        | 11,822,983                   |
| Long-term liabilities  | 1,160,261                            | 766,146                            | 1,246,616                        | 11,231,726       | 14,404,749                   |
| Net assets   | 2,883,424                            | 2,170,690                          | 306,480                          | (8,690,307)      | (3,329,713)                  |

**NOTE 20—CONSTRUCTION CONTRACTS OUTSTANDING:**

The Primary Government had the following material contracts outstanding at June 30, 2012:

|                                    | Original<br>Contract<br>Amount | Amount<br>Spent<br>to Date | Amount of<br>Contract<br>Remaining<br>at Year End |
|------------------------------------|--------------------------------|----------------------------|---|
| School Energy Performance Contract | \$ 7,070,187                   | \$ 6,530,739               | \$ 539,448  |

**NOTE 21—CURRENT REFUNDING:**

On November 26, 2011, the County issued an \$3,255,000 lease revenue bond, Series 2011B (Refunding Bond) and sold it to the Virginia Resources Authority (VRA) in connection with VRA's Virginia Pooled Financing Program, Series 2011B. The proceeds from the issuance and sale of the current refunding bond were used to redeem, refinance, and refund the outstanding principal amount of the County for four additional bonds of \$3,650,062. The net carrying amount of the new debt exceeded the reacquisition price by \$395,062. This amount is being netted against the new debt and amortized over the new debt's life. The current refunding was undertaken to reduce total debt service payments over the next sixteen years by \$372,640 and resulted in total net present value savings of \$260,290 for the County.

**NOTE 22—CREATION OF ENTERPRISE-LANDFILL FUND:**

At June 30, 2012, the County created an enterprise fund for its landfill operations due to requirements of the 2011 leachate line bond issue. The landfill was previously accounted for in the governmental funds. The net amount of contributed capital (assumption of liabilities) from governmental activities totaled (\$8,333,634), which is detailed in the following table.

|  |                |
|--|----------------|
| Assets transferred to Landfill Fund            | \$ 2,429,687   |
| Liabilities assumed by the Landfill Fund       | (10,763,321)   |
| Net assumption of liabilities by Landfill Fund | \$ (8,333,634) |

**REQUIRED SUPPLEMENTARY INFORMATION**

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2012

|   | Budgeted Amounts      |                       | Actual<br>Amounts     | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|-----------------------|-----------------------|-----------------------|---|
|   | Original              | Final                 |                       |   |
| <b>REVENUES</b>   |                       |                       |                       |   |
| General property taxes                                    | \$ 31,371,082         | \$ 31,371,082         | \$ 33,009,862         | \$ 1,638,780  |
| Other local taxes   | 6,441,600             | 6,441,600             | 6,379,762             | (61,838)  |
| Permits, privilege fees, and regulatory licenses          | 346,500               | 346,500               | 321,647               | (24,853)  |
| Fines and forfeitures                                     | 40,000                | 40,000                | 77,345                | 37,345  |
| Revenue from the use of money and property                | 93,000                | 121,347               | 243,014               | 121,667   |
| Charges for services                                      | 2,299,903             | 2,448,897             | 1,095,074             | (1,353,823)   |
| Miscellaneous   | 228,000               | 1,331,152             | 682,571               | (648,581)   |
| Recovered costs   | 250,000               | 3,042,119             | 276,297               | (2,765,822)   |
| Intergovernmental revenues:                               |                       |                       |                       |   |
| Commonwealth  | 10,236,071            | 10,351,157            | 9,948,179             | (402,978)   |
| Federal   | 1,441,990             | 3,106,033             | 3,355,382             | 249,349   |
| Total revenues  | <u>\$ 52,748,146</u>  | <u>\$ 58,599,887</u>  | <u>\$ 55,389,133</u>  | <u>\$ (3,210,754)</u>                                     |
| <b>EXPENDITURES</b>                                       |                       |                       |                       |   |
| Current:  |                       |                       |                       |   |
| General government administration                         | \$ 2,377,778          | \$ 2,535,967          | \$ 2,435,352          | \$ 100,615  |
| Judicial administration                                   | 1,651,535             | 1,722,184             | 1,685,561             | 36,623  |
| Public safety   | 11,260,641            | 11,937,118            | 11,645,005            | 292,113   |
| Public works  | 3,102,452             | 3,843,288             | 1,100,767             | 2,742,521   |
| Health and welfare  | 6,572,817             | 6,575,817             | 6,876,762             | (300,945)   |
| Education   | 21,817,549            | 21,817,549            | 22,090,351            | (272,802)   |
| Parks, recreation, and cultural                           | 1,359,321             | 1,543,287             | 1,439,274             | 104,013   |
| Community development                                     | 740,588               | 979,683               | 953,673               | 26,010  |
| Nondepartmental   | 314,800               | 301,155               | 133,482               | 167,673   |
| Capital projects  | -                     | 2,223,110             | 1,314,131             | 908,979   |
| Debt service:   |                       |                       |                       |   |
| Principal retirement                                      | -                     | -                     | 445,600               | (445,600)   |
| Interest and other fiscal charges                         | -                     | -                     | 29,618                | (29,618)  |
| Total expenditures  | <u>\$ 49,197,481</u>  | <u>\$ 53,479,158</u>  | <u>\$ 50,149,576</u>  | <u>\$ 3,329,582</u>                                       |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 3,550,665</u>   | <u>\$ 5,120,729</u>   | <u>\$ 5,239,557</u>   | <u>\$ 118,828</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                       |                       |                       |   |
| Transfers out   | \$ (5,627,772)        | \$ (5,351,320)        | \$ (6,315,727)        | \$ (964,407)  |
| Capital lease   | -                     | -                     | 530,868               | 530,868   |
| Total other financing sources and (uses)                  | <u>\$ (5,627,772)</u> | <u>\$ (5,351,320)</u> | <u>\$ (5,784,859)</u> | <u>\$ (433,539)</u>                                       |
| Net change in fund balances                               | \$ (2,077,107)        | \$ (230,591)          | \$ (545,302)          | \$ (314,711)  |
| Fund balances - beginning                                 | 2,077,107             | 230,591               | 15,234,318            | 15,003,727  |
| Fund balances - ending                                    | <u>\$ -</u>           | <u>\$ -</u>           | <u>\$ 14,689,016</u>  | <u>\$ 14,689,016</u>                                      |

PRIMARY GOVERNMENT:

County Retirement Plan

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as % of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------------|---------------------------------------|---|--------------------|----------------------------|--|
| 06/30/11                 | \$ 27,931,405                       | \$ 37,152,968                         | \$ 9,221,563  | 75.18%             | \$ 10,915,982              | 84.48%                                 |
| 06/30/10                 | 27,035,963                          | 35,171,270                            | 8,135,307   | 76.87%             | 11,301,506                 | 71.98%                                 |
| 06/30/09                 | 25,949,614                          | 30,764,183                            | 4,814,569   | 84.35%             | 11,203,944                 | 42.97%                                 |
| 06/30/08                 | 24,462,153                          | 28,736,933                            | 4,274,780   | 85.12%             | 10,991,821                 | 38.89%                                 |
| 06/30/07                 | 21,535,964                          | 25,662,855                            | 4,126,891   | 83.92%             | 9,712,763                  | 42.49%                                 |

DISCRETELY PRESENTED COMPONENT UNIT:

School Board Non-Professional Retirement Plan

| Actuarial Valuation Date | Actuarial Value of Assets (AVA) (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Annual Covered Payroll (c) | UAAL as % of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------------|---------------------------------------|---|--------------------|----------------------------|--|
| 06/30/11                 | \$ 8,930,536                        | \$ 11,464,113                         | \$ 2,533,577  | 77.90%             | \$ 3,675,456               | 68.93%                                 |
| 06/30/10                 | 8,601,912                           | 11,053,881                            | 2,451,969   | 77.82%             | 3,807,391                  | 64.40%                                 |
| 06/30/09                 | 8,454,294                           | 9,947,201                             | 1,492,907   | 84.99%             | 3,776,032                  | 39.54%                                 |
| 06/30/08                 | 8,158,880                           | 9,014,921                             | 856,041   | 90.50%             | 3,649,993                  | 23.45%                                 |
| 06/30/07                 | 7,249,573                           | 8,181,620                             | 932,047   | 88.61%             | 3,461,497                  | 26.93%                                 |

Other Post-Employment Benefit Program  
 Schedule of Funding Progress  
 As of June 30, 2012

## PRIMARY GOVERNMENT:

## County Other Post-Employment Benefit Program

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(AVA)<br>( a ) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>( b ) | Unfunded<br>(Excess<br>Funded)<br>Actuarial<br>Accrued<br>Liability<br>(UAAL)<br>( b-a ) | Funded<br>Ratio<br>( a/b ) | Annual<br>Covered<br>Payroll<br>( c ) | UAAL as<br>% of<br>Covered<br>Payroll<br>( (b-a)/c ) |
|--------------------------------|---|---|--|----------------------------|---------------------------------------|--|
| 06/30/11                       | \$ -  | \$ 1,076,000  | \$ 1,076,000   | 0.00%                      | \$ 10,200,000                         | 10.5%  |
| 06/30/10                       | -   | 967,000   | 967,000  | 0.00%                      | 10,409,000                            | 9.3%   |
| 06/30/08                       | -   | 852,000   | 852,000  | 0.00%                      | 8,759,000                             | 9.7%   |

## DISCRETELY PRESENTED COMPONENT UNIT:

## School Board Other Post-Employment Benefit Program

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(AVA)<br>( a ) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>( b ) | Unfunded<br>(Excess<br>Funded)<br>Actuarial<br>Accrued<br>Liability<br>(UAAL)<br>( b-a ) | Funded<br>Ratio<br>( a/b ) | Annual<br>Covered<br>Payroll<br>( c ) | UAAL as<br>% of<br>Covered<br>Payroll<br>( (b-a)/c ) |
|--------------------------------|---|---|--|----------------------------|---------------------------------------|--|
| 06/30/11                       | \$ -  | \$ 5,735,000  | \$ 5,735,000   | 0.00%                      | \$ 28,250,000                         | 20.3%  |
| 06/30/10                       | -   | 5,410,000   | 5,410,000  | 0.00%                      | 26,594,000                            | 19.7%  |
| 06/30/08                       | -   | 5,234,000   | 5,234,000  | 0.00%                      | 27,004,000                            | 20.0%  |

## Note:

Fiscal Year 2009 is the first year of implementation of GASB 45 for the Primary Government and Discretely Presented Component Unit School Board.

## **OTHER SUPPLEMENTARY INFORMATION**

COUNTY OF SHENANDOAH, VIRGINIA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual--  
 County Debt Service Fund  
 For the Year Ended June 30, 2012

Exhibit 15

|   | Budgeted Amounts |                | Actual<br>Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|------------------|----------------|-------------------|---|
|   | Original         | Final          |                   |   |
| <b>REVENUES</b>   |                  |                |                   |   |
| Miscellaneous   | \$ -             | \$ -           | \$ 552,582        | \$ 552,582  |
| Total revenues  | \$ -             | \$ -           | \$ 552,582        | \$ 552,582  |
| <b>EXPENDITURES</b>                                       |                  |                |                   |   |
| Debt service:   |                  |                |                   |   |
| Principal retirement                                      | \$ 2,915,633     | \$ 2,915,633   | \$ 6,730,459      | \$ (3,814,826)  |
| Interest and other fiscal charges                         | 2,435,687        | 2,435,687      | 2,771,236         | (335,549)   |
| Bond issuance costs                                       | -                | -              | 57,604            | (57,604)  |
| Total expenditures  | \$ 5,351,320     | \$ 5,351,320   | \$ 9,559,299      | \$ (4,207,979)  |
| Excess (deficiency) of revenues over (under) expenditures | \$ (5,351,320)   | \$ (5,351,320) | \$ (9,006,717)    | \$ (3,655,397)  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                  |                |                   |   |
| Transfers in  | \$ 5,351,320     | \$ 5,351,320   | \$ 5,252,205      | \$ (99,115)   |
| Issuance of general obligation bonds                      | -                | -              | 3,255,000         | 3,255,000   |
| Bond premium  | -                | -              | 499,512           | 499,512   |
| Total other financing sources and (uses)                  | \$ 5,351,320     | \$ 5,351,320   | \$ 9,006,717      | \$ 3,655,397  |
| Net change in fund balances                               | \$ -             | \$ -           | \$ -              | \$ -  |
| Fund balances - beginning                                 | -                | -              | -                 | -   |
| Fund balances - ending                                    | \$ -             | \$ -           | \$ -              | \$ -  |

COUNTY OF SHENANDOAH, VIRGINIA  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 County Capital Projects Fund  
 For the Year Ended June 30, 2012

|   | <u>Budgeted Amounts</u> |                | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|---|-------------------------|----------------|-----------------------|---|
|   | <u>Original</u>         | <u>Final</u>   |                       |   |
| <b>REVENUES</b>   |                         |                |                       |   |
| Revenue from the use of money and property                | \$ -                    | \$ -           | \$ 15,316             | \$ 15,316   |
| Intergovernmental revenues:                               |                         |                |                       |   |
| Federal   | -                       | -              | 110,126               | 110,126   |
| Total revenues  | \$ -                    | \$ -           | \$ 125,442            | \$ 125,442  |
| <b>EXPENDITURES</b>                                       |                         |                |                       |   |
| Capital projects  | \$ -                    | \$ 7,959,263   | \$ 5,314,244          | \$ 2,645,019  |
| Total expenditures  | \$ -                    | \$ 7,959,263   | \$ 5,314,244          | \$ 2,645,019  |
| Excess (deficiency) of revenues over (under) expenditures | \$ -                    | \$ (7,959,263) | \$ (5,188,802)        | \$ 2,770,461  |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                         |                |                       |   |
| Transfers in  | \$ -                    | \$ -           | \$ 572,891            | \$ 572,891  |
| Transfers out   |                         |                | (303,840)             | (303,840)   |
| Total other financing sources and (uses)                  | \$ -                    | \$ -           | \$ 269,051            | \$ 269,051  |
| Net change in fund balances                               | \$ -                    | \$ (7,959,263) | \$ (4,919,751)        | \$ 3,039,512  |
| Fund balances - beginning                                 | -                       | 7,959,263      | 15,472,457            | 7,513,194   |
| Fund balances - ending                                    | \$ -                    | \$ -           | \$ 10,552,706         | \$ 10,552,706   |

## **COMBINING FUND STATEMENTS**

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

Exhibit 17

|   | <u>Special<br/>Revenue<br/>Funds</u> | <u>Capital<br/>Projects<br/>Funds</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|---|--------------------------------------|---------------------------------------|--|
| <b>ASSETS</b>   |                                      |                                       |  |
| Cash and cash equivalents                             | \$ 36,673                            | \$ 99,893                             | \$ 136,566   |
| Receivables (net of allowance<br>for uncollectibles): |                                      |                                       |  |
| Accounts receivable                                   | \$ 2,630                             | \$ -                                  | \$ 2,630   |
| Total assets  | <u>\$ 39,303</u>                     | <u>\$ 99,893</u>                      | <u>\$ 139,196</u>                                    |
| <b>LIABILITIES AND FUND BALANCES</b>                  |                                      |                                       |  |
| Fund balances:  |                                      |                                       |  |
| Committed:  |                                      |                                       |  |
| Landfill contingency                                  | \$ 39,303                            | \$ -                                  | \$ 39,303  |
| Assigned:   |                                      |                                       |  |
| Capital projects                                      | -                                    | 99,893                                | 99,893   |
| Total fund balances                                   | <u>\$ 39,303</u>                     | <u>\$ 99,893</u>                      | <u>\$ 139,196</u>                                    |
| Total liabilities and fund balances                   | <u>\$ 39,303</u>                     | <u>\$ 99,893</u>                      | <u>\$ 139,196</u>                                    |

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2012

Exhibit 18

|   | Special<br>Revenue<br>Funds | Capital<br>Projects<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-----------------------------|------------------------------|--|
| <b>REVENUES</b>   |                             |                              |  |
| Revenue from the use of money and property                | \$ -                        | \$ 10                        | \$ 10                                      |
| Charges for services                                      | 44,430                      | -                            | 44,430                                     |
| Miscellaneous   | 2,689                       | -                            | 2,689                                      |
| Total revenues  | <u>\$ 47,119</u>            | <u>\$ 10</u>                 | <u>\$ 47,129</u>                           |
| <b>EXPENDITURES</b>                                       |                             |                              |  |
| Current:  |                             |                              |  |
| Parks, recreation, and cultural                           | \$ 47,945                   | \$ -                         | \$ 47,945                                  |
| Total expenditures  | <u>\$ 47,945</u>            | <u>\$ -</u>                  | <u>\$ 47,945</u>                           |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (826)</u>             | <u>\$ 10</u>                 | <u>\$ (816)</u>                            |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                             |                              |  |
| Transfers in  | \$ 36,614                   | \$ -                         | \$ 36,614                                  |
| Transfers out   | (572,891)                   | -                            | (572,891)                                  |
| Total other financing sources and (uses)                  | <u>\$ (536,277)</u>         | <u>\$ -</u>                  | <u>\$ (536,277)</u>                        |
| Net change in fund balances                               | \$ (537,103)                | \$ 10                        | \$ (537,093)                               |
| Fund balances - beginning                                 | 576,406                     | 99,883                       | 676,289                                    |
| Fund balances - ending                                    | <u>\$ 39,303</u>            | <u>\$ 99,893</u>             | <u>\$ 139,196</u>                          |

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2012

Exhibit 19

|   | <u>Parks and<br/>Recreation<br/>Fund</u> | <u>Landfill<br/>Contingency<br/>Fund</u> | <u>Total</u>     |
|---|--|--|------------------|
| <b>ASSETS</b>   |  |  |                  |
| Cash and cash equivalents                             | \$ -                                     | \$ 36,673                                | \$ 36,673        |
| Receivables (net of allowance<br>for uncollectibles): |  |  |                  |
| Accounts receivable                                   | -  | 2,630                                    | 2,630            |
| Total assets  | <u>\$ -</u>                              | <u>\$ 39,303</u>                         | <u>\$ 39,303</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                  |  |  |                  |
| Fund balances:  |  |  |                  |
| Committed:  |  |  |                  |
| Landfill contingency                                  | \$ -                                     | \$ 39,303                                | \$ 39,303        |
| Total fund balances                                   | <u>\$ -</u>                              | <u>\$ 39,303</u>                         | <u>\$ 39,303</u> |
| Total liabilities and fund balances                   | <u>\$ -</u>                              | <u>\$ 39,303</u>                         | <u>\$ 39,303</u> |

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2012

Exhibit 20

|   | Parks and<br>Recreation<br>Fund | Landfill<br>Contingency<br>Fund | Total               |
|---|---------------------------------|---------------------------------|---------------------|
| <b>REVENUES</b>   |                                 |                                 |                     |
| Charges for services                                      | \$ 44,430                       | \$ -                            | \$ 44,430           |
| Miscellaneous   | -                               | 2,689                           | 2,689               |
| Total revenues  | <u>\$ 44,430</u>                | <u>\$ 2,689</u>                 | <u>\$ 47,119</u>    |
| <b>EXPENDITURES</b>                                       |                                 |                                 |                     |
| Current:  |                                 |                                 |                     |
| Parks, recreation, and cultural                           | \$ 47,945                       | \$ -                            | \$ 47,945           |
| Total expenditures  | <u>\$ 47,945</u>                | <u>\$ -</u>                     | <u>\$ 47,945</u>    |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (3,515)</u>               | <u>\$ 2,689</u>                 | <u>\$ (826)</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                                 |                                 |                     |
| Transfers in  | \$ -                            | \$ 36,614                       | \$ 36,614           |
| Transfers out   | -                               | (572,891)                       | (572,891)           |
| Total other financing sources and (uses)                  | <u>\$ -</u>                     | <u>\$ (536,277)</u>             | <u>\$ (536,277)</u> |
| Net change in fund balances                               | \$ (3,515)                      | \$ (533,588)                    | \$ (537,103)        |
| Fund balances - beginning                                 | 3,515                           | 572,891                         | 576,406             |
| Fund balances - ending                                    | <u>\$ -</u>                     | <u>\$ 39,303</u>                | <u>\$ 39,303</u>    |

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2012

Exhibit 21

|  | <u>Agency Funds</u>        |                        |                  |
|--|----------------------------|------------------------|------------------|
|  | <u>Special<br/>Welfare</u> | <u>Jail<br/>Inmate</u> | <u>Total</u>     |
| <b>ASSETS</b>                            |                            |                        |                  |
| Cash and cash equivalents                | \$ 5,920                   | \$ -                   | \$ 5,920         |
| Cash in custody of others                | -                          | 32,188                 | 32,188           |
| Total assets                             | <u>\$ 5,920</u>            | <u>\$ 32,188</u>       | <u>\$ 38,108</u> |
| <b>LIABILITIES</b>                       |                            |                        |                  |
| Amounts held for social services clients | \$ 5,920                   | \$ -                   | \$ 5,920         |
| Amounts held for inmates                 | -                          | 32,188                 | 32,188           |
| Total liabilities                        | <u>\$ 5,920</u>            | <u>\$ 32,188</u>       | <u>\$ 38,108</u> |

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2012

Exhibit 22

|  | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>Balance<br/>End<br/>of Year</u> |
|--|--|-------------------|-------------------|------------------------------------|
| <b>Special Welfare</b>                   |  |                   |                   |                                    |
| <b>ASSETS</b>                            |  |                   |                   |                                    |
| Cash and cash equivalents                | \$ 5,140                                 | \$ 19,350         | \$ 18,570         | \$ 5,920                           |
| Total assets                             | <u>\$ 5,140</u>                          | <u>\$ 19,350</u>  | <u>\$ 18,570</u>  | <u>\$ 5,920</u>                    |
| <b>LIABILITIES</b>                       |  |                   |                   |                                    |
| Amounts held for social services clients | \$ 5,140                                 | \$ 19,350         | \$ 18,570         | \$ 5,920                           |
| Total liabilities                        | <u>\$ 5,140</u>                          | <u>\$ 19,350</u>  | <u>\$ 18,570</u>  | <u>\$ 5,920</u>                    |
| <b>Jail Inmate Accounts</b>              |  |                   |                   |                                    |
| <b>ASSETS</b>                            |  |                   |                   |                                    |
| Cash in custody of others                | \$ 43,191                                | \$ 297,467        | \$ 308,470        | \$ 32,188                          |
| Total assets                             | <u>\$ 43,191</u>                         | <u>\$ 297,467</u> | <u>\$ 308,470</u> | <u>\$ 32,188</u>                   |
| <b>LIABILITIES</b>                       |  |                   |                   |                                    |
| Amounts held for inmates                 | \$ 43,191                                | \$ 297,467        | \$ 308,470        | \$ 32,188                          |
| Total liabilities                        | <u>\$ 43,191</u>                         | <u>\$ 297,467</u> | <u>\$ 308,470</u> | <u>\$ 32,188</u>                   |
| <b>Totals - All Agency Funds:</b>        |  |                   |                   |                                    |
| <b>ASSETS</b>                            |  |                   |                   |                                    |
| Cash and cash equivalents                | \$ 5,140                                 | \$ 19,350         | \$ 18,570         | \$ 5,920                           |
| Cash in custody of others                | <u>43,191</u>                            | <u>297,467</u>    | <u>308,470</u>    | <u>32,188</u>                      |
| Total assets                             | <u>\$ 48,331</u>                         | <u>\$ 316,817</u> | <u>\$ 327,040</u> | <u>\$ 38,108</u>                   |
| <b>LIABILITIES</b>                       |  |                   |                   |                                    |
| Amounts held for social services clients | \$ 5,140                                 | \$ 19,350         | \$ 18,570         | \$ 5,920                           |
| Amounts held for inmates                 | <u>43,191</u>                            | <u>297,467</u>    | <u>308,470</u>    | <u>32,188</u>                      |
| Total liabilities                        | <u>\$ 48,331</u>                         | <u>\$ 316,817</u> | <u>\$ 327,040</u> | <u>\$ 38,108</u>                   |

**DISCRETELY PRESENTED COMPONENT UNIT -  
SCHOOL BOARD**

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Balance Sheet  
 Discretely Presented Component Unit - School Board  
 June 30, 2012

Exhibit 23

|   | <u>School<br/>Operating<br/>Fund</u> | <u>School<br/>Cafeteria<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|--------------------------------------|--------------------------------------|---|
| <b>ASSETS</b>   |                                      |                                      |   |
| Cash and cash equivalents                             | \$ 5,204,849                         | \$ 1,149,107                         | \$ 6,353,956                            |
| Receivables (net of allowance<br>for uncollectibles): |                                      |                                      |   |
| Accounts receivable                                   | 1,254,159                            | -                                    | 1,254,159                               |
| Due from other funds                                  | 112,366                              | -                                    | 112,366                                 |
| Due from other governmental units                     | 1,269,983                            | 35,182                               | 1,305,165                               |
| Inventories   | -                                    | 81,355                               | 81,355                                  |
| Prepaid expense                                       | 10,051                               | -                                    | 10,051                                  |
| Deposits  | 5,000                                | -                                    | 5,000                                   |
| Total assets  | <u>\$ 7,856,408</u>                  | <u>\$ 1,265,644</u>                  | <u>\$ 9,122,052</u>                     |
| <b>LIABILITIES AND FUND BALANCES</b>                  |                                      |                                      |   |
| Liabilities:  |                                      |                                      |   |
| Accounts payable                                      | \$ 183,301                           | \$ 45,421                            | \$ 228,722                              |
| Accrued payroll                                       | 4,911,297                            | 137,190                              | 5,048,487                               |
| Due to other funds                                    | -                                    | 112,366                              | 112,366                                 |
| Due to primary government                             | 2,761,810                            | -                                    | 2,761,810                               |
| Total liabilities                                     | <u>\$ 7,856,408</u>                  | <u>\$ 294,977</u>                    | <u>\$ 8,151,385</u>                     |
| Fund balances:  |                                      |                                      |   |
| Nonspendable:   |                                      |                                      |   |
| Inventory   | \$ -                                 | \$ 81,355                            | \$ 81,355                               |
| Prepaid expense                                       | 10,051                               | -                                    | 10,051                                  |
| Assigned:   |                                      |                                      |   |
| Cafeteria   | -                                    | 889,312                              | 889,312                                 |
| Unassigned  | (10,051)                             | -                                    | (10,051)                                |
| Total fund balances                                   | <u>\$ -</u>                          | <u>\$ 970,667</u>                    | <u>\$ 970,667</u>                       |
| Total liabilities and fund balances                   | <u>\$ 7,856,408</u>                  | <u>\$ 1,265,644</u>                  | <u>\$ 9,122,052</u>                     |

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

Total fund balances per above \$ 970,667

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 41,976,887

Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (2,134,772)

Net assets of governmental activities \$ 40,812,782

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

Governmental Funds - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2012

|   | School<br>Operating<br>Fund | School<br>Cafeteria<br>Fund | Total<br>Governmental<br>Funds |
|---|-----------------------------|-----------------------------|--------------------------------|
| <b>REVENUES</b>   |                             |                             |                                |
| Revenue from the use of money and property                | \$ -                        | \$ 1,806                    | \$ 1,806                       |
| Charges for services                                      | 2,072,648                   | 871,932                     | 2,944,580                      |
| Miscellaneous   | 252,247                     | 29,865                      | 282,112                        |
| Recovered costs   | 51,096                      | -                           | 51,096                         |
| Intergovernmental revenues:                               |                             |                             |                                |
| Local government  | 21,631,465                  | -                           | 21,631,465                     |
| Commonwealth  | 27,933,029                  | 43,578                      | 27,976,607                     |
| Federal   | 3,373,293                   | 1,386,353                   | 4,759,646                      |
| Total revenues  | <u>\$ 55,313,778</u>        | <u>\$ 2,333,534</u>         | <u>\$ 57,647,312</u>           |
| <b>EXPENDITURES</b>                                       |                             |                             |                                |
| Current:  |                             |                             |                                |
| Education   | <u>\$ 55,313,778</u>        | <u>\$ 2,185,328</u>         | <u>\$ 57,499,106</u>           |
| Total expenditures  | <u>\$ 55,313,778</u>        | <u>\$ 2,185,328</u>         | <u>\$ 57,499,106</u>           |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u>                 | <u>\$ 148,206</u>           | <u>\$ 148,206</u>              |
| Net change in fund balances                               | \$ -                        | \$ 148,206                  | \$ 148,206                     |
| Fund balances - beginning                                 | -                           | 822,461                     | 822,461                        |
| Fund balances - ending                                    | <u>\$ -</u>                 | <u>\$ 970,667</u>           | <u>\$ 970,667</u>              |

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

|   |                     |
|---|---------------------|
| Net change in fund balances - total governmental funds  | \$ 148,206          |
| 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. | 1,273,571           |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.  | <u>(417,502)</u>    |
| Change in net assets of governmental activities   | <u>\$ 1,004,275</u> |

COUNTY OF SHENANDOAH, VIRGINIA  
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2012

|   | School Operating Fund |                      |                      | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------------|----------------------|----------------------|---|
|   | Budgeted Amounts      |                      | Actual               |   |
|   | Original              | Final                |                      |   |
| <b>REVENUES</b>   |                       |                      |                      |   |
| Revenue from the use of money and property                | \$ 12,600             | \$ 12,600            | \$ -                 | \$ (12,600)   |
| Charges for services                                      | 1,833,914             | 1,833,914            | 2,072,648            | 238,734   |
| Miscellaneous   | 104,000               | 104,000              | 252,247              | 148,247   |
| Recovered costs   | -                     | -                    | 51,096               | 51,096  |
| Intergovernmental revenues:                               |                       |                      |                      |   |
| Local government  | 21,316,725            | 21,316,725           | 21,631,465           | 314,740   |
| Commonwealth  | 27,589,026            | 29,109,000           | 27,933,029           | (1,175,971)   |
| Federal   | 2,866,380             | 2,866,380            | 3,373,293            | 506,913   |
| Total revenues  | <u>\$ 53,722,645</u>  | <u>\$ 55,242,619</u> | <u>\$ 55,313,778</u> | <u>\$ 71,159</u>  |
| <b>EXPENDITURES</b>                                       |                       |                      |                      |   |
| Current:  |                       |                      |                      |   |
| Education   | \$ 53,722,645         | \$ 55,242,619        | \$ 55,313,778        | \$ (71,159)   |
| Total expenditures  | <u>\$ 53,722,645</u>  | <u>\$ 55,242,619</u> | <u>\$ 55,313,778</u> | <u>\$ (71,159)</u>                                      |
| Excess (deficiency) of revenues over (under) expenditures | \$ -                  | \$ -                 | \$ -                 | \$ -  |
| Net change in fund balances                               | \$ -                  | \$ -                 | \$ -                 | \$ -  |
| Fund balances - beginning                                 | -                     | -                    | -                    | -   |
| Fund balances - ending                                    | <u>\$ -</u>           | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>   |

| School Cafeteria Fund |                     |                     |   |
|-----------------------|---------------------|---------------------|---|
| Budgeted Amounts      |                     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
| Original              | Final               |                     |   |
| \$ -                  | \$ -                | \$ 1,806            | \$ 1,806  |
| 977,926               | 977,926             | 871,932             | (105,994)   |
| -                     | -                   | 29,865              | 29,865  |
| -                     | -                   | -                   | -   |
| -                     | -                   | -                   | -   |
| 28,103                | 28,103              | 43,578              | 15,475  |
| 1,335,271             | 1,335,271           | 1,386,353           | 51,082  |
| <u>\$ 2,341,300</u>   | <u>\$ 2,341,300</u> | <u>\$ 2,333,534</u> | <u>\$ (7,766)</u>                                       |
|                       |                     |                     |   |
| <u>\$ 2,341,300</u>   | <u>\$ 2,341,300</u> | <u>\$ 2,185,328</u> | <u>\$ 155,972</u>                                       |
| <u>\$ 2,341,300</u>   | <u>\$ 2,341,300</u> | <u>\$ 2,185,328</u> | <u>\$ 155,972</u>                                       |
|                       |                     |                     |   |
| <u>\$ -</u>           | <u>\$ -</u>         | <u>\$ 148,206</u>   | <u>\$ 148,206</u>                                       |
|                       |                     |                     |   |
| <u>\$ -</u>           | <u>\$ -</u>         | <u>\$ 148,206</u>   | <u>\$ 148,206</u>                                       |
| <u>-</u>              | <u>-</u>            | <u>822,461</u>      | <u>822,461</u>  |
| <u>\$ -</u>           | <u>\$ -</u>         | <u>\$ 970,667</u>   | <u>\$ 970,667</u>                                       |

**THIS PAGE LEFT BLANK INTENTIONALLY**

## **SUPPORTING SCHEDULES**



| Fund, Major and Minor Revenue Source                   | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
| <b>General Fund:</b>                                   |                      |                      |                      |   |
| Revenue from local sources:                            |                      |                      |                      |   |
| General property taxes:                                |                      |                      |                      |   |
| Real property taxes                                    | \$ 20,341,872        | \$ 20,341,872        | \$ 21,426,750        | \$ 1,084,878  |
| Real and personal public service corporation taxes     | 780,000              | 780,000              | 1,027,736            | 247,736   |
| Personal property taxes                                | 7,096,287            | 7,096,287            | 7,432,808            | 336,521   |
| Mobile home taxes                                      | 19,780               | 19,780               | 22,465               | 2,685   |
| Machinery and tools taxes                              | 2,350,000            | 2,350,000            | 2,317,211            | (32,789)  |
| Merchants capital                                      | 258,143              | 258,143              | 262,438              | 4,295   |
| Penalties  | 275,000              | 275,000              | 297,813              | 22,813  |
| Interest   | 250,000              | 250,000              | 222,641              | (27,359)  |
| Total general property taxes                           | <u>\$ 31,371,082</u> | <u>\$ 31,371,082</u> | <u>\$ 33,009,862</u> | <u>\$ 1,638,780</u>                                       |
| Other local taxes:                                     |                      |                      |                      |   |
| Local sales and use taxes                              | \$ 3,100,000         | \$ 3,100,000         | \$ 3,168,917         | \$ 68,917   |
| Consumers' utility taxes                               | 1,935,000            | 1,935,000            | 1,962,053            | 27,053  |
| Utility license taxes                                  | 19,500               | 19,500               | 46,791               | 27,291  |
| Motor vehicle licenses                                 | 920,000              | 920,000              | 826,120              | (93,880)  |
| Taxes on recordation and wills                         | 362,100              | 362,100              | 258,430              | (103,670)   |
| Transient occupancy tax                                | 105,000              | 105,000              | 117,451              | 12,451  |
| Total other local taxes                                | <u>\$ 6,441,600</u>  | <u>\$ 6,441,600</u>  | <u>\$ 6,379,762</u>  | <u>\$ (61,838)</u>  |
| Permits, privilege fees, and regulatory licenses:      |                      |                      |                      |   |
| Animal licenses  | \$ 25,000            | \$ 25,000            | \$ 24,505            | \$ (495)  |
| Land use application fees                              | 45,000               | 45,000               | 6,956                | (38,044)  |
| Transfer fees  | 2,000                | 2,000                | 1,944                | (56)  |
| Permits and other licenses                             | 274,500              | 274,500              | 288,242              | 13,742  |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 346,500</u>    | <u>\$ 346,500</u>    | <u>\$ 321,647</u>    | <u>\$ (24,853)</u>  |
| Fines and forfeitures:                                 |                      |                      |                      |   |
| Court fines and forfeitures                            | \$ 40,000            | \$ 40,000            | \$ 77,345            | \$ 37,345   |
| Revenue from use of money and property:                |                      |                      |                      |   |
| Revenue from use of money                              | \$ 38,000            | \$ 58,254            | \$ 76,407            | \$ 18,153   |
| Revenue from use of property                           | 55,000               | 63,093               | 166,607              | 103,514   |
| Total revenue from use of money and property           | <u>\$ 93,000</u>     | <u>\$ 121,347</u>    | <u>\$ 243,014</u>    | <u>\$ 121,667</u>   |
| Charges for services:                                  |                      |                      |                      |   |
| Excess fees of clerk                                   | \$ 49,077            | \$ 49,077            | \$ 31,834            | \$ (17,243)   |
| Charges for courthouse security                        | 120,000              | 120,000              | 93,704               | (26,296)  |
| Law library fees                                       | -                    | -                    | 26,558               | 26,558  |
| Jail telephone commissions                             | -                    | -                    | 26,399               | 26,399  |
| Charges for Commonwealth's Attorney                    | 1,600                | 1,600                | 3,967                | 2,367   |
| Board of prisoners                                     | 74,500               | 81,106               | 30,410               | (50,696)  |
| Charges for animal protection                          | -                    | -                    | 9,235                | 9,235   |
| Charges for parks and recreation                       | 267,396              | 409,784              | 410,064              | 280   |
| Charges for spay and neuter                            | 20,000               | 20,000               | 7,180                | (12,820)  |
| Charges for day care                                   | 465,000              | 465,000              | 388,851              | (76,149)  |
| Charges for courthouse maintenance                     | 29,400               | 29,400               | 25,510               | (3,890)   |
| Charges for services - other                           | 1,272,930            | 1,272,930            | 41,362               | (1,231,568)   |
| Total charges for services                             | <u>\$ 2,299,903</u>  | <u>\$ 2,448,897</u>  | <u>\$ 1,095,074</u>  | <u>\$ (1,353,823)</u>                                     |

COUNTY OF SHENANDOAH, VIRGINIA  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012 (Continued)

| Fund, Major and Minor Revenue Source  | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|----------------------|----------------------|----------------------|---|
| General Fund (continued):             |                      |                      |                      |   |
| Miscellaneous revenue:                |                      |                      |                      |   |
| Miscellaneous                         | \$ 204,000           | \$ 1,307,152         | \$ 217,736           | \$ (1,089,416)  |
| Refunds and recoveries                | 24,000               | 24,000               | 464,835              | 440,835   |
| Total miscellaneous revenue           | <u>\$ 228,000</u>    | <u>\$ 1,331,152</u>  | <u>\$ 682,571</u>    | <u>\$ (648,581)</u>                                       |
| Recovered costs:                      |                      |                      |                      |   |
| Other recovered costs                 | \$ 250,000           | \$ 3,042,119         | \$ 276,297           | \$ (2,765,822)  |
| Total recovered costs                 | <u>\$ 250,000</u>    | <u>\$ 3,042,119</u>  | <u>\$ 276,297</u>    | <u>\$ (2,765,822)</u>                                     |
| Total revenue from local sources      | <u>\$ 41,070,085</u> | <u>\$ 45,142,697</u> | <u>\$ 42,085,572</u> | <u>\$ (3,057,125)</u>                                     |
| Intergovernmental Revenues:           |                      |                      |                      |   |
| Revenue from the Commonwealth:        |                      |                      |                      |   |
| Noncategorical aid:                   |                      |                      |                      |   |
| Motor vehicle carriers' tax           | \$ 30,186            | \$ 30,186            | \$ 6,644             | \$ (23,542)   |
| Mobile home titling tax               | 12,000               | 12,000               | 5,976                | (6,024)   |
| Motor vehicle rental tax              | 16,000               | 16,000               | 18,025               | 2,025   |
| State recordation tax                 | 200,000              | 200,000              | 115,042              | (84,958)  |
| Personal property tax relief funds    | 3,647,829            | 3,647,829            | 3,647,829            | -   |
| Total noncategorical aid              | <u>\$ 3,906,015</u>  | <u>\$ 3,906,015</u>  | <u>\$ 3,793,516</u>  | <u>\$ (112,499)</u>                                       |
| Categorical aid:                      |                      |                      |                      |   |
| Shared expenses:                      |                      |                      |                      |   |
| Commonwealth's attorney               | \$ 332,762           | \$ 336,325           | \$ 305,820           | \$ (30,505)   |
| Sheriff                               | 2,450,057            | 2,450,057            | 2,337,569            | (112,488)   |
| Commissioner of revenue               | 117,271              | 117,271              | 116,649              | (622)   |
| Treasurer                             | 116,973              | 116,973              | 117,126              | 153   |
| Registrar/electoral board             | 48,954               | 48,954               | 55,642               | 6,688   |
| Clerk of the Circuit Court            | 280,435              | 286,835              | 276,590              | (10,245)  |
| Total shared expenses                 | <u>\$ 3,346,452</u>  | <u>\$ 3,356,415</u>  | <u>\$ 3,209,396</u>  | <u>\$ (147,019)</u>                                       |
| Other categorical aid:                |                      |                      |                      |   |
| Litter control grant                  | \$ -                 | \$ 15,016            | \$ 15,016            | -   |
| Welfare administration and assistance | 952,427              | 952,427              | 1,193,352            | 240,925   |
| Forfeited drug assets                 | -                    | -                    | 6,087                | 6,087   |
| DMV grant                             | -                    | 20,986               | -                    | (20,986)  |
| Comprehensive services act            | 1,741,400            | 1,741,400            | 1,378,477            | (362,923)   |
| VJCCCA grant                          | 30,808               | 30,808               | 39,005               | 8,197   |
| Victim-witness grant                  | 27,671               | 27,671               | 27,541               | (130)   |
| Wireless E-911 grant                  | 95,000               | 95,000               | 82,377               | (12,623)  |
| Fire programs fund                    | 57,789               | 57,789               | 66,988               | 9,199   |
| Commission for the arts               | -                    | -                    | 5,068                | 5,068   |
| Extradition of prisoners              | -                    | 4,340                | 3,921                | (419)   |
| Other categorical aid                 | 78,509               | 143,290              | 127,435              | (15,855)  |
| Total other categorical aid           | <u>\$ 2,983,604</u>  | <u>\$ 3,088,727</u>  | <u>\$ 2,945,267</u>  | <u>\$ (143,460)</u>                                       |
| Total categorical aid                 | <u>\$ 6,330,056</u>  | <u>\$ 6,445,142</u>  | <u>\$ 6,154,663</u>  | <u>\$ (290,479)</u>                                       |
| Total revenue from the Commonwealth   | <u>\$ 10,236,071</u> | <u>\$ 10,351,157</u> | <u>\$ 9,948,179</u>  | <u>\$ (402,978)</u>                                       |

| Fund, Major and Minor Revenue Source         | Original<br>Budget | Final<br>Budget | Actual        | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|--------------------|-----------------|---------------|---|
| <b>General Fund (continued):</b>             |                    |                 |               |   |
| Intergovernmental Revenues (continued)       |                    |                 |               |   |
| Revenue from the federal government:         |                    |                 |               |   |
| Payments in lieu of taxes                    | \$ 160,000         | \$ 160,000      | \$ 165,593    | \$ 5,593  |
| Categorical aid:                             |                    |                 |               |   |
| DMV ground transportation safety grant       | \$ -               | \$ -            | \$ 24,304     | \$ 24,304   |
| U.S. Forest Service Patrol                   | -                  | 2,968           | 3,118         | 150   |
| Bullet proof vest grant                      | -                  | 625             | 1,911         | 1,286   |
| Welfare administration and assistance        | 1,211,990          | 1,211,990       | 1,459,264     | 247,274   |
| Forfeited drug assets                        | -                  | -               | 17,478        | 17,478  |
| CDBG   | -                  | 541,458         | 575,458       | 34,000  |
| FEMA firefighters assistance grant           | -                  | 191,658         | 191,658       | -   |
| Project lifesaver                            | -                  | 940             | 980           | 40  |
| ATF overtime sheriff                         | -                  | 153,680         | 153,680       | -   |
| Triad grant                                  | -                  | -               | 3,700         | 3,700   |
| Highway planning and construction            | -                  | 642,652         | 673,222       | 30,570  |
| ARRA stimulus funds-violence against women   | -                  | -               | 20,547        | 20,547  |
| Other categorical aid                        | 70,000             | 200,062         | 64,469        | (135,593)   |
| Total categorical aid                        | \$ 1,281,990       | \$ 2,946,033    | \$ 3,189,789  | \$ 243,756  |
| Total revenue from the federal government    | \$ 1,441,990       | \$ 3,106,033    | \$ 3,355,382  | \$ 249,349  |
| Total General Fund                           | \$ 52,748,146      | \$ 58,599,887   | \$ 55,389,133 | \$ (3,210,754)  |
| <b>Special Revenue Funds:</b>                |                    |                 |               |   |
| <b>Parks and recreation fund:</b>            |                    |                 |               |   |
| Revenue from local sources:                  |                    |                 |               |   |
| Charges for services:                        |                    |                 |               |   |
| Charges for parks and recreation             | \$ -               | \$ -            | \$ 44,430     | \$ 44,430   |
| Total charges for services                   | \$ -               | \$ -            | \$ 44,430     | \$ 44,430   |
| Total Parks and Recreation Fund              | \$ -               | \$ -            | \$ 44,430     | \$ 44,430   |
| <b>Landfill contingency fund:</b>            |                    |                 |               |   |
| Revenue from local sources:                  |                    |                 |               |   |
| Miscellaneous revenue:                       |                    |                 |               |   |
| Other miscellaneous                          | \$ -               | \$ -            | \$ 2,689      | \$ 2,689  |
| Total revenue from local sources             | \$ -               | \$ -            | \$ 2,689      | \$ 2,689  |
| Total Landfill Contingency Fund              | \$ -               | \$ -            | \$ 2,689      | \$ 2,689  |
| <b>Debt Service Funds:</b>                   |                    |                 |               |   |
| <b>County Debt Service Fund:</b>             |                    |                 |               |   |
| Revenue from local sources:                  |                    |                 |               |   |
| Miscellaneous revenue:                       |                    |                 |               |   |
| Interest subsidy                             | \$ -               | \$ -            | \$ 552,582    | \$ 552,582  |
| Total miscellaneous revenue                  | \$ -               | \$ -            | \$ 552,582    | \$ 552,582  |
| Total Debt Service Fund                      | \$ -               | \$ -            | \$ 552,582    | \$ 552,582  |
| <b>Capital Projects Funds:</b>               |                    |                 |               |   |
| <b>County Capital Projects Fund:</b>         |                    |                 |               |   |
| Revenue from local sources:                  |                    |                 |               |   |
| Revenue from use of money and property:      |                    |                 |               |   |
| Revenue from the use of money                | \$ -               | \$ -            | \$ 15,316     | \$ 15,316   |
| Total revenue from use of money and property | \$ -               | \$ -            | \$ 15,316     | \$ 15,316   |
| Total revenue from local sources             | \$ -               | \$ -            | \$ 15,316     | \$ 15,316   |

COUNTY OF SHENANDOAH, VIRGINIA  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012 (Continued)

| Fund, Major and Minor Revenue Source                      | Original<br>Budget | Final<br>Budget | Actual        | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|--------------------|-----------------|---------------|---|
| Capital Projects Funds (Continued):                       |                    |                 |               |   |
| Intergovernmental Revenues (continued)                    |                    |                 |               |   |
| Revenue from the federal government:                      |                    |                 |               |   |
| Categorical aid:  |                    |                 |               |   |
| State homeland security grant                             | \$ -               | \$ -            | \$ 110,126    | \$ 110,126  |
| Total categorical aid                                     | \$ -               | \$ -            | \$ 110,126    | \$ 110,126  |
| Total revenue from the federal government                 | \$ -               | \$ -            | \$ 110,126    | \$ 110,126  |
| Total Capital Projects Fund                               | \$ -               | \$ -            | \$ 125,442    | \$ 125,442  |
| <b>Industrial Park Water &amp; Sewer Fund</b>             |                    |                 |               |   |
| Revenue from local sources:                               |                    |                 |               |   |
| Revenue from use of money and property:                   |                    |                 |               |   |
| Revenue from the use of money                             | \$ -               | \$ -            | \$ 10         | \$ 10   |
| Total revenue from local sources                          | \$ -               | \$ -            | \$ 10         | \$ 10   |
| Total Industrial Park Water & Sewer Fund                  | \$ -               | \$ -            | \$ 10         | \$ 10   |
| Total Primary Government                                  | \$ 52,748,146      | \$ 58,599,887   | \$ 56,114,286 | \$ (2,485,601)  |
| <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 property                          | \$ 12,600          | \$ 12,600       | \$ -          | \$ (12,600)   |
| Total revenue from use of money and property              | \$ 12,600          | \$ 12,600       | \$ -          | \$ (12,600)   |
| Charges for services:                                     |                    |                 |               |   |
| Tuition and other payments                                | \$ 1,827,414       | \$ 1,827,414    | \$ 1,972,786  | \$ 145,372  |
| Other charges for services                                | 6,500              | 6,500           | 99,862        | 93,362  |
| Total charges for services                                | \$ 1,833,914       | \$ 1,833,914    | \$ 2,072,648  | \$ 238,734  |
| Miscellaneous revenue:                                    |                    |                 |               |   |
| Other miscellaneous                                       | \$ 104,000         | \$ 104,000      | \$ 252,247    | \$ 148,247  |
| Total miscellaneous revenue                               | \$ 104,000         | \$ 104,000      | \$ 252,247    | \$ 148,247  |
| Recovered costs:  |                    |                 |               |   |
| Other recovered costs                                     | \$ -               | \$ -            | \$ 51,096     | \$ 51,096   |
| Total revenue from local sources                          | \$ 1,950,514       | \$ 1,950,514    | \$ 2,375,991  | \$ 425,477  |
| Intergovernmental revenues:                               |                    |                 |               |   |
| Revenues from local governments:                          |                    |                 |               |   |
| Contribution from County of Shenandoah, Virginia          | \$ 21,316,725      | \$ 21,316,725   | \$ 21,631,465 | \$ 314,740  |

| Fund, Major and Minor Revenue Source                          | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|---|
| Discretely Presented Component Unit School Board (continued): |                      |                      |                      |   |
| Special Revenue Funds (continued):                            |                      |                      |                      |   |
| School Operating Fund (continued):                            |                      |                      |                      |   |
| Intergovernmental Revenues (continued):                       |                      |                      |                      |   |
| Revenue from the Commonwealth:                                |                      |                      |                      |   |
| Categorical aid:  |                      |                      |                      |   |
| State sales tax   | \$ 5,452,517         | \$ 5,452,517         | \$ 5,581,028         | \$ 128,511  |
| Basic aid   | 15,333,996           | 15,333,996           | 15,153,204           | (180,792)   |
| Remedial summer school  | 22,972               | 22,972               | 45,123               | 22,151  |
| Foster home children  | 36,794               | 36,794               | 9,766                | (27,028)  |
| Adult education   | 2,071                | 2,071                | -                    | (2,071)   |
| GED   | 15,717               | 15,717               | 15,717               | -   |
| Gifted and talented   | 162,560              | 162,560              | 161,225              | (1,335)   |
| Remedial education  | 314,284              | 314,284              | 311,701              | (2,583)   |
| Special education   | 1,202,948            | 1,202,948            | 1,193,061            | (9,887)   |
| Textbook payments   | 146,521              | 146,521              | 145,317              | (1,204)   |
| Vocational education  | 630,717              | 630,717              | 636,934              | 6,217   |
| Fringe benefits   | 1,701,466            | 1,701,466            | 1,687,484            | (13,982)  |
| Early reading intervention                                    | 59,870               | 59,870               | 61,684               | 1,814   |
| Mentor teacher program  | 7,810                | 7,810                | 7,599                | (211)   |
| Homebound   | 7,865                | 7,865                | 11,261               | 3,396   |
| Special education regional program                            | 905,292              | 905,292              | 776,378              | (128,914)   |
| At risk program   | 231,229              | 231,229              | 229,442              | (1,787)   |
| Primary class size payments                                   | 352,505              | 352,505              | 354,075              | 1,570   |
| School technology funds                                       | 310,000              | 310,000              | 310,000              | -   |
| School construction   | 465,135              | 465,135              | 471,198              | 6,063   |
| Special education- foster children                            | -                    | -                    | 13,868               | 13,868  |
| Algebra readiness   | 44,625               | 44,625               | 44,625               | -   |
| English as a second language                                  | 182,132              | 182,132              | 150,900              | (31,232)  |
| Enrollment loss   | -                    | -                    | 10,200               | 10,200  |
| Virginia preschool initiative payment                         | -                    | -                    | 358,260              | 358,260   |
| Academic year governors school                                | -                    | -                    | 168,604              | 168,604   |
| National board certification bonus                            | -                    | -                    | 12,500               | 12,500  |
| Other categorical aid   | -                    | 1,519,974            | 11,875               | (1,508,099)   |
| Total categorical aid   | <u>\$ 27,589,026</u> | <u>\$ 29,109,000</u> | <u>\$ 27,933,029</u> | <u>\$ (1,175,971)</u>                                     |
| Total revenue from the Commonwealth                           | <u>\$ 27,589,026</u> | <u>\$ 29,109,000</u> | <u>\$ 27,933,029</u> | <u>\$ (1,175,971)</u>                                     |
| Revenue from the federal government:                          |                      |                      |                      |   |
| Categorical aid:  |                      |                      |                      |   |
| Title I   | \$ 1,004,416         | \$ 1,004,416         | \$ 1,106,871         | \$ 102,455  |
| Title I ARRA school improvement grant                         | -                    | -                    | 179,627              | 179,627   |
| Forest reserve  | 22,584               | 22,584               | 18,461               | (4,123)   |
| Title II Part A   | -                    | -                    | 163,352              | 163,352   |
| Title VI-B  | 1,175,128            | 1,175,128            | 1,197,666            | 22,538  |
| Vocational education  | 85,992               | 85,992               | 97,346               | 11,354  |
| Title III Part A  | 34,557               | 34,557               | 37,803               | 3,246   |
| Preschool   | 40,378               | 40,378               | 49,852               | 9,474   |
| ARRA Jobs fund  | 503,325              | 503,325              | 516,757              | 13,432  |

COUNTY OF SHENANDOAH, VIRGINIA  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012 (Continued)

| Fund, Major and Minor Revenue Source                          | Original<br>Budget | Final<br>Budget | Actual        | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|--------------------|-----------------|---------------|---|
| 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)                                  |                    |                 |               |   |
| Other   | \$ -               | \$ -            | \$ 5,558      | \$ 5,558  |
| Total categorical aid   | \$ 2,866,380       | \$ 2,866,380    | \$ 3,373,293  | \$ 506,913  |
| Total revenue from the federal government                     | \$ 2,866,380       | \$ 2,866,380    | \$ 3,373,293  | \$ 506,913  |
| Total school operating fund                                   | \$ 53,722,645      | \$ 55,242,619   | \$ 55,313,778 | \$ 71,159   |
| <b>School Cafeteria Fund:</b>                                 |                    |                 |               |   |
| Revenue from local sources:                                   |                    |                 |               |   |
| Revenue from use of money and property:                       |                    |                 |               |   |
| Revenue from the use of money                                 | \$ -               | \$ -            | \$ 1,806      | \$ 1,806  |
| Charges for services:   |                    |                 |               |   |
| School food services  | \$ 977,926         | \$ 977,926      | \$ 871,932    | \$ (105,994)  |
| Miscellaneous revenue:  |                    |                 |               |   |
| Miscellaneous   | \$ -               | \$ -            | \$ 29,865     | \$ 29,865   |
| Total revenue from local sources                              | \$ 977,926         | \$ 977,926      | \$ 903,603    | \$ (74,323)   |
| Intergovernmental Revenues:                                   |                    |                 |               |   |
| Revenue from the Commonwealth:                                |                    |                 |               |   |
| Categorical aid:  |                    |                 |               |   |
| School food program   | \$ 28,103          | \$ 28,103       | \$ 43,578     | \$ 15,475   |
| Total revenue from the Commonwealth                           | \$ 28,103          | \$ 28,103       | \$ 43,578     | \$ 15,475   |
| Revenue from the federal government:                          |                    |                 |               |   |
| Categorical aid:  |                    |                 |               |   |
| School food program   | \$ 1,335,271       | \$ 1,335,271    | \$ 1,259,283  | \$ (75,988)   |
| USDA commodities  | -                  | -               | 127,070       | 127,070   |
| Total categorical aid   | \$ 1,335,271       | \$ 1,335,271    | \$ 1,386,353  | \$ 51,082   |
| Total revenue from the federal government                     | \$ 1,335,271       | \$ 1,335,271    | \$ 1,386,353  | \$ 51,082   |
| Total School Cafeteria Fund                                   | \$ 2,341,300       | \$ 2,341,300    | \$ 2,333,534  | \$ (7,766)  |
| Total Discretely Presented Component Unit - School Board      | \$ 56,063,945      | \$ 57,583,919   | \$ 57,647,312 | \$ 63,393   |

| Fund, Function, Activity and Elements     | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|---------------------|---------------------|---------------------|---|
| <b>General Fund:</b>                      |                     |                     |                     |   |
| General government administration:        |                     |                     |                     |   |
| Legislative:                              |                     |                     |                     |   |
| Board of supervisors                      | \$ 237,003          | \$ 335,245          | \$ 296,116          | \$ 39,129   |
| General and financial information:        |                     |                     |                     |   |
| County administrator                      | \$ 430,997          | \$ 439,997          | \$ 445,875          | \$ (5,878)  |
| Budget                                    | 162,177             | 164,184             | 164,760             | (576)   |
| Legal services                            | 60,000              | 85,000              | 98,829              | (13,829)  |
| Commissioner of revenue                   | 437,180             | 437,284             | 434,442             | 2,842   |
| Reassessment                              | -                   | 290                 | 290                 | -   |
| Treasurer                                 | 534,784             | 557,755             | 538,278             | 19,477  |
| Central accounting                        | 61,660              | 61,660              | 63,611              | (1,951)   |
| Data processing                           | 77,891              | 77,891              | 63,522              | 14,369  |
| Geographic information system             | 129,933             | 129,933             | 126,407             | 3,526   |
| Total general and financial information   | <u>\$ 1,894,622</u> | <u>\$ 1,953,994</u> | <u>\$ 1,936,014</u> | <u>\$ 17,980</u>  |
| Board of elections:                       |                     |                     |                     |   |
| Electoral board and officials             | \$ 97,700           | \$ 98,275           | \$ 92,154           | \$ 6,121  |
| Registrar                                 | 148,453             | 148,453             | 111,068             | 37,385  |
| Total board of elections                  | <u>\$ 246,153</u>   | <u>\$ 246,728</u>   | <u>\$ 203,222</u>   | <u>\$ 43,506</u>  |
| Total general government administration   | <u>\$ 2,377,778</u> | <u>\$ 2,535,967</u> | <u>\$ 2,435,352</u> | <u>\$ 100,615</u>   |
| Judicial administration:                  |                     |                     |                     |   |
| Courts:                                   |                     |                     |                     |   |
| Circuit court                             | \$ 55,935           | \$ 56,191           | \$ 54,885           | \$ 1,306  |
| General district court                    | 10,300              | 10,300              | 9,305               | 995   |
| Special magistrates                       | 3,025               | 3,025               | 2,588               | 437   |
| Clerk of the circuit court                | 463,652             | 477,204             | 482,823             | (5,619)   |
| Sheriff                                   | 564,212             | 613,197             | 616,228             | (3,031)   |
| Juvenile domestic                         | 18,300              | 18,300              | 10,259              | 8,041   |
| Law library                               | 21,500              | 21,500              | 17,480              | 4,020   |
| Records restoration                       | -                   | 4,293               | 4,293               | -   |
| Victim witness                            | 27,847              | 27,847              | 27,666              | 181   |
| Total courts                              | <u>\$ 1,164,771</u> | <u>\$ 1,231,857</u> | <u>\$ 1,225,527</u> | <u>\$ 6,330</u>   |
| Commonwealth's attorney:                  |                     |                     |                     |   |
| Commonwealth's attorney                   | \$ 486,764          | \$ 490,327          | \$ 460,034          | \$ 30,293   |
| Total judicial administration             | <u>\$ 1,651,535</u> | <u>\$ 1,722,184</u> | <u>\$ 1,685,561</u> | <u>\$ 36,623</u>  |
| Public safety:                            |                     |                     |                     |   |
| Law enforcement and traffic control:      |                     |                     |                     |   |
| Sheriff                                   | \$ 3,462,500        | \$ 3,782,087        | \$ 3,659,748        | \$ 122,339  |
| E-911 enforcement and traffic control     | 53,850              | 53,850              | 49,830              | 4,020   |
| Total law enforcement and traffic control | <u>\$ 3,516,350</u> | <u>\$ 3,835,937</u> | <u>\$ 3,709,578</u> | <u>\$ 126,359</u>   |
| Fire and rescue services:                 |                     |                     |                     |   |
| Volunteer fire department                 | \$ 722,352          | \$ 729,348          | \$ 706,957          | \$ 22,391   |
| Ambulance and rescue services             | 210,032             | 257,605             | 256,986             | 619   |
| Forest fire extinction                    | 9,695               | 9,695               | 9,695               | -   |
| Fire and rescue services                  | 2,680,261           | 2,905,169           | 3,003,168           | (97,999)  |
| Total fire and rescue services            | <u>\$ 3,622,340</u> | <u>\$ 3,901,817</u> | <u>\$ 3,976,806</u> | <u>\$ (74,989)</u>  |

| Fund, Function, Activity and Elements         | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|---|
| <b>General Fund: (continued)</b>              |                      |                      |                      |   |
| Correction and detention:                     |                      |                      |                      |   |
| Jail  | \$ 1,780,821         | \$ 1,823,072         | \$ 1,685,289         | \$ 137,783  |
| Juvenile probation and detention              | 438,983              | 439,629              | 380,412              | 59,217  |
| Total correction and detention                | <u>\$ 2,219,804</u>  | <u>\$ 2,262,701</u>  | <u>\$ 2,065,701</u>  | <u>\$ 197,000</u>   |
| Inspections:                                  |                      |                      |                      |   |
| Building                                      | \$ 449,114           | \$ 454,089           | \$ 454,004           | \$ 85   |
| Other protection:                             |                      |                      |                      |   |
| Animal control                                | \$ 151,175           | \$ 155,855           | \$ 162,806           | \$ (6,951)  |
| Animal shelter                                | 228,693              | 253,554              | 226,795              | 26,759  |
| Medical examiner                              | 600                  | 600                  | 560                  | 40  |
| Emergency services                            | 1,072,565            | 1,072,565            | 1,048,755            | 23,810  |
| Total other protection                        | <u>\$ 1,453,033</u>  | <u>\$ 1,482,574</u>  | <u>\$ 1,438,916</u>  | <u>\$ 43,658</u>  |
| Total public safety                           | <u>\$ 11,260,641</u> | <u>\$ 11,937,118</u> | <u>\$ 11,645,005</u> | <u>\$ 292,113</u>   |
| Public works:                                 |                      |                      |                      |   |
| Sanitation and waste removal:                 |                      |                      |                      |   |
| Refuse collection                             | \$ 971,615           | \$ 1,380,207         | \$ -                 | \$ 1,380,207  |
| Refuse disposal                               | 1,169,112            | 1,215,652            | -                    | 1,215,652   |
| Total sanitation and waste removal            | <u>\$ 2,140,727</u>  | <u>\$ 2,595,859</u>  | <u>\$ -</u>          | <u>\$ 2,595,859</u>                                       |
| Maintenance of general buildings and grounds: |                      |                      |                      |   |
| General properties                            | \$ 961,725           | \$ 1,247,429         | \$ 1,100,767         | \$ 146,662  |
| Total public works                            | <u>\$ 3,102,452</u>  | <u>\$ 3,843,288</u>  | <u>\$ 1,100,767</u>  | <u>\$ 2,742,521</u>                                       |
| Health and welfare:                           |                      |                      |                      |   |
| Health:                                       |                      |                      |                      |   |
| Supplement of local health department         | \$ 288,760           | \$ 288,760           | \$ 288,760           | \$ -  |
| Mental health and mental retardation:         |                      |                      |                      |   |
| Administration                                | \$ 230,187           | \$ 230,187           | \$ 230,187           | \$ -  |
| Total mental health and mental retardation    | <u>\$ 230,187</u>    | <u>\$ 230,187</u>    | <u>\$ 230,187</u>    | <u>\$ -</u>   |
| Welfare administration                        |                      |                      |                      |   |
| Comprehensive services act                    | \$ 3,022,000         | \$ 3,022,000         | \$ 3,638,840         | \$ (616,840)  |
| State and local hospitalization               | 2,714,120            | 2,714,120            | 2,391,362            | 322,758   |
| Area Agency on Aging                          | 20,000               | 20,000               | -                    | 20,000  |
| Tax relief for the elderly                    | 83,000               | 83,000               | 83,000               | -   |
| Operation county/farm home                    | 120,000              | 120,000              | 147,163              | (27,163)  |
| Other local health and welfare organizations  | 52,750               | 55,750               | 55,450               | 300   |
| Total welfare                                 | <u>\$ 6,053,870</u>  | <u>\$ 6,056,870</u>  | <u>\$ 6,357,815</u>  | <u>\$ (300,945)</u>                                       |
| Total health and welfare                      | <u>\$ 6,572,817</u>  | <u>\$ 6,575,817</u>  | <u>\$ 6,876,762</u>  | <u>\$ (300,945)</u>                                       |

COUNTY OF SHENANDOAH, VIRGINIA  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012 (Continued)

| Fund, Function, Activity and Elements    | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|----------------------|----------------------|----------------------|---|
| <b>General Fund: (continued)</b>         |                      |                      |                      |   |
| Education:                               |                      |                      |                      |   |
| Other instructional costs:               |                      |                      |                      |   |
| Contributions to community colleges      | \$ 35,824            | \$ 35,824            | \$ 35,824            | \$ -  |
| Contribution to County School Board      | 21,316,725           | 21,316,725           | 21,631,465           | (314,740)   |
| Seven Bends student center               | 465,000              | 465,000              | 423,062              | 41,938  |
| Total education                          | <u>\$ 21,817,549</u> | <u>\$ 21,817,549</u> | <u>\$ 22,090,351</u> | <u>\$ (272,802)</u>                                       |
| Parks, recreation, and cultural:         |                      |                      |                      |   |
| Parks and recreation:                    |                      |                      |                      |   |
| Administration                           | \$ 707,728           | \$ 891,694           | \$ 821,566           | \$ 70,128   |
| Cultural enrichment:                     |                      |                      |                      |   |
| Operation of television translators      | \$ 24,900            | \$ 24,900            | \$ 16,817            | \$ 8,083  |
| Contributions to community programs      | 6,500                | 6,500                | 6,500                | -   |
| Total cultural enrichment                | <u>\$ 31,400</u>     | <u>\$ 31,400</u>     | <u>\$ 23,317</u>     | <u>\$ 8,083</u>   |
| Library:                                 |                      |                      |                      |   |
| Contribution to County Library           | \$ 620,193           | \$ 620,193           | \$ 594,391           | \$ 25,802   |
| Total parks, recreation, and cultural    | <u>\$ 1,359,321</u>  | <u>\$ 1,543,287</u>  | <u>\$ 1,439,274</u>  | <u>\$ 104,013</u>   |
| Community development:                   |                      |                      |                      |   |
| Planning and community development:      |                      |                      |                      |   |
| Community development                    | \$ 287,138           | \$ 287,138           | \$ 289,328           | \$ (2,190)  |
| Economic development                     | 97,553               | 97,553               | 88,440               | 9,113   |
| Tourism                                  | 199,939              | 206,466              | 206,432              | 34  |
| Litter control                           | -                    | 15,016               | 15,012               | 4   |
| Total planning and community development | <u>\$ 584,630</u>    | <u>\$ 606,173</u>    | <u>\$ 599,212</u>    | <u>\$ 6,961</u>   |
| Environmental management:                |                      |                      |                      |   |
| Soil and water conservation district     | \$ 19,625            | \$ 237,177           | \$ 233,011           | \$ 4,166  |
| Gypsy moth                               | 1,300                | 1,300                | -                    | 1,300   |
| Total environmental management           | <u>\$ 20,925</u>     | <u>\$ 238,477</u>    | <u>\$ 233,011</u>    | <u>\$ 5,466</u>   |
| Cooperative extension program:           |                      |                      |                      |   |
| Extension office                         | \$ 135,033           | \$ 135,033           | \$ 121,450           | \$ 13,583   |
| Total community development              | <u>\$ 740,588</u>    | <u>\$ 979,683</u>    | <u>\$ 953,673</u>    | <u>\$ 26,010</u>  |
| Nondepartmental:                         |                      |                      |                      |   |
| Judgments and settlements                | \$ 500               | \$ 500               | \$ 300               | \$ 200  |
| Revenue refunds                          | 11,750               | 137,464              | 133,182              | 4,282   |
| Miscellaneous                            | 302,550              | 163,191              | -                    | 163,191   |
| Total nondepartmental                    | <u>\$ 314,800</u>    | <u>\$ 301,155</u>    | <u>\$ 133,482</u>    | <u>\$ 167,673</u>   |
| Capital projects:                        |                      |                      |                      |   |
| Other capital projects                   | \$ -                 | \$ 2,223,110         | \$ 1,314,131         | \$ 908,979  |
| Total capital projects                   | <u>\$ -</u>          | <u>\$ 2,223,110</u>  | <u>\$ 1,314,131</u>  | <u>\$ 908,979</u>   |
| Debt service:                            |                      |                      |                      |   |
| Principal retirement                     | \$ -                 | \$ -                 | \$ 445,600           | \$ (445,600)  |
| Interest and other fiscal charges        | -                    | -                    | 29,618               | (29,618)  |
| Total debt service                       | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 475,218</u>    | <u>\$ (475,218)</u>                                       |
| Total General Fund                       | <u>\$ 49,197,481</u> | <u>\$ 53,479,158</u> | <u>\$ 50,149,576</u> | <u>\$ 3,329,582</u>                                       |
| <b>Special Revenue Fund:</b>             |                      |                      |                      |   |
| <b>Parks and Recreation Fund</b>         |                      |                      |                      |   |
| Parks, recreation, and cultural:         |                      |                      |                      |   |
| Parks and recreation:                    |                      |                      |                      |   |
| Other parks and recreation               | \$ -                 | \$ -                 | \$ 47,945            | \$ (47,945)   |
| Total Parks and Recreation Fund          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 47,945</u>     | <u>\$ (47,945)</u>  |

| Fund, Function, Activity and Elements                     | Original<br>Budget   | Final<br>Budget      | Actual               | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---|----------------------|----------------------|----------------------|---|
| <b>Debt Service Funds:</b>                                |                      |                      |                      |   |
| <b>County Debt Service Fund</b>                           |                      |                      |                      |   |
| Debt service:   |                      |                      |                      |   |
| Principal retirement                                      | \$ 2,915,633         | \$ 2,915,633         | \$ 6,730,459         | \$ (3,814,826)  |
| Interest and other fiscal charges                         | 2,435,687            | 2,435,687            | 2,771,236            | (335,549)   |
| Bond issuance costs                                       | -                    | -                    | 57,604               | (57,604)  |
| Other debt service  |                      |                      |                      |   |
| Total County Debt Service Fund                            | <u>\$ 5,351,320</u>  | <u>\$ 5,351,320</u>  | <u>\$ 9,559,299</u>  | <u>\$ (4,207,979)</u>                                     |
| <b>Capital Projects Funds:</b>                            |                      |                      |                      |   |
| <b>County Capital Projects Fund</b>                       |                      |                      |                      |   |
| Capital projects expenditures:                            |                      |                      |                      |   |
| Construction of courthouse building                       | \$ -                 | \$ 943,676           | \$ 253,896           | \$ 689,780  |
| Construction of health services building                  | -                    | 6,108                | 6,366                | (258)   |
| Law enforcement records management upgrade                | -                    | 347,764              | 189,685              | 158,079   |
| School performance contract project                       | -                    | 5,369,544            | 4,597,288            | 772,256   |
| Other   | -                    | 1,292,171            | 267,009              | 1,025,162   |
| Total County Capital Projects Fund                        | <u>\$ -</u>          | <u>\$ 7,959,263</u>  | <u>\$ 5,314,244</u>  | <u>\$ 2,645,019</u>                                       |
| Total Capital Projects Fund                               | <u>\$ -</u>          | <u>\$ 7,959,263</u>  | <u>\$ 5,314,244</u>  | <u>\$ 2,645,019</u>                                       |
| Total Primary Government                                  | <u>\$ 54,548,801</u> | <u>\$ 66,789,741</u> | <u>\$ 65,071,064</u> | <u>\$ 1,718,677</u>                                       |
| <b>Discretely Presented Component Unit - School Board</b> |                      |                      |                      |   |
| <b>Special Revenue Funds:</b>                             |                      |                      |                      |   |
| <b>School Operating Fund:</b>                             |                      |                      |                      |   |
| Education:  |                      |                      |                      |   |
| Instructional   | \$ 42,139,988        | \$ 43,191,861        | \$ 42,799,232        | \$ 392,629  |
| Operating costs:  |                      |                      |                      |   |
| Attendance and health services                            | 1,837,426            | 1,963,170            | 2,021,086            | (57,916)  |
| Pupil transportation                                      | 3,535,477            | 3,664,714            | 4,310,657            | (645,943)   |
| Operation and maintenance of school plant                 | 5,235,353            | 5,368,937            | 5,148,965            | 219,972   |
| Electronic technology                                     | 974,401              | 1,053,937            | 1,033,838            | 20,099  |
| Total operating costs                                     | <u>\$ 11,582,657</u> | <u>\$ 12,050,758</u> | <u>\$ 12,514,546</u> | <u>\$ (463,788)</u>                                       |
| Total School Fund   | <u>\$ 53,722,645</u> | <u>\$ 55,242,619</u> | <u>\$ 55,313,778</u> | <u>\$ (71,159)</u>  |
| <b>Cafeteria Fund:</b>                                    |                      |                      |                      |   |
| Education:  |                      |                      |                      |   |
| School food services:                                     |                      |                      |                      |   |
| School cafeteria  | <u>\$ 2,341,300</u>  | <u>\$ 2,341,300</u>  | <u>\$ 2,185,328</u>  | <u>\$ 155,972</u>   |
| Total school cafeteria fund                               | <u>\$ 2,341,300</u>  | <u>\$ 2,341,300</u>  | <u>\$ 2,185,328</u>  | <u>\$ 155,972</u>   |
| Total Discretely Presented Component Unit School Board    | <u>\$ 56,063,945</u> | <u>\$ 57,583,919</u> | <u>\$ 57,499,106</u> | <u>\$ 84,813</u>  |

# **STATISTICAL SECTION**

## Statistical Section

### Contents

### Tables

#### Financial Trends

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

1 - 5

#### Revenue Capacity

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

5-10

#### Debt Capacity

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

11-13

#### Demographic and Economic Information

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

14-15

#### Operating Information

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

16-18

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

COUNTY OF SHENANDOAH, VIRGINIA

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

|  | Fiscal Year          |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | 2003                 | 2004                 | 2005                 | 2006                 |
| <b>Governmental activities</b>                   |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 3,688,408         | \$ 4,609,604         | \$ 3,255,224         | \$ 3,371,945         |
| Restricted                                       | 1,028,049            | 1,102,692            | 297,723              | -                    |
| Unrestricted                                     | 11,764,606           | 12,588,808           | 15,249,305           | 14,777,373           |
| <b>Total governmental activities net assets</b>  | <b>\$ 16,481,063</b> | <b>\$ 18,301,104</b> | <b>\$ 18,802,252</b> | <b>\$ 18,149,318</b> |
| <b>Business-type activities</b>                  |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 2,100,240         | \$ 1,879,649         | \$ 1,750,860         | \$ 1,789,103         |
| Restricted                                       |                      |                      | -                    |                      |
| Unrestricted                                     | 1,301,787            | 1,489,086            | 1,686,078            | 2,600,107            |
| <b>Total business-type activities net assets</b> | <b>\$ 3,402,027</b>  | <b>\$ 3,368,735</b>  | <b>\$ 3,436,938</b>  | <b>\$ 4,389,210</b>  |
| <b>Primary government</b>                        |                      |                      |                      |                      |
| Invested in capital assets, net of related debt  | \$ 5,788,648         | \$ 6,489,253         | \$ 5,006,084         | \$ 5,161,048         |
| Restricted                                       | 1,028,049            | 1,102,692            | 297,723              | -                    |
| Unrestricted                                     | 13,066,393           | 14,077,894           | 16,935,383           | 17,377,480           |
| <b>Total primary government net assets</b>       | <b>\$ 19,883,090</b> | <b>\$ 21,669,839</b> | <b>\$ 22,239,190</b> | <b>\$ 22,538,528</b> |

Table 1

|    | 2007                     | 2008                     | 2009                     | 2010                     | 2011                     | 2012                      |
|----|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|
| \$ | 1,529,687                | \$ 821,843               | \$ 3,525,823             | \$ 4,902,912             | \$ 3,331,416             | \$ (352,810)              |
|    | -                        | -                        | 315,168                  | 315,168                  | 4,372,985                | 3,896,099                 |
|    | <u>18,280,691</u>        | <u>17,099,923</u>        | <u>8,482,928</u>         | <u>5,193,805</u>         | <u>5,091,476</u>         | <u>16,893,494</u>         |
| \$ | <u><u>19,810,378</u></u> | <u><u>17,921,766</u></u> | <u><u>12,323,919</u></u> | <u><u>10,411,885</u></u> | <u><u>12,795,877</u></u> | <u><u>20,436,783</u></u>  |
| \$ | 1,926,523                | \$ 2,382,773             | \$ 2,686,610             | \$ 3,093,376             | \$ 3,633,593             | \$ 6,106,858              |
|    |                          | -                        | 59,736                   | -                        | -                        | -                         |
|    | <u>2,500,097</u>         | <u>2,308,568</u>         | <u>1,818,107</u>         | <u>1,415,311</u>         | <u>1,436,310</u>         | <u>(9,436,571)</u>        |
| \$ | <u><u>4,426,620</u></u>  | <u><u>4,691,341</u></u>  | <u><u>4,564,453</u></u>  | <u><u>4,508,687</u></u>  | <u><u>5,069,903</u></u>  | <u><u>(3,329,713)</u></u> |
| \$ | 3,456,210                | \$ 3,204,616             | \$ 6,212,433             | \$ 7,996,288             | \$ 6,965,009             | \$ 5,754,048              |
|    | -                        | -                        | 374,904                  | 315,168                  | 4,372,985                | 3,896,099                 |
|    | <u>20,780,788</u>        | <u>19,408,491</u>        | <u>10,301,035</u>        | <u>6,609,116</u>         | <u>6,527,786</u>         | <u>7,456,923</u>          |
| \$ | <u><u>24,236,998</u></u> | <u><u>22,613,107</u></u> | <u><u>16,888,372</u></u> | <u><u>14,920,572</u></u> | <u><u>17,865,780</u></u> | <u><u>17,107,070</u></u>  |

COUNTY OF SHENANDOAH, VIRGINIA

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

|   | Fiscal Year     |                 |                 |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2003            | 2004            | 2005            | 2006            |
| <b>Expenses</b>                                 |                 |                 |                 |                 |
| Governmental activities:                        |                 |                 |                 |                 |
| General government                              | \$ 1,770,226    | \$ 1,741,576    | \$ 2,917,362    | \$ 2,321,080    |
| Judicial administration                         | 786,276         | 799,294         | 1,058,088       | 1,375,534       |
| Public safety                                   | 6,045,794       | 5,861,236       | 7,403,358       | 8,546,482       |
| Public works                                    | 2,970,615       | 2,843,559       | 3,942,182       | 4,040,447       |
| Health and welfare                              | 4,242,981       | 4,208,464       | 4,785,076       | 6,188,101       |
| Education                                       | 17,922,501      | 21,507,343      | 21,462,122      | 21,717,115      |
| Parks, recreation and cultural                  | 1,322,323       | 1,148,548       | 1,188,198       | 1,424,007       |
| Community development                           | 817,807         | 1,351,464       | 739,321         | 772,629         |
| Interest on long-term debt                      | 2,769,712       | 2,402,577       | 2,454,129       | 2,401,070       |
| Total governmental activities expenses          | \$ 38,648,235   | \$ 41,864,061   | \$ 45,949,836   | \$ 48,786,465   |
| Business-type activities:                       |                 |                 |                 |                 |
| Sanitary Districts                              | \$ 1,953,426    | \$ 1,889,563    | \$ 1,893,887    | \$ 1,939,384    |
| North Fork Wastewater                           | -               | -               | -               | -               |
| Landfill  | -               | -               | -               | -               |
| Total business-type activities expenses         | \$ 1,953,426    | \$ 1,889,563    | \$ 1,893,887    | \$ 1,939,384    |
| Total primary government expenses               | \$ 40,601,661   | \$ 43,753,624   | \$ 47,843,723   | \$ 50,725,849   |
| <b>Program Revenues</b>                         |                 |                 |                 |                 |
| Governmental activities:                        |                 |                 |                 |                 |
| Charges for services:                           |                 |                 |                 |                 |
| General government                              | \$ 1,402        | \$ -            | \$ 61,594       | \$ 16,334       |
| Judicial administration                         | 172,362         | 228,295         | 268,852         | 364,093         |
| Public safety                                   | 181,395         | 165,957         | 120,217         | 113,108         |
| Public works                                    | 630,831         | 735,973         | 1,097,117       | 1,254,582       |
| Education                                       | 272,987         | -               | 350,951         | -               |
| Parks, recreation and cultural                  | 265,179         | 580,416         | 283,514         | 752,049         |
| Community development                           | -               | 557,517         | 617,033         | 620,580         |
| Operating grants and contributions              | 6,023,034       | 6,147,614       | 7,132,330       | 8,548,607       |
| Capital grants and contributions                | 958,805         | -               | 245,994         | -               |
| Total governmental activities program revenues  | \$ 8,505,995    | \$ 8,415,772    | \$ 10,177,602   | \$ 11,669,353   |
| Business-type activities:                       |                 |                 |                 |                 |
| Charges for services:                           |                 |                 |                 |                 |
| Sanitary Districts                              | \$ 925,535      | \$ 1,026,441    | \$ 1,134,249    | \$ 1,152,365    |
| North Fork Wastewater                           | -               | -               | -               | -               |
| Landfill  | -               | -               | -               | -               |
| Capital grants and contributions                | 176,457         | 306,000         | 221,250         | 1,081,559       |
| Total business-type activities program revenues | \$ 1,101,992    | \$ 1,332,441    | \$ 1,355,499    | \$ 2,233,924    |
| Total primary government program revenues       | \$ 9,607,987    | \$ 9,748,213    | \$ 11,533,101   | \$ 13,903,277   |
| Net (expense) / revenue                         |                 |                 |                 |                 |
| Governmental activities                         | \$ (30,142,240) | \$ (33,448,289) | \$ (35,772,234) | \$ (37,117,112) |
| Business-type activities                        | (851,434)       | (557,122)       | (538,388)       | 294,540         |
| Total primary government net expense            | \$ (30,993,674) | \$ (34,005,411) | \$ (36,310,622) | \$ (36,822,572) |

Table 2

|    | 2007                | 2008                   | 2009                   | 2010                   | 2011                   | 2012                   |
|----|---------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ | 2,421,199           | \$ 2,359,284           | \$ 2,817,148           | \$ 2,694,098           | \$ 2,402,794           | \$ 2,714,331           |
|    | 1,384,331           | 1,797,846              | 1,686,886              | 1,563,538              | 1,794,214              | 1,908,573              |
|    | 9,493,390           | 10,872,246             | 11,121,538             | 11,327,324             | 11,247,826             | 11,627,376             |
|    | 4,893,094           | 6,661,832              | 5,686,960              | 3,669,994              | 4,836,959              | 1,840,310              |
|    | 6,588,118           | 6,589,034              | 6,331,863              | 6,147,406              | 6,728,853              | 7,462,916              |
|    | 21,503,186          | 22,671,491             | 27,122,413             | 24,147,779             | 24,476,243             | 25,310,174             |
|    | 1,440,098           | 1,992,628              | 1,465,416              | 1,820,175              | 1,487,353              | 1,528,660              |
|    | 1,251,165           | 883,431                | 1,151,216              | 965,207                | 1,606,664              | 745,870                |
|    | 2,176,372           | 2,017,426              | 2,003,040              | 2,152,971              | 2,728,110              | 2,845,792              |
| \$ | <u>51,150,953</u>   | <u>\$ 55,845,218</u>   | <u>\$ 59,386,480</u>   | <u>\$ 54,488,492</u>   | <u>\$ 57,309,016</u>   | <u>\$ 55,984,002</u>   |
| \$ | 2,201,825           | \$ 2,439,706           | \$ 2,600,989           | \$ 2,354,749           | \$ 2,297,808           | \$ 2,211,341           |
|    | -                   | -                      | -                      | -                      | -                      | 169,990                |
|    | -                   | -                      | -                      | -                      | -                      | 2,768,790              |
| \$ | <u>2,201,825</u>    | <u>\$ 2,439,706</u>    | <u>\$ 2,600,989</u>    | <u>\$ 2,354,749</u>    | <u>\$ 2,297,808</u>    | <u>\$ 5,150,121</u>    |
| \$ | <u>53,352,778</u>   | <u>\$ 58,284,924</u>   | <u>\$ 61,987,469</u>   | <u>\$ 56,843,241</u>   | <u>\$ 59,606,824</u>   | <u>\$ 61,134,123</u>   |
| \$ | 6,174               | \$ 524                 | \$ 48,746              | \$ 23,382              | \$ 32,530              | \$ 41,362              |
|    | 340,234             | 308,142                | 315,354                | 269,943                | 292,908                | 258,918                |
|    | 93,359              | 123,461                | 122,117                | 122,681                | 78,043                 | 73,224                 |
|    | 1,207,667           | 1,195,032              | 1,075,280              | 1,005,193              | 1,070,662              | -                      |
|    | 486,364             | 494,698                | 522,635                | 469,308                | 465,158                | 388,851                |
|    | 290,833             | 320,960                | 357,904                | 534,855                | 481,901                | 454,494                |
|    | 509,206             | 477,440                | 353,584                | 340,486                | 330,143                | 321,647                |
|    | 8,604,101           | 8,803,623              | 9,364,373              | 8,116,656              | 8,500,571              | 8,043,215              |
|    | -                   | -                      | -                      | -                      | 3,996,634              | 1,411,363              |
| \$ | <u>11,537,938</u>   | <u>\$ 11,723,880</u>   | <u>\$ 12,159,993</u>   | <u>\$ 10,882,504</u>   | <u>\$ 15,248,550</u>   | <u>\$ 10,993,074</u>   |
| \$ | 1,339,808           | \$ 1,414,774           | \$ 1,468,721           | \$ 1,446,521           | \$ 1,555,987           | \$ 1,534,485           |
|    | -                   | -                      | -                      | -                      | -                      | 132,693                |
|    | -                   | -                      | -                      | -                      | -                      | 1,081,369              |
|    | 207,745             | 563,500                | 307,694                | 175,383                | 239,000                | 329,067                |
| \$ | <u>1,547,553</u>    | <u>\$ 1,978,274</u>    | <u>\$ 1,776,415</u>    | <u>\$ 1,621,904</u>    | <u>\$ 1,794,987</u>    | <u>\$ 3,077,614</u>    |
| \$ | <u>13,085,491</u>   | <u>\$ 13,702,154</u>   | <u>\$ 13,936,408</u>   | <u>\$ 12,504,408</u>   | <u>\$ 17,043,537</u>   | <u>\$ 14,070,688</u>   |
| \$ | (39,613,015)        | \$ (44,121,338)        | \$ (47,226,487)        | \$ (43,605,988)        | \$ (42,060,466)        | \$ (44,990,928)        |
|    | (654,272)           | (461,432)              | (824,574)              | (732,845)              | (502,821)              | (2,072,507)            |
| \$ | <u>(40,267,287)</u> | <u>\$ (44,582,770)</u> | <u>\$ (48,051,061)</u> | <u>\$ (44,338,833)</u> | <u>\$ (42,563,287)</u> | <u>\$ (47,063,435)</u> |

COUNTY OF SHENANDOAH, VIRGINIA

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

|   | Fiscal Year          |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 2003                 | 2004                 | 2005                 | 2006                 |
| <b>General Revenues and Other Changes in Net Assets</b> |                      |                      |                      |                      |
| Governmental activities:                                |                      |                      |                      |                      |
| Taxes   |                      |                      |                      |                      |
| Property taxes  | \$ 21,609,837        | \$ 25,274,257        | \$ 25,056,214        | \$ 24,042,683        |
| Local sales and use taxes                               | -                    | 2,659,256            | 2,932,417            | 3,231,113            |
| Taxes on recordation and wills                          | -                    | -                    | 688,517              | 989,849              |
| Motor vehicle licenses taxes                            | -                    | 632,909              | 654,599              | 669,047              |
| Consumer utility taxes                                  | -                    | 1,309,116            | 1,393,268            | 1,385,736            |
| Business licenses taxes                                 | 425,428              | -                    | -                    | -                    |
| Other local taxes                                       | 4,968,983            | 396,294              | 625,906              | 736,144              |
| Unrestricted grants and contributions                   | 3,771,070            | 4,082,118            | 346,074              | 4,206,588            |
| Unrestricted revenues from use of money and property    | 765,176              | -                    | 605,028              | 639,621              |
| Miscellaneous   | 821,197              | 420,487              | 3,911,179            | 563,397              |
| Transfers   | -                    | 493,893              | -                    | -                    |
| <b>Total governmental activities</b>                    | <b>\$ 32,361,691</b> | <b>\$ 35,268,330</b> | <b>\$ 36,213,202</b> | <b>\$ 36,464,178</b> |
| Business-type activities:                               |                      |                      |                      |                      |
| Property taxes  | \$ 439,896           | \$ 455,465           | \$ 471,482           | \$ 478,659           |
| Unrestricted grants and contributions                   | -                    | -                    | -                    | 29,118               |
| Unrestricted revenues from use of money and property    | 46,538               | 14,844               | 29,156               | 72,922               |
| Miscellaneous   | 67,246               | 68,685               | 105,953              | 77,033               |
| Transfers   | -                    | -                    | -                    | -                    |
| <b>Total business-type activities</b>                   | <b>\$ 553,680</b>    | <b>\$ 538,994</b>    | <b>\$ 606,591</b>    | <b>\$ 657,732</b>    |
| <b>Total primary government</b>                         | <b>\$ 32,915,371</b> | <b>\$ 35,807,324</b> | <b>\$ 36,819,793</b> | <b>\$ 37,121,910</b> |
| <b>Change in Net Assets</b>                             |                      |                      |                      |                      |
| Governmental activities                                 | \$ 2,219,451         | \$ 1,820,041         | \$ 440,968           | \$ (652,934)         |
| Business-type activities                                | (297,754)            | (18,128)             | 68,203               | 952,272              |
| <b>Total primary government</b>                         | <b>\$ 1,921,697</b>  | <b>\$ 1,801,913</b>  | <b>\$ 509,171</b>    | <b>\$ 299,338</b>    |

Table 2

|    | 2007              | 2008                  | 2009                  | 2010                  | 2011                 | 2012                  |
|----|-------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| \$ | 29,257,624        | \$ 29,220,882         | \$ 30,598,287         | \$ 31,119,938         | \$ 31,699,815        | \$ 33,793,896         |
|    | 3,113,379         | 3,238,398             | 3,313,542             | 2,909,578             | 3,048,872            | 3,168,917             |
|    | 801,128           | 477,500               | 322,715               | 325,862               | 298,353              | 1,962,053             |
|    | 891,116           | 552,815               | 795,000               | 815,279               | 857,901              | 826,120               |
|    | 1,718,438         | 2,100,986             | 1,960,982             | 1,995,591             | 1,994,437            | 258,430               |
|    | -                 | -                     | -                     | -                     | -                    | -                     |
|    | 80,565            | 81,334                | 132,608               | 107,777               | 147,423              | 164,242               |
|    | 4,307,511         | 4,626,255             | 3,876,482             | 3,842,578             | 3,791,210            | 3,959,108             |
|    | 916,709           | 776,679               | 326,895               | 121,661               | 133,941              | 258,340               |
|    | 187,605           | 324,047               | 302,129               | 455,690               | 2,816,283            | 1,237,842             |
|    | -                 | -                     | -                     | -                     | (343,777)            | 7,002,886             |
| \$ | <u>41,274,075</u> | <u>\$ 41,398,896</u>  | <u>\$ 41,628,640</u>  | <u>\$ 41,693,954</u>  | <u>\$ 44,444,458</u> | <u>\$ 52,631,834</u>  |
| \$ | 470,393           | \$ 505,237            | \$ 522,155            | \$ 541,459            | \$ 561,634           | \$ 562,552            |
|    | 5,143             | 8,852                 | -                     | -                     | -                    | -                     |
|    | 84,725            | 106,304               | 39,957                | 21,019                | 19,004               | 23,331                |
|    | 131,421           | 105,760               | 116,020               | 114,601               | 139,622              | 89,893                |
|    | -                 | -                     | -                     | -                     | 343,777              | (7,002,886)           |
| \$ | <u>691,682</u>    | <u>\$ 726,153</u>     | <u>\$ 678,132</u>     | <u>\$ 677,079</u>     | <u>\$ 1,064,037</u>  | <u>\$ (6,327,110)</u> |
| \$ | <u>41,965,757</u> | <u>\$ 42,125,049</u>  | <u>\$ 42,306,772</u>  | <u>\$ 42,371,033</u>  | <u>\$ 45,508,495</u> | <u>\$ 46,304,724</u>  |
| \$ | 1,661,060         | \$ (2,722,442)        | \$ (5,597,847)        | \$ (1,912,034)        | \$ 2,383,992         | \$ 7,640,906          |
|    | 37,410            | 264,721               | (146,442)             | (55,766)              | 561,216              | (8,399,617)           |
| \$ | <u>1,698,470</u>  | <u>\$ (2,457,721)</u> | <u>\$ (5,744,289)</u> | <u>\$ (1,967,800)</u> | <u>\$ 2,945,208</u>  | <u>\$ (758,711)</u>   |

**THIS PAGE LEFT BLANK INTENTIONALLY**

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

| Fiscal Year | Property Tax  | Local sales and use Tax | Consumer Utility Tax | Motor Vehicle License Tax | Recordation and Wills Tax | Total         |
|-------------|---------------|-------------------------|----------------------|---------------------------|---------------------------|---------------|
| 2012        | \$ 33,793,896 | \$ 3,168,917            | \$ 1,962,053         | \$ 826,120                | \$ 258,430                | \$ 40,009,416 |
| 2011        | 31,699,815    | 3,048,872               | 1,994,437            | 857,901                   | 298,353                   | 37,899,378    |
| 2010        | 31,119,938    | 2,909,578               | 1,995,591            | 815,279                   | 325,862                   | 37,166,248    |
| 2009        | 30,598,287    | 3,313,542               | 1,960,982            | 795,000                   | 322,715                   | 36,990,526    |
| 2008        | 29,220,882    | 3,238,398               | 2,100,986            | 552,815                   | 477,500                   | 35,590,581    |
| 2007        | 29,257,624    | 3,113,379               | 1,718,438            | 891,116                   | 316,013                   | 35,296,570    |
| 2006        | 24,042,683    | 3,231,113               | 1,385,736            | 669,047                   | 989,849                   | 30,318,428    |
| 2005        | 25,056,214    | 2,932,417               | 1,393,268            | 654,599                   | 688,517                   | 30,725,015    |
| 2004        | 25,274,257    | 2,659,256               | 1,309,116            | 632,909                   | 302,809                   | 30,178,347    |
| 2003        | 21,609,837    | 2,353,942               | 1,186,854            | 612,192                   | 251,324                   | 26,014,149    |

COUNTY OF SHENANDOAH, VIRGINIA

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

|   | 2003                 | 2004                 | 2005                 | 2006                 |
|---|----------------------|----------------------|----------------------|----------------------|
| General fund                              |                      |                      |                      |                      |
| Reserved                                  | \$ 285,157           | \$ 297,723           | \$ 297,723           | \$ -                 |
| Unreserved                                | 8,939,919            | 11,318,949           | 10,546,157           | 13,596,381           |
| Nonspendable                              | -                    | -                    | -                    | -                    |
| Restricted                                | -                    | -                    | -                    | -                    |
| Committed                                 | -                    | -                    | -                    | -                    |
| Assigned                                  | -                    | -                    | -                    | -                    |
| Unassigned                                | -                    | -                    | -                    | -                    |
| <b>Total general fund</b>                 | <b>\$ 9,225,076</b>  | <b>\$ 11,616,672</b> | <b>\$ 10,843,880</b> | <b>\$ 13,596,381</b> |
| All other governmental funds              |                      |                      |                      |                      |
| Reserved                                  |                      |                      |                      |                      |
| Unreserved, reported in:                  |                      |                      |                      |                      |
| Special revenue funds                     | \$ 361,052           | \$ 362,716           | \$ 364,499           | \$ 415,682           |
| Capital projects funds                    | 13,876,333           | 6,317,009            | 8,139,801            | 8,475,802            |
| Restricted, reported in:                  |                      |                      |                      |                      |
| Capital projects funds                    | -                    | -                    | -                    | -                    |
| Committed, reported in:                   |                      |                      |                      |                      |
| Landfill contingency                      | -                    | -                    | -                    | -                    |
| Assigned, reported in:                    |                      |                      |                      |                      |
| Capital projects funds                    | -                    | -                    | -                    | -                    |
| Special revenue funds                     | -                    | -                    | -                    | -                    |
| <b>Total all other governmental funds</b> | <b>\$ 14,237,385</b> | <b>\$ 6,679,725</b>  | <b>\$ 8,504,300</b>  | <b>\$ 8,891,484</b>  |

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

Table 4

|    | 2007              | 2008              | 2009              | 2010              | 2011              | 2012              |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | -                 | -                 | -                 | -                 | -                 | -                 |
|    | 16,656,188        | 16,823,568        | 11,621,797        | 10,747,591        | -                 | -                 |
|    | -                 | -                 | -                 | -                 | 42,362            | 88,905            |
|    | -                 | -                 | -                 | -                 | 4,372,985         | 3,896,099         |
|    | -                 | -                 | -                 | -                 | -                 | 5,035             |
|    | -                 | -                 | -                 | -                 | 1,132,855         | 1,043,063         |
|    | -                 | -                 | -                 | -                 | 9,686,116         | 9,655,914         |
| \$ | <u>16,656,188</u> | <u>16,823,568</u> | <u>11,621,797</u> | <u>10,747,591</u> | <u>15,234,318</u> | <u>14,689,016</u> |
| \$ | 464,264           | 513,479           | 641,844           | 566,016           | -                 | -                 |
|    | 7,972,658         | 8,452,910         | 8,895,067         | 18,156,955        | -                 | -                 |
|    | -                 | -                 | -                 | -                 | 8,653,713         | 2,505,751         |
|    | -                 | -                 | -                 | -                 | -                 | 39,303            |
|    | -                 | -                 | -                 | -                 | 6,918,627         | 8,046,955         |
|    | -                 | -                 | -                 | -                 | 576,406           | 99,893            |
| \$ | <u>8,436,922</u>  | <u>8,966,389</u>  | <u>9,536,911</u>  | <u>18,722,971</u> | <u>16,148,746</u> | <u>10,691,902</u> |

COUNTY OF SHENANDOAH, VIRGINIA

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

|   | 2003            | 2004           | 2005           | 2006          |
|---|-----------------|----------------|----------------|---------------|
| <b>Revenues</b>   |                 |                |                |               |
| General property taxes                                  | \$ 21,632,067   | \$ 22,854,991  | \$ 24,302,925  | \$ 26,044,683 |
| Other local taxes                                       | 4,968,983       | 5,491,468      | 6,294,707      | 7,011,889     |
| Permits, privilege fees and regulatory licenses         | 425,428         | 570,027        | 630,162        | 633,654       |
| Fines and forfeitures                                   | 15,748          | 16,133         | 24,471         | 29,025        |
| Revenue from use of money and property                  | 764,492         | 171,392        | 345,895        | 639,621       |
| Charges for services                                    | 1,508,408       | 1,681,998      | 2,144,610      | 2,458,067     |
| Miscellaneous   | 439,657         | 420,487        | 605,028        | 506,425       |
| Recovered costs   | 381,540         | 421,674        | 65,635         | 123,625       |
| Intergovernmental:                                      | 910,664         | -              | 245,994        | -             |
| Commonwealth  | 8,136,659       | 8,237,692      | 9,108,772      | 10,210,743    |
| Federal   | 1,705,586       | 1,820,460      | 1,934,737      | 2,544,452     |
| Total revenues  | \$ 40,889,232   | \$ 41,686,322  | \$ 45,702,936  | \$ 50,202,184 |
| <b>Expenditures</b>                                     |                 |                |                |               |
| General government administration                       | \$ 1,480,225    | \$ 1,656,620   | \$ 2,261,209   | \$ 2,218,412  |
| Judicial administration                                 | 770,440         | 827,829        | 973,663        | 1,335,854     |
| Public safety   | 5,705,453       | 5,944,785      | 7,333,883      | 8,535,147     |
| Public works  | 3,232,730       | 2,137,903      | 2,631,585      | 2,871,704     |
| Health and welfare                                      | 4,201,767       | 4,281,709      | 4,780,944      | 6,178,127     |
| Education   | 15,706,220      | 16,589,838     | 18,656,116     | 18,015,034    |
| Parks, recreation and cultural                          | 1,226,583       | 1,128,982      | 1,164,205      | 1,288,881     |
| Community development                                   | 675,846         | 678,719        | 695,742        | 755,914       |
| Nondepartmental   | -               | 35,448         | -              | 16,045        |
| Capital projects  | 26,055,620      | 7,969,350      | 1,791,873      | 294,520       |
| Debt service  |                 |                |                |               |
| Principal   | 2,734,454       | 3,511,264      | 8,313,719      | 3,648,503     |
| Interest and other fiscal charges                       | 2,237,767       | 2,539,366      | 2,406,655      | 2,483,157     |
| Bond issuance costs                                     | -               | -              | -              | -             |
| Total expenditures                                      | \$ 64,027,105   | \$ 47,301,813  | \$ 51,009,594  | \$ 47,641,298 |
| Excess of revenues over (under) expenditures            | \$ (23,137,873) | \$ (5,615,491) | \$ (5,306,658) | \$ 2,560,886  |
| <b>Other financing sources (uses)</b>                   |                 |                |                |               |
| Transfers in  | \$ 4,367,901    | \$ 5,377,362   | \$ 7,613,071   | \$ 5,861,463  |
| Transfers out   | (5,110,401)     | (5,476,428)    | (6,814,173)    | (5,861,463)   |
| Refunding bonds issued                                  |                 | 548,493        | 4,130,808      | -             |
| Bonds issued  | 5,107,472       | -              | -              | -             |
| Premium on bonds issued                                 | -               | -              | 300,424        | -             |
| Capital leases  | -               | -              | 1,128,311      | 578,799       |
| Notes Payable   | -               | -              | -              | -             |
| Total other financing sources (uses)                    | \$ 4,364,972    | \$ 449,427     | \$ 6,358,441   | \$ 578,799    |
| Net change in fund balances                             | \$ (18,772,901) | \$ (5,166,064) | \$ 1,051,783   | \$ 3,139,685  |
| Debt service as a percentage of noncapital expenditures | 13.09%          | 15.38%         | 21.78%         | 12.95%        |

Table 5

|    | 2007              | 2008                  | 2009                  | 2010                  | 2011                  | 2012                  |
|----|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 29,159,806        | \$ 29,555,714         | \$ 30,532,857         | \$ 30,805,595         | \$ 31,744,361         | \$ 33,009,862         |
|    | 6,920,639         | 6,451,033             | 6,524,847             | 6,154,087             | 6,346,986             | 6,379,762             |
|    | 509,206           | 550,482               | 353,584               | 340,486               | 330,143               | 321,647               |
|    | 40,655            | 45,425                | 91,857                | 114,651               | 107,215               | 77,345                |
|    | 916,709           | 776,679               | 326,895               | 121,661               | 133,941               | 258,340               |
|    | 2,383,976         | 2,423,291             | 2,350,179             | 2,310,711             | 2,313,987             | 1,139,504             |
|    | 640,321           | 345,555               | 302,129               | 455,690               | 2,334,514             | 1,237,842             |
|    | 741,736           | 497,325               | 276,908               | 312,420               | 482,269               | 276,297               |
|    | -                 | -                     | -                     | -                     | -                     | -                     |
|    | 10,155,332        | 10,647,989            | 10,031,639            | 10,126,436            | 10,387,854            | 9,948,179             |
|    | 2,440,267         | 2,185,623             | 3,209,216             | 1,832,798             | 5,900,561             | 3,465,508             |
| \$ | <u>53,908,647</u> | <u>\$ 53,479,116</u>  | <u>\$ 54,000,111</u>  | <u>\$ 52,574,535</u>  | <u>\$ 60,081,831</u>  | <u>\$ 56,114,286</u>  |
| \$ | 2,418,823         | \$ 2,401,055          | \$ 2,853,762          | \$ 2,637,070          | \$ 2,228,906          | \$ 2,435,352          |
|    | 1,379,827         | 1,709,822             | 1,677,491             | 1,553,936             | 1,579,642             | 1,685,561             |
|    | 9,564,087         | 11,211,113            | 10,726,741            | 10,965,435            | 10,781,294            | 11,645,005            |
|    | 4,110,671         | 3,598,286             | 2,920,804             | 2,686,143             | 2,983,349             | 1,100,767             |
|    | 6,868,977         | 6,560,503             | 6,320,719             | 6,127,943             | 6,707,951             | 6,876,762             |
|    | 17,660,412        | 19,535,900            | 23,088,598            | 21,303,551            | 21,197,950            | 22,090,351            |
|    | 1,374,490         | 1,553,319             | 1,717,606             | 1,780,076             | 1,469,314             | 1,487,219             |
|    | 718,688           | 878,681               | 860,309               | 965,488               | 930,856               | 953,673               |
|    | 30,000            | 59,500                | 35,596                | 196,308               | 15,159                | 133,482               |
|    | 2,177,928         | 4,016,683             | 4,021,266             | 7,338,539             | 10,764,620            | 6,628,375             |
|    | 3,752,580         | 3,958,168             | 4,024,084             | 4,430,936             | 4,390,177             | 7,176,059             |
|    | 2,279,406         | 2,105,512             | 2,093,305             | 1,875,209             | 2,932,961             | 2,800,854             |
|    | -                 | -                     | -                     | -                     | -                     | 57,604                |
| \$ | <u>52,335,889</u> | <u>\$ 57,588,542</u>  | <u>\$ 60,340,281</u>  | <u>\$ 61,860,634</u>  | <u>\$ 65,982,179</u>  | <u>\$ 65,071,064</u>  |
| \$ | <u>1,572,758</u>  | <u>\$ (4,109,426)</u> | <u>\$ (6,340,170)</u> | <u>\$ (9,286,099)</u> | <u>\$ (5,900,348)</u> | <u>\$ (8,956,778)</u> |
| \$ | 5,410,369         | \$ 6,266,659          | \$ 6,688,843          | \$ 6,078,976          | \$ 3,874,348          | \$ 5,861,710          |
|    | (5,410,369)       | (6,266,659)           | (6,688,843)           | (6,078,976)           | (3,874,348)           | (7,192,458)           |
|    | -                 | -                     | -                     | -                     | -                     | -                     |
|    | 313,653           | 2,329,416             | 1,356,931             | 15,760,000            | 7,435,000             | 3,255,000             |
|    | -                 | -                     | -                     | 723,003               | -                     | 499,512               |
|    | 718,834           | 1,643,027             | 351,990               | 452,301               | 377,850               | 530,868               |
|    | -                 | -                     | -                     | 662,649               | -                     | -                     |
| \$ | <u>1,032,487</u>  | <u>\$ 3,972,443</u>   | <u>\$ 1,708,921</u>   | <u>\$ 17,597,953</u>  | <u>\$ 7,812,850</u>   | <u>\$ 2,954,632</u>   |
| \$ | <u>2,605,245</u>  | <u>\$ (136,983)</u>   | <u>\$ (4,631,249)</u> | <u>\$ 8,311,854</u>   | <u>\$ 1,912,502</u>   | <u>\$ (6,002,146)</u> |
|    | 12.03%            | 11.32%                | 10.86%                | 11.57%                | 13.26%                | 16.98%                |

**THIS PAGE LEFT BLANK INTENTIONALLY**

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

| <b>Fiscal Year</b> | <b>Property Tax</b> | <b>Local sales and use Tax</b> | <b>Consumer Utility Tax</b> | <b>Motor Vehicle License Tax</b> | <b>Recordation and Wills Tax</b> | <b>Total</b> |
|--------------------|---------------------|--------------------------------|-----------------------------|----------------------------------|----------------------------------|--------------|
| 2012               | 33,009,862          | 3,168,917                      | 1,962,053                   | 826,120                          | 258,430                          | 39,225,382   |
| 2011               | 31,744,361          | 3,048,872                      | 1,994,437                   | 857,901                          | 298,353                          | 37,943,924   |
| 2010               | 30,805,595          | 2,909,578                      | 1,248,883                   | 815,279                          | 325,862                          | 36,105,197   |
| 2009               | 30,532,857          | 3,313,542                      | 1,243,628                   | 795,000                          | 322,715                          | 36,207,742   |
| 2008               | 29,555,714          | 3,238,398                      | 1,368,894                   | 552,815                          | 477,500                          | 35,193,321   |
| 2007               | 29,159,806          | 3,113,379                      | 1,718,438                   | 891,116                          | 801,128                          | 35,683,867   |
| 2006               | 26,044,683          | 3,231,113                      | 1,385,736                   | 669,047                          | 989,849                          | 32,320,428   |
| 2005               | 24,302,925          | 2,932,417                      | 1,393,268                   | 654,599                          | 688,517                          | 29,971,726   |
| 2004               | 22,854,991          | 2,659,256                      | 1,309,116                   | 632,909                          | 602,809                          | 28,059,081   |
| 2003               | 21,632,067          | 2,353,942                      | 1,186,854                   | 612,192                          | 251,324                          | 26,036,379   |

COUNTY OF SHENANDOAH, VIRGINIA

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

| <b>Fiscal Year</b> | <b>Real Estate (1)</b> | <b>Personal Property</b> | <b>Mobile Homes</b> | <b>Machinery and Tools</b> | <b>Merchants' Capital</b> | <b>Public Service (2)</b> |
|--------------------|------------------------|--------------------------|---------------------|----------------------------|---------------------------|---------------------------|
| 2012 \$            | 4,413,197,300          | \$ 363,099,193           | \$ 4,271,041        | \$ 74,030,957              | \$ 45,520,162             | \$ 194,503,654            |
| 2011               | 4,403,310,900          | 357,328,471              | 4,360,059           | 78,202,016                 | 44,439,756                | 200,723,875               |
| 2010               | 4,371,701,000          | 346,758,402              | 4,443,414           | 64,372,075                 | 46,001,179                | 149,466,288               |
| 2009               | 3,921,886,100          | 372,121,056              | 5,469,665           | 60,505,707                 | 48,726,763                | 122,679,339               |
| 2008               | 3,841,542,450          | 378,309,055              | 5,539,784           | 66,351,535                 | 43,652,302                | 125,063,172               |
| 2007               | 3,715,824,650          | 356,334,022              | 5,523,101           | 73,317,081                 | 38,950,950                | 110,806,557               |
| 2006               | 3,046,358,050          | 327,177,172              | 4,688,573           | 70,152,682                 | 36,933,965                | 111,175,331               |
| 2005               | 2,394,494,850          | 289,239,613              | 3,803,521           | 72,596,435                 | 35,081,578                | 135,353,194               |
| 2004               | 2,303,149,450          | 266,755,115              | 3,646,104           | 64,808,132                 | 33,030,298                | 141,312,786               |
| 2003               | 2,236,281,050          | 257,846,693              | 3,490,305           | 54,636,621                 | 32,246,533                | 133,911,993               |

Source: Commissioner of Revenue

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

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

(3) Source: Virginia Department of Taxation.

Table 7

---

|    | <b>Total Taxable<br/>Assessed<br/>Value</b> | <b>Estimated<br/>Actual<br/>Taxable<br/>Value</b> | <b>State<br/>Sales<br/>Assessment<br/>Ratio (3)</b> | <b>Total<br/>Direct<br/>Rate</b> |
|----|---|---|---|----------------------------------|
| \$ | 5,094,622,307                               | \$ 5,094,622,307                                  | 100.00%   | \$ 0.74                          |
|    | 5,088,365,077                               | 5,202,827,277                                     | 97.80%  | 0.70                             |
|    | 4,982,742,358                               | 4,877,868,192                                     | 102.15%   | 0.69                             |
|    | 4,531,388,630                               | 5,115,011,435                                     | 88.59%  | 0.76                             |
|    | 4,460,458,298                               | 5,680,665,178                                     | 78.52%  | 0.75                             |
|    | 4,300,756,361                               | 6,242,932,735                                     | 68.89%  | 0.75                             |
|    | 3,596,485,773                               | 5,221,378,881                                     | 68.88%  | 0.77                             |
|    | 2,930,569,191                               | 5,834,300,599                                     | 50.23%  | 0.95                             |
|    | 2,812,701,885                               | 4,897,617,769                                     | 57.43%  | 0.94                             |
|    | 2,718,413,195                               | 3,363,124,081                                     | 80.83%  | 0.93                             |

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

| Fiscal<br>Years | Direct Rates   |                      |                 |                        |                       |
|-----------------|----------------|----------------------|-----------------|------------------------|-----------------------|
|                 | Real<br>Estate | Personal<br>Property | Mobile<br>Homes | Machinery<br>and Tools | Merchants'<br>Capital |
| 2012            | \$ 0.51        | \$ 3.15              | \$ 0.51         | \$ 3.15                | \$ 0.60               |
| 2011            | 0.47           | 3.15                 | 0.47            | 3.15                   | 0.60                  |
| 2010            | 0.47           | 3.15                 | 0.47            | 3.15                   | 0.60                  |
| 2009            | 0.51           | 3.15                 | 0.51            | 3.15                   | 0.60                  |
| 2008            | 0.51           | 2.86                 | 0.51            | 2.86                   | 0.60                  |
| 2007            | 0.51           | 2.86                 | 0.51            | 2.86                   | 0.60                  |
| 2006            | 0.51           | 2.86                 | 0.51            | 2.86                   | 0.60                  |
| 2005            | 0.68           | 2.86                 | 0.68            | 2.86                   | 0.60                  |
| 2004            | 0.68           | 2.86                 | 0.68            | 2.86                   | 0.60                  |
| 2003            | 0.68           | 2.86                 | 0.68            | 2.86                   | 0.60                  |

Source: County Commissioner of Revenue

(1) Per \$100 of assessed value

Principal Property Taxpayers  
Current Year and the Period Nine Years Prior

| Taxpayer                       | Type<br>Business | Fiscal Year 2012              |                                     | Fiscal Year 2003              |                                     |
|--------------------------------|------------------|-------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
|                                |                  | 2012<br>Assessed<br>Valuation | % of Total<br>Assessed<br>Valuation | 2003<br>Assessed<br>Valuation | % of Total<br>Assessed<br>Valuation |
| North Shenandoah Investors     | Mfg              | 20,596,500                    | 0.40%                               | -                             | 0.00%                               |
| Art Mortgage Borrower          | Distribution     | 13,368,800                    | 0.26%                               | -                             | 0.00%                               |
| Howell Metal                   | Mfg              | 11,116,100                    | 0.22%                               | 5,254,400                     | 0.26%                               |
| 294 Front Royal LLC            | Mfg              | 10,718,600                    | 0.21%                               | 7,004,400                     | 0.34%                               |
| Lowes Home Centers             | Retail           | 9,499,400                     | 0.19%                               | -                             | 0.00%                               |
| Bowman Andros Products         | Mfg              | 9,364,300                     | 0.18%                               | 7,616,800                     | 0.37%                               |
| Wal-Mart Real Estate           | Retail           | 9,269,000                     | 0.18%                               | 5,653,000                     | 0.28%                               |
| Telesat Network Services       | Communications   | 9,013,000                     | 0.18%                               | -                             | 0.00%                               |
| Masco Cabinetry                | Mfg              | 7,889,100                     | 0.16%                               | 7,249,100                     | 0.35%                               |
| Spectrum I Woodstock           | Retail           | 6,804,900                     | 0.13%                               | -                             | 0.00%                               |
| Valley Fertilizer and Chemical | Retail           | 6,299,900                     | 0.12%                               | -                             | 0.00%                               |
| LH & H LLC                     | Hotel            | 6,014,300                     | 0.12%                               | -                             | 0.00%                               |
| Shree Ganesh Hospitality       | Hotel            | 5,536,500                     | 0.11%                               | -                             | 0.00%                               |
|                                |                  | <u>125,490,400</u>            | <u>3.35%</u>                        | <u>32,777,700</u>             | <u>0.87%</u>                        |

Source: Commissioner of Revenue

**THIS PAGE LEFT BLANK INTENTIONALLY**

Property Tax Levies and Collections  
Last Ten Fiscal Years

| Fiscal Year | Total Tax (1,3,4)<br>Levy for<br>Fiscal Year | Collected within the Fiscal<br>Year of the Levy (1,3) |                       | Collections<br>in Subsequent<br>Years (2) | Total Collections to Date |                       |
|-------------|--|---|-----------------------|---|---------------------------|-----------------------|
|             |  | Amount  | Percentage<br>of Levy |   | Amount                    | Percentage<br>of Levy |
| 2012        | \$ 35,018,934                                | \$ 33,281,231   | 95.04%                | \$ -                                      | \$ 33,281,231             | 95.04%                |
| 2011        | 32,838,732                                   | 29,867,700  | 90.95%                | 1,786,053                                 | 31,653,753                | 96.39%                |
| 2010        | 31,762,302                                   | 28,815,151  | 90.72%                | 2,193,343                                 | 31,008,494                | 97.63%                |
| 2009        | 31,221,250                                   | 28,851,374  | 92.41%                | 1,752,314                                 | 30,603,688                | 98.02%                |
| 2008        | 29,698,692                                   | 28,304,547  | 95.31%                | 980,672                                   | 29,285,219                | 98.61%                |
| 2007        | 28,582,118                                   | 27,256,379  | 95.36%                | 1,043,190                                 | 28,299,569                | 99.01%                |
| 2006        | 26,146,589                                   | 24,565,050  | 93.95%                | 1,564,741                                 | 26,129,791                | 99.94%                |
| 2005        | 27,837,037                                   | 26,176,277  | 94.03%                | 1,649,179                                 | 27,825,456                | 99.96%                |
| 2004        | 26,365,764                                   | 25,093,089  | 95.17%                | 1,262,736                                 | 26,355,825                | 99.96%                |
| 2003        | 24,823,615                                   | 23,408,504  | 94.30%                | 1,407,072                                 | 24,815,576                | 99.97%                |

Source: Commissioner of Revenue, County Treasurer's office

- (1) Exclusive of penalties and interest.
- (2) Does not include land redemptions.
- (3) Does not include PPTRA reimbursements from the Commonwealth of Virginia.

COUNTY OF SHENANDOAH, VIRGINIA

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

| Fiscal<br>Years | Governmental Activities        |                        |                          |                   | Business-Type Activities       |                  |
|-----------------|--------------------------------|------------------------|--------------------------|-------------------|--------------------------------|------------------|
|                 | General<br>Obligation<br>Bonds | Literary<br>Fund Loans | Other<br>Notes/<br>Bonds | Capital<br>Leases | General<br>Obligation<br>Bonds | Notes<br>Payable |
| 2012 \$         | 48,306,971                     | \$ 2,830,500           | \$ 3,255,000             | \$ 1,145,505      | \$ 3,072,421                   | \$ -             |
| 2011            | 50,367,176                     | 3,145,000              | 3,972,674                | 1,060,237         | 2,284,811                      | 1,379            |
| 2010            | 45,560,848                     | 3,459,500              | 4,338,322                | 1,865,903         | 2,339,188                      | 6,888            |
| 2009            | 31,999,361                     | 3,774,000              | 4,044,912                | 2,341,443         | 2,591,701                      | 11,721           |
| 2008            | 33,403,293                     | 4,088,500              | 4,179,796                | 2,860,442         | 2,838,236                      | 16,330           |
| 2007            | 33,817,733                     | 4,420,500              | 4,315,597                | 2,020,718         | 3,066,198                      | 20,450           |
| 2006            | 36,201,544                     | 4,752,500              | 4,436,571                | 713,218           | 3,284,016                      | 6,396            |
| 2005            | 38,882,819                     | 5,084,500              | 4,607,040                | 1,963,352         | 3,502,335                      | 9,763            |
| 2004            | 36,958,754                     | 5,416,500              | 9,517,293                | 1,456,243         | 3,707,759                      | 13,130           |
| 2003            | 39,445,196                     | 5,748,500              | 9,622,744                | 1,518,922         | 4,153,473                      | -                |

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

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

Table 11

---

| <u>Capital Leases</u> | <u>Total Primary Government</u> | <u>Percentage of Personal Income (1)</u> | <u>Per Capita (1)</u> |
|-----------------------|---------------------------------|--|-----------------------|
| \$ 4,301              | \$ 58,614,698                   | 4.24%                                    | \$ 1,386              |
| 46,585                | 60,877,862                      | 4.54%                                    | 1,450                 |
| 53,284                | 57,623,933                      | 4.34%                                    | 1,404                 |
| 71,135                | 44,834,273                      | 3.38%                                    | 1,094                 |
| 97,343                | 47,483,940                      | 3.67%                                    | 1,170                 |
| -                     | 47,661,196                      | 3.91%                                    | 1,190                 |
| -                     | 49,394,245                      | 4.36%                                    | 1,268                 |
| -                     | 54,049,809                      | 5.13%                                    | 1,425                 |
| -                     | 57,069,679                      | 5.89%                                    | 1,540                 |
| -                     | 60,488,835                      | 6.48%                                    | 1,663                 |

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

| <u>Fiscal Year</u> | <u>Gross Bonded Debt</u> | <u>Less: Amounts Reserved for Debt Service</u> | <u>Net Bonded Debt (3)</u> | <u>Ratio of Net General Obligation Debt to Assessed Value (2)</u> | <u>Net Bonded Debt per Capita (1)</u> |
|--------------------|--------------------------|--|----------------------------|---|---------------------------------------|
| 2012               | \$ 54,209,892            | \$ -   | \$ 54,209,892              | 1.06%   | \$ 1,282                              |
| 2011               | 55,796,987               | -  | 55,796,987                 | 1.10%   | 1,329                                 |
| 2010               | 53,358,670               | -  | 53,358,670                 | 1.07%   | 1,300                                 |
| 2009               | 39,818,273               | -  | 39,818,273                 | 0.88%   | 972                                   |
| 2008               | 41,671,589               | -  | 41,671,589                 | 0.93%   | 1,027                                 |
| 2007               | 40,330,029               | -  | 40,330,029                 | 0.94%   | 1,007                                 |
| 2006               | 44,238,060               | -  | 44,238,060                 | 1.23%   | 1,136                                 |
| 2005               | 47,469,654               | -  | 47,469,654                 | 1.62%   | 1,251                                 |
| 2004               | 46,083,013               | -  | 46,083,013                 | 1.64%   | 1,243                                 |
| 2003               | 49,347,169               | -  | 49,347,169                 | 1.82%   | 1,357                                 |

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

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

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

Pledged-Revenue Coverage  
Last Ten Fiscal Years

| Fiscal Year | Enterprise Fund Revenue Bonds                          |                                |                             |              |           |          | Coverage |
|-------------|--|--------------------------------|-----------------------------|--------------|-----------|----------|----------|
|             | Water/Sewer/Refuse<br>and Setpage Charges<br>and Other | Less:<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |           |          |          |
|             |  |                                |                             | Principal    | Interest  |          |          |
| 2012        | \$ 3,424,323   | \$ 4,594,573                   | \$ (1,170,250)              | \$ 249,378   | \$ 85,698 | -349.25% |          |
| 2011        | 2,276,247  | 1,863,237                      | 413,010                     | 264,005      | 102,950   | 112.55%  |          |
| 2010        | 2,121,710  | 1,925,427                      | 196,283                     | 284,415      | 116,742   | 48.93%   |          |
| 2009        | 2,147,619  | 2,149,861                      | (2,242)                     | 273,088      | 126,785   | -0.56%   |          |
| 2008        | 2,132,075  | 2,040,483                      | 91,592                      | 267,462      | 147,282   | 22.08%   |          |
| 2007        | 2,026,347  | 1,824,398                      | 201,949                     | 245,747      | 152,228   | 50.74%   |          |
| 2006        | 1,780,979  | 1,568,728                      | 212,251                     | 245,000      | 154,936   | 53.07%   |          |
| 2005        | 1,740,840  | 1,511,547                      | 229,293                     | 217,192      | 161,578   | 60.54%   |          |
| 2004        | 1,565,435  | 1,461,209                      | 104,226                     | 475,288      | 212,992   | 15.14%   |          |
| 2003        | 1,479,215  | 1,427,956                      | 51,259                      | 170,890      | 226,207   | 12.91%   |          |

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

Demographic and Economic Statistics  
 Last Ten Fiscal Years
 

---

| <b>Fiscal Year</b> | <b>Population</b> | <b>Personal Income</b> | <b>Per Capita Personal Income</b> | <b>Median Age</b> | <b>School Enrollment</b> | <b>Unemployment Rate</b> |
|--------------------|-------------------|------------------------|-----------------------------------|-------------------|--------------------------|--------------------------|
| 2012               | 42,289            | 1,380,820,428          | 32,652                            | 43.5              | 6,076                    | 6.60%                    |
| 2011               | 41,993            | 1,340,290,581          | 31,917                            | 42.2              | 6,094                    | 7.00%                    |
| 2010               | 41,036            | 1,328,335,320          | 32,370                            | 40.9              | 6,106                    | 8.30%                    |
| 2009               | 40,984            | 1,326,652,080          | 32,370                            | 40.9              | 6,184                    | 8.30%                    |
| 2008               | 40,589            | 1,294,383,210          | 31,890                            | 40.9              | 6,244                    | 4.70%                    |
| 2007               | 40,060            | 1,217,984,240          | 30,404                            | 40.9              | 6,155                    | 3.20%                    |
| 2006               | 38,956            | 1,133,230,040          | 29,090                            | 40.9              | 6,107                    | 3.00%                    |
| 2005               | 37,931            | 1,052,623,181          | 27,751                            | 40.9              | 6,153                    | 3.00%                    |
| 2004               | 37,064            | 969,001,216            | 26,144                            | 40.9              | 5,954                    | 3.30%                    |
| 2003               | 36,377            | 934,052,229            | 25,677                            | 40.9              | 5,827                    | 3.90%                    |

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

Principal Employers  
Current Year and Nine Years Ago

| Employer                        | Fiscal Year 2012 |      |                                    | Fiscal Year 2003 |      |                                    |
|---------------------------------|------------------|------|------------------------------------|------------------|------|------------------------------------|
|                                 | Employees        | Rank | % of Total<br>County<br>Employment | Employees        | Rank | % of Total<br>County<br>Employment |
| Shenandoah County School Board  | 1000+            | 1    | 7.64%                              | 1000+            | 1    | 7.29%                              |
| George's Chicken                | 500 to 999       | 2    | 5.73%                              | 500 to 999       | 2    | 5.46%                              |
| R.R. Donnelley and Sons Company | 500 to 999       | 3    | 5.73%                              | 500 to 999       | 4    | 5.46%                              |
| IAC Strasburg LLC               | 250 to 499       | 4    | 2.87%                              | 500 to 999       | 3    | 5.46%                              |
| County of Shenandoah            | 250 to 499       | 5    | 2.87%                              | 100 to 249       | 10   | 1.27%                              |
| Valley Health System            | 250 to 499       | 6    | 2.87%                              | 250 to 499       | 6    | 2.73%                              |
| Bowman Andros Products          | 250 to 499       | 7    | 2.87%                              | 100 to 249       | 11   | 1.27%                              |
| Howell Metal Company            | 250 to 499       | 8    | 2.87%                              | 250 to 499       | 7    | 2.73%                              |
| Shentel Management Company      | 250 to 499       | 9    | 2.87%                              | 100 to 249       | 15   | 1.27%                              |
| Wal Mart                        | 250 to 499       | 10   | 2.87%                              | 100 to 249       | 8    | 2.73%                              |

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

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

| Function                      | 2003       | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011       | 2012       |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General government            | 23         | 24         | 27         | 27         | 27         | 27         | 27         | 25         | 22         | 22         |
| Judicial administration       | 17         | 17         | 19         | 22         | 22         | 22         | 20         | 21         | 21         | 19         |
| Public safety                 |            |            |            |            |            |            |            |            |            |            |
| Sheriffs department           | 60         | 57         | 64         | 65         | 67         | 72         | 67         | 70         | 70         | 71         |
| Fire & rescue                 | 5          | 5          | 5          | 21         | 25         | 33         | 33         | 32         | 33         | 34         |
| Building inspections          | 8          | 9          | 9          | 9          | 10         | 10         | 8          | 7          | 7          | 5          |
| Animal control                | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| Public works                  |            |            |            |            |            |            |            |            |            |            |
| General maintenance           | 0          | 3          | 4          | 4          | 5          | 5          | 5          | 7          | 7          | 6          |
| Landfill                      | 18         | 18         | 17         | 21         | 20         | 21         | 20         | 20         | 20         | 22         |
| Engineering                   | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Health and welfare            |            |            |            |            |            |            |            |            |            |            |
| Department of social services | 34         | 33         | 33         | 36         | 33         | 36         | 34         | 35         | 35         | 35         |
| Culture and recreation        |            |            |            |            |            |            |            |            |            |            |
| Parks and recreation          | 7          | 5          | 4          | 5          | 5          | 4          | 6          | 5          | 4          | 5          |
| Museum                        | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          | 0          |
| Library                       | 7          | 6          | 7          | 7          | 7          | 7          | 7          | 5          | 6          | 6          |
| Community development         |            |            |            |            |            |            |            |            |            |            |
| Planning                      | 5          | 4          | 4          | 4          | 4          | 5          | 5          | 5          | 4          | 5          |
| Totals                        | <u>186</u> | <u>183</u> | <u>195</u> | <u>223</u> | <u>227</u> | <u>244</u> | <u>234</u> | <u>234</u> | <u>231</u> | <u>232</u> |

Source: Individual county departments

Operating Indicators by Function  
Last Ten Fiscal Years

| Function                       | 2003  | 2004  | 2005  | 2006  | 2007  | 2008 | 2009  | 2010 | 2011  | 2012  |
|--------------------------------|-------|-------|-------|-------|-------|------|-------|------|-------|-------|
| Public safety                  |       |       |       |       |       |      |       |      |       |       |
| Sheriffs department:           |       |       |       |       |       |      |       |      |       |       |
| Physical arrests               |       |       |       |       |       |      |       |      |       |       |
| Traffic violations/Arrests     | 1649  | 1711  | 1951  | 2237  | 2003  | 2115 | 3222  | 2800 | 2200  | 2110  |
| Civil papers                   | 9553  | 11107 | 10422 | 10924 | 9654  | 9918 | 10479 | 9269 | 9163  | 12308 |
| Fire and rescue:               |       |       |       |       |       |      |       |      |       |       |
| Number of calls answered       | 5546  | 5538  | 5779  | 4794  | 6253  | 6520 | 9967  | 9998 | 10303 | 13124 |
| Building inspections:          |       |       |       |       |       |      |       |      |       |       |
| Permits issued                 | 457   | 589   | 585   | 506   | 196   | 113  | 120   | 127  | 88    | 127   |
| Animal control:                |       |       |       |       |       |      |       |      |       |       |
| Number of calls answered       | 773   | 1792  | 1741  | 1836  | 1834  | 1933 | 2102  | 1636 | 1544  | 1729  |
| Public works                   |       |       |       |       |       |      |       |      |       |       |
| General maintenance:           |       |       |       |       |       |      |       |      |       |       |
| Trucks/vehicles                | 1     | 2     | 3     | 3     | 3     | 3    | 4     | 4    | 6     | 6     |
| Landfill:                      |       |       | 6     |       |       |      |       |      |       |       |
| Refuse collected (tons/day)    | 121.9 | 157.1 | 161.1 | 158.0 | 178.0 | 148  | 135   | 130  | 133   | 116   |
| Recycling (tons/day)           | 9.2   | 7.8   | 11.6  | 13.9  | 13.5  | 7.0  | 6.1   | 7.5  | 9.0   | 7.8   |
| Health and welfare             |       |       |       |       |       |      |       |      |       |       |
| Department of Social Services: |       |       |       |       |       |      |       |      |       |       |
| Caseload                       | 2535  | 3187  | 3666  | 3876  | 3950  | 4016 | 5141  | 5780 | 5998  | 5854  |
| Culture and recreation         |       |       |       |       |       |      |       |      |       |       |
| Parks and recreation:          |       |       |       |       |       |      |       |      |       |       |
| Recreation hall permits issued | -     | 1416  | 1641  | 1310  | 1350  | 1300 | 1571  | 2059 | 1298  | 1291  |
| Youth sports participants      | -     | -     | 925   | 2660  | 2400  | 1827 | 1606  | 1430 | 1449  | 1209  |
| Community development          |       |       |       |       |       |      |       |      |       |       |
| Planning:                      |       |       |       |       |       |      |       |      |       |       |
| Zoning permits issued          | 675   | 748   | 689   | 721   | 663   | 608  | 434   | 303  | 312   | 430   |
| Component Unit - School Board  |       |       |       |       |       |      |       |      |       |       |
| Education:                     |       |       |       |       |       |      |       |      |       |       |
| School age population          | 5827  | 5954  | 6153  | 6107  | 6155  | 6224 | 6184  | 6106 | 6094  | 6076  |
| Number of teachers             | 454   | 464   | 456   | 483   | 499   | 512  | 529   | 501  | 496   | 523   |
| Local expenditures per pupil   | 2927  | 2941  | 3733  | 3913  | 3430  | 3486 | 3509  | 3433 | 3440  | 3557  |

Source: Individual county departments

Capital Asset Statistics by Function  
Last Ten Fiscal Years

| Function                       | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--------------------------------|------|------|------|------|------|------|------|------|------|------|
| General government             |      |      |      |      |      |      |      |      |      |      |
| Administration buildings       | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Vehicles                       | 2    | 2    | 3    | 3    | 4    | 4    | 4    | 2    | 2    | 2    |
| Public safety                  |      |      |      |      |      |      |      |      |      |      |
| Sheriffs department:           |      |      |      |      |      |      |      |      |      |      |
| Patrol units                   | 42   | 45   | 45   | 45   | 47   | 49   | 50   | 50   | 47   | 46   |
| Other vehicles                 |      |      |      |      |      |      |      |      |      |      |
| Building inspections:          |      |      |      |      |      |      |      |      |      |      |
| Vehicles                       | 5    | 6    | 6    | 6    | 6    | 6    | 5    | 5    | 5    | 4    |
| Animal control:                |      |      |      |      |      |      |      |      |      |      |
| Vehicles                       | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Public works                   |      |      |      |      |      |      |      |      |      |      |
| General maintenance:           |      |      |      |      |      |      |      |      |      |      |
| Trucks/vehicles                | 1    | 4    | 4    | 4    | 4    | 4    | 6    | 6    | 6    | 6    |
| Landfill:                      |      |      |      |      |      |      |      |      |      |      |
| Vehicles                       | 19   | 19   | 19   | 21   | 21   | 21   | 21   | 20   | 22   | 22   |
| Equipment                      | 15   | 16   | 16   | 16   | 16   | 16   | 16   | 16   | 16   | 18   |
| Sites                          | 14   | 14   | 15   | 15   | 15   | 14   | 15   | 15   | 15   | 15   |
| Health and welfare             |      |      |      |      |      |      |      |      |      |      |
| Department of Social Services: |      |      |      |      |      |      |      |      |      |      |
| Vehicles                       | -    | 10   | 10   | 10   | 10   | 10   | 10   | 10   | 10   | 10   |
| Culture and recreation         |      |      |      |      |      |      |      |      |      |      |
| Parks and recreation:          |      |      |      |      |      |      |      |      |      |      |
| Community centers              | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Vehicles                       | 4    | 4    | 6    | 6    | 6    | 6    | 6    | 5    | 5    | 5    |
| Parks acreage                  | 345  | 345  | 345  | 345  | 345  | 345  | 345  | 345  | 345  | 345  |
| Swimming pools                 | -    | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Tennis courts                  | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Community development          |      |      |      |      |      |      |      |      |      |      |
| Planning:                      |      |      |      |      |      |      |      |      |      |      |
| Vehicles                       | 2    | 2    | 2    | 3    | 3    | 3    | 3    | 2    | 2    | 2    |
| Component Unit - School Board  |      |      |      |      |      |      |      |      |      |      |
| Education:                     |      |      |      |      |      |      |      |      |      |      |
| Schools                        | 10   | 10   | 10   | 10   | 10   | 10   | 10   | 10   | 10   | 10   |
| School buses                   | 97   | 100  | 101  | 104  | 104  | 104  | 104  | 104  | 109  | 108  |

Source: Individual county departments

# **COMPLIANCE SECTION**

---

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

---

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

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

**Internal Control Over Financial Reporting:**

Management of County of Shenandoah, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Shenandoah, 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 County of Shenandoah, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Shenandoah, Virginia's internal control over financial reporting.

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

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

**Compliance and Other Matters:**

As part of obtaining reasonable assurance about whether the County of Shenandoah, 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 Shenandoah, Virginia in a separate letter dated November 30, 2012.

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2012

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

---

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

---

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

#### Compliance

We have audited County of Shenandoah, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the County of Shenandoah, Virginia's major federal programs for the year ended June 30, 2012. County of Shenandoah, 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 Shenandoah, Virginia's management. Our responsibility is to express an opinion on the County of Shenandoah, 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 Shenandoah, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Shenandoah, Virginia's compliance with those requirements.

In our opinion, County of Shenandoah, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

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

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

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

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

*Robinson, Farmer, Cox Associates*

Staunton, Virginia  
November 30, 2012

COUNTY OF SHENANDOAH, VIRGINIA

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

| Federal Grantor/Pass - Through Grantor/<br>Program Title or Cluster title                 | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|---------------------------|--|-------------------------|
| <b>PRIMARY GOVERNMENT:</b>  |                           |  |                         |
| Department of Agriculture:  |                           |  |                         |
| Pass Through Payments:  |                           |  |                         |
| Department of Social Services:  |                           |  |                         |
| State Administrative Matching grants for the Supplemental<br>Nutrition Assistance Program | 10.561                    | n/a  | \$ <u>327,809</u>       |
| Department of Health and Human Services:  |                           |  |                         |
| Pass Through Payments:  |                           |  |                         |
| Department of Social Services:  |                           |  |                         |
| Temporary Assistance for Needy Families   | 93.558                    | n/a  | \$ 226,247              |
| Refugee & Entrant Assistance - State Administered Programs                                | 93.566                    | n/a  | 474                     |
| Promoting Safe and Stable Families  | 93.556                    | n/a  | 13,431                  |
| Low-Income Home Energy Assistance   | 93.568                    | n/a  | 17,847                  |
| Child Care and Development Cluster:   |                           |  |                         |
| Child Care and Development Block Grant  | 93.575                    | n/a  | 95,497                  |
| Child Care Mandatory and Matching Funds of the Child<br>Care and Development Fund         | 93.596                    | n/a  | 42,530                  |
| Foster Care - Title IV-E  | 93.658                    | n/a  | 299,940                 |
| Chafee Education and Training Vouchers  | 93.599                    | n/a  | 2,336                   |
| Child Welfare Services  | 93.645                    | n/a  | 604                     |
| Chafee Foster Care Independence Program   | 93.674                    | n/a  | 5,402                   |
| Social Services Block Grant   | 93.667                    | n/a  | 167,481                 |
| Children's Health Insurance Program   | 93.767                    | n/a  | 9,622                   |
| Adoption Assistance   | 93.659                    | n/a  | 49,817                  |
| Medical Assistance Program (Title XIX)  | 93.778                    | n/a  | 200,226                 |
| Total Department of Health and Human Services   |                           |  | \$ <u>1,131,454</u>     |
| Department of Housing and Urban Development:  |                           |  |                         |
| Direct Payments:  |                           |  |                         |
| Community Development Block Grant   | 14.228                    | n/a  | \$ <u>575,458</u>       |
| U.S. Department of Homeland Security:   |                           |  |                         |
| Pass Through Payments:  |                           |  |                         |
| Department of Emergency Management:   |                           |  |                         |
| Homeland Security Grant   | 97.074                    | n/a  | \$ 110,126              |
| Emergency Management Performance  | 97.042                    | n/a  | 47,500                  |
| Assistance to Firefighters  | 97.044                    | n/a  | 191,658                 |
| Disaster Assistance Projects  | 97.088                    | n/a  | 5,466                   |
| Total U.S. Department of Homeland Security  |                           |  | \$ <u>354,750</u>       |
| U.S. Department of Justice:   |                           |  |                         |
| Pass Through Payments:  |                           |  |                         |
| Department of Criminal Justice Services:  |                           |  |                         |
| Immigration custom enforcement  | 16.000                    | n/a  | \$ 11,203               |
| Edward Byrne Memorial Formula Grant   | 16.579                    | n/a  | 3,700                   |
| ARRA Edward Byrne Memorial Justice Grant  | 16.804                    | n/a  | 20,547                  |
| U.S. Forest Service Patrol  | 16.000                    | n/a  | 156,798                 |
| Asset Seizure Proceeds  | 16.000                    | n/a  | 166,035                 |
| Bulletproof Vest Paterneship Program  | 16.007                    | n/a  | 1,911                   |
| Triad grant   | 16.000                    | n/a  | 980                     |
| Total U.S. Department of Justice  |                           |  | \$ <u>361,174</u>       |

COUNTY OF SHENANDOAH, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2012

| Federal Grantor/Pass - Through Grantor/<br>Program Title or Cluster title | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Federal<br>Expenditures    |
|---|---------------------------|--|----------------------------|
| Environmental Protection Agency:  |                           |  |                            |
| Pass Through Payments:  |                           |  |                            |
| Department of Environmental Quality:                                      |                           |  |                            |
| DEQ royalty grants  | 66.000                    | n/a  | \$ 301                     |
| Capitalization Grants for Clean Water State Revolving Funds               | 66.458                    | n/a  | 864,157                    |
| Total Environmental Protection Agency                                     |                           |  | <u>\$ 864,458</u>          |
| Department of the Interior:   |                           |  |                            |
| Direct Payments:  |                           |  |                            |
| Bureau of Land Management -   |                           |  |                            |
| Payment in Lieu of Taxes  | 12.112                    | n/a  | \$ 165,593                 |
| Total Department of the Interior  |                           |  | <u>\$ 165,593</u>          |
| Department of Transportation:   |                           |  |                            |
| Pass Through Payments:  |                           |  |                            |
| Department of Motor Vehicles:   |                           |  |                            |
| State and Community Highway   |                           |  |                            |
| Safety Program  | 20.600                    | n/a  | \$ 24,304                  |
| Highway Planning and Construction   | 20.205                    | n/a  | 673,222                    |
| Total Department of Transportation  |                           |  | <u>\$ 697,526</u>          |
| Total Expenditures of Federal Awards                                      |                           |  | <u><u>\$ 4,478,222</u></u> |
| <b>COMPONENT UNIT SCHOOL BOARD:</b>                                       |                           |  |                            |
| Department of Agriculture:  |                           |  |                            |
| Department of Education:  |                           |  |                            |
| Child Nutrition Cluster:  |                           |  |                            |
| School Breakfast Program  | 10.553                    | n/a  | \$ 278,974                 |
| National School Lunch Program   | 10.555                    | n/a  | 980,309                    |
| Department of Agriculture:  |                           |  |                            |
| Child Nutrition Cluster:  |                           |  |                            |
| Commodities-School Lunch  | 10.555                    | n/a  | 127,070                    |
| Schools and Roads - Grants of States                                      | 10.665                    | n/a  | 18,461                     |
| Total Department of Agriculture   |                           |  | <u>\$ 1,404,814</u>        |
| Department of Education:  |                           |  |                            |
| Title I Cluster:  |                           |  |                            |
| Title I Grants to Local Education Agencies                                | 84.010                    | S010A09046/S010A10046                        | \$ 1,106,871               |
| ARRA-Title I Grants to Local Education Agencies                           | 84.389                    | S389A090046                                  | 179,627                    |
| Improving Teacher Quality State Grants                                    | 84.367                    | n/a  | 163,352                    |
| Special Education Cluster:  |                           |  |                            |
| Special Education - State Grants  | 84.027                    | H027A10017                                   | 1,197,666                  |
| Special Education - Preschool Grants                                      | 84.173                    | H173A090112/H173A100112                      | 49,852                     |
| Career and Technical Education - Basic Grants to States                   | 84.048                    | n/a  | 97,346                     |
| Safe and Drug Free Schools and Communities                                | 84.186                    | n/a  | 1,145                      |
| English Language Acquisition  | 84.365                    | n/a  | 42,216                     |
| ARRA-Education Jobs Fund  | 84.410                    | S410A10047                                   | 516,757                    |
| Total Department of Education   |                           |  | <u>\$ 3,354,832</u>        |
| Total Expenditures of Federal Awards Component Unit School Board          |                           |  | <u><u>\$ 4,759,646</u></u> |

COUNTY OF SHENANDOAH, VIRGINIA

Notes to the Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

---

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Shenandoah, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Shenandoah, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Shenandoah, Virginia.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012, the County had food commodities totaling \$81,355 in inventory.

NOTE D-RELATIONSHIP TO FINANCIAL STATEMENTS

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

Intergovernmental federal revenues per the basic financial statements:

|   |    |                  |
|---|----|------------------|
| Primary government:   | \$ | 3,465,508        |
| Reconciling items:  |    |                  |
| VRA loan proceeds   |    | 864,157          |
| Expenditures of forfeited drug asset proceeds that were received in a prior fiscal year |    | 148,557          |
| Total primary government  | \$ | <u>4,478,222</u> |
| Discretely presented component unit - School Board                                      | \$ | <u>4,759,646</u> |
| Total discretely presented component unit - School Board                                | \$ | <u>4,759,646</u> |
| Total expenditures of federal awards per basic financial statements                     | \$ | <u>9,237,868</u> |
| Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards | \$ | <u>9,237,868</u> |

**COUNTY OF SHENANDOAH, VIRGINIA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

---

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

---

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

- Material weakness(es) identified?      yes   x   no

- Significant deficiency(ies) identified?      yes   x   none reported

Noncompliance material to financial statements noted?      yes   x   no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?      yes   x   no

- Significant deficiency(ies) identified?      yes   x   none reported

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

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

Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>   |
|---------------------|---|
| 84.410 .....        | Education Jobs Fund   |
| 10.561 .....        | Statement Administrative Matching Grants for the Supplemental<br>Nutrition Assistance Program |
| 14.228 .....        | Community Development Block Grant   |
| 93.658 .....        | Foster Care Title IV-E  |
| 66.458 .....        | Capitalization Grants for Clean Water State Revolving Funds                                   |

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

Auditee qualified as low-risk auditee?   x   yes      no

**Section II-Financial Statement Findings**

---

None

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

---

None

**COUNTY OF SHENANDOAH, VIRGINIA**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2012**

---

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

**THIS PAGE LEFT BLANK INTENTIONALLY**