

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2011

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

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

Paul Baker	Eric Gentry, Chairman	Howard Spencer
Richard McCoy		Barbara Hobbs

COUNTY SCHOOL BOARD

Ronald B. Whitehead	J. B. Buckland, Chairman	Joseph M. Gollehon, Jr.
Drema K. McMahon		J. Lewis Webb, Jr.
	Amanda Tickle, Clerk	

SOCIAL SERVICES BOARD

Tom Spangler	Giles Lester, Chairman	Gina Franklin
Barbara Hobbs		Claude Wimmer
Clara O'Brien		Donna Collins, Clerk

OTHER OFFICIALS

Clerk of the Circuit Court	Charles Fraley
Commonwealth's Attorney.....	Phillip Steele
Commissioner of the Revenue	Anne Chambers
Treasurer.....	Gerald W. Duncan
Sheriff.....	William M. Millirons
Superintendent of Schools	Dr. Terry Arbogast, II
Director of Social Services	Sherri Nipper
County Administrator	Chris McKlarney
County Attorney.....	Richard Chidester

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To the Members of the Board of Supervisors
County of Giles, Virginia
Pearisburg, 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 Giles, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Giles, 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 Giles, Virginia as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2011, on our consideration of the County of Giles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the 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 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming an opinion of the financial statements that collectively comprise the County of Giles, Virginia's financial statements as a whole. The supplementary financial statements, supporting schedules, and other statistical information, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary financial statements 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 supporting schedules and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Turner, Co. Associates

Christiansburg, Virginia

November 26, 2011

Basic Financial Statements

County of Giles, Virginia
Statement of Net Assets
June 30, 2011

	Primary Government			Component	Component
	Governmental Activities	Business-type Activities	Total	Unit School Board	Unit IDA
ASSETS					
Cash and cash equivalents	\$ 3,168,542	\$ -	\$ 3,168,542	\$ 2,547,571	\$ 687,111
Cash in custody of others	2,831,196	-	2,831,196	220,785	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,345,593	-	3,345,593	-	-
Other local taxes receivable	64,338	-	64,338	-	-
Accounts receivable	10,028	146,870	156,898	150,213	-
Due from other funds	1,057,898	-	1,057,898	-	-
Due from other governmental units	730,862	200,610	931,472	772,933	-
Inventories (Commodities)	-	-	-	60,330	-
Prepaid expenses	-	-	-	834,846	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	717,836	19,400	737,236	-	-
Other assets:					
Unamortized bond issue costs	120,276	-	120,276	-	-
Inventories (Land and buildings held for resale)	-	-	-	-	1,788,079
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	618,634
Buildings and system	12,810,251	-	12,810,251	2,551,267	5,398,029
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	693,055	157,979	851,034	1,606,681	-
Infrastructure	-	11,369,393	11,369,393	-	-
Construction in progress	13,528,916	177,287	13,706,203	750,563	3,496,958
Total assets	\$ 39,609,321	\$ 12,084,539	\$ 51,693,860	\$ 9,968,841	\$ 11,988,811
LIABILITIES					
Accounts payable	\$ 881,357	\$ 3,089	\$ 884,446	\$ 84,763	\$ 23,611
Contracts payable	-	-	-	2,071,264	-
Customers' deposits	-	19,400	19,400	-	-
Accrued interest payable	284,558	28,031	312,589	-	93,105
Due to other funds	-	1,057,898	1,057,898	-	-
Due to other governmental units	79,210	-	79,210	-	-
Deferred revenue	2,830,388	-	2,830,388	-	-
Long-term liabilities:					
Due within one year	2,207,190	94,292	2,301,482	364,796	122,000
Due in more than one year	26,406,810	5,408,535	31,815,345	387,712	6,483,526
Total liabilities	\$ 32,689,513	\$ 6,611,245	\$ 39,300,758	\$ 2,908,535	\$ 6,722,242
NET ASSETS					
Invested in capital assets, net of related debt	\$ 1,854,057	\$ 6,251,438	\$ 8,105,495	\$ 5,382,163	\$ 2,908,095
Restricted for:					
Debt reserves	717,836	-	717,836	-	-
Unrestricted (deficit)	4,347,915	(778,144)	3,569,771	1,678,143	2,358,474
Total net assets	\$ 6,919,808	\$ 5,473,294	\$ 12,393,102	\$ 7,060,306	\$ 5,266,569

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

County of Giles, Virginia
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	School Board	IDA
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,612,399	\$ 11,733	\$ 249,357	\$ -	\$ (1,351,309)	\$ (1,351,309)		
Judicial administration	456,903	3,995	468,363	-	15,455	15,455		
Public safety	3,937,646	118,521	941,131	50,000	(2,827,994)	(2,827,994)		
Public works	382,840	88,803	8,925	-	(285,112)	(285,112)		
Health and welfare	3,467,252	-	2,536,004	-	(931,248)	(931,248)		
Education	6,117,468	-	-	-	(6,117,468)	(6,117,468)		
Parks, recreation, and cultural	1,072,522	482,853	-	367,951	(221,718)	(221,718)		
Community development	346,131	3,600	-	-	(342,531)	(342,531)		
Interest on long-term debt	1,217,615	-	-	-	(1,217,615)	(1,217,615)		
Total governmental activities	\$ 18,610,776	\$ 709,505	\$ 4,203,780	\$ 417,951	\$ (13,279,540)	\$ (13,279,540)		
Business-type activities:								
Water department	\$ 1,543,650	\$ 448,618	\$ -	\$ 455,300	\$ (639,732)	\$ (639,732)		
Total primary government	\$ 20,154,426	\$ 1,158,123	\$ 4,203,780	\$ 873,251	\$ (13,279,540)	\$ (13,279,540)		
COMPONENT UNITS:								
School Board	\$ 20,914,609	\$ 514,820	\$ 16,784,635	\$ -			\$ (3,615,154)	
Industrial Development Authority (IDA)	1,392,445	304,093	-	-				(1,088,352)
Total component units	\$ 22,307,054	\$ 818,913	\$ 16,784,635	\$ -			\$ (3,615,154)	\$ (1,088,352)
General revenues:								
General property taxes					\$ 11,722,260	\$ -	\$ -	
Other local taxes:								
Local Sales and use taxes					1,130,274	-	-	-
Consumers' utility taxes					240,381	-	-	-
Consumption taxes					52,314	-	-	-
Gross receipts tax					10,759	-	-	-
Motor vehicle licenses					172,068	-	-	-
Local tax on deeds					60,175	-	-	-
Hotel and motel room taxes					83,046	-	-	-
Unrestricted revenues from use of money and property					266,669	-	670	37,520
Miscellaneous					462,209	-	193,165	-
Contribution from County of Giles, Virginia					-	-	4,243,246	-
Grants and contributions not restricted to specific programs					1,689,126	-	-	-
Transfers					(697,110)	697,110	-	-
Total general revenues					\$ 15,192,171	\$ 697,110	\$ 4,437,081	\$ 37,520
Change in net assets					\$ 1,912,631	\$ 57,378	\$ 821,927	\$ (1,050,832)
Net assets - beginning					5,007,177	5,415,916	6,238,379	6,317,401
Net assets - ending					\$ 6,919,808	\$ 5,473,294	\$ 7,060,306	\$ 5,266,569

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,168,542	\$ -	\$ 3,168,542
Cash in custody of others	-	2,831,196	2,831,196
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,345,593	-	3,345,593
Other local taxes	64,338	-	64,338
Accounts receivable	10,028	-	10,028
Due from other funds	1,057,898	-	1,057,898
Due from other governmental units	730,862	-	730,862
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	717,836	-	717,836
Total assets	<u>\$ 9,095,097</u>	<u>\$ 2,831,196</u>	<u>\$ 11,926,293</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 272,855	\$ 608,502	\$ 881,357
Due to other governmental units	79,210	-	79,210
Deferred revenue	3,357,546	-	3,357,546
Liabilities payable from restricted assets	-	-	-
Total liabilities	<u>\$ 3,709,611</u>	<u>\$ 608,502</u>	<u>\$ 4,318,113</u>
Fund balances:			
Restricted			
Capital projects fund	\$ -	\$ 2,222,694	\$ 2,222,694
Debt service	717,836	-	717,836
Unassigned			
General fund	4,667,650	-	4,667,650
Total fund balances	<u>\$ 5,385,486</u>	<u>\$ 2,222,694</u>	<u>\$ 7,608,180</u>
Total liabilities and fund balances	<u>\$ 9,095,097</u>	<u>\$ 2,831,196</u>	<u>\$ 11,926,293</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 7,608,180
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,562,752
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	527,158
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(28,778,282)
Net assets of governmental activities	<u>\$ 6,919,808</u>

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

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

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 11,807,023	\$ -	\$ 11,807,023
Other local taxes	1,749,017	-	1,749,017
Permits, privilege fees, and regulatory licenses	26,963	-	26,963
Fines and forfeitures	26,837	-	26,837
Revenue from the use of money and property	263,178	3,491	266,669
Charges for services	655,705	-	655,705
Miscellaneous	462,209	-	462,209
Recovered costs	929,345	-	929,345
Intergovernmental revenues:			
Commonwealth	4,787,657	-	4,787,657
Federal	1,155,249	367,951	1,523,200
Total revenues	<u>\$ 21,863,183</u>	<u>\$ 371,442</u>	<u>\$ 22,234,625</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,355,584	\$ 80,526	\$ 1,436,110
Judicial administration	726,488	-	726,488
Public safety	4,153,458	10	4,153,468
Public works	420,421	-	420,421
Health and welfare	3,517,234	-	3,517,234
Education	5,064,371	-	5,064,371
Parks, recreation, and cultural	744,911	-	744,911
Community development	261,504	1,380	262,884
Nondepartmental	696,032	-	696,032
Capital projects	-	2,278,352	2,278,352
Debt service:			
Principal retirement	1,043,613	13,711,457	14,755,070
Interest and other fiscal charges	508,287	407,415	915,702
Bond issuance costs	-	43,500	43,500
Total expenditures	<u>\$ 18,491,903</u>	<u>\$ 16,522,640</u>	<u>\$ 35,014,543</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,371,280</u>	<u>\$ (16,151,198)</u>	<u>\$ (12,779,918)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 105,634	\$ 145,784	\$ 251,418
Transfers out	(842,894)	(105,634)	(948,528)
Issuance of revenue bond	-	71,142	71,142
Issuance of lease revenue bond	-	13,542,000	13,542,000
Total other financing sources (uses)	<u>\$ (737,260)</u>	<u>\$ 13,653,292</u>	<u>\$ 12,916,032</u>
Net change in fund balances	\$ 2,634,020	\$ (2,497,906)	\$ 136,114
Fund balances - beginning	2,751,466	4,720,600	7,472,066
Fund balances - ending	<u>\$ 5,385,486</u>	<u>\$ 2,222,694</u>	<u>\$ 7,608,180</u>

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

County of Giles, 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, 2011

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

Net change in fund balances - total governmental funds	\$ 136,114
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.	1,033,381
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(84,763)
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.	1,128,332
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.	(300,433)
Change in net assets of governmental activities	<u>\$ 1,912,631</u>

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

County of Giles, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 687,111
Accounts receivable, net of allowances for uncollectibles	146,870	-
Due from other governmental units	200,610	-
Total current assets	<u>\$ 347,480</u>	<u>\$ 687,111</u>
Restricted current assets:		
Cash and cash equivalents	<u>\$ 19,400</u>	<u>\$ -</u>
Noncurrent assets:		
Inventories (Land and buildings held for resale)	\$ -	\$ 1,788,079
Capital assets:		
Land	13,000	618,634
Utility plant in service	13,895,392	-
Buildings and improvements	-	5,977,231
Machinery and equipment	396,524	-
Less accumulated depreciation	(2,764,544)	(579,202)
Construction in progress	177,287	3,496,958
Total capital assets	<u>\$ 11,717,659</u>	<u>\$ 9,513,621</u>
Total noncurrent assets	<u>\$ 11,717,659</u>	<u>\$ 11,301,700</u>
Total assets	<u>\$ 12,084,539</u>	<u>\$ 11,988,811</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,089	\$ 23,611
Customers' deposits	19,400	-
Accrued interest payable	28,031	93,105
Due to other funds	1,057,898	-
Compensated absences - current portion	25,487	-
Bonds payable - current portion	68,805	122,000
Total current liabilities	<u>\$ 1,202,710</u>	<u>\$ 238,716</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 5,397,416	\$ 6,483,526
Net OPEB obligation	2,623	-
Compensated absences	8,496	-
Total noncurrent liabilities	<u>\$ 5,408,535</u>	<u>\$ 6,483,526</u>
Total liabilities	<u>\$ 6,611,245</u>	<u>\$ 6,722,242</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 6,251,438	\$ 2,908,095
Unrestricted	(778,144)	2,358,474
Total net assets	<u>\$ 5,473,294</u>	<u>\$ 5,266,569</u>

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

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

	<u>Enterprise Fund Water Department</u>	<u>Component Unit Industrial Development Authority</u>
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 399,760	\$ -
Rental of property	-	304,093
Penalties	40,983	-
Miscellaneous	5,250	-
Total operating revenues	<u>\$ 445,993</u>	<u>\$ 304,093</u>
OPERATING EXPENSES		
Salaries and fringes	\$ 196,675	\$ 69,995
Fringes	76,626	21,550
Contracted services	1,573	13,250
Repair and maintenance	153,805	478
Water purchase	255,344	-
Material and supplies	58,640	35
Insurance	5,990	19,340
Miscellaneous	51,664	250
Utilities	27,549	22,673
Depreciation	485,003	150,482
Economic development	-	647,158
Total operating expenses	<u>\$ 1,312,869</u>	<u>\$ 945,211</u>
Operating income (loss)	<u>\$ (866,876)</u>	<u>\$ (641,118)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ -	\$ 37,520
Connection fees	2,625	-
Interest expense	(230,781)	(447,234)
Total nonoperating revenues (expenses)	<u>\$ (228,156)</u>	<u>\$ (409,714)</u>
Income before contributions and transfers	<u>\$ (1,095,032)</u>	<u>\$ (1,050,832)</u>
Capital contributions and construction grants	\$ 455,300	\$ -
Transfers in	697,110	-
Change in net assets	<u>\$ 57,378</u>	<u>\$ (1,050,832)</u>
Total net assets - beginning	<u>\$ 5,415,916</u>	<u>\$ 6,317,401</u>
Total net assets - ending	<u>\$ 5,473,294</u>	<u>\$ 5,266,569</u>

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

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

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 439,745	\$ 381,282
Payments to suppliers	(585,794)	(1,448,176)
Payments to employees	(272,919)	(91,545)
Net cash provided (used) by operating activities	<u>\$ (418,968)</u>	<u>\$ (1,158,439)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>\$ 697,110</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (494,061)	\$ (1,847,291)
Principal payments on bonds	(76,214)	(3,392,474)
Contributions in aid of construction	389,461	232,000
Proceeds from indebtedness	114,771	3,853,000
Interest payments	(221,796)	(507,278)
Connection fees	2,625	-
Net cash provided (used) by capital and related financing activities	<u>\$ (285,214)</u>	<u>\$ (1,662,043)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Revenue from the use of money and property	<u>\$ -</u>	<u>\$ 37,520</u>
Net increase (decrease) in cash and cash equivalents	\$ (7,072)	\$ (2,782,962)
Cash and cash equivalents - beginning - including restricted	\$ 26,472	\$ 3,470,073
Cash and cash equivalents - ending - including restricted	<u>\$ 19,400</u>	<u>\$ 687,111</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (866,876)</u>	<u>\$ (641,118)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 485,003	\$ 150,482
(Increase) decrease in accounts receivable	824	77,189
Increase (decrease) in customer deposits	(7,072)	-
Increase (decrease) in operating accounts payable	(31,229)	5,008
Increase (decrease) in OPEB expense	731	-
Increase (decrease) compensated absences	(349)	-
Increase (decrease) in due to other funds	-	(750,000)
Total adjustments	<u>\$ 447,908</u>	<u>\$ (517,321)</u>
Net cash provided (used) by operating activities	<u>\$ (418,968)</u>	<u>\$ (1,158,439)</u>

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

County of Giles, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 56,489
Total assets	<u>\$ 56,489</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 56,489
Total liabilities	<u>\$ 56,489</u>

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

COUNTY OF GILES, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

The County of Giles, Virginia (government) is a municipal corporation governed by an elected five-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 County has no blended component units.

Discretely Presented Component Units – The component unit columns in the financial statements include the financial data of the County's discretely presented component units. They are reported in a separate column to emphasize that they are legally separate from the County. The County's Component Units do not prepare separate financial statements.

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

The Giles County Industrial Development Authority encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County. The Industrial Development Authority is presented as an enterprise fund type and does not issue a separate financial report.

Related Organizations – The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations – The County and the Counties of Bland, Carroll, Floyd, Grayson, and Wythe and the City of Radford participate in supporting the New River Valley Regional Jail Authority. The monthly payment made by the County to the Regional Jail is based on the number of prisoners housed for the County. For the year ended June 30, 2011, the County paid \$940,314 for the confinement of prisoners.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Dare Program, the Asset Forfeiture Fund, the Comprehensive Services Fund, the Social Services Fund, the Restitution Fund, the Rev Max Fund, and the Emergency Replacement Fund.

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital project funds consist of the County Capital Improvements Fund.

The government reports the following major proprietary funds:

The County operates a water distribution system. The activities of the system are accounted for in the water fund.

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds consist of the special welfare fund.

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund and the internal service funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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 attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$117,217 at June 30, 2011 and is comprised solely of property taxes. The allowance amounted to approximately \$52,358 for the Water department at June 30, 2011 and is comprised solely of water billings.

5. Use of Estimates

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

6. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives 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. In the water and sewer fund, no interest was capitalized during the current year or prior year.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

6. Capital assets (continued)

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:

Assets	Years
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

7. Compensated Absences

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

8. Long-term obligations

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

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.

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

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

9. Fund equity

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

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

The Board of Supervisors is the highest level of decision making authority and the formal action that is required to establish, modify or rescind a fund balance commitment is a resolution approved by the Board of Supervisors. The resolution must either be approved or rescinded as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The Board of Supervisors has authorized the County Administrator as the official authorized to assign fund balance to a specific purpose as approved by the fund balance policy.

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

The policy also authorizes and directs the Treasurer to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54. The County of Giles will maintain an unassigned fund balance in the general fund equal to 3% of the expenditures/operating revenues. The County considers a balance of less than 3% to be a cause for concern, barring unusual or deliberate circumstances.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**Note 1-Summary of Significant Accounting Policies: (continued)**

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

10. Net Assets

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

11. Restricted Assets

Proceeds of the Authority's enterprise note payable as well as amounts due the general fund from the enterprise fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. As of June 30, 2011, customer deposits in the amount of \$19,400 are reported as restricted assets in the water and sewer fund.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of these \$(28,778,282) and \$(752,508) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ (8,880,621)	\$ -
Revenue bonds	(2,668,768)	-
Lease revenue bonds	(16,382,000)	-
Accrued interest payable	(284,558)	-
Other post-employment benefits	(64,781)	(266,113)
Landfill post-closure monitoring costs	(44,988)	-
Bond issuance cost	120,276	-
Compensated absences	(572,842)	(486,395)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (28,778,282)</u>	<u>\$ (752,508)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$1,033,381 and \$69,491 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 2,474,860	\$ 746,606
Depreciation expense	(1,441,479)	(677,115)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ 1,033,381	\$ 69,491

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of these \$1,128,332 and \$(14,183) differences in the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Debt issued or incurred:		
Issuance of revenue bonds	\$ (71,142)	\$ -
Issuance of lease revenue bond	(13,542,000)	-
Other post-employment benefits	(13,063)	(14,183)
Accrued landfill closure/postclosure	(533)	-
Total debt issued or incurred	<u>\$ (13,626,738)</u>	<u>\$ (14,183)</u>
Principal repayments:		
General obligation debt	\$ 1,043,613	\$ -
Revenue bonds	76,457	-
Bond anticipation note	13,500,000	
Lease revenue bond	135,000	-
Total principal repayments	<u>\$ 14,755,070</u>	<u>\$ -</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of</i>	<u>\$ 1,128,332</u>	<u>\$ (14,183)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(300,433) and \$(34,696) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Unit School Board</u>
Decrease (increase) in compensated absences	\$ (42,020)	\$ (34,696)
Decrease (increase) in accrued interest	(257,823)	-
Decrease (increase) in bond issuance costs	<u>(590)</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes</i> <i>in fund balances-total governmental funds</i> to arrive <i>at changes in net assets of governmental activities</i>	<u>\$ (300,433)</u>	<u>\$ (34,696)</u>

Note 3-Stewardship, Compliance, and Accountability:

- A. Budgetary information

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

1. Prior to 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 function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

A. Budgetary information (continued)

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

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

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2011, there were no departments with expenditures in excess of appropriations.

C. Deficit fund equity

At June 30, 2011, there were no funds with deficit fund equity.

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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The County had no investments at June 30, 2011 or for the year then ended.

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 5-Due from Other Governmental Units:

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

	Primary Government		Component Unit-
	Governmental	Business-type	School Board
Commonwealth of Virginia:			
Local sales tax	\$ 207,773	\$ -	\$ -
Communication sales tax	44,716	-	-
State sales tax	-	-	396,572
Categorical aid	12,645	-	4,250
Shared expenses	135,816	-	-
Non-categorical aid	5,046	-	-
Virginia public assistance funds	42,882	-	-
Community services act	200,733	-	-
Water and Sewer Grants	-	200,610	-
Federal Government:			
Virginia public assistance funds	77,807	-	-
School grants	-	-	372,111
Categorical aid	3,444	-	-
Totals	\$ 730,862	\$ 200,610	\$ 772,933

Note 6-Interfund Transfers and Balances:

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

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 105,634	\$ 842,894
Water and Sewer Fund	697,110	-
County Capital Improvements Fund	145,784	105,634
Total	\$ 948,528	\$ 948,528
Due From / Due To		
General Fund	\$ -	\$ 1,057,898
Water and Sewer Fund	1,057,898	-
Total	\$ 1,057,898	\$ 1,057,898

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 6-Interfund Transfers and Balances: (Continued)

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. The General Fund advanced the Water Fund \$1,057,898 for the construction of capital assets with no repayment terms.

Note 7-Long-Term Debt:Primary Government – Governmental Activity Indebtedness:

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

	Balance July 1, 2010	Issuances	Retirements	Balance June 30, 2011
General Obligation				
Bonds	\$ 9,924,234	\$ -	\$ (1,043,613)	\$ 8,880,621
Revenue Bonds	2,674,083	71,142	(76,457)	2,668,768
Bond Anticipation Note	13,500,000	-	(13,500,000)	-
Lease Revenue Bonds	2,975,000	13,542,000	(135,000)	16,382,000
Landfill postclosure liability	44,455	533	-	44,988
OPEB Obligation	51,718	48,480	(35,417)	64,781
Compensated absences	530,821	440,137	(398,116)	572,842
	<u>\$ 29,700,311</u>	<u>\$ 14,102,292</u>	<u>\$ (15,188,603)</u>	<u>\$ 28,614,000</u>
Total				

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt: (continued)Primary Government – Governmental Activity Indebtedness: (continued)

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 69,963	\$ 115,797	\$ 1,065,595	\$ 454,240	\$ 642,000	\$ 552,165
2013	73,204	112,556	1,088,448	400,736	698,000	496,684
2014	76,595	109,165	1,112,836	346,055	721,000	473,648
2015	80,143	105,617	1,133,845	288,926	744,000	449,807
2016	83,857	101,903	957,771	230,725	11,628,000	425,162
2017-2021	481,314	447,486	3,522,126	432,377	1,121,000	354,987
2022-2026	455,761	330,832	-	-	828,000	77,619
2027-2031	301,982	255,838	-	-	-	-
2032-2036	373,341	184,479	-	-	-	-
2037-2041	389,517	99,787	-	-	-	-
2042-2045	283,091	22,996	-	-	-	-
Totals	<u>\$ 2,668,768</u>	<u>\$ 1,886,456</u>	<u>\$ 8,880,621</u>	<u>\$ 2,153,059</u>	<u>\$ 16,382,000</u>	<u>\$ 2,830,072</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Details of long-term indebtedness:

Primary Government – Governmental Activity Indebtedness: (continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation (GO) Bonds:</u>						
General Obligation 2000A VPSA Bond	5.10-5.60%	5/18/2000	7/15/2020	\$ 1,270,000	\$ 735,000	\$ 65,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	11,508,990	5,676,064	587,224
General Obligation 1995A VPSA Bond	5.10-5.60%	12/21/1995	7/15/2016	3,065,925	753,694	180,156
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	3,684,045	1,388,327	188,697
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	869,126	327,536	44,518
Total GO Bonds					\$ 8,880,621	\$ 1,065,595
<u>Lease Revenue Bonds:</u>						
Lease Revenue Bond	4.73%	11/20/2008	1/15/2024	\$ 3,110,000	\$ 2,840,000	\$ 162,000
Lease Revenue Bond	2.83%	12/13/2010	1/15/2016	13,542,000	13,542,000	480,000
Total Lease Revenue Bonds					\$ 16,382,000	\$ 642,000
<u>Revenue Bonds:</u>						
Revenue Bond	4.75%	1/26/1999	1/26/2039	\$ 613,000	\$ 407,578	\$ 23,148
Revenue Bond	4.75%	1/26/1999	1/26/2039	469,700	311,610	17,506
Revenue Bond	4.25%	4/18/2005	4/18/2045	1,569,000	1,492,868	20,395
Revenue Bond	4.25%	4/18/2005	10/1/2025	434,669	456,712	8,914
Total Revenue Bonds					\$ 2,668,768	\$ 69,963
<u>Other Obligations:</u>						
Landfill Postclosure Monitoring Liability					\$ 44,988	\$ -
OPEB Obligation					64,781	-
Compensated Absences					572,842	429,632
Total Other Obligations					\$ 682,611	\$ 429,632
Total Long-Term Obligations					\$ 28,614,000	\$ 2,207,190

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt: (continued)Primary Government – Enterprise Activity Indebtedness:

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

	<u>Balance July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
RD Revenue Bonds	\$ 5,403,992	\$ -	\$ (76,214)	\$ 5,327,778
VRA Revenue Bond	23,672	114,771	-	138,443
OPEB obligation	1,892	2,714	(1,983)	2,623
Compensated absences	34,332	25,400	(25,749)	33,983
Total	<u>\$ 5,463,888</u>	<u>\$ 142,885</u>	<u>\$ (103,946)</u>	<u>\$ 5,502,827</u>

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 68,805	\$ 229,203
2013	71,834	226,174
2014	74,996	223,012
2015	78,298	219,710
2016	81,746	216,262
2017-2021	465,998	1,024,043
2022-2026	578,057	911,983
2027-2031	717,095	772,945
2032-2036	889,616	600,424
2037-2041	1,023,485	389,662
2042-2046	954,648	179,352
2047-2048	323,200	12,651
Totals	<u>\$ 5,327,778</u>	<u>\$ 5,005,421</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Primary Government – Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds:</u>						
Revenue Bond	4.50%	8/19/1999	8/19/2039	\$ 448,700	\$ 384,776	\$ 7,395
Revenue Bond	4.50%	9/20/2002	9/20/2042	844,000	756,858	12,374
Revenue Bond	4.38%	3/27/2008	3/27/2048	690,000	676,688	7,896
Revenue Bond	4.38%	3/27/2008	3/27/2048	596,000	584,502	6,820
Revenue Bond	4.13%	5/7/2008	5/7/2048	1,314,500	1,289,923	15,350
Revenue Bond	4.25%	5/7/2008	5/7/2048	1,666,000	1,635,031	18,970
Total Revenue Bonds					<u>\$ 5,327,778</u>	<u>\$ 68,805</u>
<u>Other Obligations:</u>						
Department of Health Grant-VRA Loan	0.00%	2/25/2010	(1)	\$ 347,742	\$ 138,443	\$ -
OPEB Obligation					2,623	-
Compensated Absences					33,983	25,487
Total Other Obligations					<u>\$ 175,049</u>	<u>\$ 25,487</u>
Total Long-Term Obligations					<u>\$ 5,502,827</u>	<u>\$ 94,292</u>

(1) This interest-free loan is a Virginia Resources Authority loan that will mature thirty years after project completion. The County is in the draw-down phase.

Note 8-Long-Term Debt-Component Units:

Discretely Presented Component Unit – School Board Indebtedness:

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

	<u>Balance Balance July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
OPEB Obligation	\$ 251,930	\$ 617,483	\$ (603,300)	\$ 266,113
Compensated absences	451,699	373,470	(338,774)	486,395
Total	<u>\$ 703,629</u>	<u>\$ 990,953</u>	<u>\$ (942,074)</u>	<u>\$ 752,508</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**Note 8-Long-Term Debt-Component Units: (continued)**Discretely Presented Component Unit – School Board Indebtedness: (continued)Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
OPEB Obligation	\$ 266,113	\$ -
Compensated absences	<u>486,395</u>	<u>364,796</u>
 Total Long-Term Obligations	 <u>\$ 752,508</u>	 <u>\$ 364,796</u>

Discretely Presented Component Unit – Industrial Development Authority indebtedness:

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

	<u>Balance July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Revenue Bonds	<u>\$ 6,145,000</u>	<u>\$ 3,853,000</u>	<u>\$ (3,392,474)</u>	<u>\$ 6,605,526</u>

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 122,000	\$ 269,362
2013	238,989	324,657
2014	250,701	312,585
2015	262,618	299,888
2016	740,750	286,525
2017-2021	1,385,916	1,151,966
2022-2026	1,807,288	722,285
2027-2031	<u>1,797,264</u>	<u>191,221</u>
Totals	<u>\$ 6,605,526</u>	<u>\$ 3,558,489</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 8-Long-Term Debt-Component Units: (continued)Discretely Presented Component Unit – Industrial Development Authority indebtedness: (continued)Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business- type Activities	Amount Due with- in One Year
Notes Payable:						
Notes Payable	2.80%	12/13/2010	1/15/2016	\$ 653,000	\$ 653,000	\$ 34,000
Notes Payable	4.27%	8/12/2010	7/15/2031	1,393,644	1,348,580	-
Notes Payable	4.27%	8/12/2010	7/15/2031	1,806,356	1,747,946	-
Notes Payable	6.52%	12/12/2008	1/15/2029	3,000,000	2,856,000	88,000
Total Long-Term Obligations					<u>\$ 6,605,526</u>	<u>\$ 122,000</u>

Note 9-Employee Retirement System and Pension Plans:**A. Plan Description**

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

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

A. Plan Description: (continued)

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 report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was 9.78% (excluding member contribution) of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2011 was 12.55% (excluding member contribution) of the annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

C. Annual Pension Cost

For fiscal year 2011, the County of Giles, Virginia's annual pension cost of \$571,396 and \$184,435 was equal to the County of Giles, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC)¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2009	\$ 425,208	100.00%	\$ -
	6/30/2010	420,575	100.00%	-
	6/30/2011	571,396	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2009	\$ 197,612	100.00%	\$ -
	6/30/2010	196,089	100.00%	-
	6/30/2011	184,435	100.00%	-

¹Employer and employee portions

Primary Government:

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

C. Annual Pension Cost (continued)

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

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the 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 School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress:

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 80.78% funded. The actuarial accrued liability for benefits was \$19,130,364, and the actuarial value of assets was \$15,453,565, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,676,799. The covered payroll (annual payroll of active employees covered by the plan) was \$3,968,686, and ratio of the UAAL to the covered payroll was 92.65%.

Discretely Presented Component Unit - School Board (Non-Instructional):

As of June 30, 2010, the most recent actuarial valuation date, the plan was 64.91% funded. The actuarial accrued liability for benefits was \$5,801,973, and the actuarial value of assets was \$3,765,865, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,036,108. The covered payroll (annual payroll of active employees covered by the plan) was \$1,219,349, and ratio of the UAAL to the covered payroll was 166.98%.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Giles County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$982,990, \$1,322,115, and \$1,617,526 for the fiscal years ended 2011, 2010, and 2009, respectively. Employer contributions represented 3.93%, 8.93% for July 2009 through March 2010 and zero (0.00%) for April through June 2010, and 8.81% of covered payroll for the fiscal years ended 2011, 2010, and 2009, respectively.

Note 10-Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$3,357,546 is comprised of the following:

Deferred Property Tax Revenue – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,122,458 at June 30, 2011.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2011, but paid in advance by the taxpayers totaled \$235,088 at June 30, 2011.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**Note 11-Capital Assets:**

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

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 530,530	\$ -	\$ -	\$ 530,530
Construction in progress	11,780,947	2,251,090	(503,121)	13,528,916
Total capital assets not being depreciated	<u>\$ 12,311,477</u>	<u>\$ 2,251,090</u>	<u>\$ (503,121)</u>	<u>\$ 14,059,446</u>
Capital assets, being depreciated:				
Buildings	\$ 24,504,919	\$ 529,233	\$ -	\$ 25,034,152
Machinery and equipment	2,555,973	197,658	(62,753)	2,690,878
Total capital assets being depreciated	<u>\$ 27,060,892</u>	<u>\$ 726,891</u>	<u>\$ (62,753)</u>	<u>\$ 27,725,030</u>
Less: accumulated depreciation for:				
Buildings	\$(10,999,257)	\$ (1,224,644)	\$ -	\$(12,223,901)
Machinery and equipment	(1,843,741)	(216,835)	62,753	(1,997,823)
Total accumulated depreciation	<u>\$(12,842,998)</u>	<u>\$ (1,441,479)</u>	<u>\$ 62,753</u>	<u>\$(14,221,724)</u>
Total capital assets being depreciated, net	<u>\$ 14,217,894</u>	<u>\$ (714,588)</u>	<u>\$ -</u>	<u>\$ 13,503,306</u>
Governmental activities capital assets, net	<u>\$ 26,529,371</u>	<u>\$ 1,536,502</u>	<u>\$ (503,121)</u>	<u>\$ 27,562,752</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**Note 11-Capital Assets: (continued)**

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Construction in progress	<u>838,212</u>	<u>381,365</u>	<u>(1,042,290)</u>	<u>177,287</u>
Total capital assets, not being depreciated	<u>\$ 851,212</u>	<u>\$ 381,365</u>	<u>\$ (1,042,290)</u>	<u>\$ 190,287</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 12,853,102	\$ 1,042,290	\$ -	\$ 13,895,392
Machinery and equipment	<u>367,168</u>	<u>29,356</u>	<u>-</u>	<u>396,524</u>
Total capital assets, being depreciated	<u>\$ 13,220,270</u>	<u>\$ 1,071,646</u>	<u>\$ -</u>	<u>\$ 14,291,916</u>
Less: accumulated depreciation for:				
Utility plant and infrastructure	\$ (2,088,811)	\$ (437,188)	\$ -	\$ (2,525,999)
Machinery and equipment	<u>(190,730)</u>	<u>(47,815)</u>	<u>-</u>	<u>(238,545)</u>
Total accumulated depreciation	<u>\$ (2,279,541)</u>	<u>\$ (485,003)</u>	<u>\$ -</u>	<u>\$ (2,764,544)</u>
Total capital assets being depreciated, net	<u>\$ 10,940,729</u>	<u>\$ 586,643</u>	<u>\$ -</u>	<u>\$ 11,527,372</u>
Business-type activities capital assets, net	<u>\$ 11,791,941</u>	<u>\$ 968,008</u>	<u>\$ (1,042,290)</u>	<u>\$ 11,717,659</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11-Capital Assets: (continued)

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

Governmental activities:

General government administration	\$	60,337
Judicial administration		33,965
Public safety		147,270
Public works		500
Health and welfare		6,425
Education		1,064,104
Parks, recreation, and cultural		44,575
Community development		<u>84,303</u>
Total depreciation expense-governmental activities	\$	<u>1,441,479</u>
Business-type activities:		
Water department	\$	<u>485,003</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11-Capital Assets: (continued)

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

Discretely Presented Component Unit-School Board:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 473,652	\$ -	\$ -	\$ 473,652
Construction in progress	73,051	677,512	-	750,563
Total capital assets not being depreciated	<u>\$ 546,703</u>	<u>\$ 677,512</u>	<u>\$ -</u>	<u>\$ 1,224,215</u>
Capital assets, being depreciated:				
Buildings	\$ 10,028,689	\$ -	\$ -	\$ 10,028,689
Machinery and equipment	4,060,370	69,094	-	4,129,464
Total capital assets being depreciated	<u>\$ 14,089,059</u>	<u>\$ 69,094</u>	<u>\$ -</u>	<u>\$ 14,158,153</u>
Less: accumulated depreciation for:				
Buildings	\$ (7,106,359)	\$ (371,063)	\$ -	\$ (7,477,422)
Machinery and equipment	(2,216,731)	(306,052)	-	(2,522,783)
Total accumulated depreciation	<u>\$ (9,323,090)</u>	<u>\$ (677,115)</u>	<u>\$ -</u>	<u>\$ (10,000,205)</u>
Total capital assets being depreciated, net	<u>\$ 4,765,969</u>	<u>\$ (608,021)</u>	<u>\$ -</u>	<u>\$ 4,157,948</u>
Governmental activities capital assets, net	<u>\$ 5,312,672</u>	<u>\$ 69,491</u>	<u>\$ -</u>	<u>\$ 5,382,163</u>

Depreciation expense of \$677,115 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 11-Capital Assets: (continued)

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

Discretely Presented Component Unit-Industrial Development Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 465,023	\$ 153,611	\$ -	\$ 618,634
Construction in progress	2,796,540	1,429,363	(728,945)	3,496,958
Total capital assets not being depreciated	<u>\$ 3,261,563</u>	<u>\$ 1,582,974</u>	<u>\$ (728,945)</u>	<u>\$ 4,115,592</u>
Capital assets, being depreciated:				
Buildings	<u>\$ 5,248,286</u>	<u>\$ 728,945</u>	<u>\$ -</u>	<u>\$ 5,977,231</u>
Less: accumulated depreciation for:				
Buildings	<u>\$ (428,720)</u>	<u>\$ (150,482)</u>	<u>\$ -</u>	<u>\$ (579,202)</u>
Total capital assets being depreciated, net	<u>\$ 4,819,566</u>	<u>\$ 578,463</u>	<u>\$ -</u>	<u>\$ 5,398,029</u>
Business-type activities capital assets, net	<u>\$ 8,081,129</u>	<u>\$ 2,161,437</u>	<u>\$ (728,945)</u>	<u>\$ 9,513,621</u>

All Depreciation of the Component-Unit Industrial Development Authority was charged to Community Development.

Note 12-Assets Held for Resale:

Discretely Presented Component Unit-Industrial Development Authority:

The Industrial Development Authority has assets consisting of land and structures specifically held for resale that are not depreciated. At June 30, 2011 the value of these assets was \$1,788,079.

The following is a summary of transactions for these assets for the year ended June 30, 2011.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets held for resale	<u>\$ 1,788,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,788,079</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 13-Risk Management:

The County and its component unit – School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its' component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability, property, and auto insurance with the VACO Risk Management Program. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board pay contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of the loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the 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 and its component unit – School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Charles Fraley, Clerk of the Circuit Court	\$	550,000
Gerald W. Duncan, Treasurer		400,000
Anne Chambers, Commissioner of the Revenue		3,000
William M. Millirons, Sheriff		30,000

Note 16-Landfill Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County landfill has been closed. Total costs for landfill postclosure are estimated to be \$44,988. This amount is based on what it would cost to perform all postclosure care in 2011. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 17 – Construction Commitments:

The School Board entered into a contract with Avis Construction Co. for improvements to the Giles County Technology Center totaling \$5,972,000. At year end, the amount outstanding on this contract totaled \$400,893.

The School Board entered into a contract with Amber Contracting for Eastern Elementary School renovations totaling \$6,359,612. At year end, the amount outstanding on this contract totaled \$523,911.

Note 18-Other Post-Employment Benefits

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

The County of Giles and Giles County's Component Unit – School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County and School Board. Any County eligible retiree and spouse may receive this benefit until he/she has reaches the earlier of sixty five years of age or death. Coverage for the spouse ends at the earliest of the retiree's death, the retiree's attainment of age 65, the spouse's death, and the spouse's attainment of age 65. The School Boards coverage ends at the earlier of attainment of age 65 and death unless the participant enrolls in the Medicare supplement plan. If a participant enrolls in the Medicare supplement plan, coverage may continue for life. A spouse may continue coverage after the death of the retiree at their own cost.

For the County, to be eligible for this benefit a retiree must meet at least one of the following criteria: attained age 50 and 10 years of service, attained age 55 and 5 years of service, or disabled with no age or service requirements. For the School Board, to be eligible for this benefit a retiree must meet at least one of the following criteria for those hired before July 1, 2010: attained age 50 and 10 years of service, attained age 65 and 5 years of service, if hired after July 1, 2010 age plus service is at least 90 or age 60 with at least 5 years of service, or disabled with no age or service. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action respectively. The Plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 18-Other Post-Employment Benefits: (continued)

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 81 and 351 employees that are eligible, respectively, for the program. In addition, the County pays up to \$480.00 per month for retirees with at least 30 years of service with the County and up to \$240.00 per month for retirees with at least 20 years of service with the County. The County does not make contributions to the medical premium for retirees with less than 20 years of service. Retirees must pay the difference between the premium and the employer contribution. Any additional premium to cover a spouse and dependents is paid by the retiree. In addition, the School Board pays for retirees under age 65 who have at least 30 years of service with the System, the System contributes a monthly amount equal to the Retiree Only premium of the Key Advantage 500 plan (\$480.00 as of 7/1/2010). Once the retiree reaches age 65, all employer contributions stop. Retirees under age 65 who have less than 30 years of service with the System receive no contribution from the System. Retirees with under 30 years of service may enter a 30 Day Employment program. The System makes contributions for participants in the 30 Day Employment Program as though they had 30 years of service. All retirees are responsible for providing the difference between the premium and the amount contributed by the System.

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the County. The rates are as follows:

Medical & Dental	Anthem 500	Anthem 1000	Anthem 2000
Employee Only	\$ 618.13	\$ 562.68	\$ 511.60
Employee & Spouse	1,382.89	1,258.68	1,144.25
Employee & Child	843.66	768.11	698.33
Employee & Dependents	1,255.22	1,142.50	1,038.34
Family	1,904.04	1,732.97	1,575.38

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents. Retirees are eligible to choose one of the following medical options through the School Board. The rates are as follows:

Medical & Dental	Key Advantage 500	Key Advantage Expanded
Employee Only	\$ 480.00	\$ 558.00
Employee & Spouse	888.00	1,032.00
Employee & Dependents	888.00	1,032.00
Family	1,296.00	1,507.00

*The Medicare supplement plan premium is \$127.00

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

Note 18-Other Post-Employment Benefits: (continued)

B. Funding Policy: (continued)

The County and School Board are 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

C. Annual OPEB Cost and Net OPEB Obligation

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

	Primary Government			Component Unit
	General	Water and Sewer	Total	School Board
Annual required contribution	\$ 48,201	\$ 2,699	\$ 50,900	\$ 616,100
Interest on net OPEB obligation	2,031	113	2,144	10,077
Adjustment to annual required contribution	(1,752)	(98)	(1,850)	(8,694)
Annual OPEB cost (expense)	48,480	2,714	51,194	617,483
Actual contributions	(35,417)	(1,983)	(37,400)	(603,300)
Increase in net OPEB obligation	13,063	731	13,794	14,183
Net OPEB obligation - beginning of year	51,718	1,892	53,610	251,930
Net OPEB obligation - end of year	\$ 64,781	\$ 2,623	\$ 67,404	\$ 266,113

The County and County School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Entity	Fiscal Year Ended	Annual OPEB Cost	Percentage of	Net OPEB Obligation
			Annual OPEB Cost Contributed	
County	6/30/2011	51,194	73%	67,404
County	6/30/2010	53,410	37%	53,610
County	6/30/2009	51,000	39%	20,000
School Board	6/30/2011	617,483	98%	266,113
School Board	6/30/2010	401,130	125%	251,930
School Board	6/30/2009	604,300	42%	351,600

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 18-Other Post-Employment Benefits: (continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of June 30, 2011, is as follows:

Actuarial accrued liability (AAL)	\$	535,900
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	535,900
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	3,615,000
UAAL as a percentage of covered payroll		14.82%

The funded status of the Plan for the School Board as of June 30, 2011, is as follows:

Actuarial accrued liability (AAL)	\$	6,643,300
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	6,643,300
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	11,886,000
UAAL as a percentage of covered payroll		55.89%

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

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

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Note 18-Other Post-Employment Benefits: (continued)

E. Actuarial Methods and Assumptions (continued)

In the January 1, 2011, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.5 percent, plus productivity component of 1.25 percent, and investments rate of return at 4.00 percent, and a health care trend rate of 6.40 percent graded to 4.70 percent over 80 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011 was 27 years.

Note 19-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:

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.

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

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 year ended June 30, 2011 was \$66,046 and equaled the required contributions.

Required Supplementary Information

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 10,957,803	\$ 10,957,803	\$ 11,807,023	\$ 849,220
Other local taxes	1,535,124	1,567,333	1,749,017	181,684
Permits, privilege fees, and regulatory licenses	36,700	36,700	26,963	(9,737)
Fines and forfeitures	19,600	19,600	26,837	7,237
Revenue from the use of money and property	314,695	318,090	263,178	(54,912)
Charges for services	630,366	851,716	655,705	(196,011)
Miscellaneous	73,852	79,840	462,209	382,369
Recovered costs	604,836	924,030	929,345	5,315
Intergovernmental revenues:				
Commonwealth	4,543,587	4,902,447	4,787,657	(114,790)
Federal	1,165,515	1,215,515	1,155,249	(60,266)
Total revenues	<u>\$ 19,882,078</u>	<u>\$ 20,873,074</u>	<u>\$ 21,863,183</u>	<u>\$ 990,109</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,313,528	\$ 1,430,398	\$ 1,355,584	\$ 74,814
Judicial administration	711,220	739,601	726,488	13,113
Public safety	4,101,922	4,261,750	4,153,458	108,292
Public works	397,602	456,182	420,421	35,761
Health and welfare	3,319,814	3,535,500	3,517,234	18,266
Education	5,258,548	5,258,548	5,064,371	194,177
Parks, recreation, and cultural	586,751	759,054	744,911	14,143
Community development	252,522	263,568	261,504	2,064
Nondepartmental	279,339	696,726	696,032	694
Debt service:				
Principal retirement	1,083,289	1,083,289	1,043,613	39,676
Interest and other fiscal charges	527,611	527,611	508,287	19,324
Total expenditures	<u>\$ 17,832,146</u>	<u>\$ 19,012,227</u>	<u>\$ 18,491,903</u>	<u>\$ 520,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,049,932</u>	<u>\$ 1,860,847</u>	<u>\$ 3,371,280</u>	<u>\$ 1,510,433</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 145,416	\$ 106,550	\$ 105,634	\$ (916)
Transfers out	(2,381,212)	(2,153,261)	(842,894)	1,310,367
Net change in fund balances	<u>\$ (185,864)</u>	<u>\$ (185,864)</u>	<u>\$ 2,634,020</u>	<u>\$ 2,819,884</u>
Fund balances - beginning	185,864	185,864	2,751,466	2,565,602
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,385,486</u>	<u>\$ 5,385,486</u>

County of Giles, Virginia
Required Supplementary Information

Schedules of OPEB and Pension Funding Progress
For the Year Ended June 30, 2011

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 15,453,565	\$ 19,130,364	\$ 3,676,799	80.78%	\$ 3,968,686	92.65%
6/30/2009	15,618,012	17,365,436	1,747,424	89.94%	3,933,172	44.43%
6/30/2008	15,668,869	16,167,885	499,016	96.91%	3,998,422	12.48%

Discretely Presented Component Unit: School Board Non-Professional Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 3,765,865	\$ 5,801,973	\$ 2,036,108	64.91%	\$ 1,219,349	166.98%
6/30/2009	3,864,977	5,321,145	1,456,168	72.63%	1,218,448	119.51%
6/30/2008	3,974,174	5,067,106	1,092,932	78.43%	1,245,199	87.77%

Primary Government: Other Post Employment Benefit (1)

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2011	\$ -	\$ 535,900	\$ 535,900	0.00%	\$ 3,615,000	14.82%
1/1/2009	-	568,800	568,800	0.00%	4,241,600	13.41%

Discretely Presented Component Unit: School Board Other Post Employment Benefit (1)

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2011	\$ -	\$ 6,643,300	\$ 6,643,300	0.00%	\$ 11,886,000	55.89%
1/1/2009	\$ -	\$ 6,200,800	\$ 6,200,800	0.00%	\$ 13,580,000	45.66%

(1) Information has only been available for 2 year.

Other Supplementary Information

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

	Capital Improvements Fund			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,491	\$ 3,491
Intergovernmental revenues:				
Commonwealth	2,974,831	2,974,831	-	(2,974,831)
Federal	600,000	969,622	367,951	(601,671)
Total revenues	\$ 3,574,831	\$ 3,944,453	\$ 371,442	\$ (3,573,011)
EXPENDITURES				
Current:				
General government administration	\$ 55,000	\$ 83,526	\$ 80,526	\$ 3,000
Public safety	-	270	10	260
Community development	2,531,894	2,311,175	1,380	2,309,795
Capital projects	1,974,831	5,425,052	2,278,352	3,146,700
Debt service:				
Principal retirement	460,383	460,383	13,711,457	(13,251,074)
Interest and other fiscal charges	252,102	556,380	407,415	148,965
Bond issuance costs	-	-	43,500	(43,500)
Total expenditures	\$ 5,274,210	\$ 8,836,786	\$ 16,522,640	\$ (7,685,854)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,699,379)	\$ (4,892,333)	\$ (16,151,198)	\$ (11,258,865)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,699,379	1,429,696	\$ 145,784	\$ (1,283,912)
Transfers out	-	-	(105,634)	(105,634)
Issuance of revenue bond	-	-	71,142	71,142
Issuance of lease revenue bond	-	-	13,542,000	13,542,000
Total other financing sources and uses	\$ 1,699,379	\$ 1,429,696	\$ 13,653,292	\$ 12,223,596
Net change in fund balances	\$ -	\$ (3,462,637)	\$ (2,497,906)	\$ 964,731
Fund balances - beginning	-	3,462,637	4,720,600	1,257,963
Fund balances - ending	\$ -	\$ -	\$ 2,222,694	\$ 2,222,694

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
MAJOR GOVERNMENTAL FUNDS

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

County of Giles, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,547,571
Cash in custody of others	220,785
Receivables (net of allowance for uncollectibles):	
Accounts receivable	150,213
Due from other governmental units	772,933
Inventories	60,330
Prepaid items	834,846
Total assets	<u>\$ 4,586,678</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 84,763
Contracts payable	2,071,264
Total liabilities	<u>\$ 2,156,027</u>
Fund balances:	
Committed	\$ 2,430,651
Total fund balances	<u>\$ 2,430,651</u>
Total liabilities and fund balances	<u>\$ 4,586,678</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,430,651
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,382,163
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(752,508)
Net assets of governmental activities	<u>\$ 7,060,306</u>

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

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 670
Charges for services	514,820
Miscellaneous	193,165
Recovered costs	218,215
Intergovernmental revenues:	
Local government	5,055,703
Commonwealth	13,646,751
Federal	3,137,884
Total revenues	<u>\$ 22,767,208</u>
EXPENDITURES	
Current:	
Education	\$ 21,965,893
Total expenditures	<u>\$ 21,965,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 801,315</u>
Net change in fund balances	\$ 801,315
Fund balances - beginning	1,629,336
Fund balances - ending	<u>\$ 2,430,651</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 801,315
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.	69,491
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.	(14,183)
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.	(34,696)
Change in net assets of governmental activities	<u>\$ 821,927</u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 670	\$ 520
Charges for services	574,650	574,650	514,820	(59,830)
Miscellaneous	758,365	758,365	193,165	(565,200)
Recovered costs	669,520	707,577	218,215	(489,362)
Intergovernmental revenues:				
Local government	5,249,880	5,249,880	5,055,703	(194,177)
Commonwealth	14,612,356	14,612,356	13,646,751	(965,605)
Federal	1,781,040	2,434,219	3,137,884	703,665
Total revenues	\$ 23,645,961	\$ 24,337,197	\$ 22,767,208	\$ (1,569,989)
EXPENDITURES				
Current:				
Education	\$ 23,645,961	\$ 24,337,197	\$ 21,965,893	\$ 2,371,304
Total expenditures	\$ 23,645,961	\$ 24,337,197	\$ 21,965,893	\$ 2,371,304
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 801,315	\$ 801,315
Net change in fund balances	\$ -	\$ -	\$ 801,315	\$ 801,315
Fund balances - beginning	-	38,057	1,629,336	1,591,279
Fund balances - ending	\$ -	\$ 38,057	\$ 2,430,651	\$ 2,392,594

SUPPORTING SCHEDULES

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,609,376	\$ 5,609,376	\$ 5,888,229	\$ 78,853
Real and personal public service corporation taxes	872,767	872,767	1,019,667	146,900
Personal property taxes	1,332,342	1,332,342	1,627,239	294,897
Mobile home taxes	51,922	51,922	45,870	(6,052)
Machinery and tools taxes	2,827,094	2,827,094	3,078,313	251,219
Merchant's capital	174,302	174,302	160,566	(13,736)
Common carrier	-	-	7,499	7,499
Penalties	90,000	90,000	99,084	9,084
Interest	-	-	80,556	80,556
Total general property taxes	<u>\$ 10,957,803</u>	<u>\$ 10,957,803</u>	<u>\$ 11,807,023</u>	<u>\$ 849,220</u>
Other local taxes:				
Local sales and use taxes	\$ 950,000	\$ 950,000	\$ 1,130,274	\$ 180,274
Consumers' utility taxes	237,307	237,307	240,381	3,074
Consumption taxes	48,500	48,500	52,314	3,814
Gross receipts tax	16,500	16,500	10,759	(5,741)
Motor vehicle licenses	140,000	140,000	172,068	32,068
Local tax on deeds	67,817	67,817	60,175	(7,642)
Hotel and motel room taxes	75,000	107,209	83,046	(24,163)
Total other local taxes	<u>\$ 1,535,124</u>	<u>\$ 1,567,333</u>	<u>\$ 1,749,017</u>	<u>\$ 181,684</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,100	\$ 8,100	\$ 6,296	\$ (1,804)
Land use application fees	700	700	879	179
Transfer fees	-	-	541	541
Variance and rezoning fees	4,100	4,100	3,600	(500)
Building permits	23,800	23,800	15,647	(8,153)
Total permits, privilege fees, and regulatory licenses	<u>\$ 36,700</u>	<u>\$ 36,700</u>	<u>\$ 26,963</u>	<u>\$ (9,737)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 19,600	\$ 19,600	\$ 26,837	\$ 7,237
Revenue from use of money and property:				
Revenue from use of money	\$ 256,000	\$ 256,000	\$ 190,450	\$ (65,550)
Revenue from use of property	58,695	62,090	72,728	10,638
Total revenue from use of money and property	<u>\$ 314,695</u>	<u>\$ 318,090</u>	<u>\$ 263,178</u>	<u>\$ (54,912)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 13,306	\$ 15,485	\$ 12,768	\$ (2,717)
Charges for courthouse maintenance	11,340	11,340	26,801	15,461
Charges for US forest patrols	8,500	8,500	7,850	(650)
Charges for processing arrest fee	1,536	1,536	1,348	(188)
Charges for Commonwealth's Attorney	894	894	1,403	509
Charges for nonconsecutive jail and blood test/dna fees	281	281	405	124
Charges for law library	3,153	3,153	2,051	(1,102)
Charges for copies	3,800	3,800	3,435	(365)
Charges for courtroom security fee	41,773	64,730	47,370	(17,360)
Charges for PSA billings	43,083	58,968	62,002	3,034
Charges for parks and recreation	325,000	472,773	302,820	(169,953)
Charges for wellness center fees	173,000	197,531	180,033	(17,498)
Other charges for services	4,700	12,725	7,419	(5,306)
Total charges for services	<u>\$ 630,366</u>	<u>\$ 851,716</u>	<u>\$ 655,705</u>	<u>\$ (196,011)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 73,852	\$ 79,840	\$ 462,209	\$ 382,369

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
School resource officer	\$ 227,750	\$ 228,970	\$ 219,650	\$ (9,320)
Health insurance recoveries	99,384	99,384	132,033	32,649
Health department and Social Services	14,000	14,000	75,545	61,545
DMV license agent reimbursement	28,000	28,000	27,334	(666)
PSA recovered costs	57,852	57,852	43,579	(14,273)
Bicentennial Celebration	-	-	162	162
Other recovered costs	177,850	495,824	431,042	(64,782)
Total recovered costs	\$ 604,836	\$ 924,030	\$ 929,345	\$ 5,315
Total revenue from local sources	\$ 14,172,976	\$ 14,755,112	\$ 15,920,277	\$ 1,165,165
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 105,000	\$ 105,000	\$ 117,031	\$ 12,031
Mobile home titling tax	34,000	34,000	6,333	(27,667)
Animal friendly plates	245	245	259	14
Motor vehicle rental tax	-	-	1,672	1,672
State recordation tax	37,362	37,362	33,233	(4,129)
Communications sales taxes	250,306	250,306	263,603	13,297
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,654,773	\$ 1,654,773	\$ 1,649,991	\$ (4,782)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 225,030	\$ 231,530	\$ 241,822	\$ 10,292
Sheriff	886,869	886,869	816,519	(70,350)
Commissioner of revenue	113,524	113,524	115,774	2,250
Treasurer	94,612	94,612	95,789	1,177
Registrar/electoral board	35,770	35,770	37,794	2,024
Clerk of circuit court	209,579	221,015	226,541	5,526
Total shared expenses	\$ 1,565,384	\$ 1,583,320	\$ 1,534,239	\$ (49,081)
Other categorical aid:				
Public assistance and welfare administration	\$ 598,818	\$ 598,818	\$ 630,925	\$ 32,107
State and Local Foster Care	-	-	4,115	4,115
Comprehensive Services Act program	644,431	867,753	851,949	(15,804)
Litter control grant	-	8,925	8,925	-
Hazmat revenue	30,000	39,847	7,154	(32,693)
Juvenile justice	12,068	17,253	9,185	(8,068)
Two-for-Life	-	16,923	16,923	-
Asset Forfeiture	-	-	7,552	7,552
Fire programs	-	52,462	28,491	(23,971)
Records Preservation	-	7,260	-	(7,260)
911 wireless grant	38,113	55,113	38,208	(16,905)
Total other categorical aid	\$ 1,323,430	\$ 1,664,354	\$ 1,603,427	\$ (60,927)
Total categorical aid	\$ 2,888,814	\$ 3,247,674	\$ 3,137,666	\$ (110,008)
Total revenue from the Commonwealth	\$ 4,543,587	\$ 4,902,447	\$ 4,787,657	\$ (114,790)

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 39,135	\$ 39,135
Categorical aid:				
Public assistance and welfare administration	\$ 995,633	\$ 995,633	\$ 1,022,978	\$ 27,345
Public assistance and welfare administration - ARRA	-	-	26,037	26,037
State and community highway safety grants	10,000	10,000	16,939	6,939
Community facility block grant	-	50,000	50,000	-
Justice assistance grants - ARRA	-	-	160	160
Forest reserve	159,882	159,882	-	(159,882)
Total categorical aid	\$ 1,165,515	\$ 1,215,515	\$ 1,116,114	\$ (99,401)
Total revenue from the federal government	\$ 1,165,515	\$ 1,215,515	\$ 1,155,249	\$ (60,266)
Total General Fund	\$ 19,882,078	\$ 20,873,074	\$ 21,863,183	\$ 990,109
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,491	\$ 3,491
Total revenue from local sources	\$ -	\$ -	\$ 3,491	\$ 3,491
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Courthouse renovations	\$ 94,831	\$ 94,831	\$ -	\$ (94,831)
Economic development grants	2,600,000	2,600,000	-	(2,600,000)
New River walking trail	280,000	280,000	-	(280,000)
Total categorical aid	\$ 2,974,831	\$ 2,974,831	\$ -	\$ (2,974,831)
Total revenue from the Commonwealth	\$ 2,974,831	\$ 2,974,831	\$ -	\$ (2,974,831)
Revenue from the federal government:				
Categorical aid:				
TEA-21 grant	\$ 600,000	\$ 969,622	\$ 367,951	\$ (601,671)
Total revenue from the federal government	\$ 600,000	\$ 969,622	\$ 367,951	\$ (601,671)
Total County Capital Improvements Fund	\$ 3,574,831	\$ 3,944,453	\$ 371,442	\$ (3,573,011)
Total Primary Government	\$ 23,456,909	\$ 24,817,527	\$ 22,234,625	\$ (2,582,902)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 670	\$ 670
Revenue from the use of property	150	150	-	(150)
Total revenue from use of money and property	\$ 150	\$ 150	\$ 670	\$ 520

Discretely Presented Component Unit - School Board: (Continued)

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

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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for education	\$ 67,500	\$ 67,500	\$ 9,524	\$ (57,976)
Cafeteria sales	500,000	500,000	493,016	(6,984)
Transportation of pupils	650	650	-	(650)
Other charges for services	6,500	6,500	12,280	5,780
Total charges for services	<u>\$ 574,650</u>	<u>\$ 574,650</u>	<u>\$ 514,820</u>	<u>\$ (59,830)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 758,365	\$ 758,365	\$ 193,165	\$ (565,200)
Recovered costs:				
Rebates and refunds	\$ 669,520	\$ 707,577	\$ 218,215	\$ (489,362)
Total revenue from local sources	<u>\$ 2,002,685</u>	<u>\$ 2,040,742</u>	<u>\$ 926,870</u>	<u>\$ (1,113,872)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	5,249,880	5,249,880	\$ 5,055,703	\$ (194,177)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,230,731	\$ 2,230,731	\$ 2,321,922	\$ 91,191
Basic school aid	8,194,607	8,194,607	7,507,971	(686,636)
Remedial summer education	24,241	24,241	28,281	4,040
Regular foster care	2,786	2,786	2,293	(493)
Gifted and talented	84,247	84,247	81,949	(2,298)
Remedial education	204,065	204,065	198,498	(5,567)
School food	7,309	7,309	18,599	11,290
Special education	1,376,244	1,376,244	1,318,466	(57,778)
Textbook payment	98,363	98,363	95,680	(2,683)
Vocational education - occupational/technology	-	-	38,066	38,066
Vocational standards of quality payments	417,490	417,490	406,102	(11,388)
Vocational adult education	58,941	58,941	13,514	(45,427)
Social security fringe benefits	527,947	527,947	513,546	(14,401)
Retirement fringe benefits	447,649	447,649	304,121	(143,528)
Group life fringe benefits	18,722	18,722	18,211	(511)
Early reading intervention	42,437	42,437	46,904	4,467
Homebound education	-	-	19,121	19,121
Primary class size	194,864	194,864	182,248	(12,616)
Technology	2,600	2,600	2,326	(274)
Standards of Learning algebra readiness	33,384	33,384	25,236	(8,148)
Vocational education - equipment	4,500	4,500	4,599	99
E-rate	60,000	60,000	60,549	549
At risk payments	169,317	169,317	164,705	(4,612)
GED prep program	7,859	7,859	7,859	-
English as a second language	-	-	2,778	2,778
VPSSA technology grants	180,000	180,000	75,855	(104,145)
Hold Harmless	118,743	118,743	120,083	1,340
Virginia medical assistance	-	-	4,250	4,250
Other state funds	105,310	105,310	63,019	(42,291)
Total categorical aid	<u>\$ 14,612,356</u>	<u>\$ 14,612,356</u>	<u>\$ 13,646,751</u>	<u>\$ (965,605)</u>
Total revenue from the Commonwealth	<u>\$ 14,612,356</u>	<u>\$ 14,612,356</u>	<u>\$ 13,646,751</u>	<u>\$ (965,605)</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 1,324	\$ 1,324
Federal land use	12,257	12,257	109,834	97,577
Literacy challenge grant	8,000	8,000	-	(8,000)
Educational technology - ARRA	-	-	3,866	3,866
Title I	550,000	550,000	366,946	(183,054)
Title I - ARRA	-	-	84,418	84,418
Title VI-B, special education flow-through	590,000	590,000	432,977	(157,023)
Title VI-B, special education flow-through - ARRA	-	-	344,298	344,298
State fiscal stabilization funds - ARRA	-	653,179	938,569	285,390
Vocational education	50,000	50,000	67,650	17,650
Safe and drug free schools	8,000	8,000	-	(8,000)
Title II	123,000	123,000	118,269	(4,731)
Special Education - preschool	14,783	14,783	17,805	3,022
Special Education - preschool - ARRA	-	-	20,202	20,202
National school lunch program	342,749	342,749	514,126	171,377
School breakfast program	82,251	82,251	117,600	35,349
Total revenue from the federal government	\$ 1,781,040	\$ 2,434,219	\$ 3,137,884	\$ 703,665
Total Discretely Presented Component Unit - School Board	\$ 23,645,961	\$ 24,337,197	\$ 22,767,208	\$ (1,569,989)

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 118,004	\$ 118,903	\$ 117,072	\$ 1,831
General and financial administration:				
County administrator	\$ 260,422	\$ 275,656	\$ 273,147	\$ 2,509
Legal services	27,000	32,000	28,248	3,752
Commissioner of revenue	333,548	334,157	305,126	29,031
Land use	9,429	9,429	9,232	197
Treasurer	321,073	402,096	370,664	31,432
PSA billing and collection	50,233	64,338	60,630	3,708
Department of motor vehicles	51,779	51,779	51,347	432
Total general and financial administration	\$ 1,053,464	\$ 1,169,455	\$ 1,098,394	\$ 71,061
Board of elections:				
Registrar	\$ 142,040	\$ 142,040	\$ 140,118	\$ 1,922
Total general government administration	\$ 1,313,528	\$ 1,430,398	\$ 1,355,584	\$ 74,814
Judicial administration:				
Courts:				
Circuit court	\$ 22,154	\$ 23,654	\$ 22,990	\$ 664
General district court	17,631	17,631	16,244	1,387
Magistrate	1,500	1,500	1,016	484
Juvenile and domestic court	18,303	23,488	22,529	959
Clerk of the circuit court	349,042	366,238	362,209	4,029
Law library	6,556	4,556	3,664	892
Total courts	\$ 415,186	\$ 437,067	\$ 428,652	\$ 8,415
Commonwealth's attorney:				
Commonwealth's attorney	\$ 296,034	\$ 302,534	\$ 297,836	\$ 4,698
Total judicial administration	\$ 711,220	\$ 739,601	\$ 726,488	\$ 13,113
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,103,435	\$ 2,202,763	\$ 2,171,042	\$ 31,721
Criminal justice training	12,600	13,915	13,465	450
Total law enforcement and traffic control	\$ 2,116,035	\$ 2,216,678	\$ 2,184,507	\$ 32,171
Fire and rescue services:				
Fire and rescue	\$ 164,172	\$ 238,862	\$ 237,437	\$ 1,425
GIS system development	86,868	84,368	83,092	1,276
Ambulance service	275,000	257,568	257,568	-
Total fire and rescue services	\$ 526,040	\$ 580,798	\$ 578,097	\$ 2,701

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public Safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail	\$ 1,003,247	\$ 963,247	\$ 940,314	\$ 22,933
NRV juvenile detention	25,111	24,408	24,408	-
Total correction and detention	<u>\$ 1,028,358</u>	<u>\$ 987,655</u>	<u>\$ 964,722</u>	<u>\$ 22,933</u>
Inspections:				
Building official	\$ 177,786	\$ 187,336	\$ 176,335	\$ 11,001
Other protection:				
Animal control	\$ 2,236	\$ 2,236	\$ -	\$ 2,236
Medical examiner	500	300	260	40
Emergency services	600	17,161	17,083	78
Haz-mat services	33,584	40,682	13,178	27,504
Probation office	675	675	337	338
School Resource Officer	191,660	191,660	187,836	3,824
US forest service	6,500	10,895	10,836	59
Law enforcement grants	17,948	25,674	20,267	5,407
Total other protection	<u>\$ 253,703</u>	<u>\$ 289,283</u>	<u>\$ 249,797</u>	<u>\$ 39,486</u>
Total public safety	<u>\$ 4,101,922</u>	<u>\$ 4,261,750</u>	<u>\$ 4,153,458</u>	<u>\$ 108,292</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 150	\$ -	\$ -	\$ -
Sanitation and waste removal:				
Landfill monitoring	\$ 74,860	\$ 51,860	\$ 40,206	\$ 11,654
Weed control	3,000	3,000	3,000	-
Total sanitation and waste removal	<u>\$ 77,860</u>	<u>\$ 54,860</u>	<u>\$ 43,206</u>	<u>\$ 11,654</u>
Maintenance of general buildings and grounds:				
General properties	\$ 319,592	\$ 401,322	\$ 377,215	\$ 24,107
Total public works	<u>\$ 397,602</u>	<u>\$ 456,182</u>	<u>\$ 420,421</u>	<u>\$ 35,761</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 121,000	\$ 121,000	\$ 121,000	\$ -
Mental health and mental retardation:				
Community services board	\$ 51,450	\$ 51,450	\$ 51,450	\$ -
Welfare:				
Comprehensive services	\$ 977,578	\$ 1,200,900	\$ 1,244,462	\$ (43,562)
Welfare administration and public assistance	2,034,353	2,034,353	1,975,402	58,951
Fairview home	16,762	14,279	14,279	-
NRVSS nutrition program	8,930	6,571	7,329	(758)
NRV disability services board	1,275	1,275	1,275	-
New River community action	13,680	13,680	13,680	-
Free clinic of the NRV, Inc.	8,000	8,000	8,000	-

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Women's resource center	\$ 5,358	\$ 5,358	\$ 5,358	\$ -
Area agency on aging	7,324	7,324	7,324	-
Senior center	72,259	70,165	66,530	3,635
Literacy volunteers of America	445	445	445	-
State and local hospitalization	1,400	700	700	-
Total welfare	<u>\$ 3,147,364</u>	<u>\$ 3,363,050</u>	<u>\$ 3,344,784</u>	<u>\$ 18,266</u>
Total health and welfare	<u>\$ 3,319,814</u>	<u>\$ 3,535,500</u>	<u>\$ 3,517,234</u>	<u>\$ 18,266</u>
Education:				
Educational costs:				
Contributions to Community College	\$ 8,668	\$ 8,668	\$ 8,668	\$ -
Contribution to County School Board	5,249,880	5,249,880	5,055,703	194,177
Total education	<u>\$ 5,258,548</u>	<u>\$ 5,258,548</u>	<u>\$ 5,064,371</u>	<u>\$ 194,177</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ -	\$ 72,906	\$ 71,595	\$ 1,311
Golf course	207,171	230,407	230,624	(217)
Castle Rock operations	118,549	151,422	141,665	9,757
Castle Rock 19th Hole	-	15,029	14,447	582
Wellness center	173,361	201,620	198,910	2,710
Other recreation and cultural enrichment	58,420	58,420	58,420	-
Total parks and recreation	<u>\$ 557,501</u>	<u>\$ 729,804</u>	<u>\$ 715,661</u>	<u>\$ 14,143</u>
Library:				
Contribution to county library	<u>\$ 29,250</u>	<u>\$ 29,250</u>	<u>\$ 29,250</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 586,751</u>	<u>\$ 759,054</u>	<u>\$ 744,911</u>	<u>\$ 14,143</u>
Community development:				
Planning and community development:				
County planner	\$ 79,213	\$ 79,213	\$ 78,510	\$ 703
Planning commission	20,226	27,826	27,043	783
Zoning Board	538	538	60	478
Other community development	76,264	76,114	76,114	-
Total planning and community development	<u>\$ 176,241</u>	<u>\$ 183,691</u>	<u>\$ 181,727</u>	<u>\$ 1,964</u>
Environmental management:				
Contributions to soil and water districts	<u>\$ 8,600</u>	<u>\$ 8,600</u>	<u>\$ 8,600</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	<u>\$ 67,681</u>	<u>\$ 71,277</u>	<u>\$ 71,177</u>	<u>\$ 100</u>
Total community development	<u>\$ 252,522</u>	<u>\$ 263,568</u>	<u>\$ 261,504</u>	<u>\$ 2,064</u>

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

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Nondepartmental:				
Fringe benefits and fuel charges	\$ 279,339	\$ 696,726	\$ 696,032	\$ 694
Debt service:				
Principal retirement	\$ 1,083,289	\$ 1,083,289	\$ 1,043,613	\$ 39,676
Interest and other fiscal charges	527,611	527,611	508,287	19,324
Total debt service	\$ 1,610,900	\$ 1,610,900	\$ 1,551,900	\$ 59,000
Total General Fund	\$ 17,832,146	\$ 19,012,227	\$ 18,491,903	\$ 520,324
Capital Projects Fund:				
County Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ 55,000	\$ 83,526	\$ 80,526	\$ 3,000
Public Safety:				
GIS system	\$ -	\$ 270	\$ 10	\$ 260
Total Public Safety	\$ -	\$ 270	\$ 10	\$ 260
Community development:				
Planning and community development:				
Economic development	\$ 2,531,894	\$ 2,309,795	\$ -	\$ 2,309,795
Bostic site improvements	-	1,380	1,380	-
Total community development	\$ 2,531,894	\$ 2,311,175	\$ 1,380	\$ 2,309,795
Capital projects expenditures:				
Courthouse renovations	\$ 94,831	\$ 105,362	\$ 105,362	\$ -
Hospital project	100,000	100,000	-	100,000
TEA 21	600,000	969,656	307,286	662,370
Walking trail	280,000	280,000	150	279,850
School improvements	900,000	3,970,034	1,865,554	2,104,480
Total capital projects	\$ 1,974,831	\$ 5,425,052	\$ 2,278,352	\$ 3,146,700
Debt service:				
Principal retirement	\$ 460,383	\$ 460,383	\$ 13,711,457	\$ (13,251,074)
Interest and other fiscal charges	252,102	556,380	407,415	148,965
Bond issuance costs	-	-	43,500	(43,500)
Total debt service	\$ 712,485	\$ 1,016,763	\$ 14,162,372	\$ (13,145,609)
Total Capital Projects Fund	\$ 5,274,210	\$ 8,836,786	\$ 16,522,640	\$ (7,685,854)
Total Primary Government	\$ 23,106,356	\$ 27,849,013	\$ 35,014,543	\$ (7,165,530)

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 15,500,445	\$ 17,567,273	\$ 15,113,935	\$ 2,453,338
Operating costs:				
Attendance and health services	\$ 807,818	\$ 827,007	\$ 795,342	\$ 31,665
Pupil transportation	1,128,998	1,203,158	1,158,848	44,310
Operation and maintenance of school plant	2,557,739	2,499,963	2,290,273	209,690
Facilities	2,500,000	50,000	539,958	(489,958)
Technology	1,142,261	1,092,695	921,661	171,034
Total operating costs	\$ 8,136,816	\$ 5,672,823	\$ 5,706,082	\$ (33,259)
School food services:				
Administration of school food program	\$ 8,700	\$ 1,097,101	\$ 1,145,876	\$ (48,775)
Total Discretely Presented Component Unit - School Board	\$ 23,645,961	\$ 24,337,197	\$ 21,965,893	\$ 2,371,304

OTHER STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (2)	Non-departmental	Interest on Long-Term Debt	Water Department	Total
2002-03	\$ 826,543	\$ 306,622	\$ 2,511,217	\$ 480,564	\$ 1,548,907	\$ 6,854,139	\$ 508,176	\$ 723,227	\$ -	\$ 929,402	\$ 636,834	\$ 15,325,631
2003-04	969,724	302,697	2,497,636	423,687	1,817,039	7,142,510	705,021	757,170	-	939,397	844,229	16,399,110
2004-05	1,278,949	494,331	3,053,312	309,003	1,958,813	6,509,380	664,241	704,970	50,028	878,240	789,851	16,691,118
2005-06	1,135,553	518,247	3,305,443	415,498	2,645,705	6,330,274	758,113	287,666	18,787	813,501	957,366	17,186,153
2006-07	1,308,071	592,293	3,556,881	966,677	2,622,010	5,671,104	896,860	343,283	-	862,168	1,065,923	17,885,270
2007-08	1,534,269	672,928	3,584,867	549,638	2,674,710	6,903,898	813,781	1,571,574	-	807,477	1,137,390	20,450,532
2008-09	1,602,292	703,829	3,856,862	476,772	3,058,974	5,765,131	839,706	323,454	-	834,439	1,595,807	19,057,266
2009-10	1,557,685	705,573	3,764,801	438,175	3,069,055	6,222,250	861,434	5,036,422	-	1,261,108	1,530,169	24,446,672
2010-11	1,612,399	456,903	3,937,646	382,840	3,467,252	6,117,468	1,072,522	346,131	-	1,217,615	1,543,650	20,154,426

(1) Information has only been available for 9 years.

(2) Includes a contribution of \$4,375,511 to the Giles Industrial Development Authority in support of the hospital infrastructure projects.

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2002-03	\$ 529,576	\$ 3,292,119	\$ -	\$	7,682,628	1,684,627	40,764	14,108	177,721	55,768	1,513,779	\$ 14,991,090
2003-04	749,229	2,762,309	278,919		10,581,091	1,763,972	-	-	184,495	40,600	1,480,707	17,841,322
2004-05	749,708	2,959,790	342,440		9,380,467	1,850,521	72,326	26,428	158,976	50,507	1,571,776	17,162,939
2005-06	909,805	3,736,766	274,568		9,499,802	1,859,770	-	-	263,587	23,245	1,595,836	18,163,379
2006-07	981,279	4,884,180	51,714		10,266,359	1,723,520	-	-	286,779	20,244	1,664,325	19,878,400
2007-08	1,052,921	4,295,126	1,848,937		10,606,003	2,044,328	-	-	308,607	37,991	1,478,463	21,672,376
2008-09	1,285,528	4,388,647	221,660		11,050,675	1,912,001	-	-	372,250	994,633	1,585,670	21,811,064
2009-10	1,186,168	4,285,122	496,568		11,187,893	1,664,585	-	-	317,919	35,136	1,585,229	20,758,610
2010-11	1,158,123	4,203,780	873,251		11,722,260	1,749,017	-	-	266,669	462,209	1,689,126	22,124,435

(1) Information has only been available for 9 years.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development (3)	Non-departmental	Debt Service (4)	Total
2001-02	\$ 1,007,999	\$ 603,146	\$ 2,535,100	\$ 381,730	\$ 1,602,412	\$ 17,814,083	\$ 504,810	\$ 574,590	-	\$ 2,822,734	\$ 27,846,604
2002-03	882,805	484,329	2,562,807	486,605	1,542,032	18,746,705	451,505	714,952	-	2,126,586	27,998,326
2003-04	994,441	477,789	2,507,233	419,791	1,900,396	18,904,815	663,784	788,835	-	1,887,947	28,545,031
2004-05	1,245,466	494,331	3,218,254	344,450	1,971,352	20,416,339	626,606	710,306	50,028	1,928,747	31,005,879
2005-06	1,223,288	528,047	3,431,264	420,545	2,752,848	21,107,344	721,535	297,002	18,787	2,187,188	32,687,848
2006-07	1,331,494	637,024	3,797,384	971,197	2,611,276	22,508,015	872,465	288,154	17,751	2,528,409	35,563,169
2007-08	1,606,123	663,594	3,573,864	488,472	2,869,119	23,755,018	790,006	1,254,203	59,637	1,999,896	37,059,932
2008-09	1,597,862	695,441	3,849,643	441,893	3,058,680	24,734,563	795,081	257,520	352,012	2,053,898	37,836,593
2009-10	1,520,756	702,042	3,833,304	559,201	3,269,547	24,034,314	818,511	4,961,680	406,302	2,749,942	42,855,599
2010-11	1,436,110	726,488	4,153,468	420,421	3,517,234	21,974,561	744,911	262,884	696,032	15,714,272	49,646,381

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government and its Discretely Presented Component Units. Excludes non-operating capital project expenditures

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

(3) FY 2009-10 includes a contribution of \$4,375,511 to the Giles Industrial Development Authority in support of the hospital infrastructure projects

(4) FY 2010-11 includes refunded bond anticipation note of \$13,500,000

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2001-02	\$ 7,685,429	\$ 1,638,430	\$ 47,042	\$ 6,972	\$ 386,727	\$ 869,357	\$ 146,451	\$ 528,075	\$ 16,607,995	\$ 27,916,478
2002-03	8,070,304	1,684,627	40,764	14,108	179,506	824,165	147,286	382,546	16,274,402	27,617,708
2003-04	10,497,188	1,763,972	50,968	25,765	185,345	971,658	141,366	693,752	16,449,051	30,779,065
2004-05	9,199,339	1,850,521	72,326	26,428	159,606	1,042,762	198,805	201,823	18,787,643	31,539,253
2005-06	9,745,745	1,859,770	50,460	31,181	264,206	1,180,146	230,459	245,886	20,266,978	33,874,831
2006-07	10,189,093	1,723,520	54,433	28,553	287,670	1,232,174	227,636	177,498	23,980,577	37,901,154
2007-08	10,697,086	2,044,328	45,065	24,264	308,607	1,189,193	121,344	391,456	23,060,256	37,881,599
2008-09	11,102,097	1,912,001	76,669	20,192	339,722	1,331,462	1,444,646	433,831	24,797,393	41,458,013
2009-10	11,041,741	1,864,585	31,477	29,833	333,007	1,241,049	119,031	1,102,753	24,099,204	39,662,680
2010-11	11,807,023	1,749,017	26,963	26,837	267,339	1,170,525	655,374	1,147,560	23,095,492	39,946,130

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,3)	Percent of Delinquent Taxes to Tax Levy
2001-02	\$ 8,598,450	\$ 8,485,714	98.69%	\$ 287,528	\$ 8,773,242	102.03%	\$ 742,381	8.63%
2002-03	9,105,199	8,888,359	97.62%	190,888	9,079,247	99.71%	675,333	7.42%
2003-04	11,801,618	11,285,852	95.63%	206,023	11,491,875	97.38%	864,214	7.32%
2004-05	10,199,386	9,970,670	97.76%	230,567	10,201,237	100.02%	683,140	6.70%
2005-06	10,829,309	10,599,412	97.88%	200,067	10,799,479	99.72%	810,565	7.48%
2006-07	11,390,695	11,030,334	96.84%	254,477	11,284,811	99.07%	713,456	6.26%
2007-08	11,849,315	11,598,742	97.89%	183,512	11,782,254	99.43%	846,963	7.15%
2008-09	12,204,375	11,999,984	98.33%	179,820	12,179,804	99.80%	780,033	6.39%
2009-10	12,233,089	11,860,088	96.95%	257,289	12,117,377	99.05%	907,800	7.42%
2010-11	12,821,899	12,387,707	96.61%	467,536	12,855,243	100.26%	867,642	6.77%

(1) Exclusive of penalties and interest.

(2) Includes amounts paid under the Personal Property Tax Relief Act.

(3) Amounts have not been reduced for taxes deemed uncollectible under audit.

Table 6

County of Giles, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools(3)	Public Utilities (2)	Merchants Capital(3)	Common Carrier	Total
2001-02	\$ 568,786,656	\$ 74,443,349	\$ -	\$ 124,832,020	\$ -	\$ -	\$ 768,062,025
2002-03	578,462,264	77,109,638	-	120,510,492	-	-	776,082,394
2003-04	594,426,300	145,914,008	244,668,902	124,364,016	17,017,905	-	1,126,391,131
2004-05	601,714,100	144,669,995	241,355,915	112,196,011	18,773,208	-	1,118,709,229
2005-06	823,399,650	153,098,989	244,180,466	143,721,688	18,890,372	-	1,383,291,165
2006-07	1,017,262,300	161,819,004	245,025,208	132,978,340	19,756,981	-	1,576,841,833
2007-08	1,026,272,400	160,653,821	266,799,376	136,065,449	20,388,269	-	1,610,179,315
2008-09	1,049,284,251	165,541,200	279,614,150	132,446,151	22,641,189	-	1,649,526,941
2009-10	1,052,823,700	149,667,307	297,610,968	179,729,561	20,849,657	-	1,700,681,193
2010-11	1,056,729,200	161,035,270	304,393,326	187,241,026	19,526,928	3,014,800	1,731,940,550

(1) Real estate and personal property is assessed at 100% of fair market value.

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

(3) Information not available prior to 2003-04 fiscal year.

Table 7

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

Fiscal Year (2)	Real Estate (3)	Personal Property (2)	Machinery and Tools	Merchant's Capital	Common Carrier
2001-02	\$ 0.59	\$ 8.75	\$ 8.75	\$ 0.60	-
2002-03	0.64	8.75	8.75	0.50	-
2003-04	0.67	1.85	0.88	0.90	-
2004-05	0.72	1.85	0.90	0.75	-
2005-06	0.59	1.85	0.95	0.75	-
2006-07	0.63	1.85	0.95	0.75	-
2007-08	0.63	1.89	0.99	0.79	-
2008-09	0.52	1.89	0.99	0.79	-
2009-10	0.52/0.54	1.89	0.99	0.79	-
2010-11	0.54	1.91	1.01	0.81	1.01

(1) Per \$100 of assessed value.

(2) Prior to 2001-02, tax rates were applied against a percentage of the assessed value. Since 2001-02 tax rates are applied to 100% of the assessed value.

(3) Mobile home tax rates are the same as the real estate rate.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2001-02	16,657	\$ 768,062	\$ 19,660,841	2.56%	\$ 1,180
2002-03	16,657	776,082	18,510,872	2.39%	1,111
2003-04	16,657	1,126,391	17,388,564	1.54%	1,044
2004-05	16,657	1,118,709	16,592,150	1.48%	996
2005-06	16,657	1,383,291	17,031,551	1.23%	1,022
2006-07	16,657	1,576,842	15,782,580	1.00%	948
2007-08	16,657	1,610,179	14,694,109	0.91%	882
2008-09	16,657	1,649,527	16,791,312	1.02%	1,008
2009-10	16,657	1,700,681	29,073,317	1.71%	1,745
2010-11	17,286	1,731,941	27,931,389	1.61%	1,616

(1) Center for Public Service at the University of Virginia.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonds, lease revenue bonds, notes payable, and literary fund loans.

Excludes landfill closure/post-closure care liability, revenue bonds payable, capital leases, and compensated absences.

Table 9

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

Fiscal Year	Principal (2)	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2001-02	\$ 1,349,465	\$ 1,473,269	\$ 2,822,734	\$ 27,846,604	10.14%
2002-03	1,168,979	957,607	2,126,586	27,998,326	7.60%
2003-04	1,142,093	743,954	1,886,047	28,545,031	6.61%
2004-05	963,446	965,301	1,928,747	31,005,879	6.22%
2005-06	1,256,453	930,735	2,187,188	32,687,848	6.69%
2006-07	1,544,893	911,100	2,455,993	35,563,169	6.91%
2007-08	1,189,703	810,193	1,999,896	37,059,932	5.40%
2008-09	1,215,308	838,590	2,053,898	37,836,593	5.43%
2009-10	1,381,345	1,368,597	2,749,942	42,855,599	6.42%
2010-11	14,755,070	959,202	15,714,272	49,646,381	31.65%

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

(2) FY 2010-11 includes refunded bond anticipation note.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of the Board of Supervisors
County of Giles, Virginia
Pearisburg, 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 Giles, Virginia as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 26, 2011. 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 of Audits for Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (reference 2011-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Giles, 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*.

The County of Giles, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County of Giles, Virginia's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the County of Giles, Virginia in a separate letter dated November 26, 2011.

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, Famer, Co. Associates

Christiansburg, Virginia
November 26, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Independent Auditors' Report

**To the Members of the Board of Supervisors
County of Giles, Virginia
Pearisburg, Virginia**

Compliance

We have audited the County of Giles, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Giles, Virginia's major federal programs for the year ended June 30, 2011. The County of Giles, 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 Giles, Virginia's management. Our responsibility is to express an opinion on the County of Giles, 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 Giles, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Giles, Virginia's compliance with those requirements.

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

Internal Control Over Compliance

Management of the County of Giles, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Giles, 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 the County of Giles, Virginia's internal control over compliance.

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

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

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

Robinson, Turner, Co. Associates

Christiansburg, Virginia

November 26, 2011

COUNTY OF GILES, VIRGINIA

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

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable	\$ 254,690
Community Facilities Loan/Grant Program	10.766	Not applicable	121,142
Pass Through Payments:			
<i>State Department of Agriculture:</i>			
Child Nutrition Cluster:			
Food Distribution-Schools (Note 3)	10.555	Not applicable	89,046
National School Lunch Program	10.555	40623	425,080
National School Lunch Program Subtotal			514,126
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110,0010111, 0040110,0040111	183,752
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110,0010111, 0040110,0040111	4,681
<i>Department of Education:</i>			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	40591	117,600
Schools and Roads - Grants to States	10.665	43841	109,834
Total Department of Agriculture			\$ 1,305,825
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950110,0950111	\$ 14,614
Temporary Assistance for Needy Families	93.558	0400110,0400111	173,750
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110,0500111	369
Low-Income Home Energy Assistance	93.568	0600410,0600411	11,558
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770110	54,945
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110,0760111	54,506
ARRA - Child Care and Development Block Grant	93.713	0740109,0780109	4,941
Chafee Education and Training Vouchers Program	93.599	9160110,9160111	6,056
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110,0900111	690
Foster Care - Title IV-E	93.658	1100110,1100111	234,204
ARRA - Foster Care - Title IV-E	93.658	1100110,1100111	13,295
Foster Care - Title IV-E Subtotal			247,499
Adoption Assistance	93.659	1120110,1120111	49,403
ARRA - Adoption Assistance	93.659	1120110,1120111	3,120
Adoption Assistance Subtotal			52,523
Social Services Block Grant	93.667	1000110,1000111	119,537
Chafee Foster Care Independence Program	93.674	9150110,9150111	3,779
Children's Health Insurance Program	93.767	0540110,0540111	5,584
Medical Assistance Program	93.778	1200110,1200111	110,231
Total Department of Health and Human Services			\$ 860,582

COUNTY OF GILES, VIRGINIA

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

Federal Grantor/ State Pass-Through Grantor/ Program Title	Federal Catalog Number	Entity Identifying Number	Federal Disbursements
US DEPARTMENT OF JUSTICE:			
Pass Through Payments:			
<i>Virginia Compensation Board:</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.738	09SUB9033	\$ 160
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I; Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 366,946
ARRA - Title I Grants to Local Educational Agencies	84.389	42913	84,418
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	43071	432,977
ARRA-Special Education-Grants to States	84.391	61245	344,298
Special Education-Preschool Grants	84.392	62521	17,805
ARRA-Special Education-Preschool Grants	84.174	61247	20,202
Career and Technical Education: Basic Grants to States	84.048	61095	67,650
ARRA - Education Technology State Grants	84.386	60897	3,866
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	938,569
Improving Teacher Quality-State Grants	84.367	61480	118,269
Total Department of Education			\$ 2,395,000
DEPARTMENT OF DEFENSE:			
Pass Through Payments:			
<i>Department of Education:</i>			
Payments in Lieu of Real Estate Taxes	12.112	42845	\$ 1,324
US DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Highway planning and construction (TEA-21)	20.205	EN01-279-113	\$ 367,951
Alcohol Open Container Requirements	20.607	154AL-2010 50280 3900/ SC-2011 51326 4268	16,939
Total Expenditures of Federal Awards			\$ 4,947,781

Note 1 -- Basis of Presentation

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

Note 2 -- Summary of Significant Accounting Policies

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2011 Giles County, Virginia had food commodities totaling \$60,330 in inventory.

COUNTY OF GILES, VIRGINIA

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

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,523,200
Water Fund - Contributions in Aid of Construction	<u>254,690</u>

Total primary government	<u>\$ 1,777,890</u>
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Component Unit Schools:

School Operating Fund	<u>\$ 3,137,884</u>
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Total Federal Expenditures per Basic Financial Statements	<u>\$ 4,915,774</u>
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Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,947,781
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Payments in lieu of taxes	39,135
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Federal debt proceeds	<u>(71,142)</u>
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Total Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 4,915,774</u></u>
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County of Giles, Virginia

**Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011**

Section I - Summary of Auditor's Results**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction (TEA-21)
84.394	ARRA, State Fiscal Stabilization Funds-Education State Grants
84.010/84.389	Title I; Part A Cluster
84.027/84.391/84.173/84.392	Special Education Cluster (IDEA)
93.658	Foster Care-Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

County of Giles, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011

Section II - Financial Statement Findings**2011-1**

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The County (including Social Services) and the School Board lack proper segregation of duties over the following functions: Collections in the Treasurer's office, Accounts Payable and Payroll at the County; Accounts Payable and Payroll at the School Board; and Accounts Payable and Payroll in the Department of Social Services.
Cause of Condition:	The County, Social Services, and School Board lack the funding to fully support a completely segregated finance department.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the functions listed above lack proper segregation of duties; however, to alleviate same would require additional staff. Due to cost constraints, the County and School Board have decided not to address the aforementioned internal control deficiency.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.