

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

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

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

Paul Baker, Vice Chairman Richard McCoy	Barbara Hobbs, Chairman	Larry Williams Scott Dunn
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COUNTY SCHOOL BOARD

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

Tom Spangler Barbara Hobbs Clara O'Brien	Giles Lester, Chairman	Gina Franklin Claude Wimmer Donna Collins, Clerk
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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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, 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 opinions 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

Blacksburg, Virginia
December 14, 2012

Basic Financial Statements

County of Giles, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government			Component	Component
	Governmental	Business-type	Total	Unit	Unit
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 5,339,932	\$ -	\$ 5,339,932	\$ 2,916,673	\$ 487,326
Cash in custody of others	959,175	-	959,175	99,992	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,364,721	-	3,364,721	-	-
Other local taxes receivable	141,683	-	141,683	-	-
Accounts receivable	951	147,426	148,377	34,326	-
Internal balances	1,057,898	(1,057,898)	-	-	-
Due from other governmental units	860,391	80,807	941,198	801,538	53,335
Inventories (Commodities)	-	-	-	56,006	-
Prepaid expenses	-	-	-	787,573	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	717,836	15,900	733,736	205,653	-
Other assets:					
Unamortized bond issue costs	105,336	-	105,336	-	-
Inventories (Land and buildings held for resale)	-	-	-	-	1,750,483
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	618,634
Buildings and improvements	11,577,592	-	11,577,592	2,293,050	8,740,190
Machinery and equipment	587,013	149,110	736,123	1,494,184	-
Infrastructure	-	11,251,465	11,251,465	-	-
Construction in progress	13,527,077	2,262	13,529,339	724,925	12,328
Total assets	\$ 38,770,135	\$ 10,602,072	\$ 49,372,207	\$ 9,887,572	\$ 11,662,296
LIABILITIES					
Accounts payable	\$ 299,068	\$ 32,727	\$ 331,795	\$ 46,342	\$ 7,550
Accrued payroll	-	-	-	2,031,730	-
Customers' deposits	-	15,900	15,900	-	-
Accrued interest payable	238,610	21,163	259,773	-	148,250
Due to other governmental units	83,545	-	83,545	-	-
Unearned revenue	2,845,788	-	2,845,788	-	-
Long-term liabilities:					
Due within one year	2,251,617	87,971	2,339,588	352,258	238,989
Due in more than one year	24,584,137	5,540,612	30,124,749	367,893	6,244,537
Total liabilities	\$ 30,302,765	\$ 5,698,373	\$ 36,001,138	\$ 2,798,223	\$ 6,639,326
NET ASSETS					
Invested in capital assets, net of related debt	\$ 995,559	\$ 5,812,249	\$ 6,807,808	\$ 4,985,811	\$ 2,887,626
Restricted for:					
Debt reserves	1,054,007	-	1,054,007	-	-
School cafeteria	-	-	-	205,653	-
Unrestricted (deficit)	6,417,804	(908,550)	5,509,254	1,897,885	2,135,344
Total net assets	\$ 8,467,370	\$ 4,903,699	\$ 13,371,069	\$ 7,089,349	\$ 5,022,970

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, 2012

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		
					Governmental Activities	Business-type Activities	Component Units
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,465,212	\$ 62,346	\$ 299,266	\$ -	\$ (1,103,600)	\$ (1,103,600)	
Judicial administration	749,059	4,915	469,472	-	(274,672)	(274,672)	
Public safety	3,858,811	141,620	1,047,094	-	(2,670,097)	(2,670,097)	
Public works	433,301	31,134	8,033	-	(394,134)	(394,134)	
Health and welfare	3,815,866	-	2,716,079	-	(1,099,787)	(1,099,787)	
Education	6,418,750	-	-	-	(6,418,750)	(6,418,750)	
Parks, recreation, and cultural	764,944	459,844	-	-	(305,100)	(305,100)	
Community development	427,820	3,370	-	-	(424,450)	(424,450)	
Interest on long-term debt	1,109,865	-	-	-	(1,109,865)	(1,109,865)	
Total governmental activities	\$ 19,043,628	\$ 703,229	\$ 4,539,944	\$ -	\$ (13,800,455)	\$ (13,800,455)	
Business-type activities:							
Water department	\$ 1,633,876	\$ 622,809	\$ -	\$ 170,824	\$ (840,243)	\$ (840,243)	
Total primary government	\$ 20,677,504	\$ 1,326,038	\$ 4,539,944	\$ 170,824	\$ (13,800,455)	\$ (14,640,698)	
COMPONENT UNITS:							
School Board	\$ 22,637,113	\$ 521,856	\$ 16,875,277	\$ -		\$ (5,239,980)	
Industrial Development Authority (IDA)	1,549,768	470,959	-	-			
Total component units	\$ 24,186,881	\$ 992,815	\$ 16,875,277	\$ -		\$ (5,239,980)	\$ (1,078,809)
General revenues:							
General property taxes					\$ 11,877,251	\$ -	\$ -
Other local taxes:							
Local Sales and use taxes					1,154,367	-	-
Consumers' utility taxes					240,914	-	-
Consumption taxes					51,941	-	-
Gross receipts tax					9,671	-	-
Motor vehicle licenses					159,527	-	-
Local tax on deeds					60,270	-	-
Hotel and motel room taxes					69,512	-	-
Unrestricted revenues from use of money and property					275,397	338	23
Miscellaneous					24,655	98,706	1,271
Contribution from County of Giles, Virginia					-	5,169,979	579,513
Grants and contributions not restricted to specific programs					1,695,160	-	-
Gain on disposal of inventory					-	-	254,403
Transfers					(270,648)	270,648	-
Total general revenues and transfers					\$ 15,348,017	\$ 5,269,023	\$ 835,210
Change in net assets					\$ 1,547,562	\$ (569,595)	\$ 29,043
Net assets - beginning					6,919,808	5,473,294	7,060,306
Net assets - ending					\$ 8,467,370	\$ 4,903,699	\$ 13,371,069
							\$ 5,022,970

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,339,932	\$ -	\$ 5,339,932
Cash in custody of others	-	959,175	959,175
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,364,721	-	3,364,721
Other local taxes	141,683	-	141,683
Accounts receivable	951	-	951
Due from other funds	1,057,898	-	1,057,898
Due from other governmental units	860,391	-	860,391
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	717,836	-	717,836
Total assets	<u>\$ 11,483,412</u>	<u>\$ 959,175</u>	<u>\$ 12,442,587</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 296,231	\$ 2,837	\$ 299,068
Due to other governmental units	83,545	-	83,545
Deferred revenue	3,392,894	-	3,392,894
Total liabilities	<u>\$ 3,772,670</u>	<u>\$ 2,837</u>	<u>\$ 3,775,507</u>
Fund balances:			
Restricted			
Capital projects fund	\$ -	\$ 956,338	\$ 956,338
Debt service	1,054,007	-	1,054,007
Unassigned			
General fund	6,656,735	-	6,656,735
Total fund balances	<u>\$ 7,710,742</u>	<u>\$ 956,338</u>	<u>\$ 8,667,080</u>
Total liabilities and fund balances	<u>\$ 11,483,412</u>	<u>\$ 959,175</u>	<u>\$ 12,442,587</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, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 8,667,080
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,222,212
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	547,106
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(26,969,028)
Net assets of governmental activities	<u>\$ 8,467,370</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, 2012

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 11,857,303	\$ -	\$ 11,857,303
Other local taxes	1,746,202	-	1,746,202
Permits, privilege fees, and regulatory licenses	42,986	-	42,986
Fines and forfeitures	31,194	-	31,194
Revenue from the use of money and property	275,397	-	275,397
Charges for services	629,049	-	629,049
Miscellaneous	24,655	-	24,655
Recovered costs	1,039,343	-	1,039,343
Intergovernmental revenues:			
Commonwealth	5,050,745	-	5,050,745
Federal	1,184,359	-	1,184,359
Total revenues	<u>\$ 21,881,233</u>	<u>\$ -</u>	<u>\$ 21,881,233</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,402,207	\$ 87,556	\$ 1,489,763
Judicial administration	706,626	-	706,626
Public safety	3,972,272	38,937	4,011,209
Public works	421,212	-	421,212
Health and welfare	3,865,490	-	3,865,490
Education	5,112,722	48,078	5,160,800
Parks, recreation, and cultural	743,801	-	743,801
Community development	322,772	21,351	344,123
Nondepartmental	743,593	-	743,593
Capital projects	-	175,797	175,797
Debt service:			
Principal retirement	1,065,595	706,492	1,772,087
Interest and other fiscal charges	456,140	684,733	1,140,873
Total expenditures	<u>\$ 18,812,430</u>	<u>\$ 1,762,944</u>	<u>\$ 20,575,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,068,803</u>	<u>\$ (1,762,944)</u>	<u>\$ 1,305,859</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 472,899	\$ 472,899
Transfers out	(743,547)	-	(743,547)
Issuance of revenue bond	-	23,689	23,689
Total other financing sources (uses)	<u>\$ (743,547)</u>	<u>\$ 496,588</u>	<u>\$ (246,959)</u>
Net change in fund balances	\$ 2,325,256	\$ (1,266,356)	\$ 1,058,900
Fund balances - beginning	5,385,486	2,222,694	7,608,180
Fund balances - ending	<u>\$ 7,710,742</u>	<u>\$ 956,338</u>	<u>\$ 8,667,080</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, 2012

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

Net change in fund balances - total governmental funds	\$ 1,058,900
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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.	(1,340,540)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	19,948
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 obligations and related items.	1,747,318
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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.	61,936
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Change in net assets of governmental activities	\$ 1,547,562
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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, 2012

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 487,326
Accounts receivable, net of allowances for uncollectibles	147,426	-
Due from other governmental units	80,807	53,335
Restricted current assets:		
Cash and cash equivalents	15,900	-
Total current assets	<u>\$ 244,133</u>	<u>\$ 540,661</u>
Noncurrent assets:		
Inventories (Land and buildings held for resale)	\$ -	\$ 1,750,483
Capital assets:		
Land	13,000	618,634
Utility plant in service	14,237,729	-
Buildings and improvements	-	9,481,305
Machinery and equipment	411,524	-
Less accumulated depreciation	(3,248,678)	(741,115)
Construction in progress	2,262	12,328
Total capital assets	<u>\$ 11,415,837</u>	<u>\$ 9,371,152</u>
Total noncurrent assets	<u>\$ 11,415,837</u>	<u>\$ 11,121,635</u>
Total assets	<u>\$ 11,659,970</u>	<u>\$ 11,662,296</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 32,727	\$ 7,550
Customers' deposits	15,900	-
Accrued interest payable	21,163	148,250
Due to other funds	1,057,898	-
Compensated absences - current portion	16,029	-
Bonds payable - current portion	71,942	238,989
Total current liabilities	<u>\$ 1,215,659</u>	<u>\$ 394,789</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 5,531,646	\$ 6,244,537
Net OPEB obligation	3,623	-
Compensated absences - net of current portion	5,343	-
Total noncurrent liabilities	<u>\$ 5,540,612</u>	<u>\$ 6,244,537</u>
Total liabilities	<u>\$ 6,756,271</u>	<u>\$ 6,639,326</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 5,812,249	\$ 2,887,626
Unrestricted	(908,550)	2,135,344
Total net assets	<u>\$ 4,903,699</u>	<u>\$ 5,022,970</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, 2012

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 479,181	\$ -
Rental of property	-	470,959
Penalties	45,145	-
Sale of land held as inventory:		
Gross sales price	-	291,999
Cost of inventory	-	(37,596)
Miscellaneous	93,468	1,271
Total operating revenues	<u>\$ 617,794</u>	<u>\$ 726,633</u>
OPERATING EXPENSES		
Salaries	\$ 278,126	\$ 75,795
Fringes	95,960	22,254
Contracted services	740	12,092
Repair and maintenance	95,848	-
Water purchase	242,489	-
Material and supplies	70,110	-
Insurance	8,471	18,313
Miscellaneous	86,187	-
Utilities	27,102	24,355
Reserve capacity payment	5,221	-
Depreciation	484,134	161,913
Economic development	-	905,159
Total operating expenses	<u>\$ 1,394,388</u>	<u>\$ 1,219,881</u>
Operating income (loss)	<u>\$ (776,594)</u>	<u>\$ (493,248)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ -	\$ 23
Connection fees	5,015	-
Interest expense	(239,488)	(329,887)
Total nonoperating revenues (expenses)	<u>\$ (234,473)</u>	<u>\$ (329,864)</u>
Income before contributions and transfers	<u>\$ (1,011,067)</u>	<u>\$ (823,112)</u>
Capital contributions and construction grants	170,824	579,513
Transfers in	270,648	-
Change in net assets	<u>\$ (569,595)</u>	<u>\$ (243,599)</u>
Total net assets - beginning	<u>\$ 5,473,294</u>	<u>\$ 5,266,569</u>
Total net assets - ending	<u>\$ 4,903,699</u>	<u>\$ 5,022,970</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, 2012

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 613,738	\$ 764,229
Payments to suppliers	(506,065)	(969,716)
Payments to employees	(385,697)	(98,049)
Net cash provided by (used for) operating activities	<u>\$ (278,024)</u>	<u>\$ (303,536)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>\$ 270,648</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (182,777)	\$ (25,708)
Principal payments on bonds	(63,243)	(122,000)
Contributions in aid of construction	290,627	526,178
Proceeds from indebtedness	200,610	-
Interest payments	(246,356)	(274,742)
Connection fees	5,015	-
Net cash provided by (used for) capital and related financing activities	<u>\$ 3,876</u>	<u>\$ 103,728</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Revenue from the use of money and property	<u>\$ -</u>	<u>\$ 23</u>
Net increase (decrease) in cash and cash equivalents	\$ (3,500)	\$ (199,785)
Cash and cash equivalents - beginning - including restricted	19,400	687,111
Cash and cash equivalents - ending - including restricted	<u>\$ 15,900</u>	<u>\$ 487,326</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (776,594)	\$ (493,248)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 484,134	\$ 161,913
(Increase) decrease in accounts receivable	(556)	-
(Increase) decrease in inventories	-	37,596
Increase (decrease) in customer deposits	(3,500)	-
Increase (decrease) in operating accounts payable	30,103	(9,797)
Increase (decrease) in OPEB expense	1,000	-
Increase (decrease) in compensated absences	(12,611)	-
Total adjustments	<u>\$ 498,570</u>	<u>\$ 189,712</u>
Net cash provided by (used for) operating activities	<u>\$ (278,024)</u>	<u>\$ (303,536)</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, 2012

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 62,175
Total assets	<u>\$ 62,175</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 62,175
Total liabilities	<u>\$ 62,175</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, 2012

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

The County of 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, 2012, the County paid \$732,504 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 net assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide statement of net assets and report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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.

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

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

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in 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 and reports all 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 (trust and agency 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 \$84,173 at June 30, 2012 and is comprised solely of property taxes. The allowance amounted to approximately \$112,071 for the Water department at June 30, 2012 and is comprised solely of water billings and penalties.

5. Inventories and prepaid items

All inventories are valued at cost using first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

6. 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.

7. Capital assets

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

7. Capital assets (continued)

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.

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

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

8. 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.

9. Long-term obligations

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

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

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

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

10. Fund equity

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

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

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, 2012

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

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

11. 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.

12. 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, 2012, customer deposits in the amount of \$15,900 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 \$(26,969,028) and \$(720,151) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General obligation bonds	\$ (7,815,026)	\$ -
Revenue bonds	(2,627,965)	-
Lease revenue bonds	(15,740,000)	-
Accrued interest payable	(238,610)	-
OPEB obligation liability	(82,651)	(250,474)
Landfill postclosure liability	(46,068)	-
Bond issuance cost	105,336	-
Compensated absences	(524,044)	(469,677)
	<hr/>	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (26,969,028)</u>	<u>\$ (720,151)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**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 \$(1,340,540) and \$(396,352) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 100,994	\$ 202,330
Depreciation expense	(1,441,534)	(598,682)
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>	\$ (1,340,540)	\$ (396,352)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**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 obligations (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when obligations are first issued, whereas these amounts are deferred and amortized in the statement of activities." The detail of this \$1,747,318 difference in the primary government is as follows:

	Primary Government
Debt issued or incurred:	
Issuance of revenue bonds	\$ (23,689)
Landfill postclosure liability	(1,080)
Total debt issued or incurred	<u>\$ (24,769)</u>
Principal repayments:	
General obligation bonds	\$ 64,492
Revenue bonds	1,065,595
Lease revenue bonds	642,000
Total principal repayments	<u>\$ 1,772,087</u>
Net adjustment to increase <i>net changes in fund balances-total</i> <i>governmental funds</i> to arrive at <i>changes in net assets of</i>	<u>\$ 1,747,318</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 \$61,936 and \$32,357 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Decrease (increase) in OPEB obligation	\$ (17,870)	\$ 15,639
Decrease (increase) in compensated absences	48,798	16,718
Decrease (increase) in accrued interest	45,948	-
(Decrease) increase in bond issuance costs	<u>(14,940)</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>\$ 61,936</u>	<u>\$ 32,357</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, 2012

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 commit 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, 2012, there were no departments with expenditures in excess of appropriations.

C. Deficit fund equity

At June 30, 2012, 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, 2012 or for the year then ended.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 5-Due from Other Governmental Units:

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

	Primary Government		Component Unit-	Component Unit-
	Governmental	Business-type	School Board	IDA
<u>Commonwealth of Virginia:</u>				
Local sales tax	\$ 205,542	\$ -	\$ -	\$ -
State sales tax	-	-	417,872	-
Categorical aid	12,705	-	40,948	53,335
Shared expenses	137,508	-	-	-
Non-categorical aid	50,942	-	-	-
Virginia public assistance funds	62,676	-	-	-
Community services act	283,050	-	-	-
Water and Sewer Grants	-	80,807	-	-
<u>Federal Government:</u>				
Virginia public assistance funds	87,674	-	-	-
School grants	-	-	342,718	-
Categorical aid	20,294	-	-	-
Totals	\$ 860,391	\$ 80,807	\$ 801,538	\$ 53,335

Note 6-Interfund Transfers and Balances:

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

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 743,547
Water and Sewer Fund	270,648	-
County Capital Improvements Fund	472,899	-
Total	\$ 743,547	\$ 743,547
	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, 2012

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

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

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2012</u>
General Obligation				
Bonds	\$ 8,880,621	\$ -	\$ (1,065,595)	\$ 7,815,026
Revenue Bonds	2,668,768	23,689	(64,492)	2,627,965
Lease Revenue Bonds	16,382,000	-	(642,000)	15,740,000
Landfill postclosure liability	44,988	1,080	-	46,068
OPEB Obligation	64,781	50,257	(32,387)	82,651
Compensated absences	572,842	380,833	(429,631)	524,044
	<u>572,842</u>	<u>380,833</u>	<u>(429,631)</u>	<u>524,044</u>
Total	<u>\$ 28,614,000</u>	<u>\$ 455,859</u>	<u>\$ (2,234,105)</u>	<u>\$ 26,835,754</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 72,136	\$ 113,624	\$ 1,088,448	\$ 400,736	\$ 698,000	\$ 496,684
2014	75,481	110,279	1,112,836	346,055	721,000	473,648
2015	78,981	106,779	1,133,845	288,926	744,000	449,807
2016	82,644	103,116	957,771	230,725	11,628,000	425,162
2017	86,478	99,282	979,507	181,478	204,000	91,242
2018-2022	496,432	432,368	2,542,619	250,899	1,174,000	301,963
2023-2027	396,682	320,204	-	-	571,000	39,402
2028-2032	304,071	253,749	-	-	-	-
2033-2037	375,923	191,897	-	-	-	-
2038-2042	448,829	93,224	-	-	-	-
2043-2045	210,308	12,408	-	-	-	-
Totals	<u>\$ 2,627,965</u>	<u>\$ 1,836,930</u>	<u>\$ 7,815,026</u>	<u>\$ 1,698,819</u>	<u>\$ 15,740,000</u>	<u>\$ 2,277,908</u>

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 7-Long-Term Obligations: (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	\$ 670,000	\$ 70,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	11,508,990	5,088,840	596,818
General Obligation 1995A VPSA Bond	5.10-5.60%	12/21/1995	7/15/2016	3,065,925	573,538	185,479
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	3,684,045	1,199,630	191,073
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	869,126	283,018	45,078
Total GO Bonds					\$ 7,815,026	\$ 1,088,448
<u>Lease Revenue Bonds:</u>						
Lease Revenue Bond	4.73%	11/20/2008	1/15/2024	\$ 3,110,000	\$ 2,678,000	\$ 170,000
Lease Revenue Bond	2.83%	12/13/2010	1/15/2016	13,542,000	13,062,000	528,000
Total Lease Revenue Bonds					\$ 15,740,000	\$ 698,000
<u>Revenue Bonds:</u>						
Revenue Bond	4.75%	1/26/1999	1/26/2039	\$ 613,000	\$ 387,121	\$ 24,271
Revenue Bond	4.75%	1/26/1999	1/26/2039	469,700	295,904	18,353
Revenue Bond	4.25%	4/18/2005	4/18/2045	1,569,000	1,472,513	21,279
Revenue Bond	4.25%	4/18/2005	10/1/2025	434,669	472,427	8,233
Total Revenue Bonds					\$ 2,627,965	\$ 72,136
<u>Other Obligations:</u>						
Landfill Postclosure Liability					\$ 46,068	\$ -
OPEB Obligation					82,651	-
Compensated Absences					524,044	393,033
Total Other Obligations					\$ 652,763	\$ 393,033
Total Long-Term Obligations					\$ 26,835,754	\$ 2,251,617

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2012</u>
Revenue bonds	\$ 5,466,221	\$ 200,610	\$ (63,243)	\$ 5,603,588
OPEB obligation	2,623	2,813	(1,813)	3,623
Compensated absences	33,983	12,876	(25,487)	21,372
Total	<u>\$ 5,502,827</u>	<u>\$ 216,299</u>	<u>\$ (90,543)</u>	<u>\$ 5,628,583</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>
2013	\$ 71,942	\$ 226,065
2014	75,110	222,898
2015	78,417	219,591
2016	81,870	216,138
2017	85,475	212,533
2018-2022	487,264	1,002,776
2023-2027	604,450	885,590
2028-2032	749,853	740,187
2033-2037	930,275	559,765
2038-2042	997,952	344,642
2043-2047	998,915	137,965
2048	103,012	2,315
Totals	<u>\$ 5,264,535</u>	<u>\$ 4,770,465</u>

**The newest revenue bond issuance of \$347,742 is still in the drawdown phase and thus not presented in the annual requirements to amortize long-term obligations and related interest.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 7-Long-Term Obligations: (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 Business-Type 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	\$ 379,542	\$ 7,771
Revenue Bond	4.50%	9/20/2002	9/20/2042	844,000	748,730	13,013
Revenue Bond	4.38%	3/27/2008	3/27/2048	690,000	668,793	8,248
Revenue Bond	4.38%	3/27/2008	3/27/2048	596,000	577,684	7,124
Revenue Bond	4.13%	5/7/2008	5/7/2048	1,314,500	1,274,212	15,995
Revenue Bond	4.25%	5/7/2008	5/7/2048	1,666,000	1,615,574	19,791
Revenue Bond	0.00%	2/25/2010	(1)	\$ 347,742	339,053	-
Total Revenue Bonds					<u>\$ 5,603,588</u>	<u>\$ 71,942</u>
<u>Other Obligations:</u>						
OPEB Obligation					\$ 3,623	\$ -
Compensated Absences					21,372	16,029
Total Other Obligations					<u>\$ 24,995</u>	<u>\$ 16,029</u>
Total Long-Term Obligations					<u>\$ 5,628,583</u>	<u>\$ 87,971</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 Obligations-Component Units:Discretely Presented Component Unit – School Board Indebtedness:

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

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
OPEB Obligation	\$ 266,113	\$ 621,061	\$ (636,700)	\$ 250,474
Compensated absences	486,395	348,078	(364,796)	469,677
Total	<u>\$ 752,508</u>	<u>\$ 969,139</u>	<u>\$ (1,001,496)</u>	<u>\$ 720,151</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 8-Long-Term Obligations-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	\$ 250,474	\$ -
Compensated absences	469,677	352,258
	<u> </u>	<u> </u>
Total Long-Term Obligations	\$ 720,151	\$ 352,258

Discretely Presented Component Unit – Industrial Development Authority indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2012</u>
Notes Payable	\$ 6,605,526	\$ -	\$ (122,000)	\$ 6,483,526

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

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 238,989	\$ 324,657
2014	250,701	312,585
2015	262,618	299,888
2016	740,750	286,525
2017	249,106	259,401
2018-2022	1,460,410	1,075,245
2023-2027	1,907,042	621,091
2028-2031	1,373,910	109,734
	<u> </u>	<u> </u>
Totals	\$ 6,483,526	\$ 3,289,126

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 8-Long-Term Obligations-Component Units: (continued)Discretely Presented Component Unit – Industrial Development Authority 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 Business- type Activities</u>	<u>Amount Due with- in One Year</u>
Notes Payable:						
Notes Payable	2.80%	12/13/2010	1/15/2016	\$ 653,000	\$ 619,000	\$ 37,000
Notes Payable	4.27%	8/12/2010	7/15/2031	1,393,644	1,348,580	47,031
Notes Payable	4.27%	8/12/2010	7/15/2031	1,806,356	1,747,946	60,958
Notes Payable	6.52%	12/12/2008	1/15/2029	3,000,000	2,768,000	94,000
Total Long-Term Obligations					\$ 6,483,526	\$ 238,989

Note 9-Employee Retirement System and Defined Benefit 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 five years of service credit or age 50 with at least 10 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.

Note 9-Employee Retirement System and Defined Benefit 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 most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-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 2012 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 2012 was 12.55% (excluding member contribution) of the annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 9-Employee Retirement System and Defined Benefit Pension Plans: (continued)**

C. Annual Pension Cost

For fiscal year 2012, the County of Giles, Virginia's annual pension cost of \$552,276 and \$185,826 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	6/30/2010	\$ 420,575	100.00%	\$ -
	6/30/2011	571,396	100.00%	-
	6/30/2012	552,276	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	\$ 196,089	100.00%	\$ -
	6/30/2011	184,435	100.00%	-
	6/30/2012	185,826	100.00%	-

¹Employer and employee portions

Primary Government:

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both The investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's 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 payrolls 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, 2012

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

C. Annual Pension Cost (continued)

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

The FY 2012 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) investment rate of return (net of administrative costs) of 7.50%, (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 payrolls 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, 2011, the most recent actuarial valuation date, the plan was 80.70% funded. The actuarial accrued liability for benefits was \$19,507,129, and the actuarial value of assets was \$15,742,049, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,765,080. The covered payroll (annual payroll of active employees covered by the plan) was \$3,796,561, and ratio of the UAAL to the covered payroll was 99.17%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 62.72% funded. The actuarial accrued liability for benefits was \$5,937,702, and the actuarial value of assets was \$3,724,165, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,213,537. The covered payroll (annual payroll of active employees covered by the plan) was \$1,048,110 and ratio of the UAAL to the covered payroll was 211.19%.

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

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Note 9-Employee Retirement System and Defined Benefit 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 most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-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 \$1,228,780, \$982,990, and \$1,322,115 for the fiscal years ended 2012, 2011, and 2010, respectively. Employer contributions represented 6.33%, 3.93%, and 8.81% of covered payroll for the fiscal years ended 2012, 2011, and 2010, respectively.

Note 10-Deferred/Unearned 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 \$3,392,894 is comprised of the following:

Deferred Property Tax Revenue – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,160,345 at June 30, 2012.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$232,549 at June 30, 2012.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2012 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	13,528,916	16,210	(18,049)	13,527,077
Total capital assets not being depreciated	<u>\$ 14,059,446</u>	<u>\$ 16,210</u>	<u>\$ (18,049)</u>	<u>\$ 14,057,607</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,034,152	\$ -	\$ -	\$ 25,034,152
Machinery and equipment	2,690,878	102,833	(273,066)	2,520,645
Total capital assets being depreciated	<u>\$ 27,725,030</u>	<u>\$ 102,833</u>	<u>\$ (273,066)</u>	<u>\$ 27,554,797</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$(12,223,901)	\$ (1,232,659)	\$ -	\$(13,456,560)
Machinery and equipment	(1,997,823)	(208,875)	273,066	(1,933,632)
Total accumulated depreciation	<u>\$(14,221,724)</u>	<u>\$ (1,441,534)</u>	<u>\$ 273,066</u>	<u>\$(15,390,192)</u>
Total capital assets being depreciated, net	<u>\$ 13,503,306</u>	<u>\$ (1,338,701)</u>	<u>\$ -</u>	<u>\$ 12,164,605</u>
Governmental activities capital assets, net	<u>\$ 27,562,752</u>	<u>\$ (1,322,491)</u>	<u>\$ (18,049)</u>	<u>\$ 26,222,212</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 11-Capital Assets: (continued)**

	<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	177,287	153,655	(328,680)	2,262
Total capital assets, not being depreciated	<u>\$ 190,287</u>	<u>\$ 153,655</u>	<u>\$ (328,680)</u>	<u>\$ 15,262</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 13,895,392	\$ 342,337	\$ -	\$ 14,237,729
Machinery and equipment	396,524	15,000	-	411,524
Total capital assets, being depreciated	<u>\$ 14,291,916</u>	<u>\$ 357,337</u>	<u>\$ -</u>	<u>\$ 14,649,253</u>
Less: accumulated depreciation for:				
Utility plant and infrastructure	\$ (2,525,999)	\$ (460,265)	\$ -	\$ (2,986,264)
Machinery and equipment	(238,545)	(23,869)	-	(262,414)
Total accumulated depreciation	<u>\$ (2,764,544)</u>	<u>\$ (484,134)</u>	<u>\$ -</u>	<u>\$ (3,248,678)</u>
Total capital assets being depreciated, net	<u>\$ 11,527,372</u>	<u>\$ (126,797)</u>	<u>\$ -</u>	<u>\$ 11,400,575</u>
Business-type activities capital assets, net	<u>\$ 11,717,659</u>	<u>\$ 26,858</u>	<u>\$ (328,680)</u>	<u>\$ 11,415,837</u>

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

Governmental activities:

General government administration	\$ 55,630
Judicial administration	38,563
Public safety	150,129
Public works	1,506
Education	1,064,104
Parks, recreation, and cultural	47,298
Community development	84,304

Total depreciation expense-governmental activities	<u>\$ 1,441,534</u>
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Business-type activities:

Water department	\$ 484,134
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 11-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2012 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	750,563	175,797	(201,435)	724,925
Total capital assets not being depreciated	<u>\$ 1,224,215</u>	<u>\$ 175,797</u>	<u>\$ (201,435)</u>	<u>\$ 1,198,577</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,028,689	\$ 44,614	\$ -	\$ 10,073,303
Machinery and equipment	4,129,464	183,354	(84,924)	4,227,894
Total capital assets being depreciated	<u>\$ 14,158,153</u>	<u>\$ 227,968</u>	<u>\$ (84,924)</u>	<u>\$ 14,301,197</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (7,477,422)	\$ (302,831)	\$ -	\$ (7,780,253)
Machinery and equipment	(2,522,783)	(295,851)	84,924	(2,733,710)
Total accumulated depreciation	<u>\$ (10,000,205)</u>	<u>\$ (598,682)</u>	<u>\$ 84,924</u>	<u>\$ (10,513,963)</u>
Total capital assets being depreciated, net	<u>\$ 4,157,948</u>	<u>\$ (370,714)</u>	<u>\$ -</u>	<u>\$ 3,787,234</u>
Governmental activities capital assets, net	<u>\$ 5,382,163</u>	<u>\$ (194,917)</u>	<u>\$ (201,435)</u>	<u>\$ 4,985,811</u>

Depreciation expense of \$598,682 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 11-Capital Assets: (continued)**

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2012 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	\$ 618,634	\$ -	\$ -	\$ 618,634
Construction in progress	3,496,958	890,747	(4,375,377)	12,328
Total capital assets not being depreciated	<u>\$ 4,115,592</u>	<u>\$ 890,747</u>	<u>\$ (4,375,377)</u>	<u>\$ 630,962</u>
Capital assets, being depreciated:				
Buildings and improvements	<u>\$ 5,977,231</u>	<u>\$ 3,504,074</u>	<u>\$ -</u>	<u>\$ 9,481,305</u>
Less: accumulated depreciation for:				
Buildings and improvements	<u>\$ (579,202)</u>	<u>\$ (161,913)</u>	<u>\$ -</u>	<u>\$ (741,115)</u>
Total capital assets being depreciated, net	<u>\$ 5,398,029</u>	<u>\$ 3,342,161</u>	<u>\$ -</u>	<u>\$ 8,740,190</u>
Business-type activities capital assets, net	<u>\$ 9,513,621</u>	<u>\$ 4,232,908</u>	<u>\$ (4,375,377)</u>	<u>\$ 9,371,152</u>

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

Note 12-Inventories/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, 2012 the value of these assets was \$1,750,483.

The following is a summary of transactions for these assets for the year ended June 30, 2012.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Inventories/ Assets held for resale	<u>\$ 1,788,079</u>	<u>\$ -</u>	<u>\$ (37,596)</u>	<u>\$ 1,750,483</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 Postclosure Liability:

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 \$46,068. This amount is based on what it would cost to perform all postclosure care in 2012. 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.

Note 17-Other Post-Employment Benefits – Health Care

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17-Other Post-Employment Benefits – Health Care: (continued)**B. Funding Policy (continued)**

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

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 17-Other Post-Employment Benefits – Health Care: (continued)

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

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	\$ 49,907	\$ 2,793	\$ 52,700	\$ 619,600
Interest on net OPEB obligation	2,553	143	2,696	10,645
Adjustment to annual required contribution	(2,203)	(123)	(2,326)	(9,184)
Annual OPEB cost (expense)	50,257	2,813	53,070	621,061
Contributions made	(32,387)	(1,813)	(34,200)	(636,700)
Increase (Decrease) in net OPEB obligation	17,870	1,000	18,870	(15,639)
Net OPEB obligation - beginning of year	64,781	2,623	67,404	266,113
Net OPEB obligation - end of year	\$ 82,651	\$ 3,623	\$ 86,274	\$ 250,474

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 for 2012 and the two preceding years were as follows:

Entity	Fiscal Year Ended	Annual OPEB Cost	Percentage of	Net OPEB Obligation
			Annual OPEB Cost Contributed	
County	6/30/2012	\$ 53,070	64%	\$ 86,274
County	6/30/2011	51,194	73%	67,404
County	6/30/2010	53,410	37%	53,610
School Board	6/30/2012	621,061	103%	250,474
School Board	6/30/2011	617,483	98%	266,113
School Board	6/30/2010	401,130	125%	251,930

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of June 30, 2012, 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%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**Note 17-Other Post-Employment Benefits – Health Care: (continued)**

D. Funded Status and Funding Progress (continued)

The funded status of the Plan for the School Board as of June 30, 2012, 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.

As of January 1, 2011, the most recent actuarial valuation date, 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 30 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 18-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 School's Boards contributions to VRS were \$65,072 and \$66,046 for the fiscal years ended 2012 and 2011, respectively, and equaled the required contributions. The School Board's contributions represented 0.60% and 0.60% of annual covered payroll for the fiscal years ended 2012 and 2011, respectively.

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, 2012

	<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	\$ 11,307,356	\$ 11,432,052	\$ 11,857,303	\$ 425,251
Other local taxes	1,655,619	1,698,777	1,746,202	47,425
Permits, privilege fees, and regulatory licenses	24,500	24,500	42,986	18,486
Fines and forfeitures	23,545	23,545	31,194	7,649
Revenue from the use of money and property	321,280	327,589	275,397	(52,192)
Charges for services	640,611	681,712	629,049	(52,663)
Miscellaneous	10,540	26,738	24,655	(2,083)
Recovered costs	568,270	884,936	1,039,343	154,407
Intergovernmental revenues:				
Commonwealth	5,062,579	5,305,602	5,050,745	(254,857)
Federal	1,064,587	1,064,587	1,184,359	119,772
Total revenues	<u>\$ 20,678,887</u>	<u>\$ 21,470,038</u>	<u>\$ 21,881,233</u>	<u>\$ 411,195</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,363,218	\$ 1,491,261	\$ 1,402,207	\$ 89,054
Judicial administration	718,846	733,945	706,626	27,319
Public safety	4,044,178	4,119,613	3,972,272	147,341
Public works	465,610	441,316	421,212	20,104
Health and welfare	3,707,567	3,878,728	3,865,490	13,238
Education	6,133,485	6,163,650	5,112,722	1,050,928
Parks, recreation, and cultural	568,790	780,774	743,801	36,973
Community development	255,235	256,096	322,772	(66,676)
Nondepartmental	535,055	772,299	743,593	28,706
Debt service:				
Principal retirement	1,095,760	1,065,595	1,065,595	-
Interest and other fiscal charges	456,140	456,140	456,140	-
Total expenditures	<u>\$ 19,343,884</u>	<u>\$ 20,159,417</u>	<u>\$ 18,812,430</u>	<u>\$ 1,346,987</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,335,003</u>	<u>\$ 1,310,621</u>	<u>\$ 3,068,803</u>	<u>\$ 1,758,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,600,832	\$ 2,606,131	\$ -	\$ (2,606,131)
Transfers out	(4,092,507)	(4,073,424)	(743,547)	3,329,877
Net change in fund balances	<u>\$ (156,672)</u>	<u>\$ (156,672)</u>	<u>\$ 2,325,256</u>	<u>\$ 2,481,928</u>
Fund balances - beginning	156,672	156,672	5,385,486	5,228,814
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,710,742</u>	<u>\$ 7,710,742</u>

County of Giles, Virginia

Schedules of Pension and OPEB Funding Progress
For the Year Ended June 30, 2012

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)
6/30/2011	\$ 15,742,049	\$ 19,507,129	\$ 3,765,080	80.70%	\$ 3,796,561	99.17%
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%

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)
6/30/2011	\$ 3,724,165	\$ 5,937,702	\$ 2,213,537	62.72%	\$ 1,048,110	211.19%
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%

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 *

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%

* Information has only been available for 2 years.

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

	Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 530,000	\$ 530,000	\$ -	\$ (530,000)
EXPENDITURES				
Current:				
General government administration	\$ 55,000	\$ 90,556	\$ 87,556	\$ 3,000
Public safety	250,000	250,000	38,937	211,063
Education	-	-	48,078	(48,078)
Community development	681,894	21,351	21,351	-
Capital projects	1,337,102	1,337,102	175,797	1,161,305
Debt service:				
Principal retirement	993,945	699,337	706,492	(7,155)
Interest and other fiscal charges	963,333	677,798	684,733	(6,935)
Total expenditures	\$ 4,281,274	\$ 3,076,144	\$ 1,762,944	\$ 1,313,200
Excess (deficiency) of revenues over (under) expenditures	\$ (3,751,274)	\$ (2,546,144)	\$ (1,762,944)	\$ 783,200
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,751,274	\$ 2,546,144	\$ 472,899	\$ (2,073,245)
Issuance of revenue bond	-	-	23,689	23,689
Total other financing sources (uses)	\$ 3,751,274	\$ 2,546,144	\$ 496,588	\$ (2,049,556)
Net change in fund balances	\$ -	\$ -	\$ (1,266,356)	\$ (1,266,356)
Fund balances - beginning	-	-	2,222,694	2,222,694
Fund balances - ending	\$ -	\$ -	\$ 956,338	\$ 956,338

**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, 2012

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,916,673
Cash in custody of others	99,992
Receivables (net of allowance for uncollectibles):	
Accounts receivable	34,326
Due from other governmental units	801,538
Inventories	56,006
Prepaid items	787,573
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	205,653
Total assets	<u>\$ 4,901,761</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 46,342
Accrued payroll	2,031,730
Total liabilities	<u>\$ 2,078,072</u>
Fund balances:	
Nonspendable:	
Prepaid items	\$ 787,573
Inventory	56,006
Restricted:	
School cafeteria	205,653
Committed:	1,774,457
Total fund balances	<u>\$ 2,823,689</u>
Total liabilities and fund balances	<u>\$ 4,901,761</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,823,689
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,985,811
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(720,151)
Net assets of governmental activities	<u>\$ 7,089,349</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, 2012

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 338
Charges for services	521,856
Miscellaneous	98,706
Recovered costs	134,919
Intergovernmental revenues:	
Local government	5,151,930
Commonwealth	14,316,343
Federal	2,558,934
Total revenues	<u>\$ 22,783,026</u>
EXPENDITURES	
Current:	
Education	\$ 22,389,988
Total expenditures	<u>\$ 22,389,988</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 393,038</u>
Net change in fund balances	\$ 393,038
Fund balances - beginning	2,430,651
Fund balances - ending	<u><u>\$ 2,823,689</u></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	\$ 393,038
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.	(396,352)
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.	32,357
Change in net assets of governmental activities	<u><u>\$ 29,043</u></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, 2012

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 338	\$ 188
Charges for services	514,650	514,650	521,856	7,206
Miscellaneous	571,665	571,665	98,706	(472,959)
Recovered costs	151,647	403,309	134,919	(268,390)
Intergovernmental revenues:				
Local government	6,124,615	6,154,780	5,151,930	(1,002,850)
Commonwealth	14,545,330	14,545,330	14,316,343	(228,987)
Federal	2,545,142	2,545,142	2,558,934	13,792
Total revenues	<u>\$ 24,453,199</u>	<u>\$ 24,735,026</u>	<u>\$ 22,783,026</u>	<u>\$ (1,952,000)</u>
EXPENDITURES				
Current:				
Education	\$ 24,453,199	\$ 24,735,026	\$ 22,389,988	\$ 2,345,038
Total expenditures	<u>\$ 24,453,199</u>	<u>\$ 24,735,026</u>	<u>\$ 22,389,988</u>	<u>\$ 2,345,038</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,038</u>	<u>\$ 393,038</u>
Net change in fund balances	\$ -	\$ -	\$ 393,038	\$ 393,038
Fund balances - beginning	-	-	2,430,651	2,430,651
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,823,689</u>	<u>\$ 2,823,689</u>

Supporting Schedules

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,631,677	\$ 5,631,677	\$ 5,736,649	\$ 104,972
Real and personal public service corporation taxes	937,617	937,617	930,636	(6,981)
Personal property taxes	1,324,976	1,449,672	1,682,125	232,453
Mobile home taxes	34,000	34,000	42,989	8,989
Machinery and tools taxes	3,078,313	3,078,313	3,133,701	55,388
Merchant's capital	162,799	162,799	162,080	(719)
Common carrier	-	-	16,549	16,549
Penalties	79,895	79,895	92,962	13,067
Interest	58,079	58,079	59,612	1,533
Total general property taxes	<u>\$ 11,307,356</u>	<u>\$ 11,432,052</u>	<u>\$ 11,857,303</u>	<u>\$ 425,251</u>
Other local taxes:				
Local sales and use taxes	\$ 1,054,204	\$ 1,054,204	\$ 1,154,367	\$ 100,163
Consumers' utility taxes	240,560	240,560	240,914	354
Consumption taxes	52,129	52,129	51,941	(188)
Gross receipts tax	17,889	17,889	9,671	(8,218)
Motor vehicle licenses	170,165	170,165	159,527	(10,638)
Local tax on deeds	62,641	62,641	60,270	(2,371)
Hotel and motel room taxes	58,031	101,189	69,512	(31,677)
Total other local taxes	<u>\$ 1,655,619</u>	<u>\$ 1,698,777</u>	<u>\$ 1,746,202</u>	<u>\$ 47,425</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 4,600	\$ 4,600	\$ 5,520	\$ 920
Land use application fees	1,500	1,500	528	(972)
Transfer fees	600	600	567	(33)
Variance and rezoning fees	2,800	2,800	2,842	42
Building permits	15,000	15,000	33,529	18,529
Total permits, privilege fees, and regulatory licenses	<u>\$ 24,500</u>	<u>\$ 24,500</u>	<u>\$ 42,986</u>	<u>\$ 18,486</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 23,545	\$ 23,545	\$ 31,194	\$ 7,649
Revenue from use of money and property:				
Revenue from use of money	\$ 259,385	\$ 259,385	\$ 206,828	\$ (52,557)
Revenue from use of property	61,895	68,204	68,569	365
Total revenue from use of money and property	<u>\$ 321,280</u>	<u>\$ 327,589</u>	<u>\$ 275,397</u>	<u>\$ (52,192)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 11,476	\$ 12,130	\$ 14,553	\$ 2,423
Charges for courthouse maintenance	22,395	22,395	30,567	8,172
Charges for processing arrest fee	1,500	1,500	1,765	265
Charges for Commonwealth's Attorney	1,000	1,000	2,980	1,980
Charges for nonconsecutive jail and blood test/dna fees	240	240	411	171
Charges for law library	1,800	1,800	1,935	135
Charges for copies	-	-	4,256	4,256
Charges for courtroom security fee	46,700	70,283	54,648	(15,635)
Charges for PSA billings	51,000	56,336	51,180	(5,156)
Charges for parks and recreation	319,500	323,533	289,813	(33,720)
Charges for wellness center fees	180,000	180,000	170,031	(9,969)
Other charges for services	5,000	12,495	6,910	(5,585)
Total charges for services	<u>\$ 640,611</u>	<u>\$ 681,712</u>	<u>\$ 629,049</u>	<u>\$ (52,663)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 10,540	\$ 26,738	\$ 24,655	\$ (2,083)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 1
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
School resource officer	\$ 500	\$ 1,914	\$ 238,891	\$ 236,977
Health insurance recoveries	143,620	143,620	159,378	15,758
Health department and Social Services	24,000	24,000	45,750	21,750
DMV license agent reimbursement	28,693	28,693	28,557	(136)
PSA recovered costs	57,852	57,852	60,959	3,107
Other recovered costs	313,605	628,857	505,808	(123,049)
Total recovered costs	\$ 568,270	\$ 884,936	\$ 1,039,343	\$ 154,407
Total revenue from local sources	\$ 14,551,721	\$ 15,099,849	\$ 15,646,129	\$ 546,280
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 110,726	\$ 110,726	\$ 106,903	\$ (3,823)
Mobile home titling tax	24,988	24,988	13,549	(11,439)
Animal friendly plates	228	228	215	(13)
Motor vehicle rental tax	1,500	1,500	1,070	(430)
State recordation tax	39,603	39,603	37,792	(1,811)
Communications sales taxes	258,488	258,488	258,247	(241)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,663,393	\$ 1,663,393	\$ 1,645,636	\$ (17,757)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 235,838	\$ 235,838	\$ 249,161	\$ 13,323
Sheriff	859,956	859,956	870,106	10,150
Commissioner of revenue	110,904	110,904	112,848	1,944
Treasurer	90,050	90,050	94,089	4,039
Registrar/electoral board	35,387	35,387	39,079	3,692
Clerk of circuit court	205,298	216,620	205,101	(11,519)
Total shared expenses	\$ 1,537,433	\$ 1,548,755	\$ 1,570,384	\$ 21,629
Other categorical aid:				
Public assistance and welfare administration	\$ 727,033	\$ 727,033	\$ 685,609	\$ (41,424)
State and Local Foster Care	-	-	26	26
Comprehensive Services Act program	795,088	946,122	1,002,599	56,477
Litter control grant	8,925	16,958	8,033	(8,925)
Law enforcement block grant	-	2,003	3,905	1,902
Hazmat revenue	15,000	13,690	-	(13,690)
Juvenile justice	10,986	10,986	8,729	(2,257)
School resource officer grant	229,190	229,190	-	(229,190)
Two-for-Life	16,000	32,503	16,503	(16,000)
Asset Forfeiture	-	43,478	26,165	(17,313)
Fire programs	25,241	25,241	27,946	2,705
Circuit court records grant	-	11,960	15,210	3,250
911 wireless grant	34,290	34,290	40,000	5,710
Total other categorical aid	\$ 1,861,753	\$ 2,093,454	\$ 1,834,725	\$ (258,729)
Total categorical aid	\$ 3,399,186	\$ 3,642,209	\$ 3,405,109	\$ (237,100)
Total revenue from the Commonwealth	\$ 5,062,579	\$ 5,305,602	\$ 5,050,745	\$ (254,857)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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	\$ 46,204	\$ 46,204	\$ 49,524	\$ 3,320
Categorical aid:				
Public assistance and welfare administration	\$ 995,633	\$ 995,633	\$ 1,027,845	\$ 32,212
Emergency management grants	-	-	32,000	32,000
State and community highway safety grants	15,000	15,000	13,890	(1,110)
U.S. forestry assistance	7,750	7,750	7,850	100
Community development block grant	-	-	53,250	53,250
Total categorical aid	\$ 1,018,383	\$ 1,018,383	\$ 1,134,835	\$ 116,452
Total revenue from the federal government	\$ 1,064,587	\$ 1,064,587	\$ 1,184,359	\$ 119,772
Total General Fund	\$ 20,678,887	\$ 21,470,038	\$ 21,881,233	\$ 411,195
Capital Projects Fund:				
County Capital Improvements Fund:				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Economic development grants	\$ 250,000	\$ 250,000	\$ -	\$ (250,000)
New River walking trail	280,000	280,000	-	(280,000)
Total categorical aid	\$ 530,000	\$ 530,000	\$ -	\$ (530,000)
Total revenue from the Commonwealth	\$ 530,000	\$ 530,000	\$ -	\$ (530,000)
Total County Capital Improvements Fund	\$ 530,000	\$ 530,000	\$ -	\$ (530,000)
Total Primary Government	\$ 21,208,887	\$ 22,000,038	\$ 21,881,233	\$ (118,805)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 338	\$ 338
Revenue from the use of property	150	150	-	(150)
Total revenue from use of money and property	\$ 150	\$ 150	\$ 338	\$ 188
Charges for services:				
Charges for education	\$ 7,500	\$ 7,500	\$ 8,940	\$ 1,440
Cafeteria sales	500,000	500,000	512,916	12,916
Transportation of pupils	650	650	-	(650)
Other charges for services	6,500	6,500	-	(6,500)
Total charges for services	\$ 514,650	\$ 514,650	\$ 521,856	\$ 7,206
Miscellaneous revenue:				
Miscellaneous	\$ 571,665	\$ 571,665	\$ 98,706	\$ (472,959)
Recovered costs:				
Rebates and refunds	\$ 151,647	\$ 403,309	\$ 134,919	\$ (268,390)
Total revenue from local sources	\$ 1,238,112	\$ 1,489,774	\$ 755,819	\$ (733,955)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 6,124,615	\$ 6,154,780	\$ 5,151,930	\$ (1,002,850)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,403,392	\$ 2,403,392	\$ 2,427,109	\$ 23,717
Basic school aid	8,054,382	8,054,382	7,650,617	(403,765)
Remedial summer education	28,281	28,281	38,044	9,763
Regular foster care	2,253	2,253	5,203	2,950
Gifted and talented	81,938	81,938	81,247	(691)
Remedial education	198,472	198,472	195,152	(3,320)
School food	4,745	4,745	18,497	13,752
Special education	1,316,469	1,316,469	1,294,450	(22,019)
Textbook payment	73,853	73,853	72,618	(1,235)
Vocational education - occupational/technology	2,600	2,600	42,919	40,319
Vocational standards of quality payments	406,048	406,048	399,256	(6,792)
Vocational adult education	53,154	53,154	12,719	(40,435)
Social security fringe benefits	513,478	513,478	504,889	(8,589)
Retirement fringe benefits	599,315	599,315	456,549	(142,766)
Group life fringe benefits	18,208	18,208	17,904	(304)
State lottery payments	-	-	95,607	95,607
Early reading intervention	46,904	46,904	53,605	6,701
Homebound education	-	-	13,126	13,126
Primary class size	184,862	184,862	176,722	(8,140)
Technology	2,600	2,600	2,325	(275)
Standards of Learning algebra readiness	28,879	28,879	27,469	(1,410)
Vocational education - equipment	4,500	4,500	4,680	180
E-rate	60,000	60,000	66,850	6,850
Special education - foster children	-	-	17,062	17,062
At risk payments	165,050	165,050	162,409	(2,641)
GED prep program	7,859	7,859	7,859	-
English as a second language	2,778	2,778	2,833	55
VPSA technology grants	180,000	180,000	255,304	75,304
Supplemental support	-	-	136,463	136,463
Other state funds	105,310	105,310	76,856	(28,454)
Total categorical aid	\$ 14,545,330	\$ 14,545,330	\$ 14,316,343	\$ (228,987)
Total revenue from the Commonwealth	\$ 14,545,330	\$ 14,545,330	\$ 14,316,343	\$ (228,987)
Revenue from the federal government:				
Categorical aid:				
Payments in lieu of taxes	\$ 1,324	\$ 1,324	\$ 442	\$ (882)
Schools and roads	12,257	12,257	95,633	83,376
Literacy challenge grant	8,000	8,000	-	(8,000)
Bullying grant	-	-	16,761	16,761
Title I	550,000	550,000	491,604	(58,396)
ARRA - Education jobs funds	-	-	662,710	662,710
Title VI-B, special education flow-through	590,000	590,000	469,638	(120,362)
ARRA - Title VI-B, special education flow-through	-	-	1,119	1,119
ARRA - State fiscal stabilization funds	653,179	653,179	-	(653,179)
Vocational education	50,000	50,000	46,352	(3,648)
Safe and drug free schools	-	-	630	630
Title II	123,000	123,000	107,634	(15,366)
Special Education - preschool	14,783	14,783	15,265	482
National school lunch program	460,348	460,348	651,146	190,798

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
School breakfast program	\$ 82,251	\$ 82,251	\$ -	\$ (82,251)
Total categorical aid	\$ 2,545,142	\$ 2,545,142	\$ 2,558,934	\$ 13,792
Total revenue from the federal government	\$ 2,545,142	\$ 2,545,142	\$ 2,558,934	\$ 13,792
Total Discretely Presented Component Unit - School Board	\$ 24,453,199	\$ 24,735,026	\$ 22,783,026	\$ (1,952,000)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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	\$ 139,587	\$ 143,803	\$ (4,216)
General and financial administration:				
County administrator	\$ 272,013	\$ 258,874	\$ 255,537	\$ 3,337
Legal services	27,000	33,692	34,362	(670)
Commissioner of revenue	349,482	350,950	328,357	22,593
Land use	9,429	9,429	9,258	171
Treasurer	337,371	420,228	362,211	58,017
PSA billing and collection	52,500	66,808	59,973	6,835
Department of motor vehicles	51,779	52,640	52,640	-
Total general and financial administration	\$ 1,099,574	\$ 1,192,621	\$ 1,102,338	\$ 90,283
Board of elections:				
Registrar	\$ 145,640	\$ 159,053	\$ 156,066	\$ 2,987
Total general government administration	\$ 1,363,218	\$ 1,491,261	\$ 1,402,207	\$ 89,054
Judicial administration:				
Courts:				
Circuit court	\$ 22,154	\$ 22,154	\$ 20,079	\$ 2,075
General district court	17,632	17,632	16,732	900
Magistrate	1,500	1,500	1,250	250
Juvenile and domestic court	24,803	24,803	12,483	12,320
Clerk of the circuit court	349,980	366,568	356,460	10,108
Law library	6,556	6,556	3,847	2,709
Total courts	\$ 422,625	\$ 439,213	\$ 410,851	\$ 28,362
Commonwealth's attorney:				
Commonwealth's attorney	\$ 296,221	\$ 294,732	\$ 295,775	\$ (1,043)
Total judicial administration	\$ 718,846	\$ 733,945	\$ 706,626	\$ 27,319
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,136,558	\$ 2,270,500	\$ 2,223,002	\$ 47,498
Criminal justice training	13,000	13,000	12,915	85
Total law enforcement and traffic control	\$ 2,149,558	\$ 2,283,500	\$ 2,235,917	\$ 47,583
Fire and rescue services:				
Fire and rescue	\$ 164,172	\$ 206,623	\$ 205,198	\$ 1,425
GIS system development	86,868	87,729	86,461	1,268
Ambulance service	250,000	286,438	269,893	16,545
Total fire and rescue services	\$ 501,040	\$ 580,790	\$ 561,552	\$ 19,238

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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	\$ 964,026	\$ 780,767	\$ 732,504	\$ 48,263
NRV juvenile detention	25,111	25,111	25,111	-
Total correction and detention	<u>\$ 989,137</u>	<u>\$ 805,878</u>	<u>\$ 757,615</u>	<u>\$ 48,263</u>
Inspections:				
Building official	\$ 150,938	\$ 140,399	\$ 135,513	\$ 4,886
Other protection:				
Animal control	\$ 2,236	\$ 2,236	\$ 973	\$ 1,263
Medical examiner	500	500	180	320
Emergency services	600	1,960	1,702	258
Inmate work program	-	43,734	41,595	2,139
Haz-mat services	16,904	15,594	15,232	362
Probation office	675	675	338	337
School Resource Officer	209,942	213,387	199,734	13,653
US forest service	6,500	12,809	4,100	8,709
Law enforcement grants	16,148	18,151	17,821	330
Total other protection	<u>\$ 253,505</u>	<u>\$ 309,046</u>	<u>\$ 281,675</u>	<u>\$ 27,371</u>
Total public safety	<u>\$ 4,044,178</u>	<u>\$ 4,119,613</u>	<u>\$ 3,972,272</u>	<u>\$ 147,341</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 150	\$ 150	\$ -	\$ 150
Sanitation and waste removal:				
Landfill monitoring	\$ 112,860	\$ 49,014	\$ 39,864	\$ 9,150
Weed control	3,000	3,000	3,000	-
Total sanitation and waste removal	<u>\$ 115,860</u>	<u>\$ 52,014</u>	<u>\$ 42,864</u>	<u>\$ 9,150</u>
Maintenance of general buildings and grounds:				
General properties	\$ 349,600	\$ 389,152	\$ 378,348	\$ 10,804
Total public works	<u>\$ 465,610</u>	<u>\$ 441,316</u>	<u>\$ 421,212</u>	<u>\$ 20,104</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 121,000	\$ 126,038	\$ 126,038	\$ -
Mental health and mental retardation:				
Community services board	\$ 51,450	\$ 51,450	\$ 51,450	\$ -
Welfare:				
Comprehensive services	\$ 1,355,094	\$ 1,506,128	\$ 1,519,317	\$ (13,189)
Welfare administration and public assistance	2,044,590	2,044,590	2,024,723	19,867
Fairview home	16,762	16,762	14,279	2,483
NRVSS nutrition program	8,930	8,930	8,306	624
NRV disability services board	1,275	1,275	1,275	-
New River community action	13,680	27,360	27,360	-

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

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)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Women's resource center	\$ 5,358	\$ 5,358	\$ 5,358	\$ -
Free clinic of the NRV, Inc.	8,000	8,000	8,000	-
Area agency on aging	7,324	7,324	7,324	-
Senior center	72,259	73,668	72,060	1,608
Literacy volunteers of America	445	445	-	445
State and local hospitalization	1,400	1,400	-	1,400
Total welfare	<u>\$ 3,535,117</u>	<u>\$ 3,701,240</u>	<u>\$ 3,688,002</u>	<u>\$ 13,238</u>
Total health and welfare	<u>\$ 3,707,567</u>	<u>\$ 3,878,728</u>	<u>\$ 3,865,490</u>	<u>\$ 13,238</u>
Education:				
Educational costs:				
Contributions to Community College	\$ 8,870	\$ 8,870	\$ 8,870	\$ -
Contribution to County School Board	6,124,615	6,154,780	5,103,852	1,050,928
Total education	<u>\$ 6,133,485</u>	<u>\$ 6,163,650</u>	<u>\$ 5,112,722</u>	<u>\$ 1,050,928</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 10,000	\$ 18,892	\$ 16,075	\$ 2,817
Golf course	190,914	286,955	266,452	20,503
Castle Rock operations	66,797	146,292	139,861	6,431
Castle Rock 19th Hole	10,000	13,580	12,553	1,027
Wellness center	179,409	203,385	195,190	8,195
Other recreation and cultural enrichment	82,420	82,420	84,420	(2,000)
Total parks and recreation	<u>\$ 539,540</u>	<u>\$ 751,524</u>	<u>\$ 714,551</u>	<u>\$ 36,973</u>
Library:				
Contribution to county library	\$ 29,250	\$ 29,250	\$ 29,250	\$ -
Total parks, recreation, and cultural	<u>\$ 568,790</u>	<u>\$ 780,774</u>	<u>\$ 743,801</u>	<u>\$ 36,973</u>
Community development:				
Planning and community development:				
County planner	\$ 79,213	\$ 80,074	\$ 79,088	\$ 986
Planning commission	20,226	20,226	19,249	977
Contribution to IDA	-	-	73,343	(73,343)
Zoning Board	538	538	100	438
Other community development	78,877	78,877	78,392	485
Total planning and community development	<u>\$ 178,854</u>	<u>\$ 179,715</u>	<u>\$ 250,172</u>	<u>\$ (70,457)</u>
Environmental management:				
Contributions to soil and water districts	\$ 8,700	\$ 8,700	\$ 8,000	\$ 700
Cooperative extension program:				
Extension office	\$ 67,681	\$ 67,681	\$ 64,600	\$ 3,081
Total community development	<u>\$ 255,235</u>	<u>\$ 256,096</u>	<u>\$ 322,772</u>	<u>\$ (66,676)</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
Page 4 of 5

<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	\$ 535,055	\$ 772,299	\$ 690,343	\$ 81,956
Contingencies	-	-	53,250	(53,250)
Total nondepartmental	\$ 535,055	\$ 772,299	\$ 743,593	\$ 28,706
Debt service:				
Principal retirement	\$ 1,095,760	\$ 1,065,595	\$ 1,065,595	\$ -
Interest and other fiscal charges	456,140	456,140	456,140	-
Total debt service	\$ 1,551,900	\$ 1,521,735	\$ 1,521,735	\$ -
Total General Fund	\$ 19,343,884	\$ 20,159,417	\$ 18,812,430	\$ 1,346,987
Capital Projects Fund:				
Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ 55,000	\$ 90,556	\$ 87,556	\$ 3,000
Public Safety:				
Radio system	\$ 250,000	\$ 250,000	\$ 38,937	\$ 211,063
Education:				
Educational costs:				
Contribution to County School Board	\$ -	\$ -	\$ 48,078	\$ (48,078)
Community development:				
Planning and community development:				
Economic development	\$ 681,894	\$ 21,351	\$ 21,351	\$ -
Capital projects expenditures:				
Walking trail	\$ 280,000	\$ 280,000	\$ -	\$ 280,000
School improvements	1,057,102	1,057,102	175,797	881,305
Total capital projects	\$ 1,337,102	\$ 1,337,102	\$ 175,797	\$ 1,161,305
Debt service:				
Principal retirement	\$ 993,945	\$ 699,337	\$ 706,492	\$ (7,155)
Interest and other fiscal charges	963,333	677,798	684,733	(6,935)
Total debt service	\$ 1,957,278	\$ 1,377,135	\$ 1,391,225	\$ (14,090)
Total Capital Improvements Fund	\$ 4,281,274	\$ 3,076,144	\$ 1,762,944	\$ 1,313,200
Total Primary Government	\$ 23,625,158	\$ 23,235,561	\$ 20,575,374	\$ 2,660,187
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 18,470,612	\$ 16,816,341	\$ 15,843,168	\$ 973,173

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
Page 5 of 5

<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: (Continued)				
School Operating Fund: (Continued)				
Education: (Continued)				
Operating costs:				
Attendance and health services	\$ 787,306	\$ 852,152	\$ 840,958	\$ 11,194
Pupil transportation	1,034,780	1,186,714	1,219,385	(32,671)
Operation and maintenance of school plant	2,257,021	1,766,865	2,292,315	(525,450)
Facilities	9,162	-	-	-
Technology	943,783	2,011,911	1,072,379	939,532
Total operating costs	<u>\$ 5,032,052</u>	<u>\$ 5,817,642</u>	<u>\$ 5,425,037</u>	<u>\$ 392,605</u>
School food services:				
Administration of school food program	\$ 950,535	\$ 2,101,043	\$ 1,121,783	\$ 979,260
Total Discretely Presented Component Unit - School Board	<u>\$ 24,453,199</u>	<u>\$ 24,735,026</u>	<u>\$ 22,389,988</u>	<u>\$ 2,345,038</u>

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (1)	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	2,874,710	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	5,035,422	-	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	-	1,217,515	1,543,650	20,154,426
2011-12	1,465,212	749,059	3,858,811	433,301	3,815,866	6,418,750	764,944	427,820	-	1,109,865	1,633,876	20,677,504

(1) 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**

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	496,558		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
2011-12	1,326,038	4,539,944	170,824		11,877,251	1,746,202	-	-	275,397	24,655	1,695,160	21,655,471

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
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	4,961,880	406,302	2,749,942	42,855,999
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
2011-12	1,489,763	706,626	4,011,209	421,212	3,865,490	22,398,658	743,801	344,123	743,593	2,912,960	37,637,635

- (1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government and its Discretely Presented Component Unit - School Board. Excludes non-operating capital project expenditures.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.
(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
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	1,664,585	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
2011-12	11,857,303	1,746,202	42,986	31,194	275,735	1,150,905	123,361	1,174,262	23,110,381	39,512,329

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

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

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
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%
2011-12	12,934,608	12,404,021	95.90%	946,344	13,350,365	103.21%	835,655	6.46%

(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
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
2011-12	1,059,889,900	163,705,613	310,267,438	171,001,017	19,974,892	1,638,533	1,726,477,393

(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	Real Estate (2)	Personal Property	Machinery and Tools	Merchant's Capital	Common Carrier
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
2011-12	0.54	1.91	1.01	0.81	1.01

(1) Per \$100 of assessed value.

(2) 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
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
2011-12	17,286	1,726,477	26,182,991	1.52%	1,515

(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
Last Ten Fiscal Years

Fiscal Year	Principal (2)	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
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%
2011-12	1,772,087	1,140,873	2,912,960	37,637,635	7.74%

(1) Includes General and Capital Projects funds of the Primary Government and 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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications of Audits for Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

Management of the County of Giles, Virginia is responsible for establishing and maintaining effective 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 deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (reference 2012-1 and 2012-2).

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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. 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 December 14, 2012.

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia

December 14, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

**To the 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, 2012. 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, 2012.

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, & Associates

Blacksburg, Virginia
December 14, 2012

COUNTY OF GILES, VIRGINIA

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

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:			
Community Facilities Loans and Grants	10.766	Not applicable	\$ 23,689
Cooperative Forestry Assistance	10.664	Not applicable	7,850
Pass Through Payments:			
<i>State Department of Agriculture:</i>			
Child Nutrition Cluster:			
Food Distribution-Schools (Note 3)	10.555	Not applicable	65,032
<i>Department of Education:</i>			
National School Lunch Program	10.555	40623	494,343
National School Lunch Program Subtotal			<u>559,375</u>
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111,0010112, 0040111,0040112	193,156
<i>Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	40591	85,418
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	40593	6,353
Schools and Roads - Grants to States	10.665	43841	95,633
Total Department of Agriculture			<u>\$ 971,474</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	50790	\$ 170,824
HOME Investment Partnerships Program	14.239	45856	53,250
Total Department of Housing and Urban Development			<u>\$ 224,074</u>
ENVIRONMENTAL PROTECTION AGENCY			
Pass Through Payments:			
<i>Virginia Health Department:</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	WSAG-23-09	<u>\$ 156,974</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950111,0950112	\$ 13,697
Temporary Assistance for Needy Families	93.558	0400111,0400112	187,316
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111,0500112	312
Low-Income Home Energy Assistance	93.568	0600411,0600412	15,248
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770110, 0770111	32,386
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111,0760112	38,841
Chafee Education and Training Vouchers Program	93.599	9160111	7,252
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111,0900112	643
Foster Care - Title IV-E	93.658	1100111,1100112	239,570
Adoption Assistance	93.659	1120111,1120112	48,528
Social Services Block Grant	93.667	1000111,1000112	125,396
Chafee Foster Care Independence Program	93.674	9150111,9150112	3,334
Children's Health Insurance Program	93.767	0540111,0540112	5,498
Medical Assistance Program	93.778	1200111,1200112	116,668
Total Department of Health and Human Services			<u>\$ 834,689</u>

COUNTY OF GILES, VIRGINIA

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

Federal Grantor/ State Pass-Through Grantor/ Program Title	Federal Catalog Number	Entity Identifying Number	Federal Disbursements
US DEPARTMENT OF JUSTICE:			
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Title V Delinquency Prevention Program	16.548	09JPF0088	\$ 16,761
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 491,604
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	43071	469,638
ARRA-Special Education-Grants to States	84.391	61245	1,119
Special Education-Preschool Grants	84.173	62521	15,265
Career and Technical Education: Basic Grants to States	84.048	61095	46,352
Safe and Drug-Free Schools and Communities-State Grants	84.186	60511	630
ARRA - Education Job Funds	84.410	62700	662,710
Improving Teacher Quality-State Grants	84.367	61480	107,634
Total Department of Education			\$ 1,794,952
DEPARTMENT OF DEFENSE:			
Pass Through Payments:			
<i>Department of Education:</i>			
Payments in Lieu of Real Estate Taxes	12.112	42845	\$ 442
US DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Open Container Requirements	20.607	SC-2012-52246-4624	\$ 13,890
US DEPARTMENT OF HOMELAND SECURITY:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
State Homeland Security Program	97.073	52700, 52709	\$ 32,000
Total Expenditures of Federal Awards			\$ 4,045,256

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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of 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, 2012 Giles County, Virginia had food commodities totaling \$56,006 in inventory.

COUNTY OF GILES, VIRGINIA

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

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	\$ 1,184,359
Water Fund - Contributions in Aid of Construction	<u>170,824</u>

Total primary government	<u>\$ 1,355,183</u>
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Component Unit Schools:

School Operating Fund	<u>\$ 2,558,934</u>
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Total Federal Expenditures per Basic Financial Statements	<u>\$ 3,914,117</u>
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Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,045,256
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Payments in lieu of taxes	49,524
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Federal debt proceeds	<u>(180,663)</u>
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Total Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 3,914,117</u></u>
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County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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>
10.553/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program
84.410	ARRA, Education Jobs Fund
84.027/84.391/84.173	Special Education Cluster (IDEA)
93.558	Temporary Assistance for Needy Families

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 and Questioned Costs
Year Ended June 30, 2012

Section II - Financial Statement Findings**2012-1**

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 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.
Cause of Condition:	The County 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.

2012-2

Criteria:	Per Statement of Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Cause of Condition:	The County does not have proper controls in place to detect and correct misstatements in closing their year end financial statements. This particularly relates to timely submission and communication regarding grant reimbursements.

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section II - Financial Statement Findings (Continued)**2012-2 (Continued)**

Effect of Condition: There is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal controls over financial reporting.

Recommendation: The County should review the auditors' proposed audit adjustments for 2012 and develop a plan to ensure that trial balances and related schedules are presented accurately for audit.

Management's Response: The County will review the auditors' proposed audit adjustments for 2012 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Finding 2011-1 is recurring in the current year.