COUNTY OF SMYTH, VIRGINIA
FINANCIAL STATEMENTS

JUNE 30, 2010

FINANCIAL AND MANAGEMENT SERVICES DEPARTMENT

COUNTY OF SMYTH, VIRGINIA

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SMYTH COUNTY VIRGINIA

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COUNTY OF SMYTH, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2010

BOARD OF SUPERVISORS

C.C. "Charlie" Clark, Chairperson

Darlene R. Neitch	Brenda Waddell
M. Todd Dishner	Roscoe D. Call
Regina H. Davidson	Wade H. Blevins, Jr.

Michael L. Carter, Clerk

COUNTY SCHOOL BOARD

Jesse Choate, Chairperson

Jim Coulthard	Jerry W. Catron
Susan Williams	Richard L. Ryan
Susan Sneed	Samuel G. Hambrick

Darlene Doyle, Clerk

SOCIAL SERVICES BOARD

Merrelle Ward, Chairperson

Judy Hess	Karen Gillespie
Thomas R. Buchanan	Anne Shults
JoAnn Bennett	Regina H. Davidson

Kenneth P. Arnold, Secretary

OTHER OFFICIALS

Judge of the Circuit Court	Isaac St. C. Freeman
	C. Randall Lowe
	Larry B. Kirksey
Clerk of the Circuit Court	John Graham
Judge of the General District Court	Joseph S. Tate
	Sage B. Johnson
Judge of the Juvenile and Domestic Relations Court	Charles Lincoln
Commonwealth's Attorney	Roy F. Evans, Jr.
Commissioner of the Revenue	Jeffrey Richardson
Treasurer	Thomas Burkett
Sheriff	R. David Bradley
Superintendent of Schools	Michael Robinson
Director, Department of Social Services	Kenneth P. Arnold
County Administrator	Michael L. Carter

SMYTH COUNTY VIRGINIA

1832

FINANCIAL SECTION

SMYTH COUNTY VIRGINIA

1832

BROWN,
EDWARDS&
COMPANY, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia as of and for the year ended June 30, 2010, 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'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 *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards and Commissions* 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 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 30, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented a management discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 30, 2010

BASIC FINANCIAL STATEMENTS

SMYTH COUNTY VIRGINIA

1832

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Total
ASSETS						
Cash and cash equivalents (Note 2)	$ 10,253,853	$ 968,461	$ 11,222,314	$ 2,484,673	$ 934,976	$ 14,641,963
Receivables, net (Note 3)	17,969,908	186,004	18,155,912	-	-	18,155,912
Due from primary government (Note 9)	-	-	-	4,604,558	-	4,604,558
Due from component unit (Note 9)	40,595	-	40,595	-	-	40,595
Due from other governmental units (Note 4)	1,286,151	142,341	1,428,492	2,306,104	8,500	3,743,096
Accrued interest	2,471	-	2,471	4,398	435	7,304
Inventories	-	-	-	122,963	-	122,963
Investment in Smyth-Washington Industrial Facilities Authority	-	-	-	-	1,777,870	1,777,870
Bond issuance costs, net	-	39,968	39,968	-	-	39,968
Prepaid expense	66,825	-	66,825	76,516	-	143,341
Capital assets: (Note 6)						
Non-depreciable	1,540,620	1,276,697	2,817,317	1,220,345	160,079	4,197,741
Depreciable, net	14,880,478	29,901,486	44,781,964	7,072,746	-	51,854,710
Total assets	46,040,901	32,514,957	78,555,858	17,892,303	2,881,860	99,330,021
LIABILITIES						
Accounts payable and accrued expenses	488,605	471,729	960,334	206,849	-	1,167,183
Accrued payroll	19,307	-	19,307	4,694,382	-	4,713,689
Accrued interest payable	160,542	33,189	193,731	-	-	193,731
Unearned revenue (Note 3)	16,061,698	678,942	16,740,640	-	-	16,740,640
Due to component units (Note 9)	4,604,558	-	4,604,558	-	-	4,604,558
Due to primary government (Note 9)	-	-	-	-	40,595	40,595
Cash bonds held in escrow	48,184	-	48,184	-	-	48,184
Long-term liabilities: (Note 7)						
Due within one year	1,490,305	304,582	1,794,887	119,325	-	1,914,212
Due in more than one year	8,884,167	11,875,475	20,759,642	936,964	-	21,696,606
Total liabilities	31,757,366	13,363,917	45,121,283	5,957,520	40,595	51,119,398
NET ASSETS						
Invested in capital assets, net of related debt	6,845,475	19,024,141	25,869,616	8,293,091	160,079	34,322,786
Unrestricted	7,438,060	126,899	7,564,959	3,641,692	2,681,186	13,887,837
Total net assets	$ 14,283,535	$ 19,151,040	$ 33,434,575	$ 11,934,783	$ 2,841,265	$ 48,210,623

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government			Component Units		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Total
Primary Government:										
Governmental activities:										
General government administration	$ 2,196,323	$ -	$ 255,316	$ -	$ (1,941,007)	$ -	$ (1,941,007)	$ -	$ -	$ (1,941,007)
Judicial administration	1,405,720	177,857	708,408	-	(519,455)	-	(519,455)	-	-	(519,455)
Public safety	5,840,409	791,428	1,845,291	1,199,255	(2,004,435)	-	(2,004,435)	-	-	(2,004,435)
Public works	1,977,527	766,143	7,398	-	(1,203,986)	-	(1,203,986)	-	-	(1,203,986)
Health and welfare	5,438,893	54,743	4,114,670	-	(1,269,480)	-	(1,269,480)	-	-	(1,269,480)
Education	7,835,194	-	-	-	(7,835,194)	-	(7,835,194)	-	-	(7,835,194)
Parks, recreational, and cultural	1,083,058	-	11,357	-	(1,071,701)	-	(1,071,701)	-	-	(1,071,701)
Community development	1,324,655	-	115,623	-	(1,209,032)	-	(1,209,032)	-	-	(1,209,032)
Interest on long-term debt	287,397	-	-	-	(287,397)	-	(287,397)	-	-	(287,397)
Total governmental activities	27,389,176	1,790,171	7,058,063	1,199,255	(17,341,687)	-	(17,341,687)	-	-	(17,341,687)
Business-type activities:										
Water and sewer	3,127,163	1,684,425	-	1,012,032	-	$ (430,706)	(430,706)	-	-	(430,706)
Total business-type activities	3,127,163	1,684,425	-	1,012,032	-	(430,706)	(430,706)	-	-	(430,706)
Total primary government	$ 30,516,339	$ 3,474,596	$ 7,058,063	$ 2,211,287	(17,341,687)	(430,706)	(17,772,393)	-	-	(17,772,393)
Component Units:										
School Board	$ 46,945,224	$ 1,400,267	$ 39,929,564	$ -	-	-	-	$ (5,615,393)	-	(5,615,393)
Industrial Development Authority	25,333	-	-	-	-	-	-	-	$ (25,333)	(25,333)
Total component units	$ 46,970,557	$ 1,400,267	$ 39,929,564	$ -	$ -	$ -	$ -	$ (5,615,393)	$ (25,333)	$ (5,640,726)
General Revenues:										
General property taxes					13,515,911	-	13,515,911	-	-	13,515,911
Sales and use tax					1,834,860	-	1,834,860	-	-	1,834,860
Other local taxes					1,767,214	-	1,767,214	-	-	1,767,214
Intergovernmental revenue, unrestricted					1,948,288	-	1,948,288	-	-	1,948,288
Revenue from use of money and property					210,995	8	211,003	23,315	15,224	249,542
Miscellaneous					191,181	1,882	193,063	65,385	8,050	266,498
Loss on investment in joint venture					-	-	-	-	(145,265)	(145,265)
Gain on sale of property					208,706	-	208,706	-	-	208,706
Payments to Smyth County					81,250	-	81,250	-	(81,250)	-
Payments from Smyth County					-	-	-	6,838,634	109,471	6,948,105
Transfers (Note 5)					(519,581)	519,581	-	-	-	-
Total general revenues and transfers					19,238,824	521,471	19,760,295	6,927,334	(93,770)	26,593,859
Change in net assets					1,897,137	90,765	1,987,902	1,311,941	(119,103)	3,180,740
NET ASSETS JULY 1, 2009					12,386,398	19,060,275	31,446,673	10,622,842	2,960,368	45,029,883
NET ASSETS JUNE 30, 2010					$ 14,283,535	$ 19,151,040	$ 33,434,575	$ 11,934,783	$ 2,841,265	$ 48,210,623

The Notes to Financial Statements are an integral part of this statement

EXHIBIT 3

COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2010

		General
ASSETS		
Cash and cash equivalents (Note 2)	$	10,253,853
Accrued interest		2,471
Receivables, net (Note 3)		17,969,908
Prepaid expense		66,825
Due from component unit (Note 9)		40,595
Due from other governmental units (Note 4)		1,286,151
Total assets	$	29,619,803
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	$	488,605
Accrued payroll and related liabilities		19,307
Due to component units		4,604,558
Deferred revenue (Note 3)		17,705,589
Cash bonds held in escrow		48,184
Total liabilities		22,866,243
Fund Balance:		
Reserved for:		
Special purposes (Note 17)		260,388
Prepaid expense		66,825
Unreserved, reported in:		
Designated (Note 17)		106,272
Undesignated		6,320,075
Total fund balance		6,753,560
Total liabilities and fund balance	$	29,619,803

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

Total fund balance	$	6,753,560
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.		16,421,098
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		1,643,891
Interest on long-term debt is not accrued in the fund statements as it is in the government-wide statements.		(160,542)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		(10,374,472)
Net assets of governmental activities	$	14,283,535

The Notes to Financial Statements are an integral part of this statement

EXHIBIT 4

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND
For the Year Ended June 30, 2010

	General
REVENUES	
General property taxes	$ 13,279,456
Other local taxes	3,602,074
Permits, privilege fees, and regulatory licenses	106,118
Fines and forfeitures	686,447
Revenue from use of money and property	460,995
Charges for services	864,853
Recovered costs	456,267
Other	272,431
Intergovernmental	10,121,606
Total revenues	29,850,247
EXPENDITURES	
Current operating:	
General government administration	2,065,201
Judicial administration	1,357,675
Public safety	7,394,977
Public works	1,991,431
Health and welfare	5,418,921
Education	6,886,448
Parks, recreation and cultural	1,030,216
Community development	1,476,745
Capital projects	681,967
Debt service:	
Principal retirement	1,006,630
Interest and other fiscal charges	302,630
Total expenditures	29,612,841
Excess of revenues over expenditures	237,406
OTHER FINANCING USES	
Transfers out	(519,581)
Total other financing uses	(519,581)
Net change in fund balance	(282,175)
FUND BALANCE AT JULY 1, 2009	7,035,735
FUND BALANCE AT JUNE 30, 2010	$ 6,753,560

The Notes to Financial Statements are an integral part of this statement.

(Continued)

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND (Continued)

For the Year Ended June 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - total governmental fund	$ (282,175)
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. That is the amount by which capital outlays ($2,519,002) exceeds depreciation ($1,559,790).	959,212
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and sales) is to decrease net assets.	(41,294)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	236,455
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,061,849
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.	(36,910)
Change in net assets of governmental activities	$ 1,897,137

The Notes to Financial Statements are an integral part of this statement

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
General property taxes	$ 13,482,625	$ 13,482,625	$ 13,279,456	$ (203,169)
Other local taxes	3,477,500	3,477,500	3,602,074	124,574
Permits, privilege fees, and regulatory licenses	76,025	76,025	106,118	30,093
Fines and forfeitures	328,000	328,000	686,447	358,447
Revenue from use of money and property	632,593	632,593	460,995	(171,598)
Charges for services	752,076	752,076	864,853	112,777
Recovered costs	497,232	497,232	456,267	(40,965)
Other	121,450	121,450	272,431	150,981
Intergovernmental	11,060,871	11,251,560	10,121,606	(1,129,954)
Total revenues	30,428,372	30,619,061	29,850,247	(768,814)
EXPENDITURES				
Current Operating:				
General government administration	2,424,277	2,424,277	2,065,201	359,076
Judicial administration	1,426,247	1,426,247	1,357,675	68,572
Public safety	7,781,837	8,312,526	7,394,977	917,549
Public works	2,103,529	2,103,529	1,991,431	112,098
Health and welfare	6,501,128	6,501,128	5,418,921	1,082,207
Education	9,035,101	9,035,101	6,886,448	2,148,653
Parks, recreation, and cultural	1,035,436	1,035,436	1,030,216	5,220
Community development	1,847,161	1,847,161	1,476,745	370,416
Capital Projects	3,690,000	3,690,000	681,967	3,008,033
Debt Service:				
Principal retirement	1,001,198	1,001,198	1,006,630	(5,432)
Interest and other fiscal charges	308,062	308,062	302,630	5,432
Total expenditures	37,153,976	37,684,665	29,612,841	8,071,824
Excess (deficiency) of revenues over expenditures	$ (6,725,604)	$ (7,065,604)	$ 237,406	$ 7,303,010

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2010

	Business-type Activity Enterprise Fund Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	$ 968,461
Receivables, net (Note 3)	186,004
Due from other governmental units (Note 4)	142,341
Total current assets	1,296,806
Noncurrent assets:	
Capital assets, net (Note 6)	31,178,183
Bond issue costs, net	39,968
Total noncurrent assets	31,218,151
Total assets	32,514,957
LIABILITIES	
Current liabilities:	
Accounts payable	471,729
Accrued interest payable	33,189
Unearned revenue	678,942
Bonds payable (Note 7)	294,653
Compensated absences and other post employment benefits (Note 7)	9,929
Total current liabilities	1,488,442
Noncurrent liabilities:	
Bonds payable (Note 7)	11,859,389
Compensated absences and other post employment benefits (Note 7)	16,086
Total noncurrent liabilities	11,875,475
Total liabilities	13,363,917
NET ASSETS	
Invested in capital assets, net of related debt	19,024,141
Unrestricted	126,899
Total net assets	$ 19,151,040

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 7

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	Business-type Activities Enterprise Fund Water and Sewer
OPERATING REVENUES	
Water revenues	$ 1,061,385
Wastewater revenues	589,812
Service charges	14,213
Connection fees	19,015
Miscellaneous	1,882
Total operating revenues	1,686,307
OPERATING EXPENSES	
Salaries and wages	289,888
Employee benefits	130,284
Utilities and communication	57,459
Water and wastewater services	383,778
Water purchases	383,426
Professional services	2,587
Project expenses	35,795
Repairs and maintenance	62,733
Insurance	5,418
Office supplies and miscellaneous	19,822
Depreciation and amortization	1,309,606
Total operating expenses	2,680,796
Operating loss	(994,489)
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	8
Interest expense	(446,367)
Total non-operating revenues (expenses)	(446,359)
Loss before contributions and transfers	(1,440,848)
CAPITAL CONTRIBUTIONS (Note 6)	1,012,032
TRANSFERS IN	519,581
Change in Net Assets	90,765
NET ASSETS JULY 1, 2009	19,060,275
NET ASSETS JUNE 30, 2010	$ 19,151,040

The Notes to Financial Statements are an integral part of this statement.

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2010

	Business-type Activities Enterprise Fund Water and Sewer
OPERATING ACTIVITIES	
Receipts from customers	$ 1,659,380
Payments to suppliers	(818,419)
Payments to employees	(413,436)
Other receipts	1,882
Net cash provided by operating activities	429,407
NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	519,581
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,638,576)
Contributions in aid of construction	2,096,728
Proceeds from indebtedness	299,589
Principal payments on debt	(281,606)
Interest payments on debt	(456,670)
Net cash provided by capital and related financing activities	19,465
INVESTING ACTIVITIES	
Interest received	8
Net change in cash and cash equivalents	968,461
CASH AND CASH EQUIVALENTS	
Beginning at July 1	-
Ending at June 30	$ 968,461
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	$ (994,489)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,307,720
Amortization	1,886
Increase in accounts receivable	(25,045)
Increase in accounts payable	132,599
Increase in accrued payroll and related liabilities	6,736
Net cash provided by operating activities	$ 429,407
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Imputed interest	$ 10,476
Capital asset purchases included in accounts payable at year end	$ 250,905

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 9

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

		Agency Funds
ASSETS		
Cash and cash equivalents	$	234,514
Accrued interest		34
Due from other governmental units		1,953
Total assets	$	236,501
LIABILITIES		
Amounts held for social services clients	$	234,814
Amounts held for Carnegie fund		1,687
Total liabilities	$	236,501

The Notes to Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

Primary Government. The County is a political subdivision of the Commonwealth of Virginia governed by a seven-member elected Board of Supervisors. The accompanying financial statements for the primary government and its component units are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units, as prescribed by the GASB.

Discretely Presented Component Units. Discretely presented component units are entities that are legally separate from the government, but for which the government is financially accountable, or whose relationship with the government is such that exclusion would cause the government's financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County.

Smyth County School Board

The Smyth County School Board (the "School Board") is responsible for elementary and secondary education within the County's jurisdiction. The School Board is comprised of seven members who are popularly elected. The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt.

Smyth County Industrial Development Authority

The Smyth County Industrial Development Authority (the "IDA") was created to encourage and provide financing for industrial development in the County. The IDA directors are appointed by the Board of Supervisors and the County is financially accountable for the IDA. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate industrial development. Complete financial statements may be obtained at the County's administrative offices, 121 Bagley Circle, Suite 100, Marion, Virginia 24354.

The following entities are excluded from the financial statements:

Joint Ventures

Smyth-Bland Regional Library

The County in conjunction with Bland County established a jointly owned Regional Library located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. Three officers and four trustees are appointed by the County and the County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the Government-Wide statements. During the fiscal year, the County provided $992,036 to fund operations. Financial statements of the library can be obtained from the library at 118 S. Sheffey Street, Marion, Virginia 24354.

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Smyth-Wythe Airport Commission

The County along with the Town of Marion, the Town of Wytheville, and the County of Wythe established the Smyth-Wythe Airport Commission. The County provides funding annually and appoints one member to the governing board. The County along with the Town of Marion appoints an additional member to the board. During the year the County provided $23,250 to the airport. Complete financial statements of the Airport Commission can be obtained by contacting the Commission at P.O. Box 885, Marion, Virginia 24354.

Southwest Virginia Regional Jail Authority

The Southwest Virginia Regional Jail Authority was created by the County, the City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Washington, and Wise for the purpose of constructing and operating jail facilities for these participating localities. The County paid fees in the amount of $1,071,711 during 2010 to the Authority.

Joint Venture – Discretely Presented Component Unit-IDA

Smyth-Washington Regional Industrial Facilities Authority

Smyth and Washington County Industrial Development Authorities created the Smyth-Washington Regional Industrial Facilities Authority for the purpose of promoting economic development in those counties. The IDA shares equally in the costs and revenue generated from the development of the Glade Highlands Industrial Park. The IDA reports its investment in the Authority as an equity interest. The investment balance in the Authority as of June 30, 2010 was $1,777,870. Income (loss) earned on the investment during the 2010 fiscal year was ($145,265). Complete financial statements for the Authority can be obtained at the administrative office located at 1021 Terrace Drive, Marion, VA 24354.

Related Organizations

Mount Rogers Community Services Board

The Mount Rogers Community Services Board was formed to provide mental health services to participating localities. The County provides funding to the board each year and is represented on the Mount Rogers Planning District Commission which oversees this board. The County provided $166,022 to the board during the 2010 fiscal year.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

The Appalachian Juvenile Commission

The Appalachian Juvenile Commission (renamed from Highlands Juvenile Detention Center Commission) was organized in 1984 and is jointly governed by the Counties of Washington, Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, and Scott, the Cities of Bristol and Norton and the County. The County appoints two members to the governing board; however, the County is not financially accountable to the Commission. The County provided $225,600 to the Commission in the 2010 fiscal year.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities that report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary* government is reported separately from certain legally separate *component* units for which the primary government is financially accountable.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when billed, net of allowances of uncollectible amounts. Real and personal property taxes recorded at June 30, and received within the first 60 days after year-end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months 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 specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts which are recorded as compensated absences, are recognized when paid and (2) principal and interest payments on general long-term debt, both of which are recognized when paid.

The County reports the following major governmental fund:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

Proprietary Funds are used to account for the reporting entity's ongoing organizations and activities similar to those often found in the private sector. The County reports the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer fund accounts for the activities of the County's water and sewer system, which includes water distribution and sewage collection systems throughout the County.

Additionally, the County reports the following fund category:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of the following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds 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 charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. *General revenues* include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

Operating revenues and expenses in the proprietary fund result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges for services. The proprietary fund 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 the enterprise fund include the cost of sales and services, purchases, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Board of Supervisors can revise the appropriation for each fund. The County Administrator is authorized to transfer budgeted amounts within general government funds and the School Board is authorized to transfer budgeted amounts within the school system's functions.
- Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
- All budgets are adopted on a basis which is consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30 for all County units.
- All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments (including restricted assets) with a maturity date within three months of date acquired.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment.

Inventories

Inventories generally are recorded at cost using the first-in/first-out (FIFO) method except for commodities received from the Federal Government, which are valued at market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets

Capital assets which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as items with an initial individual cost of more than $5,000 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed. In the current year, there was capitalized interest of $17,582 reported in the business-type activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Machinery and equipment	3 – 20 years
Water and wastewater systems	20 – 40 years

Deferred Revenues

Deferred revenue consists primarily of property taxes not collected within 60 days of year end and property taxes collected that are not yet due. For fiscal year 2010, deferred revenue also consists of grant revenue unearned at June 30, 2010.

Compensated Absences

County and School Board employees are granted a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation and compensatory leave, and the amount payable upon termination, in accordance with respective policies, of sick leave pay out. The applicable share of employer related taxes payable on the eventual termination payments is also included. The cost of accumulated vacation and sick leave pay is accounted for as a liability in the government-wide financial statements and proprietary fund type statements. A liability for these amounts is reported in the governmental funds when the amounts have become due and payable.

(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. 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. Repayments and issuance costs are reported as debt service expenditures.

Encumbrances

The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Net Assets/Fund Equity

Net assets in the government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt, restricted, and unrestricted. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations.

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

(Continued)

Note 2. Deposits and Investments

Deposits

All cash of the County and the discretely presented component units – School Board and IDA - are maintained in accounts covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 *et seq.* of the *Code of Virginia.*

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), 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).

There was no investment activity during the year other than in certificates of deposit.

Note 3. Receivables/Deferred and Unearned Revenue

Receivables at June 30 are as follows:

	Governmental Activities	Business-Type Activities
Receivables		
Taxes	$ 18,215,544	$ -
Accounts	380,653	244,355
Loan receivables	10,444	-
Gross receivables	18,606,641	244,355
Less:		
Allowance for uncollectibles	(636,733)	(58,351)
Net total receivables	$ 17,969,908	$ 186,004

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of deferred revenue were as follows:

	Deferred Revenue	Unearned Revenue
Property taxes receivable	$ 17,527,919	$ 15,884,028
Prepaid taxes – unearned	106,120	106,120
Abingdon Feeder Cattle Grant - Unearned	71,550	71,550
	$ 17,705,589	$ 16,061,698

(Continued)

Note 3. Receivables/Deferred and Unearned Revenue (Continued)

Deferred revenue of $678,942 for the business-type activities consists of grants received from Rural Development in advance of costs incurred on the water and sewer projects. Revenue will be recognized in the year the costs are incurred.

Note 4. Due from Other Governmental Units

Due from other government units consists of the following:

	Governmental Activities	Business-Type Activities	Component Unit School Board
Commonwealth of Virginia:			
Local sales tax	$ 313,208	$ -	$ -
State sales tax	-	-	710,210
Communication tax	104,016	-	-
Categorical aid – shared expenses	210,032	-	-
Comprehensive services act	122,227	-	-
Virginia public assistance funds	104,267	-	-
Other categorical aid	18,227	-	112,082
Non-categorical aid	142,800	-	-
Federal Government:			
Federal public assistance funds	151,859	-	-
Public safety communication grant	55,541		
State fiscal stabilization	-		758,403
Dept of Environmental Quality	-	74,239	-
Title I and Title I ARRA	-	-	192,617
Title II	-	-	64,223
Title IV-B	-	-	202,190
Reading First	-	-	60,728
Pre-School Handicapped	-	-	2,994
21st Century Learning	-	-	98,955
Vocational Education			8,020
Other Federal aid	-	-	42,237
Other:			
Other Governmental units	63,974	68,102	53,445
	$ 1,286,151	$ 142,341	$ 2,306,104

There is a due from component unit from the IDA of $8,500.

Note 5. Interfund Transfers

Interfund transfers are as follows:

Transfer to Fund	Transfer From Fund	Amount
Water and Sewer	General Fund	$ 519,581

The general fund provided funds to cover operating and capital costs during the current year.

Note 6. Capital Assets

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

Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 368,231	$ -	$ (2,667)	$ 365,564
Construction in progress	983,404	2,361,661	(2,170,009)	1,175,056
Total capital assets, not depreciated	1,351,635	2,361,661	(2,172,676)	1,540,620
Capital assets, depreciated:				
Infrastructure	56,660	-	-	56,660
Buildings and improvements	25,723,215	60,153	(39,617)	25,743,751
Machinery and equipment	5,308,626	2,267,197	(97,352)	7,478,471
Total capital assets, depreciated	31,088,501	2,327,350	(136,969)	33,278,882
Less accumulated depreciation for:				
Infrastructure	(7,902)	(1,700)	-	(9,602)
Buildings and improvements	(13,767,163)	(1,152,758)	990	(14,918,931)
Machinery and equipment	(3,161,891)	(405,332)	97,352	(3,469,871)
Total accumulated depreciation	(16,936,956)	(1,559,790)	98,342	(18,398,404)
Capital assets, depreciated, net	14,151,545	767,560	(38,627)	14,880,478
Governmental activities capital assets, net	$ 15,503,180	$ 3,129,221	$ (2,211,303)	$ 16,421,098

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 25,431	$ -	$ -	$ 25,431
Construction in progress	1,312,867	1,160,228	(1,221,829)	1,251,266
Total capital assets, not depreciated	1,338,298	1,160,228	(1,221,829)	1,276,697
Capital assets, depreciated:				
Utility system	42,974,601	1,151,799	-	44,126,400
Machinery and equipment	360,706	249,609	(51,289)	559,026
Capital assets, depreciated	43,335,307	1,401,408	(51,289)	44,685,426
Less: accumulated depreciation for:				
Utility system	(13,285,498)	(1,257,251)	-	(14,542,749)
Machinery and equipment	(242,011)	(50,469)	51,289	(241,191)
Total accumulated depreciation	(13,527,509)	(1,307,720)	51,289	(14,783,940)
Capital assets, depreciated, net	29,807,798	93,688	-	29,901,486
Business-type activities capital assets, net	$ 31,146,096	$ 1,253,916	$ (1,221,829)	$ 31,178,183

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	$ 141,934
Judicial administration	41,277
Public safety	287,040
Public works	58,431
Health and welfare	39,028
Education	949,918
Parks, recreation, and cultural	39,922
Community development	2,240
	1,559,790
Business-type activities:	
Water and Sewer	1,307,720
Total depreciation expense – primary government	$ 2,867,510

Note 6. Capital Assets (Continued)

Primary Government (Continued)

As of June 30, the County has active construction projects and commitments with contractors as listed below:

Project	Amount Spent to Date	Remaining Commitment
Greenwood/Pioneer-Tipton Construction	$ 403,659	$ 526,911
Cedar Hall Addition 2-DLB, Inc.	212,036	579,322
Total	$ 615,695	$ 1,106,233

The County received $1,012,032 in capital contributions from Federal, State, and Local granting agencies for the construction and expansion of wastewater treatment facilities.

Discretely Presented Component Unit – School Board

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

Discretely Presented Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 610,977	$ -	$ -	$ 610,977
Construction in progress	109,478	499,890	-	609,368
Total capital assets, not depreciated	720,455	499,890	-	1,220,345
Capital assets, depreciated:				
Buildings and improvements	10,886,280	144,048	-	11,030,328
Machinery and equipment	5,326,358	686,649	(75,500)	5,937,507
Total capital assets, depreciated	16,212,638	830,697	(75,500)	16,967,835
Less accumulated depreciation for:				
Buildings and improvements	(6,679,973)	(256,702)	-	(6,936,675)
Machinery and equipment	(2,592,624)	(441,290)	75,500	(2,958,414)
Total accumulated depreciation	(9,272,597)	(697,992)	75,500	(9,895,089)
Capital assets, depreciated, net	6,940,041	132,705	-	7,072,746
School Board capital assets, net	$ 7,660,496	$ 632,595	$ -	$ 8,293,091

Total depreciation expense recorded in fiscal year 2010 was $697,992.

All depreciation expense of the School Board was charged to the education function.

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit – Industrial Development Authority

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

Discretely Presented Component Unit - Industrial Development Authority	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 160,079	$ -	$ -	$ 160,079

Note 7. Long-Term Debt

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
Governmental Activities:					
Bonds payable:					
General obligation bonds	$ 3,275,247	$ -	$ 355,910	$ 2,919,337	$ 367,514
Literary fund loans	7,307,425	-	651,139	6,656,286	651,136
Total bonds payable	10,582,672	-	1,007,049	9,575,623	1,018,650
Landfill closure/ post-closure	116,886	-	54,800	62,086	54,850
Compensated absences	596,302		40,562	555,740	416,805
Other post-employment benefits	88,737	125,914	33,628	181,023	-
	$ 11,384,597	$ 125,914	$ 1,136,039	$ 10,374,472	$ 1,490,305
Business-Type Activities:					
Bonds payable:					
General obligation bonds	$ 12,136,059	$ 299,589	$ 281,606	$ 12,154,042	$ 294,653
Total bonds payable	12,136,059	299,589	281,606	12,154,042	294,653
Compensated absences	13,016	222	-	13,238	9,929
Other post-employment benefits	6,263	8,886	2,372	12,777	-
	$ 12,155,338	$ 308,697	$ 283,978	$ 12,180,057	$ 304,582
Component Unit					
School Board:					
Compensated absences	$ 618,443	$ 89,006	$ -	$ 707,449	$ 119,325
Other post-employment benefits	171,000	316,840	139,000	348,840	-
	$ 789,443	$ 405,846	$ 139,000	$ 1,056,289	$ 119,325

(Continued)

Note 7. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Other Long-Term Debt		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 367,514	$ 137,556	$ 651,136	$ 133,126	$ 294,653	$ 465,214
2012	379,303	118,441	651,136	120,102	309,592	449,060
2013	391,341	99,079	556,136	107,081	322,574	435,012
2014	388,761	79,584	556,136	95,957	335,481	423,225
2015	401,376	59,944	556,136	84,835	348,550	410,908
2016-2020	835,642	118,735	2,400,401	258,612	1,940,928	1,852,132
2021-2025	155,400	7,094	1,073,074	85,225	2,338,160	1,461,988
2026-2030	-	-	212,131	4,242	2,751,202	986,337
2031-2035	-	-	-	-	1,049,366	607,408
2036-2040	-	-	-	-	1,188,065	387,475
2041-2045	-	-	-	-	1,104,301	129,581
2046-2050	-	-	-	-	171,170	12,772
	$ 2,919,337	$ 620,433	$ 6,656,286	$ 889,180	$ 12,154,042	$ 7,621,112

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
General Obligation Bonds:						
Landfill	4.5%	03/26/96	2016	$ 1,129,000	$ 416,125	$ -
School Construction	4.9 – 6.35	11/12/92	2012	214,010	41,977	-
School Construction	5.1 – 6.1	12/21/95	2015	3,430,007	1,229,595	-
School Construction	4.975 – 5.85	11/01/00	2020	1,836,901	1,131,502	-
School Construction	4.1-5.6	11/10/04	2024	117,994	94,034	-
Rural Development Administration	4.5	07/02/02	2042	346,000	-	322,368
Virginia Resource Authority	2.5	10/17/01	2032	133,000	-	107,803
Virginia Resource Authority	0% Coupon	03/05/04	2034	503,049	-	407,776
Virginia Resource Authority	0	11/26/08	2029	473,000	-	449,350
Rural Development Administration	3.250	02/14/05	2045	1,500,000	-	1,428,778
Rural Development Administration	4.375	03/08/05	2045	400,400	-	385,907
Rural Development Administration	4.375	05/26/04	2044	2,735,500	-	2,600,417
Rural Development Administration	4.50	10/09/07	2047	338,000	-	334,073
Rural Development Administration	4.00	2/11/10	2049	123,500		123,500
Rural Development Administration	2.375	2/11/10	2049	121,500		121,500
Rural Development Administration	4.50	02/13/09	2048	500,000	-	500,000
General Obligation Refunding Bond Series 2005	4.0; at 2021 55% of Prime	11/30/05	2030	6,309,000	-	5,520,000
					2,913,233	12,301,472
Bond Premiums					6,104	-
Imputed Interest	4%				-	(147,430)
					$ 2,919,337	$ 12,154,042

(Continued)

Note 7. Long-Term Debt (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
Other Long-Term Debt:						
State Literary Fund Loan	2.0	04/01/99	2019	$ 893,655	$ 402,151	$ -
State Literary Fund Loan	2.0	03/15/99	2019	1,777,000	799,650	-
State Literary Fund Loan	2.0	08/01/91	2011	1,900,000	190,000	-
State Literary Fund Loan	2.0	10/01/96	2016	125,500	43,925	-
State Literary Fund Loan	2.0	07/15/98	2018	90,000	40,500	-
State Literary Fund Loan	2.0	07/15/98	2018	1,240,000	558,000	-
State Literary Fund Loan	2.0	01/15/98	2018	1,770,000	796,500	-
State Literary Fund Loan	2.0	03/01/98	2018	557,000	222,800	-
State Literary Fund Loan	2.0	07/01/97	2017	115,000	40,250	-
State Literary Fund Loan	2.0	08/01/99	2019	187,873	93,942	-
State Literary Fund Loan	2.0	04/01/02	2024	2,418,692	1,796,959	-
State Literary Fund Loan	2.0	04/01/02	2024	2,146,934	1,597,184	-
State Literary Fund Loan	2.0	04/01/02	2022	124,041	74,425	-
					$ 6,656,286	$ -

Note 8. Landfill Closure and Post-Closure Care Costs

The County owns a closed landfill and operates a transfer station. Although the landfill closed in 1995, state and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for ten years after closure. During the fiscal year 2006, the County performed gas remediation activities and the post-closure period was projected to continue for an additional five years. The $62,086 reported as landfill closure and post-closure care liability at June 30, 2010 represents the post-closure activities for the additional two year period and closure costs for the transfer station. The amounts are based on what it would cost to perform all closure and post-closure care in 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Federal and State regulations require owners of municipal solid waste landfills to demonstrate financial responsibility for closure care, post closure care and corrective costs arising from the operations of such facilities. The County qualifies to use the allowable financial assurances tests in order to demonstrate financial responsibility and those calculations are in compliance with the applicable regulations.

Note 9. Significant Transactions of the County and Discretely Presented Component Units

School Board

There are some transactions between the County and School Board component unit that are explained in detail below to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt "on behalf" of the School Board. The debt obligation is recorded as a liability of the County's governmental activities. The proceeds from the debt issued "on behalf" of the School Board are recorded in the County's General Fund. Money in an amount equal to the proceeds received is then provided to the School Board to pay for capital expenditures. Any unspent money at year-end is transferred to the County.

2. The primary government's budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. GAAP requires that debt issued "on behalf" of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments as payments for school bonded debt is reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

3. Local governments in Virginia have a "tenancy in common" with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of this property.

4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be $48,952,024. That amount is obtained as follows:

Expenditures of School Board – Component Unit (Exhibit B-2)	$ 47,642,764
Principal and other debt service expenditures included in primary government	1,309,260
Total expenditures for school activities	$ 48,952,024

5. The amount due to the School Board represents the cash to cover July and August salaries payable and related taxes of the School Board.

(Continued)

Note 9. Significant Transactions of the County and Discretely Presented Component Units (Continued)

Industrial Development Authority

In fiscal year 2008, an amount due from the IDA of $40,595 originated for an incentive payment made by the Primary Government. The IDA received a grant for $40,595 in fiscal year 2008 that was deposited into the IDA fund. The primary government paid the incentive payment of $40,595 out of the general fund in fiscal year 2008. A transfer from the IDA fund to the general fund did not occur in fiscal year 2010. The financial statements reflected a due from the IDA of $40,595 at June 30, 2010.

The Primary Government provides funding from time to time to the IDA for its contributions to the Smyth-Washington Regional Industrial Facilities Authority and for economic incentive projects.

Note 10. Defined Benefit Pension Plan

Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). In addition, professional and non-professional employees of the School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers and sheriffs), payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and, if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Note 10. Defined Benefit Pension Plan (Continued)

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The County has assumed this 5.00% member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2010 was 13.29% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2010 were 13.81% for professional employees and 11.85% for non-professional employees. As required by the Commonwealth of Virginia, the contribution rates for school employees were reduced to -0-% for the period April 1, 2010 to June 30, 2010. This rate reduction did not include the 5% employee share paid by the employer. The County and School Board's contribution rates include the employer's share of 5% paid by the employer.

For the three years ended June 30, 2010, 2009, and 2008, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were $2,808,894, $3,560,742, and $3,846,177 and represented 13.81%, 13.81%, and 15.30% of annual covered payroll, respectively, and 100% of the required contributions for 2010, 2009, and 2008.

Annual Pension Cost

For fiscal year 2010, the County and School Board's annual pension costs of $953,485 and $302,004, respectively, were equal to their required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 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 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 and School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

Three-Year Trend Information for the County of Smyth

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 953,485	100%	$ -
June 30, 2009	$ 967,930	100%	$ -
June 30, 2008	$ 560,194	100%	$ -

(Continued)

Note 10. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information for the County of Smyth School Board Non-Professional

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 302,004	100%	$ -
June 30, 2009	$ 301,926	100%	$ -
June 30, 2008	$ 330,092	100%	$ -

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 85.10% funded for the County and 91.44% funded for the School Board. The actuarial accrued liability for benefits was $32,643,891 for the County and $10,534,446 for the School Board and the actuarial value of assets was $27,781,341 for the County and $9,632,276 for the School Board, resulting in an unfunded actuarial accrued liability (UAAL) of $4,862,550 for the County and $902,170 for the School Board. The covered payroll (annual payroll of active employees covered by the plan) was $7,291,499 for the County and $2,605,986 for the School Board, and ratio of the UAAL to the covered payroll was 66.69% for the County and 34.62% for the School Board.

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

Note 11. Other Post-Employment Benefits

The Governmental Accounting Standards Board ("GASB") Statement No. 45, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans,* establishes standards for the measurement, recognition and display of other post-employment benefits ("OPEB") expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The County and Schools prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Note 11. Other Post-Employment Benefits (Continued)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2010, the County and School Board's annual OPEB costs of $134,800 and $316,840, respectively, were equal to the Annual Required Contribution (ARC).

	Primary Government	School Board
Annual required contribution	$ 131,000	$ 310,000
Interest on net OPEB obligation	3,800	6,840
Adjustment to annual required contribution	-	-
Annual OPEB cost	134,800	316,840
Contributions made	(36,000)	(139,000)
Increase in net OPEB obligation	98,800	177,840
Net OPEB obligation-beginning of year	95,000	171,000
Net OPEB obligation-end of year	$ 193,800	$ 348,840

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The County's first year for implementing GASB No. 45 was June 30, 2009.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 134,800	26.7%	$ 193,800
June 30, 2009	$ 131,000	27.4%	$ 95,000

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows. The School Board's first year for implementing GASB No. 45 was June 30, 2009.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 316,840	43.9%	$ 348,840
June 30, 2009	$ 310,000	44.9%	$ 171,000

Note 11. Other Post-Employment Benefits (Continued)

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2009 was as follows:

	Primary Government	School Board
Actuarial Accrued Liability (AAL)	$ 1,399,000	$ 3,714,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,399,000	3,714,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	7,174,457	27,464,874
UAAL as a Percentage of Covered Payroll	19.50%	13.52%

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type 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.

In the July 1, 2008 actuarial valuation, the entry age normal cost method was used to determine liabilities. Under this method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2010 is 28 years.

Note 11. Other Post-Employment Benefits (Continued)

Plan Description

The County and School Board provide post-employment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors and School Board. The plan does not grant retirees vested health benefits.

A retiree, eligible for post-retirement medical coverage, is defined as a full-time employee who retires directly from the County or Schools and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and Schools. Employees at the County are allowed to stay on the plan until death of the employee and employees at the School Board are allowed to stay on the plan until death of the employee or eligibility for Medicare coverage. The employee pays 100% of the required premium.

The number of participants at June 30, 2010 was as follows:

	Primary Government	School Board
Retirees currently receiving benefits	8	56
Active employees	194	551
Total	202	607

Funding Policy

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2010, neither the County nor the Schools designated any funding for the OPEB liability.

Note 12. Property Taxes

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of the County of Smyth, Virginia. Public utility property is assessed by the Commonwealth. All property is assessed at 100 percent of fair market value and reassessed every six years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

(Continued)

Note 12. Property Taxes (Continued)

Property taxes are billed in annual installments due December 5. Real estate taxes attach an enforceable lien on property as of January 1. The real estate tax rate is $.69 per $100 of assessed value. Personal property tax assessments are as follows per $100 of assessed value: $2.25 on motor vehicles; $1.55 on business use machinery and tools; $.40 on merchant's capital; $1.20 on interstate commerce; and $.69 on mobile homes. Personal property taxes do not create a lien of property; however, County vehicle decals, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes.

Note 13. Risk Management

The County is 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 participates with other localities in a public risk entity pool for their coverage of general liability, auto, crime, and property insurance with the Virginia Association of Counties (VACO). Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. The County pays VACO contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims, and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues 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. Leases

In January 1995, the County entered into a lease agreement with the Commonwealth of Virginia ("State") to lease the building holding primarily all county offices including the School Board. The lease has a term of 25 years ending December 2019 at which time, the use of the building reverts back to the State. Annual rent for the 25-year rental period is $1. There are no other annual payments required. All maintenance and repairs are the responsibility of the County.

Note 15. Commitments and Contingencies

Purchase Commitments

The County and a certain Town entered into an agreement in August 1990 to purchase up to 60,000 gallons of water per day at a rate of $1.95 per 1,000 gallons (subject to increase with residential rates). The current rate is $2.11 per 1,000 gallons. The initial term of the agreement was five years with seven successive five-year periods at mutual agreement between the Town and the County. The County is currently in the third renewal period.

(Continued)

Note 15. Commitments and Contingencies (Continued)

Purchase Commitments (Continued)

In September 1999, the County entered into an agreement with a certain entity to purchase up to 70,000 gallons of water per day between the rates of $1.90 and $2.25 per 1,000 gallons (subject to increase with increase in corporate rates) depending on monthly usage. The initial term of the agreement was five years with seven successive five-year periods at the option of the County. The County has renewed the agreement for the first five-year option. The second five year option has not been formally renewed.

In March 2006, the County entered into an agreement with a certain Town to purchase up to 256,000 gallons of water per day at a rate of $17.50 for first 5,000 gallons, the next 495,000 gallons at a rate of $3.00 and over 500,000 gallons at a rate of $2.40 subject to increase of commercial rate capped at 2%. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County.

The County and a certain Town entered into a water purchase agreement in July 2003 for the purchase of up to 12.5 million gallons of water per month at a rate of $3.98 per 1,000 gallons (subject to increase with residential rates). In the event that the Town must purchase water back from the County, the rate is the same. The initial term of the agreement is three years with three successive annual periods at mutual agreement between the Town and the County. The rate increased to $5.05 per 1,000 gallons effective July 4, 2008.

Other Commitments

During fiscal year 2006, the County was mandated by the state government to undertake a major renovation of the Smyth County courthouse. This project will extend over a period of years and have substantial costs. The project will be a major overhaul of the courthouse that could cost several million dollars. At current, the project is estimated at $16 to $20 million dollars. During the fiscal year 2010, costs were incurred for architect fees.

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required, they will be immaterial.

Note 16. Intergovernmental Agreements

Mountain Empire Regional Wastewater Facility

In 1990, the County entered into an agreement with the Town of Marion ("Marion") for joint utilization of the capacity of the Mountain Empire Regional Wastewater Facility. Marion owns and operates the facility in which the County is entitled to 17.65% of the wastewater treatment capacity and pays a monthly user charge determined by Marion consisting of an allocation of operating and maintenance costs, funding of replacement reserve, and overruns from the previous year less revenue derived from treatment of wastewater.

The user charge is determined monthly. The County also remits a monthly payment for debt service. The term of the agreement ends August 2030 and is renewable for an additional 40-year period. During fiscal year 2010, the County remitted a total of $201,472 to Marion in user charges. As part of the agreement, Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

(Continued)

Note 16. Intergovernmental Agreements (Continued)

Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie ("Chilhowie") for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year less revenue derived from treatment of wastewater. The user charge is determined each month based on a percentage of the plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2010, the County remitted a total of $118,927 to Chilhowie in user charges. As part of the agreement, Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

Saltville-Smyth County Regional Wastewater Treatment Facility

In 2001, the Town of Saltville ("Saltville") and the County entered into an agreement to construct and operate the Saltville/Smyth County Regional Wastewater Treatment Facility. The County constructed and owns the facility which is to be operated by Saltville. The County's capacity in the facility is 40% and it is to pay a monthly user charge based on actual user flow consisting of operating and maintenance costs which are to be determined by Saltville monthly

The term of agreement ends March 2041 and is renewable for a term of 40 years. During fiscal year 2010, the County remitted a total of $24,271 to Saltville in user charges. As part of the agreement, Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

Note 17. Net Assets/Fund Balance

The amounts that are reported on the fund financial balance sheet identified as reserved fund balance and designated fund balance are comprised of the following:

	Primary Government General Fund
Reserved for:	
E-911	104,805
Asset Forfeiture Funds	50,013
DARE Fund	18,188
Courthouse Security	87,382
Reserved fund balance-special purposes	$ 260,388
Designated for:	
Animal License Fund	$ 87,157
Revenue Maximization Fund	19,115
Total designated fund balance	$ 106,272

Note 18. New Accounting Standard

The Governmental Accounting Standards Board (GASB) has issued the following statement which is not yet effective.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides new fund balance classifications and clarifies governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the year ending June 30, 2011.

Management has not yet evaluated the effects, if any, of adopting this standard, but does not expect them to be material.

Note 19. Subsequent Events

The County is obtaining a 2010 bond anticipation note for $5,078,600 on November 9, 2010 with an interest rate of 3% and a maturity date of December 1, 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

SMYTH COUNTY VIRGINIA

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EXHIBIT 10

COUNTY OF SMYTH, VIRGINIA

Required Supplementary Information
Schedule of Funding Progress
As of June 30, 2010

DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as Percentage of AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
A. Smyth County						
June 30, 2009	$ 27,781,341	$ 32,643,891	$ 4,862,550	85.10%	$ 7,291,499	66.69%
June 30, 2008	$ 27,636,053	$ 30,694,671	$ 3,058,618	90.04%	$ 7,260,882	42.12%
June 30, 2007	$ 25,260,478	$ 26,783,475	$ 1,522,997	94.31%	$ 6,849,230	22.24%
June 30, 2006	$ 22,866,517	$ 22,791,202	$ (75,315)	100.33%	$ 6,564,669	-1.15%
B. Smyth County Schools Non-professional Employees						
June 30, 2009	$ 9,632,276	$ 10,534,446	$ 902,170	91.44%	$ 2,605,986	34.62%
June 30, 2008	$ 9,649,385	$ 10,108,232	$ 458,847	95.46%	$ 2,463,579	18.63%
June 30, 2007	$ 8,807,647	$ 9,486,658	$ 679,011	92.84%	$ 2,395,022	28.35%
June 30, 2006	$ 7,912,730	$ 8,963,785	$ 1,051,055	88.27%	$ 2,387,272	44.03%

OTHER POST-EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio Assets as Percentage of AAL	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
A. Smyth County						
July 1, 2009	$ -	$ 1,399,000	$ 1,399,000	0.00%	$ 7,174,457	19.50%
July 1, 2008	$ -	$ 1,399,000	$ 1,399,000	0.00%	$ 7,172,000	19.51%
B. Smyth County School Board						
July 1, 2009	$ -	$ 3,714,000	$ 3,714,000	0.00%	$ 28,361,000	13.10%
July 1, 2008	$ -	$ 3,714,000	$ 3,714,000	0.00%	$ 28,361,000	13.10%

SMYTH COUNTY VIRGINIA

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OTHER SUPPLEMENTARY INFORMATION

SMYTH COUNTY VIRGINIA

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FIDUCIARY FUNDS

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

Carnegie – The Carnegie fund holds funds legally restricted for school renovations per the donor's will.

SMYTH COUNTY VIRGINIA

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COUNTY OF SMYTH, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Special Welfare	Carnegie	Total
ASSETS			
Cash and cash equivalents	$ 232,827	$ 1,687	$ 234,514
Accrued interest	34	-	34
Due from other governmental units	1,953	-	1,953
Total assets	$ 234,814	$ 1,687	$ 236,501
LIABILITIES			
Amounts held for social services clients	$ 234,814	-	$ 234,814
Amounts held for Carnegie fund	-	1,687	1,687
Total liabilities	$ 234,814	$ 1,687	$ 236,501

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1832

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund – This fund accounts for the operations of the School Board's elementary, middle, and high schools.

SMYTH COUNTY VIRGINIA

1832

COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2010

	School Operating
ASSETS	
Cash and cash equivalents	$ 2,484,673
Due from primary government	4,604,558
Due from other governmental units	2,306,104
Accrued interest	4,398
Prepaid expense	76,516
Inventories	122,963
Total assets	$ 9,599,212
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	$ 206,849
Accrued payroll and related liabilities	4,694,382
Total liabilities	4,901,231
Fund Balance:	
Reserve for inventories	122,963
Reserve for prepaid expense	76,516
Unreserved, designated for school textbooks	1,693,679
Unreserved, undesignated	2,804,823
Total fund balance	4,697,981
Total liabilities and fund balance	$ 9,599,212

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

Total fund balance	$ 4,697,981
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	8,293,091
Long-term liabilities, including compensated absences and other post-employment benefits are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(1,056,289)
Net assets of governmental activities	$ 11,934,783

EXHIBIT B-2

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
For the Year Ended June 30, 2010

		School Operating
REVENUES		
Revenue from use of money and property	$	23,315
Charges for services		1,400,267
Miscellaneous		12,219
Recovered costs		331,791
Intergovernmental		46,768,198
Total revenues		48,535,790
EXPENDITURES		
Current:		
Instruction		36,617,596
Administration, attendance and health		1,687,772
Transportation		2,208,873
Operation and maintenance		4,489,325
School nutrition		2,558,286
Capital projects		80,912
Total expenditures		47,642,764
Excess of revenues over expenditures		893,026
OTHER FINANCING SOURCES		
Insurance recovery		53,166
Total other financing sources		53,166
Net change in fund balance		946,192
FUND BALANCE AT JULY 1, 2009		3,751,789
FUND BALANCE AT JUNE 30, 2010	$	4,697,981

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

Net change in fund balance	$	946,192
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. That is the amount by which capital outlay ($1,330,587) exceeds depreciation ($697,992).		632,595
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.		(266,846)
Change in net assets of governmental activities	$	1,311,941

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – SCHOOL OPERATING FUND

For the Year Ended June 30, 2010

	School Operating			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	$ 18,250	$ 18,250	$ 23,315	$ 5,065
Charges for services	1,290,228	1,290,228	1,400,267	110,039
Miscellaneous	-	-	12,219	12,219
Recovered costs	341,323	341,323	331,791	(9,532)
Intergovernmental	48,496,721	49,246,721	46,768,198	(2,478,523)
Total revenues	50,146,522	50,896,522	48,535,790	(2,360,732)
EXPENDITURES				
Current:				
Instruction	38,451,898	38,152,944	36,617,596	1,535,348
Administration, attendance and health	1,788,647	1,788,647	1,687,772	100,875
Transportation	2,424,632	2,424,632	2,208,873	215,759
Operation and maintenance	4,873,799	4,873,799	4,489,325	384,474
School nutrition	2,406,408	2,705,362	2,558,286	147,076
Capital projects	185,138	935,138	80,912	854,226
Total expenditures	50,130,522	50,880,522	47,642,764	3,237,758
Excess of revenues over expenditures	16,000	16,000	893,026	877,026
OTHER FINANCING SOURCES				
Insurance recovery	-	-	53,166	53,166
Total other financing sources	-	-	53,166	53,166
Net change in fund balance	$ 16,000	$ 16,000	$ 946,192	$ 930,192

SMYTH COUNTY VIRGINIA

1832

SUPPORTING SCHEDULES

SMYTH COUNTY VIRGINIA

1832

COUNTY OF SMYTH, VIRGINIA

GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 8,055,000	$ 8,055,000	$ 7,976,161	$ (78,839)
Public service corporation taxes	540,000	540,000	564,967	24,967
Personal property taxes	2,700,000	2,700,000	2,495,150	(204,850)
Mobile home taxes	114,500	114,500	124,020	9,520
Machinery and tools taxes	1,651,500	1,651,500	1,725,102	73,602
Merchant's capital taxes	186,000	186,000	183,667	(2,333)
Special assessment taxes	5,625	5,625	-	(5,625)
Penalties and interest	230,000	230,000	210,389	(19,611)
Total General Property Taxes	13,482,625	13,482,625	13,279,456	(203,169)
Other local taxes:				
Local sales and use taxes	1,700,000	1,700,000	1,834,860	134,860
Consumers' utility taxes	604,000	604,000	618,076	14,076
Local consumption tax	92,000	92,000	102,938	10,938
Communication tax	630,000	630,000	616,234	(13,766)
Franchise license taxes	7,000	7,000	4,045	(2,955)
Motor vehicle licenses	288,000	288,000	272,778	(15,222)
Taxes on recordation and wills	125,000	125,000	109,993	(15,007)
Special conveyance tax	30,000	30,000	20,369	(9,631)
Lodging tax	1,500	1,500	22,781	21,281
Total Other Local Taxes	3,477,500	3,477,500	3,602,074	124,574
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	65,625	65,625	95,655	30,030
Animal licenses	10,400	10,400	10,463	63
Total Permits, Privilege Fees, and Regulatory Licenses	76,025	76,025	106,118	30,093
Fines and forfeitures	328,000	328,000	686,447	358,447
Revenue from use of money and property:				
Revenue from use of money	501,275	501,275	161,081	(340,194)
Revenue from use of property	131,318	131,318	299,914	168,596
Total Revenue from Use of Money and Property	632,593	632,593	460,995	(171,598)
Charges for services:				
Sheriff's fees	2,076	2,076	2,358	282
Courthouse maintenance	14,000	14,000	25,718	11,718
Courthouse security fees	70,000	70,000	132,804	62,804
Commonwealth's attorney	1,500	1,500	1,707	207
Prisoners	12,000	12,000	5,530	(6,470)
Law library fees	8,500	8,500	8,603	103
Sanitation and waste removal	644,000	644,000	688,133	44,133
Total Charges for Services	752,076	752,076	864,853	112,777

(Continued)

COUNTY OF SMYTH, VIRGINIA

GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Recovered costs:				
Rye Valley water salary reimbursement	$ 84,332	$ 84,332	$ 78,010	$ (6,322)
Insurance recoveries	25,000	25,000	38,257	13,257
Local board of welfare	100,000	100,000	54,743	(45,257)
School resource officer	84,000	84,000	84,000	-
Workforce director	96,398	96,398	96,387	(11)
Other recovered costs	107,502	107,502	104,870	(2,632)
Total recovered costs	497,232	497,232	456,267	(40,965)
Other revenue:				
Payments in lieu of taxes	-	-	31,225	31,225
Payments to Smyth County	-	-	81,250	81,250
Miscellaneous	121,450	121,450	159,956	38,506
Total Other Revenue	121,450	121,450	272,431	150,981
Total Revenue from Local Sources	19,367,501	19,367,501	19,728,641	361,140
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	12,933	12,933	-	(12,933)
Wine taxes	13,565	13,565	-	(13,565)
Mobile home titling taxes	75,000	75,000	60,440	(14,560)
Motor vehicle rental tax	2,500	2,500	95	(2,405)
Personal Property Tax Relief Act	1,804,316	1,804,316	1,804,316	-
Rolling stock taxes	28,000	28,000	32,793	4,793
State recordation tax	-	-	50,644	50,644
Total Non-categorical Aid	1,936,314	1,936,314	1,948,288	11,974
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	467,254	467,254	418,254	(49,000)
Sheriff	1,683,055	1,683,055	1,557,830	(125,225)
Clerk of Court	266,363	266,363	276,698	10,335
Commissioner of the Revenue	117,136	117,136	106,950	(10,186)
Treasurer	129,199	129,199	116,350	(12,849)
Registrar/Electoral Board	56,563	56,563	48,612	(7,951)
Local Aid to Commonwealth	(163,425)	(163,425)	(154,094)	9,331
Total Shared Expenses	2,556,145	2,556,145	2,370,600	(185,545)
Other categorical aid:				
Life EMS	65,000	65,000	26,615	(38,385)
National Forest	-	-	11,357	11,357
Litter control grant	6,500	6,500	7,398	898
Public assistance and welfare administration	1,680,112	1,680,112	1,474,108	(206,004)
Victim witness	45,400	45,400	46,662	1,262
E-911 grant	-	-	34,697	34,697
Fire programs	70,000	70,000	63,361	(6,639)
Comprehensive Services Act program	776,468	776,468	601,244	(175,224)
Asset forfeiture funds	24,500	24,500	14,235	(10,265)
Tobacco grant-Abingdon Feeder Cattle	200,000	200,000	110,623	(89,377)
VA Wireless Services Board grant	70,000	70,000	51,000	(19,000)
Rescue Squad grant	-	43,800	43,800	-
Court record preservation grant	17,376	17,376	-	(17,376)
Criminal history records improvement	-	-	60,097	60,097
Ed Byrne Grant	-	26,889	26,889	-
Virginia Opportunity Region Marketing grant	250,000	250,000	-	(250,000)
Other state aid	52,004	52,004	20,244	(31,760)
Total other categorical aid	3,257,360	3,328,049	2,592,330	(735,719)
Total categorical aid	5,813,505	5,884,194	4,962,930	(921,264)
Total Revenue from the Commonwealth	7,749,819	7,820,508	6,911,218	(909,290)

(Continued)

COUNTY OF SMYTH, VIRGINIA

GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare administration	$ 2,308,872	$ 2,308,872	$ 2,025,774	$ (283,098)
Early Intervention	5,000	5,000	13,012	8,012
Open container/alcohol impaired driving	-	-	7,500	7,500
Department of Transportation-alcohol safety	40,000	40,000	15,847	(24,153)
Public safety communication grant	957,180	1,077,180	755,835	(321,345)
Assistance to Firefighters grant	-	-	392,420	392,420
Total Categorical Aid	3,311,052	3,431,052	3,210,388	(220,664)
Total Revenue from the Federal Government	3,311,052	3,431,052	3,210,388	(220,664)
Total Intergovernmental Revenues	11,060,871	11,251,560	10,121,606	(1,129,954)
Total General Fund	$30,428,372	$30,619,061	$29,850,247	$ (768,814)
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School Operating Fund:				
Revenue from local services:				
Revenue from the use of money	$ 16,000	$ 16,000	$ 22,565	$ 6,565
Revenue from the use of property	2,250	2,250	750	(1,500)
Tuition and payments from other divisions	128,000	128,000	284,941	156,941
Cafeteria sales	1,077,228	1,077,228	972,132	(105,096)
Charges for Medicaid payments	85,000	85,000	143,194	58,194
Miscellaneous revenue	-	-	12,219	12,219
Sale of supplies	5,000	5,000	27,632	22,632
Other recovered costs	336,323	336,323	304,159	(32,164)
Total revenue from local services	1,649,801	1,649,801	1,767,592	117,791
Intergovernmental revenues:				
Revenue from local governments:				
Contribution from County of Smyth, Virginia	7,852,847	8,602,847	6,838,634	(1,764,213)
Revenue from the Commonwealth:				
Share of state sales tax	4,134,070	4,134,070	4,040,628	(93,442)
Basic school aid	18,803,158	18,803,158	16,912,372	(1,890,786)
Remedial summer education	143,859	143,859	147,948	4,089
Regular foster care	44,722	44,722	18,794	(25,928)
Adult secondary education	11,961	11,961	6,968	(4,993)
Gifted and talented	176,994	176,994	175,859	(1,135)
Remedial education	550,222	550,222	546,693	(3,529)
Enrollment loss	76,403	76,403	182,053	105,650

(Continued)

COUNTY OF SMYTH, VIRGINIA

GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Commonwealth (Continued):				
Special education	$ 2,247,060	$ 2,247,060	$ 2,232,650	$ (14,410)
Textbook payment	456,030	456,030	209,014	(247,016)
Hospitals, clinics and detention homes	706,929	706,929	418,314	(288,615)
Vocational education	815,714	815,714	810,482	(5,232)
Fringe benefits	2,485,618	2,485,618	2,117,958	(367,660)
State lottery payments	349,641	349,641	441,369	91,728
Early reading intervention	61,186	61,186	53,843	(7,343)
GED prep course	23,576	23,576	23,576	-
Homebound education	6,098	6,098	10,128	4,030
Vocational education - adult	111,584	111,584	37,915	(73,669)
Vocational education - equipment	-	-	10,490	10,490
Vocational occupational preparedness	-	-	46,439	46,439
Special education - foster children	-	-	24,212	24,212
At risk payments	612,895	612,895	597,238	(15,657)
Jobs for Virginia Grads	25,000	25,000	21,000	(4,000)
Primary class size	709,234	709,234	690,673	(18,561)
Technology	414,000	414,000	414,000	-
Standards of learning algebra readiness	74,996	74,996	74,996	-
Title III, LEP	6,398	6,398	10,062	3,664
At Risk four year olds	344,606	344,606	454,689	110,083
Mentor teacher program	5,788	5,788	-	(5,788)
English as a second language	36,410	36,410	18,686	(17,724)
School Nutrition	30,826	30,826	30,627	(199)
Other state funds	19,472	19,472	24,227	4,755
Total Revenue from the Commonwealth	33,484,450	33,484,450	30,803,903	(2,680,547)

(Continued)

COUNTY OF SMYTH, VIRGINIA

GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Federal Government:				
Title I	$ 1,092,663	$ 1,092,663	$ 1,097,842	$ 5,179
Title VI-B, special education - grants to states	1,029,919	1,029,919	923,836	(106,083)
Title VI-B, special education - preschool grants	54,234	54,234	57,457	3,223
Safe and drug free schools	20,568	20,568	22,116	1,548
Reading first	239,000	239,000	336,961	97,961
Eisenhower professional development grants	11,196	11,196	15,417	4,221
Vocational Education - basic grants to states	93,225	93,225	88,378	(4,847)
Improving teacher quality state grants	204,204	204,204	205,481	1,277
National school lunch program	1,298,354	1,298,354	1,105,379	(192,975)
School breakfast program	-	-	390,291	390,291
Twenty-first Century community learning centers	733,435	733,435	728,627	(4,808)
Title II Part D - Enhancing Education Thru Technology	89,811	89,811	77,011	(12,800)
Forest reserve	140,537	140,537	123,262	(17,275)
Title I grant to local educational agencies - ARRA	-	-	190,872	190,872
Special education - grants to states - ARRA	-	-	348,958	348,958
Special education - preschool grants - ARRA	-	-	11,895	11,895
State fiscal stabilization fund - ARRA	2,071,818	2,071,818	3,265,237	1,193,419
Education technology state grant - ARRA	-	-	26,802	26,802
Assistive technology - special education	-	-	13,000	13,000
Higher education institutional aid	-	-	11,519	11,519
RTI initiative	-	-	11,710	11,710
Gear up	17,550	17,550	18,982	1,432
Other federal funds	62,910	62,910	54,628	(8,282)
Total Revenue from the Federal Government	7,159,424	7,159,424	9,125,661	1,966,237
Total Intergovernmental Revenues	48,496,721	49,246,721	46,768,198	(2,478,523)
Other financing sources:				
Insurance recoveries	-	-	53,166	53,166
Total Revenue from Other Financing Sources	-	-	53,166	53,166
Total Component Unit - School Board	$50,146,522	$50,896,522	$ 48,588,956	$ (2,307,566)

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND				
General government administration:				
Legislative:				
Board of supervisors	$ 809,602	$ 809,602	$ 436,785	$ 372,817
Total Legislative	809,602	809,602	436,785	372,817
General and financial administration:				
County administrator	433,989	433,989	392,007	41,982
Data processing	326,515	326,515	402,031	(75,516)
Commissioner of revenue	290,176	290,176	249,312	40,864
Treasurer	293,978	293,978	283,750	10,228
Assessor	110,000	110,000	151,542	(41,542)
Total General and Financial Administration	1,454,658	1,454,658	1,478,642	(23,984)
Board of Elections:				
Registrar	160,017	160,017	149,774	10,243
Total Registrar	160,017	160,017	149,774	10,243
Total General Government Administration	2,424,277	2,424,277	2,065,201	359,076
Judicial administration:				
Courts:				
Circuit Court	78,193	78,193	71,379	6,814
General District Court	12,920	12,920	12,806	114
Juvenile and domestic relations court	244,800	244,800	231,200	13,600
Law Library	11,000	11,000	10,932	68
Victim Witness program	55,503	55,503	53,141	2,362
Clerk of the circuit court	456,442	456,442	439,419	17,023
Total courts	858,858	858,858	818,877	39,981
Commonwealth Attorney	567,389	567,389	538,798	28,591
Total Commonwealth Attorney	567,389	567,389	538,798	28,591
Total Judicial Administration	1,426,247	1,426,247	1,357,675	68,572
Public safety:				
Law enforcement and traffic control:				
Sheriff	3,258,102	3,284,991	3,100,231	184,760
Smyth County basic E-911	1,978,908	2,438,908	2,122,581	316,327
Central dispatch	6,500	6,500	3,003	3,497
Total Law Enforcement and Traffic Control	5,243,510	5,730,399	5,225,815	504,584
Fire and rescue services:				
Fire department	359,000	359,000	247,361	111,639
Volunteer emergency operations	174,200	218,000	153,000	65,000
Forestry	8,126	8,126	8,990	(864)
Total Fire and Rescue Squad	541,326	585,126	409,351	175,775
Correction and detention:				
Sheriff - Jail	1,135,687	1,135,687	1,071,711	63,976
Total Correction and Detention	1,135,687	1,135,687	1,071,711	63,976
Inspections:				
Building	399,454	399,454	289,184	110,270
Total Building	399,454	399,454	289,184	110,270
Other protection:				
Animal control	397,086	397,086	351,624	45,462
Medical examiner	900	900	460	440
Emergency Services	26,338	26,338	12,015	14,323
Motor vehicle license	11,700	11,700	9,141	2,559
E-911	25,836	25,836	25,676	160
Total Other Protection	461,860	461,860	398,916	62,944
Total Public Safety	7,781,837	8,312,526	7,394,977	917,549

(Continued)

Schedule 2

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Public works:				
Water and sewer:				
Rye Valley water authority	$ 84,332	$ 84,332	$ 84,368	$ (36)
Total Water and Sewer	84,332	84,332	84,368	(36)
Sanitation and waste removal:				
Refuse collection and disposal	1,462,873	1,462,873	1,333,912	128,961
Total Sanitation and Waste Removal	1,462,873	1,462,873	1,333,912	128,961
Maintenance of general buildings and grounds:				
General properties	462,128	462,128	487,184	(25,056)
Health department/social services building	94,196	94,196	85,967	8,229
Total Maintenance of General Buildings and Grounds	556,324	556,324	573,151	(16,827)
Total Public Works	2,103,529	2,103,529	1,991,431	112,098
Health and welfare:				
Health:				
Supplement of local health department	504,003	504,003	501,503	2,500
Total Health	504,003	504,003	501,503	2,500
Mental health and mental retardation				
Community services board	166,022	166,022	166,022	-
Total Mental Health and Mental Retardation	166,022	166,022	166,022	-
Welfare:				
Board members	4,200	4,200	3,850	350
Administration and public assistance	4,773,210	4,773,210	3,962,318	810,892
Comprehensive Services Act	1,053,693	1,053,693	785,228	268,465
Total Welfare	5,831,103	5,831,103	4,751,396	1,079,707
Total Health and Welfare	6,501,128	6,501,128	5,418,921	1,082,207
Education:				
Other instructional costs:				
Contributions to community colleges	47,814	47,814	47,814	-
Contribution to discretely presented component unit - school board	8,987,287	8,987,287	6,838,634	2,148,653
Total Education	9,035,101	9,035,101	6,886,448	2,148,653
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	43,400	43,400	38,180	5,220
Total Parks and Recreation	43,400	43,400	38,180	5,220
Cultural:				
Library administration	992,036	992,036	992,036	-
Total Cultural	992,036	992,036	992,036	-
Total Parks, Recreation, and Cultural	1,035,436	1,035,436	1,030,216	5,220
Community development:				
Planning and development:				
Community development	259,257	259,257	249,977	9,280
Planning	15,173	15,173	6,108	9,065
County engineer	142,890	142,890	104,058	38,832
Industrial development authority	504,418	504,418	2,181	502,237
Contribution to discretely presented component unit - IDA	-	-	109,471	(109,471)
Contribution to community organizations	802,895	802,895	901,668	(98,773)
Total Planning and Development	1,724,633	1,724,633	1,373,463	351,170
Environmental Management:				
Contribution to soil and water districts	28,250	28,250	28,250	-
Total Environmental Management	28,250	28,250	28,250	-
Cooperative extension program:				
Extension office	94,278	94,278	75,032	19,246
Total Cooperative Extension Program	94,278	94,278	75,032	19,246
Total Community Development	1,847,161	1,847,161	1,476,745	370,416

(Continued)

COUNTY OF SMYTH, VIRGINIA
GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Capital Projects:				
Capital Improvements	$ 3,690,000	$ 3,690,000	$ 681,967	$ 3,008,033
Total Capital Projects	3,690,000	3,690,000	681,967	3,008,033
Debt Service:				
Principal retirement	1,001,198	1,001,198	1,006,630	(5,432)
Interest and finance charges	308,062	308,062	302,630	5,432
Total Debt Service	1,309,260	1,309,260	1,309,260	-
Total General Fund	$ 37,153,976	$ 37,684,665	$ 29,612,841	$ 8,071,824
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School operating fund:				
Education:				
Instructional costs	$ 38,451,898	$ 38,152,944	$ 36,617,596	$ 1,535,348
Administration, attendance and health	1,788,647	1,788,647	1,687,772	100,875
Transportation	2,424,632	2,424,632	2,208,873	215,759
Operation and maintenance	4,873,799	4,873,799	4,489,325	384,474
School nutrition	2,406,408	2,705,362	2,558,286	147,076
Total Education	49,945,384	49,945,384	47,561,852	2,383,532
Capital projects	185,138	935,138	80,912	854,226
Total Component Unit - School Board	$ 50,130,522	$ 50,880,522	$ 47,642,764	$ 3,237,758

Schedule 3

COUNTY OF SMYTH, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title	Federal CFDA Number	Federal Expenditures
Department of Agriculture:		
Direct Payments:		
Water and Waste Disposal Expenditures	10.760	$ 929,657
Pass-through Payments:		
Department of Social Services:		
Supplemental Nutrition Assistance Program	10.561	451,824
Department of Agriculture and Consumer Services:		
Food Distribution - Commodities	10.555	179,152
Department of Education:		
School Nutrition Cluster:		
National School Lunch Program	10.555	1,105,379
School Breakfast Program	10.553	390,291
School and Roads - Grants to States	10.665	123,262
Department of Commerce - National Telecommunications and Information Administration:		
Pass-through Payments:		
Department of Emergency Management:		
Public Safety Interoperable Communications Program	11.555	755,835
Department of Health and Human Services:		
Pass-through Payments:		
Department of Social Services:		
Family Preservation and Support Services	93.556	5,632
Temporary Assistance for Needy Families	93.558	443,911
Refugee and Entrant Assistance	93.566	1,030
Low Income Home Energy Assistance	93.568	26,834
Child Care Cluster:		
Payments to States for Child Care	93.575	127,224
Child Care and Development Fund	93.596	102,894
Chafee Education and Training Vouchers	93.599	9,608
Adoption Incentive Payments	93.603	1,042
Child Welfare Services	93.645	1,566
Foster Care - Title IV-E	93.658	191,716
Foster Care - Title IV-E - ARRA	93.658	8,398
Adoption Assistance	93.659	93,357
Adoption Assistance - ARRA	93.659	10,027
Social Service Block Grant	93.667	204,187
Independent Living	93.674	8,287
Child Care and Development Block Grant - ARRA	93.713	56,306
State Children's Insurance Program	93.767	20,629
Medical Assistance Program	93.778	261,301
Early Intervention	99.999	13,012
Department of Homeland Security:		
Pass-through Payments:		
Department of Emergency Services:		
State Homeland Security Grant	97.004	-
Emergency Management Preparedness Grant	97.042	43,800
Emergency Management Performance Grant	97.042	5,000
Law Enforcement Terriorism Prevention Program	97.074	-
Atkins Volunteer Fire Department:		
Assistance to Firefighters Grant	97.044	392,420

COUNTY OF SMYTH, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title	Federal CFDA Number	Federal Expenditures
Environmental Protection Agency:		
Direct Payments:		
Environmental Protection Agency:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	54,589
Capitalization Grants for Clean Water State Revolving Funds-ARRA	66.458	243,378
Pass-through Payments:		
Department of Environmental Quality:		
Environmental Quality Grant	66.000	11,357
Department of Transportation:		
Pass-through Payments:		
Department of Motor Vehicles:		
Alcohol Safety	20.601	15,847
Open Container/Alcohol Impaired Driving	20.607	7,500
Department of Education:		
Pass-through Payments:		
Department of Education:		
Special Education Cluster:		
Special Education - Grants to States	84.027	923,836
Preschool Handicapped	84.173	57,457
Title I: Grants to Local Educational Agencies	84.010	1,097,842
Assistive Technology-Special Education	84.011	13,000
Higher Education Institutional Aid	84.031	11,519
Vocational Education: Basic Grants to States	84.048	88,378
Drug Free Schools and Communities-State Grants	84.186	22,116
21st Century Community Learning Center	84.287	728,627
Title II Part D - Enhancing Education Through Technology	84.318	92,428
Gear Up	84.334	18,982
Reading First	84.357	336,961
Title II Part A - Improving Teacher Quality	84.367	205,481
Education Technology State Grant-ARRA	84.386	26,802
Title I Grant to Local Educational Agencies-ARRA	84.389	190,872
Special Education Grant to States-ARRA	84.391	348,958
Special Education-Preschool Grant-ARRA	84.392	11,895
State Fiscal Stabilization Funds-ARRA	84.394	3,265,237
Too Good for Drugs	99.999	54,628
RTI Initiative	99.999	11,710
Total Expenditures of Federal Awards		$ 13,802,981

Note 1. Basis of Accounting

This schedule was prepared on the accrual basis of accounting.

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2010, the School Board had food commodities total $77,608 in inventory.

STATISTICAL SECTION

This part of the County of Smyth Financial Statements presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Contents **Table**

Sources: Unless otherwise noted, the information in these schedules is derived from the Financial Statements for the relevant year.

SMYTH COUNTY VIRGINIA

1832

TABLE 1

COUNTY OF SMYTH, VIRGINIA
NET ASSETS BY COMPONENT (UNAUDITED)
Last Six Fiscal Years
(accrual basis of accounting)

	2010	2009	2008	2007	2006	2005
Governmental activities						
Invested in capital assets, net of related debt	$ 6,845,475	$ 4,920,508	$ 3,581,230	$ 3,301,826	$ 3,115,818	$ 3,185,987
Restricted	-	-	-	250,000	250,000	250,000
Unrestricted	7,438,060	7,465,890	8,115,162	9,117,169	9,015,623	7,959,108
Total governmental activities net assets	$ 14,283,535	$ 12,386,398	$ 11,696,392	$ 12,668,995	$ 12,381,441	$ 11,395,095
Business-type activities						
Invested in capital assets, net of related debt	$ 19,024,141	$ 19,010,037	$ 19,417,943	$ 20,190,139	$ 19,568,066	$ 18,914,120
Restricted	-	-	-	-	-	394,249
Unrestricted	126,899	50,238	327,387	760,422	2,462,888	2,862,173
Total business-type activities net assets	$ 19,151,040	$ 19,060,275	$ 19,745,330	$ 20,950,561	$ 22,030,954	$ 22,170,542
Primary government						
Invested in capital assets, net of related debt	$ 25,869,616	23,930,545	$ 22,999,173	$ 23,491,965	$ 22,683,884	$ 22,100,107
Restricted	-	-	-	250,000	250,000	644,249
Unrestricted	7,564,959	7,516,128	8,442,549	9,877,591	11,478,511	10,821,281
Total primary government net assets	$ 33,434,575	31,446,673	$ 31,441,722	$ 33,619,556	$ 34,412,395	$ 33,565,637

TABLE 2

COUNTY OF SMYTH, VIRGINIA
CHANGE IN NET ASSETS BY COMPONENT (UNAUDITED)
Last Six Fiscal Years
(accrual basis of accounting)

	2010	2009	2008	2007	2006	2005
Expenses						
Governmental activities						
General government administration	$ 2,196,323	$ 2,300,750	$ 2,025,740	$ 1,849,741	$ 1,798,211	$ 1,588,256
Judicial administration	1,405,720	1,383,156	1,322,884	1,173,548	1,004,397	699,119
Public safety	5,840,409	5,500,772	5,391,050	5,129,494	5,008,159	4,513,196
Public works	1,977,527	1,911,028	1,737,587	1,813,216	1,893,212	2,036,828
Health and welfare	5,438,893	5,982,328	5,933,667	5,818,134	5,340,240	5,376,523
Education	7,835,194	7,747,394	10,260,678	7,996,023	7,561,914	8,249,931
Parks, recreation, and cultural	1,083,058	1,161,738	1,085,631	1,025,768	923,338	895,027
Community development	1,324,655	1,682,985	1,666,394	2,037,957	1,349,434	1,188,554
Interest on long-term debt	287,397	309,053	349,358	388,695	326,663	367,014
Total governmental activities	27,389,176	27,979,204	29,772,989	27,232,576	25,205,568	24,914,448
Business-type activities						
Water and wastewater	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total business-type activities expense	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total primary government expenses	$ 30,516,339	$ 31,142,837	$ 32,887,829	$ 30,263,591	$ 27,800,982	$ 27,397,832
Program Revenues						
Governmental activities						
Charges for services						
General government administration	$ -	-	$ -	$ -	$ 86,193	$ 69,884
Judicial administration	177,857	137,056	106,231	72,015	217,113	117,277
Public safety	791,428	409,169	296,931	296,821	408,371	705,951
Public works	766,143	644,738	690,295	728,359	540,601	575,424
Health and welfare	54,743	81,851	108,244	126,414	110,191	147,418
Operating grants and contributions	7,058,063	7,713,727	7,570,255	7,692,029	6,954,740	6,295,096
Capital grants and contributions	1,199,255	1,311,013	102,528	33,007	165,803	30,030
Total governmental activities program revenues	10,047,489	10,297,554	8,874,484	8,948,645	8,483,012	7,941,080
Business-type activities						
Charges for services						
Water and wastewater	1,684,425	1,558,151	1,425,665	1,387,876	1,390,247	1,333,993
Capital grants and contributions	1,012,032	564,829	476,526	560,528	1,242,009	5,088,559
Total business-type activities program revenues	2,696,457	2,122,980	1,902,191	1,948,404	2,632,256	6,422,552
Total primary government program revenues	$ 12,743,946	$ 12,420,534	$ 10,776,675	$ 10,897,049	$ 11,115,268	$ 14,363,632
Net (expense) revenue						
Governmental activities	$ (17,341,687)	$(17,681,650)	$ (20,898,505)	$ (18,283,931)	$(16,722,556)	$ (16,973,368)
Business-type activities	(430,706)	(1,040,653)	(1,212,649)	(1,082,611)	36,842	3,939,168
Total primary government net expense	$ (17,772,393)	$(18,722,303)	$ (22,111,154)	$ (19,366,542)	$(16,685,714)	$ (13,034,200)

TABLE 3

COUNTY OF SMYTH, VIRGINIA
FUND BALANCE - GOVERNMENTAL FUND (UNAUDITED)
Last Six Fiscal Years
(modified accrual basis of accounting)

	2010	2009	2008	2007	2006	2005
General Fund						
Reserved	$ 327,213	$ 271,965	$ 158,967	$ 8,827	$ 1,981,918	$ 711,907
Unreserved	6,426,347	6,763,770	7,602,076	10,056,388	11,599,572	11,761,210
Total general fund	$ 6,753,560	$ 7,035,735	$ 7,761,043	$ 10,065,215	$ 13,581,490	$ 12,473,117

TABLE 4

COUNTY OF SMYTH, VIRGINIA
CHANGES IN FUND BALANCE, GOVERNMENTAL FUND (UNAUDITED)
Last Six Fiscal Years
(modified accrual basis of accounting)

	2010	2009	2008	2007	2006	2005
Revenues						
General property taxes	$ 13,279,456	$ 12,712,891	$ 12,337,792	$ 12,165,251	$ 11,873,268	$ 11,283,125
Other local taxes	3,602,074	3,543,160	3,570,670	3,547,279	3,550,806	3,723,594
Permits, privilege fees, and licenses	106,118	73,893	89,988	82,670	85,645	60,404
Fines and forfeitures	686,447	332,601	200,981	210,993	148,330	23,834
Revenue from use of money and property	460,995	306,665	558,089	699,966	515,149	261,390
Charges for services	864,853	706,364	724,269	720,455	631,928	611,687
Recovered costs	456,267	474,954	477,831	408,106	334,381	554,857
Other	272,431	295,065	167,518	134,939	169,844	244,318
Intergovernmental	10,121,606	10,705,838	9,638,440	9,681,765	8,963,118	9,180,879
Total revenues	29,850,247	29,151,431	27,765,578	27,651,424	26,272,469	25,944,088
Expenditures						
General government administration	2,065,201	2,272,484	1,951,748	1,828,775	1,719,072	1,559,607
Judicial administration	1,357,675	1,350,907	1,298,991	1,183,222	973,734	667,940
Public safety	7,394,977	6,744,660	5,474,643	5,176,579	4,981,007	4,440,041
Public works	1,991,431	1,918,849	1,796,938	1,809,116	1,940,590	1,692,701
Health and welfare	5,418,921	5,926,197	5,937,048	5,767,503	5,339,338	5,333,706
Education	6,886,448	6,788,029	9,299,298	7,035,326	6,594,696	7,284,396
Parks, recreation, and cultural	1,030,216	1,106,836	1,040,590	980,727	872,093	841,352
Community development	1,476,745	1,839,806	1,836,396	2,138,369	1,344,954	1,184,787
Capital projects	681,967	236,725	284,836	190,817	-	278,672
Debt service						
Principal	1,006,630	1,013,399	1,003,216	993,341	1,094,053	765,683
Interest	302,630	334,029	365,079	397,828	338,183	597,770
Total expenditures	29,612,841	29,531,921	30,288,783	27,501,603	25,197,720	24,646,655
Excess of revenues over (under) expenditures	237,406	(380,490)	(2,523,205)	149,821	1,074,749	1,297,433
Other Financing Sources (Uses)						
Proceeds from bond issuances	-	-	-	-	-	372,978
Transfers in	-	-	-	-	181,889	-
Transfers out	(519,581)	(344,818)	(5,307)	-	-	(44,515)
Total other financing sources (uses)	(519,581)	(344,818)	(5,307)	-	181,889	328,463
Net change in fund balance	$ (282,175)	$ (725,308)	$ (2,528,512)	$ 149,821	$ 1,256,638	$ 1,625,896
Debt service as a percentage of noncapital expenditures	4.53%	4.60%	4.56%	5.09%	5.68%	5.60%

TABLE 5

COUNTY OF SMYTH, VIRGINIA
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service Corporation (1)	Total Assessed Value	Tax Rate (per $100) Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Interstate Commerce
2010	$ 1,200,972,525	$ 364,320,155	$ 83,886,362	$ 1,649,179,042	$ 0.69	$ 2.25	$ 1.55	$ 0.40	$ 1.20
2009	$ 1,192,258,091	$ 387,895,958	$ 87,327,987	$ 1,667,482,036	$ 0.63	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2008	$ 1,182,446,544	$ 375,631,251	$ 86,246,420	$ 1,644,324,215	$ 0.63	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2007	$ 1,171,330,028	$ 371,286,389	$ 85,188,111	$ 1,627,804,528	$ 0.63	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2006	$ 1,158,250,454	$ 328,284,520	$ 102,597,017	$ 1,589,131,991	$ 0.63	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2005	$ 1,137,376,821	$ 311,939,620	$ 104,088,101	$ 1,553,404,542	$ 0.63	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2004	$ 915,592,645	$ 335,834,440	$ 80,829,217	$ 1,332,256,302	$ 0.70	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2003	$ 898,478,867	$ 325,761,856	$ 87,746,903	$ 1,311,987,626	$ 0.70	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2002	$ 889,488,068	$ 327,778,673	$ 85,899,485	$ 1,303,166,226	$ 0.70	$ 2.25	$ 1.20	$ 0.40	$ 1.20
2001	$ 881,864,197	$ 327,365,116	$ 86,519,912	$ 1,295,749,225	$ 0.70	$ 2.25	$ 1.20	$ 0.40	$ 1.20

Note: (1) Assessed values are established by the State Corporation Commission

COUNTY OF SMYTH, VIRGINIA
PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)
Current Fiscal Year

Personal Property

Taxpayer	Assessed Value	Rank
Phillip S. Martin	$ 12,678,120	1
Royal Mouldings Limited	$ 11,408,491	2
General Dynamics Armament	$ 11,211,977	3
General Shale Products, LLC	$ 10,054,369	4
American Wood Fibers, Inc.	$ 9,555,945	5
Utility Trailer Manufacturing Co.	$ 9,219,005	6
Masco Builder Cabinet Group	$ 5,968,728	7
TRW Inc. Rack and Pinion Division	$ 4,671,500	8
Epoch Composite Products, Inc.	$ 4,665,991	9
United Salt Corporation	$ 4,664,438	10

Real Estate

Taxpayer	Assessed Value	Rank
Uitility Trailer Manufacturing	$ 8,153,900	1
RGTL Nevada Limited	$ 6,864,800	2
Saltville Gas Storage Co. LLC	$ 6,767,400	3
Smyth County Community Foundation	$ 6,620,100	4
Mountain Empire Operations LLC	$ 5,933,800	5
Myrtle Properties LLC	$ 5,766,400	6
Marion Properties LLC	$ 5,417,700	7
Sheridan Ridge Private Res LLC	$ 5,185,600	8
United Salt Corporation	$ 4,817,100	9
IRT Property Co.	$ 4,774,300	10

Source: Commissioner of Revenue

TABLE 7

COUNTY OF SMYTH, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (1)	Total Collections to Date		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy		
2010	$ 13,420,595	$ 12,566,068	93.63%	$ 436,121	$ 13,002,189	96.88%	$ 2,331,515	17.37%
2009	$ 12,593,867	$ 11,897,779	94.47%	$ 489,314	$ 12,387,093	98.36%	$ 2,007,598	15.94%
2008	$ 12,164,434	$ 11,625,491	95.57%	$ 421,584	$ 12,047,075	99.04%	$ 1,899,238	15.61%
2007	$ 11,923,961	$ 11,350,877	95.19%	$ 442,015	$ 11,792,892	98.90%	$ 1,873,378	15.71%
2006	$ 11,479,534	$ 10,893,503	94.89%	$ 646,019	$ 11,539,522	100.52%	$ 1,199,515	10.45%
2005	$ 11,295,032	$ 10,738,343	95.07%	$ 300,034	$ 11,038,377	97.73%	$ 1,682,207	14.89%
2004	$ 12,307,470	$ 11,733,821	95.34%	$ 432,219	$ 12,166,040	98.85%	$ 1,833,536	14.90%
2003	$ 12,381,377	$ 11,675,890	94.30%	$ 374,451	$ 12,050,341	97.33%	$ 1,854,659	14.98%
2002	$ 12,378,463	$ 11,591,427	93.64%	$ 573,580	$ 12,165,007	98.28%	$ 1,763,001	14.24%
2001	$ 12,142,128	$ 11,479,700	94.54%	$ 544,288	$ 12,023,988	99.03%	$ 1,681,345	13.85%

Note: (1) Exclusive of penalties and interest.
(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia

TABLE 8

COUNTY OF SMYTH, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Seven Fiscal Years

	General Obligation Bonds					Other Governmental Activities Debt	Business-type Activities	Total Debt	
Fiscal Year	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Other Debt	Revenue Bonds	Total Primary Government	Per Capita (1)
2010	$ 2,913,233	$ 12,154,042	$ 15,067,275	0.914%	$ 475	$ 6,656,286	$ -	$ 21,723,561	$ 684
2009	$ 3,268,724	$ 12,136,059	$ 15,404,783	0.924%	$ 481	$ 7,307,425	$ -	$ 22,712,208	$ 709
2008	$ 3,613,270	$ 11,462,817	$ 15,076,087	0.917%	$ 470	$ 7,975,860	$ -	$ 23,051,947	$ 719
2007	$ 3,947,631	$ 11,359,736	$ 15,307,367	0.940%	$ 478	$ 8,644,296	$ -	$ 23,951,663	$ 747
2006	$ 4,272,536	$ 11,566,310	$ 15,838,846	0.997%	$ 487	$ 9,312,732	$ -	$ 25,151,578	$ 774
2005	$ 4,587,340	$ 8,121,174	$ 12,708,514	0.818%	$ 389	$ 10,091,982	$ 3,781,396	$ 26,581,892	$ 814
2004	$ 4,769,977	$ 3,231,388	$ 8,001,365	0.601%	$ 242	$ 10,310,526	$ 4,044,709	$ 22,356,600	$ 676

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements
(1) See Table 11 for personal income and population data

COUNTY OF SMYTH, VIRGINIA
POPULATION (UNAUDITED)
Last Nine Fiscal Years

Fiscal Year Ended	Population
2010	31,738
2009	32,050
2008	32,050
2007	32,050
2006	32,506
2005	32,640
2004	33,081
2003	33,081
2002	33,081

Source: United States Bureau of the Census

TABLE 10

COUNTY OF SMYTH, VIRGINIA
PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year 2010 and Thirteen Years Ago

	2010		1997	
Employer	Employees	Rank	Employees	Rank
Smyth County School Board	930	1	855	1
Utility Trailer Manufacturing	750	2	646	3
Royal Mouldings Limited	600	3	649	2
S.W. VA Mental Health Institute	543	4	535	4
General Dynamics Armament	530	5	506	5
Mountain States Health Alliance	440	6	483	6
Merillat Corporation	340	7	310	12
Smyth County	267	8	-	N/A
Food City	261	9	-	N/A
Marion Correctional Treatment Center	222	10	-	N/A
	4,883		3,984	

Source: Virginia Economic Commission

TABLE 11

COUNTY OF SMYTH, VIRGINIA
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
Current Fiscal Year

Function/Program	2010
General Government	
Management Services	4
Finance	2
Planning	3
Building	5
Building Maintenance	7
Other	39
Police	
Officers	40
Civilians	27
Refuse Collection	35
Engineering	1
Library	21
Water	11
Total	195

SMYTH COUNTY VIRGINIA

1832

COMPLIANCE SECTION

SMYTH COUNTY VIRGINIA

1832

BROWN, EDWARDS & COMPANY, L.L.P.
Certified Public Accountants

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*

Honorable Members of the Board of Supervisors
County of Smyth, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 30, 2010. 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 *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 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 a certain deficiency in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiency described in the accompanying schedule of findings and questioned costs as Item 08-1 to be a material weakness.**

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A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 08-3, 08-5, and 09-3 to be significant deficiencies.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including certain provisions of the compliance matters described in the Summary of Compliance Matters, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Item 10-2.**

The County'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's response and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to management of the County in a separate letter dated November 30, 2010.

This report is intended solely for the information of the audit committee, management, Board of Supervisors, state and 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.

Brown, Edwards & Company, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 30, 2010

BROWN,
EDWARDS&
COMPANY, L.L.P.
Certified Public Accountants

INDEPENDENT AUDITOR'S 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

Honorable Members of Board of Supervisors
County of Smyth, Virginia

Compliance

We have audited the compliance of the County of Smyth, Virginia, 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's major federal programs for the year ended June 30, 2010. The County'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's management. Our responsibility is to express an opinion on the County'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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County of Smyth, Virginia, complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Item 10-1.

Internal Control over Compliance

Management of the County 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'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's internal control over compliance.

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Internal Control over Compliance (Continued)

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.**

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

This report is intended solely for the information and use of the audit committee, management, Board of Supervisors, state and 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
November 30, 2010

COUNTY OF SMYTH, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2010

As more fully described in the 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,* we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls
Comprehensive Services Act
Economic Development Fund
Social Services

State Agency Requirements
Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

COUNTY OF SMYTH, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Three significant deficiencies** relating to the audit of the financial statements were reported in the 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*. **Significant deficiency 08-1 was considered to be a material weakness.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's 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.*
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **one audit finding relating to major programs**.
7. The programs tested as major are:

Name of Program:	CFDA Number
IDEA Special Education	84.027, 84.391, 84.173 & 84.392
State Fiscal Stabilization Fund	84.394
Reading First	84.357
Title I	84.010 & 84.389
Public Safety Interoperable Communications	11.555
Capitalization Grants for Clean Water State Revolving Funds	66.458

8. The **threshold for** distinguishing between Type A and B programs was **$ 414,089.**
9. The County of Smyth, Virginia was **not determined** to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

08-1: Segregation of Duties (Material Weakness)

Condition: There is a lack of segregation of duties in functions surrounding certain cash accounts, receipts and receivables, disbursements and payables, and capital assets.

Cause: The accounting department is very small and responsibilities are not properly assigned across employees nor are proper reviews occurring of records.

Effect: Not properly segregating duties severely heightens the risk of misappropriation of assets and lack of review reduces the chance of detection.

Recommendation: We recommend management review current policies and procedures and perform a reorganization of duties surrounding the above functions and implement review procedures by a proper level of management.

(Continued)

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (Continued)

08-1: Segregation of Duties (Material Weakness) (Continued)

Management Response: The County concurs.

School board management concurs that the small number of employees in the accounting department limits the segregation of duties. Management continues to cross train employees and realign responsibilities as part of the ongoing effort to segregate duties and provide proper review of records.

08-3: Deficiencies in Controls Over the Disbursement Process (Significant Deficiency)

Condition: The disbursement process at the County lacks controls deemed necessary to properly safeguard County assets. The deficiencies include not having a defined purchasing policy, not using purchase orders on all purchases, and lack of properly documented authorization of disbursement.

Criteria: All governmental organizations should develop a formal purchasing policy that defines thresholds for purchase orders, quotes, bids, and required approvals, and defines processes for authorizing, recording, and disbursing. Organizations should use purchase orders and require documented authorizations prior to incurring expenditures. Invoices should be matched with receiving documents and reviewed prior to disbursement and cancelled upon payment.

Effect: County assets are not properly safeguarded through authorizations and documentation resulting in the possibility of improperly disbursed funds. In addition, authorization of many expenditures of County funds is not properly documented.

Recommendation: The County should establish purchasing policies that incorporate necessary controls and follow those procedures to reduce the risk of the misappropriation of funds to an acceptable level.

Management Response: Although the County does not operate a purchase order system, we do require that department heads sign off on all invoices paid. No payment is made without an invoice and all invoices have an initial of the appropriate department head indicating that the invoice is correct and also indicating what account to charge for the disbursement.

09-3: Improperly Reported Expenditures (Significant Deficiency)

Condition: County water and sewer checks relating to subsequent period capital expenditures were written as of year-end, postdated for subsequent months and held for release until reimbursement is received.

Cause: Checks are being written, post-dated for subsequent periods and held at year-end.

Effect: Material misstatement to cash and accounts payable resulting in a material current period adjustment.

(Continued)

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (Continued)

09-3: Improperly Reported Expenditures (Significant Deficiency) (Continued)

Recommendation: Checks should not be written until payment is due and they should be released upon signature. Liability accounts should be utilized to accrue expenditures in the proper period.

Management Response: The County concurs with this recommendation and will implement measures to correct this issue in the future.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

10-1: Reading First – CFDA 84.357 Special Tests and Provisions: Participation of Private Schools

Condition: Private Schools were not made aware of the availability of Reading First grant funds.

Criteria: Recipients of grant funding are required to notify private schools in the area of the availability of Reading First funds and appropriate to those schools accordingly when interest in the program exists.

Effect: The School Board is not in compliance with federal requirements.

Recommendation: The grant administrator should ensure private schools are notified of all federal funding available for use to benefit private school children.

Management Response: The Reading First grant was awarded to a specific school with requirements that funds must be expended only for specific purposes in that school. Funds are not available for use outside of the school to which the award is granted.

Smyth County School Board provides notification to the private schools in our division of the availability of federal funds as directed by Virginia Department of Education. Reading First grants will be included in future notifications.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

10-2: Conflicts of Interest Act

Condition: Statements of economic interests were not filed by two individuals.

Criteria: The State and Local Government Conflict of Interests Act requires local governmental officials to file a statement of economic interests with the clerk of the governing body annually.

Effect: Economic interests statements are not readily available for review to determine there are no conflicts of interests in transactions entered into by the County.

Recommendation: The County should place one individual as the responsible party for contacting officials to remit statements timely.

Management Response: The County has placed one person in charge of the conflict of interest forms; however, that individual has no power to force compliance. The Board has been made aware of the problems that we are having in getting the forms completed timely or even completed at all. They have taken no action as of yet to bring us into compliance.

COUNTY OF SMYTH, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

07-13: Submission of Data Collection Form – OMB Circular A-133 Section 320(a)

Condition: Data Collection Form was not submitted timely for fiscal years 2006, 2007, and 2008.

Current Status: Finding was not noted in current year audit.

09-4: 21st Century Community Learning Centers – CFDA 84.287 – Special Tests and Provisions: Participation of Private Schools

Condition: Private schools were not made aware of the availability of 21st Century Community Learning Centers grant funds.

Current Status: Finding was not noted in current year.

09-5: Assistance to Firefighters Grant – CFDA 97.044 – Reporting

Condition: We noted one of the two semi-annual financial and performance reports was not filed timely.

Current Status: Finding was not noted in current year.

09-6: Capitalization Grants for Clean Water State Revolving Funds – CFDA 66.458 – Equipment Management

Condition: Equipment purchased with direct federal funds were not indicated as such on the County's property records.

Current Status: Finding was not noted in current year.