

**COUNTY OF SMYTH, VIRGINIA
FINANCIAL STATEMENTS**

JUNE 30, 2011

**FINANCIAL AND MANAGEMENT
SERVICES DEPARTMENT**

COUNTY OF SMYTH, VIRGINIA

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INTRODUCTORY SECTION



COUNTY OF SMYTH, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2011

BOARD OF SUPERVISORS

C.C. "Charlie" Clark, Chairperson

Darlene R. Neitch
M. Todd Dishner
Regina H. Davidson

Brenda Waddell
Roscoe D. Call
Wade H. Blevins, Jr.

Michael L. Carter, Clerk

COUNTY SCHOOL BOARD

Jesse Choate, Chairperson

Jim Coulthard
Susan Williams
Susan Sneed

Jerry W. Catron
Richard L. Ryan
William A. Veselik

Darlene Doyle, Clerk

SOCIAL SERVICES BOARD

Merrelle Ward, Chairperson

Judy Hess
Thomas R. Buchanan
JoAnn Bennett

Karen Gillespie
Anne Shults
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

Judge of the Juvenile and Domestic Relations Court

Sage B. Johnson

Charles Lincoln

Commonwealth's Attorney

Florence A. Powell

Commissioner of the Revenue

Roy F. Evans, Jr.

Treasurer

Jeffrey Richardson

Sheriff

Thomas Burkett

Superintendent of Schools

R. David Bradley

Director, Department of Social Services

Michael Robinson

County Administrator

Kenneth P. Arnold

Michael L. Carter



FINANCIAL SECTION



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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents 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 non-major 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 non-major 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
December 30, 2011

BASIC FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Total
ASSETS						
Cash and cash equivalents (Note 2)	\$ 12,440,364	\$ 150,201	\$ 12,590,565	\$ 2,573,581	\$ 875,678	\$ 16,039,824
Receivables, net (Note 3)	19,012,041	184,207	19,196,248	-	106,667	19,302,915
Due from primary government (Note 9)	-	-	-	4,512,062	-	4,512,062
Due from other governmental units (Note 4)	1,501,503	283,930	1,785,433	2,550,277	-	4,335,710
Accrued interest	8,220	-	8,220	1,826	379	10,425
Inventories	-	-	-	114,844	-	114,844
Investment in Smyth-Washington Industrial Facilities Authority	-	-	-	-	1,785,683	1,785,683
Bond issuance costs, net	-	38,082	38,082	-	-	38,082
Prepaid expense	65,811	-	65,811	79,589	-	145,400
Capital assets: (Note 6)						
Non-depreciable	1,955,357	1,664,101	3,619,458	2,153,259	160,079	5,932,796
Depreciable, net	14,303,393	29,718,101	44,021,494	6,831,424	-	50,852,918
Total assets	49,286,689	32,038,622	81,325,311	18,816,862	2,928,486	103,070,659
LIABILITIES						
Accounts payable and accrued expenses	451,067	133,114	584,181	232,395	-	816,576
Accrued payroll	30,531	-	30,531	4,605,349	-	4,635,880
Accrued interest payable	143,819	27,766	171,585	-	-	171,585
Unearned revenue (Note 3)	16,536,373	149,645	16,686,018	-	-	16,686,018
Due to component units (Note 9)	4,512,062	-	4,512,062	-	-	4,512,062
Due to other governmental unit	-	-	-	-	84,000	84,000
Cash bonds held in escrow	38,184	-	38,184	-	-	38,184
Long-term liabilities: (Note 7)						
Due within one year	1,460,144	320,128	1,780,272	118,958	-	1,899,230
Due in more than one year	13,211,175	11,571,074	24,782,249	1,028,108	-	25,810,357
Total liabilities	36,383,355	12,201,727	48,585,082	5,984,810	84,000	54,653,892
NET ASSETS						
Invested in capital assets, net of related debt	2,698,110	19,522,775	22,220,885	8,984,683	160,079	31,365,647
Unrestricted	10,205,224	314,120	10,519,344	3,847,369	2,684,407	17,051,120
Total net assets	\$ 12,903,334	\$ 19,836,895	\$ 32,740,229	\$ 12,832,052	\$ 2,844,486	\$ 48,416,767

EXHIBIT 2

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	
Primary Government:										
Governmental activities:										
General government administration	\$ 1,994,406	\$ -	\$ 239,267	\$ -	\$ (1,755,139)	\$ -	\$ (1,755,139)	\$ -	\$ -	\$ (1,755,139)
Judicial administration	1,438,437	178,057	763,467	-	(496,913)	-	(496,913)	-	-	(496,913)
Public safety	6,073,909	800,787	1,982,577	-	(3,290,545)	-	(3,290,545)	-	-	(3,290,545)
Public works	3,197,528	826,827	8,531	25,000	(2,337,170)	-	(2,337,170)	-	-	(2,337,170)
Health and welfare	5,252,653	20,993	3,918,140	-	(1,313,520)	-	(1,313,520)	-	-	(1,313,520)
Education	9,247,181	-	-	-	(9,247,181)	-	(9,247,181)	-	-	(9,247,181)
Parks, recreational, and cultural	1,012,568	-	13,875	-	(998,693)	-	(998,693)	-	-	(998,693)
Community development	1,310,375	-	77,426	-	(1,232,949)	-	(1,232,949)	-	-	(1,232,949)
Interest on long-term debt	253,607	-	-	-	(253,607)	-	(253,607)	-	-	(253,607)
Total governmental activities	29,780,664	1,826,664	7,003,283	25,000	(20,925,717)	-	(20,925,717)	-	-	(20,925,717)
Business-type activities:										
Water and sewer	3,290,726	1,859,391	-	1,299,201	-	\$ (132,134)	(132,134)	-	-	(132,134)
Total business-type activities	3,290,726	1,859,391	-	1,299,201	-	(132,134)	(132,134)	-	-	(132,134)
Total primary government	\$ 33,071,390	\$ 3,686,055	\$ 7,003,283	\$ 1,324,201	(20,925,717)	(132,134)	(21,057,851)	-	-	(21,057,851)
Component Units:										
School Board	\$ 44,514,152	\$ 1,439,143	\$ 35,668,197	\$ -	-	-	-	\$ (7,406,812)	-	(7,406,812)
Industrial Development Authority	208,156	-	-	-	-	-	-	-	\$ (208,156)	(208,156)
Total component units	\$ 44,722,308	\$ 1,439,143	\$ 35,668,197	\$ -	\$ -	\$ -	\$ -	\$ (7,406,812)	\$ (208,156)	\$ (7,614,968)
General Revenues:										
General property taxes					14,727,435	-	14,727,435	-	-	14,727,435
Sales and use tax					1,872,712	-	1,872,712	-	-	1,872,712
Other local taxes					1,690,798	-	1,690,798	-	-	1,690,798
Intergovernmental revenue, unrestricted					1,648,167	-	1,648,167	-	-	1,648,167
Revenue from use of money and property					193,732	2	193,734	15,874	8,529	218,137
Miscellaneous					229,645	1,014	230,659	40,085	2,965	273,709
Incentive payment recoveries					-	-	-	-	160,000	160,000
Loss on investment in joint venture					-	-	-	-	(95,130)	(95,130)
Payments from primary government					-	-	-	8,248,122	135,013	8,383,135
Transfers (Note 5)					(816,973)	816,973	-	-	-	-
Total general revenues and transfers					19,545,516	817,989	20,363,505	8,304,081	211,377	28,878,963
Change in net assets					(1,380,201)	685,855	(694,346)	897,269	3,221	206,144
NET ASSETS JULY 1, 2010					14,283,535	19,151,040	33,434,575	11,934,783	2,841,265	48,210,623
NET ASSETS JUNE 30, 2011					\$ 12,903,334	\$ 19,836,895	\$ 32,740,229	\$ 12,832,052	\$ 2,844,486	\$ 48,416,767

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

COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2011

	<u>General</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 12,440,364
Accrued interest	8,220
Receivables, net (Note 3)	19,012,041
Prepaid expense	65,811
Due from other governmental units (Note 4)	1,501,503
Total assets	<u><u>\$ 33,027,939</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 451,067
Accrued payroll and related liabilities	30,531
Due to component units	4,512,062
Deferred revenue (Note 3)	18,535,784
Cash bonds held in escrow	38,184
Total liabilities	<u>23,567,628</u>
Fund Balance:	
Nonspendable (Note 17)	65,811
Restricted (Note 17)	3,665,624
Committed (Note 17)	100,491
Assigned (Note 17)	69,019
Unassigned	5,559,366
Total fund balance	<u>9,460,311</u>
Total liabilities and fund balance	<u><u>\$ 33,027,939</u></u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balance	\$ 9,460,311
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	16,258,750
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	1,999,411
Interest on long-term debt is not accrued in the fund statements as it is in the government-wide statements.	(143,819)
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.	<u>(14,671,319)</u>
Net assets of governmental activities	<u><u>\$ 12,903,334</u></u>

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-GOVERNMENTAL FUND
For the Year Ended June 30, 2011**

	<u>General</u>
REVENUES	
General property taxes	\$ 14,371,915
Other local taxes	3,563,510
Permits, privilege fees, and regulatory licenses	73,903
Fines and forfeitures	730,320
Revenue from use of money and property	193,732
Charges for services	923,651
Recovered costs	368,489
Other	229,645
Intergovernmental	<u>8,592,450</u>
Total revenues	<u>29,047,615</u>
EXPENDITURES	
Current operating:	
General government administration	1,859,579
Judicial administration	1,394,442
Public safety	6,091,332
Public works	2,075,657
Health and welfare	5,231,583
Education	8,299,224
Parks, recreation and cultural	963,066
Community development	1,427,807
Capital projects	1,895,888
Debt service:	
Principal retirement	1,018,164
Interest and other fiscal charges	<u>270,749</u>
Total expenditures	<u>30,527,491</u>
Excess of revenues over expenditures	<u>(1,479,876)</u>
OTHER FINANCING USES	
Transfers out	(816,973)
Proceeds from bond issuance	<u>5,003,600</u>
Total other financing uses	<u>4,186,627</u>
Net change in fund balance	2,706,751
FUND BALANCE AT JULY 1, 2010	<u>6,753,560</u>
FUND BALANCE AT JUNE 30, 2011	<u><u>\$ 9,460,311</u></u>

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, 2011

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

Net change in fund balance - total governmental fund	\$ 2,706,751
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which depreciation (\$1,553,948) exceeds capital outlay (\$1,391,600).	(162,348)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	355,520
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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.	794,203
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In government-wide statements, however, issuing debt increases long term liabilities in the state of net assets and does not affect the statement of activities	(5,003,600)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(70,727)</u>
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Change in net assets of governmental activities	<u><u>\$ (1,380,201)</u></u>
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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, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
General property taxes	\$ 14,486,500	\$ 14,486,500	\$ 14,371,915	\$ (114,585)
Other local taxes	3,353,500	3,353,500	3,563,510	210,010
Permits, privilege fees, and regulatory licenses	73,300	73,300	73,903	603
Fines and forfeitures	533,000	533,000	730,320	197,320
Revenue from use of money and property	460,318	460,318	193,732	(266,586)
Charges for services	775,676	775,676	923,651	147,975
Recovered costs	467,046	467,046	368,489	(98,557)
Other	126,800	126,800	229,645	102,845
Intergovernmental	9,623,165	9,683,032	8,592,450	(1,090,582)
Total revenues	<u>29,899,305</u>	<u>29,959,172</u>	<u>29,047,615</u>	<u>(911,557)</u>
EXPENDITURES				
Current Operating:				
General government administration	2,173,100	2,163,345	1,859,579	303,766
Judicial administration	1,438,558	1,438,558	1,394,442	44,116
Public safety	7,000,013	7,235,013	6,091,332	1,143,681
Public works	2,055,398	2,090,398	2,075,657	14,741
Health and welfare	6,103,550	6,103,550	5,231,583	871,967
Education	9,034,368	10,449,328	8,299,224	2,150,104
Parks, recreation, and cultural	968,916	968,916	963,066	5,850
Community development	1,875,214	1,849,969	1,427,807	422,162
Capital Projects	1,800,000	1,800,000	1,895,888	(95,888)
Debt Service:				
Principal retirement	6,017,333	6,017,333	1,018,164	4,999,169
Interest and other fiscal charges	271,576	271,576	270,749	827
Total expenditures	<u>38,738,026</u>	<u>40,387,986</u>	<u>30,527,491</u>	<u>9,860,495</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (8,838,721)</u>	<u>\$ (10,428,814)</u>	<u>\$ (1,479,876)</u>	<u>\$ 8,948,938</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2011

	<u>Business-type Activity</u> <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 150,201
Receivables, net (Note 3)	184,207
Due from other governmental units (Note 4)	<u>283,930</u>
Total current assets	<u>618,338</u>
Noncurrent assets:	
Capital assets, net (Note 6)	31,382,202
Bond issue costs, net	<u>38,082</u>
Total noncurrent assets	<u>31,420,284</u>
Total assets	<u>32,038,622</u>
LIABILITIES	
Current liabilities:	
Accounts payable	133,114
Accrued interest payable	27,766
Unearned revenue	149,645
Bonds payable (Note 7)	309,592
Compensated absences and other post employment benefits (Note 7)	<u>10,536</u>
Total current liabilities	<u>630,653</u>
Noncurrent liabilities:	
Bonds payable (Note 7)	11,549,835
Compensated absences and other post employment benefits (Note 7)	<u>21,239</u>
Total noncurrent liabilities	<u>11,571,074</u>
Total liabilities	<u>12,201,727</u>
NET ASSETS	
Invested in capital assets, net of related debt	19,522,775
Unrestricted	<u>314,120</u>
Total net assets	<u>\$ 19,836,895</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2011

	<u>Business-type Activities</u>
	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Water revenues	\$ 1,114,591
Wastewater revenues	683,754
Service charges	37,761
Connection fees	23,285
Miscellaneous	1,014
Total operating revenues	<u>1,860,405</u>
OPERATING EXPENSES	
Salaries and wages	295,487
Employee benefits	141,407
Utilities and communication	48,034
Water and wastewater services	445,226
Water purchases	378,006
Professional services	5,034
Project expenses	28,668
Repairs and maintenance	123,370
Insurance	5,808
Office supplies and miscellaneous	9,055
Depreciation and amortization	<u>1,351,495</u>
Total operating expenses	<u>2,831,590</u>
Operating loss	<u>(971,185)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	2
Interest expense	<u>(459,136)</u>
Total non-operating revenues (expenses)	<u>(459,134)</u>
Loss before contributions and transfers	(1,430,319)
CAPITAL CONTRIBUTIONS (Note 6)	1,299,201
TRANSFERS IN	<u>816,973</u>
Change in Net Assets	685,855
NET ASSETS JULY 1, 2010	<u>19,151,040</u>
NET ASSETS JUNE 30, 2011	<u><u>\$ 19,836,895</u></u>

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, 2011

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING ACTIVITIES	
Receipts from customers	\$ 1,861,188
Payments to suppliers	(1,153,523)
Payments to employees	(431,134)
Other receipts	1,014
Net cash provided by operating activities	<u>277,545</u>
NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>816,973</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,781,921)
Contributions in aid of construction	628,315
Principal payments on debt	(294,615)
Interest payments on debt	(464,559)
Net cash provided by capital and related financing activities	<u>(1,912,780)</u>
INVESTING ACTIVITIES	
Interest received	<u>2</u>
Net change in cash and cash equivalents	(818,260)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	968,461
Ending at June 30	<u>\$ 150,201</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (971,185)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,349,609
Amortization	1,886
Decrease in accounts receivable	1,797
Decrease in accounts payable	(110,322)
Increase in accrued payroll and related liabilities	5,760
Net cash provided by operating activities	<u>\$ 277,545</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Imputed interest	<u>\$ 10,226</u>
Capital asset purchases included in accounts payable at year end	<u>\$ 22,612</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 237,594
Accrued interest	32
Due from other governmental units	<u>2,655</u>
Total assets	<u><u>\$ 240,281</u></u>
LIABILITIES	
Amounts held for social services clients	\$ 238,594
Amounts held for Carnegie fund	<u>1,687</u>
Total liabilities	<u><u>\$ 240,281</u></u>

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 \$926,466 to fund operations. Financial statements of the library can be obtained from the library at 118 S. Sheffey Street, Marion, Virginia 24354.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 \$32,285 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 \$1,135,840 during 2011 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, 2011 was \$1,785,683. Income (loss) earned on the investment during the 2011 fiscal year was (\$95,130). 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 \$124,516 to the board during the 2011 fiscal year.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 \$244,100 to the Commission in the 2011 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.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 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)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 \$7,825 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 2011, deferred revenue also consists of grant revenue unearned at June 30, 2011.

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)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

Fund Equity

Fund Balances

The Smyth County Board of Supervisors are dedicated to maintaining an appropriate level of fund balance sufficient to mitigate current and future financial risks and to ensure stable tax rates; and, therefore, formally establishes this policy for the County's Fund Balance. This policy also authorizes and directs the County Administrator to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Components of Fund Balance

Fund balance is the difference between the assets and liabilities reported in a governmental fund. The following five fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

Components of Fund Balance (Continued)

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

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

Minimum Unassigned Fund Balance Policy

The County has no minimum fund balance requirement.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

Resource Flow Policy

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

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Receivables		
Taxes	\$ 19,358,704	\$ -
Accounts	<u>328,413</u>	<u>244,403</u>
Gross receivables	19,687,117	244,403
Less:		
Allowance for uncollectibles	<u>(675,076)</u>	<u>(60,196)</u>
Net total receivables	<u><u>\$ 19,012,041</u></u>	<u><u>\$ 184,207</u></u>

A receivable for repayment of incentive payments of \$106,667 is reflected in the IDA fund.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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:

	Unearned Revenue	Deferred Revenue
Property taxes receivable	\$ 16,379,449	\$ 18,378,860
Prepaid taxes – unearned	143,589	143,589
Abingdon Feeder Cattle Grant - Unearned	13,335	13,335
	<u>\$ 16,536,373</u>	<u>\$ 18,535,784</u>

Deferred revenue of \$149,645 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
<u>Commonwealth of Virginia:</u>			
Local sales tax	\$ 329,907	\$ -	\$ -
State sales tax	-	-	716,982
Communication tax	93,378	-	-
Categorical aid – shared expenses	213,291	-	-
Comprehensive services act	95,767	-	-
Virginia public assistance funds	107,501	-	-
Other categorical aid	38,703	-	247
Non-categorical aid	109,605	-	-
<u>Federal Government:</u>			
Federal public assistance funds	158,982	-	-
SVRWCF	-	156,453	-
ARRA IDEA Part B	-	-	242,331
Rural Development	-	3,613	-
Title I and Title I ARRA	-	-	647,091
Title II	-	-	58,087
Title IV-B	-	-	338,745
School Breakfast and Lunch	-	-	267,632
Pre-School Handicapped	-	-	2,787
21 st Century Learning	-	-	78,832
Vocational Education	-	-	17,553
Other Federal aid	-	-	66,524
<u>Other:</u>			
Other Governmental units	354,369	123,864	113,466
	<u>\$ 1,501,503</u>	<u>\$ 283,930</u>	<u>\$ 2,550,277</u>

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 5. Interfund Transfers

Interfund transfers are as follows:

<u>Transfer to Fund</u>	<u>Transfer From Fund</u>	<u>Amount</u>
Water and Sewer	General Fund	\$ 816,973

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 365,564	\$ 286,753	\$ -	\$ 652,317
Construction in progress	1,175,056	1,011,535	(883,551)	1,303,040
Total capital assets, not depreciated	1,540,620	1,298,288	(883,551)	1,955,357
Capital assets, depreciated:				
Infrastructure	56,660	-	-	56,660
Buildings and improvements	25,743,751	598,436	-	26,342,187
Machinery and equipment	7,478,471	378,427	-	7,856,898
Total capital assets, depreciated	33,278,882	976,863	-	34,255,745
Less accumulated depreciation for:				
Infrastructure	(9,602)	(1,699)	-	(11,301)
Buildings and improvements	(14,918,931)	(1,152,812)	-	(16,071,743)
Machinery and equipment	(3,469,871)	(399,437)	-	(3,869,308)
Total accumulated depreciation	(18,398,404)	(1,553,948)	-	(19,952,352)
Capital assets, depreciated, net	14,880,478	(577,085)	-	14,303,393
Governmental activities capital assets, net	<u>\$ 16,421,098</u>	<u>\$ 721,203</u>	<u>\$ (883,551)</u>	<u>\$ 16,258,750</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	1,251,266	1,565,546	(1,178,142)	1,638,670
Total capital assets, not depreciated	1,276,697	1,565,546	(1,178,142)	1,664,101
Capital assets, depreciated:				
Utility system	44,126,400	1,166,225	-	45,292,625
Machinery and equipment	559,026	-	-	559,026
Capital assets, depreciated	44,685,426	1,166,225	-	45,851,651
Less: accumulated depreciation for:				
Utility system	(14,542,749)	(1,283,488)	-	(15,826,237)
Machinery and equipment	(241,191)	(66,122)	-	(307,313)
Total accumulated depreciation	(14,783,940)	(1,349,610)	-	(16,133,550)
Capital assets, depreciated, net	29,901,486	(183,385)	-	29,718,101
Business-type activities capital assets, net	<u>\$ 31,178,183</u>	<u>\$ 1,382,161</u>	<u>\$ (1,178,142)</u>	<u>\$ 31,382,202</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 139,175
Judicial administration	41,278
Public safety	302,694
Public works	42,189
Health and welfare	39,028
Education	949,917
Parks, recreation, and cultural	39,667
Community development	-
	<u>1,553,948</u>
Business-type activities:	
Water and Sewer	<u>1,349,610</u>
Total depreciation expense – primary government	<u>\$ 2,903,558</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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
Porter Valley Project-Central Builders Courthouse Renovations-Moseley	\$ 225,587 980,374	\$ 12,188 620,296
Total	<u>\$ 1,205,961</u>	<u>\$ 632,484</u>

The County received \$1,299,201 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	609,368	1,101,709	(168,795)	1,542,282
Total capital assets, not depreciated	1,220,345	1,101,709	(168,795)	2,153,259
Capital assets, depreciated:				
Buildings and improvements	11,030,328	209,728	-	11,240,056
Machinery and equipment	5,937,507	321,772	(167,500)	6,091,779
Total capital assets, depreciated	16,967,835	531,500	(167,500)	17,331,835
Less accumulated depreciation for:				
Buildings and improvements	(6,936,675)	(276,595)	-	(7,213,270)
Machinery and equipment	(2,958,414)	(496,227)	167,500	(3,287,141)
Total accumulated depreciation	(9,895,089)	(772,822)	167,500	(10,500,411)
Capital assets, depreciated, net	7,072,746	(241,322)	-	6,831,424
School Board capital assets, net	<u>\$ 8,293,091</u>	<u>\$ 860,387</u>	<u>\$ (168,795)</u>	<u>\$ 8,984,683</u>

Total depreciation expense recorded in fiscal year 2011 was \$772,822.

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	\$ 2,919,337	\$ 5,003,600	\$ 367,450	\$ 7,555,487	\$ 379,303
Literary fund loans	6,656,286	-	651,133	6,005,153	651,136
Total bonds payable	9,575,623	5,003,600	1,018,583	13,560,640	1,030,439
Landfill closure/ post-closure	62,086	279,330	54,850	286,566	-
Compensated absences	555,740	17,100	-	572,840	429,705
Other post-employment benefits	181,023	103,878	33,628	251,273	-
	<u>\$ 10,374,472</u>	<u>\$ 5,403,908</u>	<u>\$ 1,107,061</u>	<u>\$ 14,671,319</u>	<u>\$ 1,460,144</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 12,154,042	\$ -	\$ 294,615	\$ 11,859,427	\$ 309,592
Total bonds payable	12,154,042	-	294,615	11,859,427	309,592
Compensated absences	13,238	810	-	14,048	10,536
Other post-employment benefits	12,777	7,322	2,372	17,727	-
	<u>\$ 12,180,057</u>	<u>\$ 8,132</u>	<u>\$ 296,987</u>	<u>\$ 11,891,202</u>	<u>\$ 320,128</u>
Component Unit					
School Board:					
Compensated absences	\$ 707,449	\$ -	\$ 24,383	\$ 683,066	\$ 118,958
Other post-employment benefits	348,840	290,160	175,000	464,000	-
	<u>\$ 1,056,289</u>	<u>\$ 290,160</u>	<u>\$ 199,383</u>	<u>\$ 1,147,066</u>	<u>\$ 118,958</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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
2012	\$ 379,303	\$ 269,490	\$ 651,136	\$ 120,102	\$ 309,592	\$ 449,060
2013	391,341	250,128	556,136	107,081	322,574	435,012
2014	388,761	230,633	556,136	95,957	335,481	423,225
2015	401,376	210,994	556,136	84,835	348,550	410,908
2016	5,373,225	115,666	556,136	73,712	360,787	398,095
2017-2021	591,434	83,034	2,062,601	210,604	2,013,899	1,780,155
2022-2026	30,047	2,654	1,066,872	63,763	2,427,544	1,374,173
2027-2031	-	-	-	-	2,426,599	885,176
2032-2036	-	-	-	-	1,069,403	566,799
2037-2041	-	-	-	-	1,237,724	337,816
2042-2046	-	-	-	-	887,442	88,920
2047-2051	-	-	-	-	119,832	6,558
	<u>\$ 7,555,487</u>	<u>\$ 1,162,599</u>	<u>\$ 6,005,153</u>	<u>\$ 756,054</u>	<u>\$ 11,859,427</u>	<u>\$ 7,155,897</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
Landfill	4.5%	03/26/96	2016	\$ 1,129,000	\$ 347,689	\$ -
School Construction	4.9 – 6.35	11/12/92	2012	214,010	28,567	-
School Construction	5.1 – 6.1	12/21/95	2015	3,430,007	1,039,084	-
School Construction	4.975 – 5.85	11/01/00	2020	1,836,901	1,042,063	-
School Construction	4.1-5.6	11/10/04	2024	117,994	88,798	-
Rural Development Administration	4.5	07/02/02	2042	346,000	-	317,712
Virginia Resource Authority	2.5	10/17/01	2032	133,000	-	104,074
Virginia Resource Authority	0% Coupon	03/05/04	2034	503,049	-	391,132
Virginia Resource Authority	0	11/26/08	2029	473,000	-	425,700
Rural Development Administration	3.250	02/14/05	2045	1,500,000	-	1,405,937
Rural Development Administration	4.375	03/08/05	2045	400,400	-	381,023
Rural Development Administration	4.375	05/26/04	2044	2,735,500	-	2,565,438
Rural Development Administration	4.50	10/09/07	2047	338,000	-	330,408
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	-	498,207
General Obligation Bond Series 2010	3.00	11/9/10	2015	5,003,600	5,003,600	-
General Obligation Refunding Bond Series 2005	4.0; at 2021 55% of Prime	11/30/05	2030	6,309,000	-	5,332,000
					7,549,801	11,996,631
Bond Premiums					5,686	-
Imputed Interest	4%				-	(137,204)
					<u>\$ 7,555,487</u>	<u>\$ 11,859,427</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 7. Long-Term Debt (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>Other Long-Term Debt:</u>						
State Literary Fund Loan	2.0	04/01/99	2019	\$ 893,655	\$ 357,471	\$ -
State Literary Fund Loan	2.0	03/15/99	2019	1,777,000	710,800	-
State Literary Fund Loan	2.0	08/01/91	2011	1,900,000	95,000	-
State Literary Fund Loan	2.0	10/01/96	2016	125,500	37,650	-
State Literary Fund Loan	2.0	07/15/98	2018	90,000	36,000	-
State Literary Fund Loan	2.0	07/15/98	2018	1,240,000	496,000	-
State Literary Fund Loan	2.0	01/15/98	2018	1,770,000	708,000	-
State Literary Fund Loan	2.0	03/01/98	2018	557,000	194,950	-
State Literary Fund Loan	2.0	07/01/97	2017	115,000	34,500	-
State Literary Fund Loan	2.0	08/01/99	2019	187,873	84,550	-
State Literary Fund Loan	2.0	04/01/02	2024	2,418,692	1,684,648	-
State Literary Fund Loan	2.0	04/01/02	2024	2,146,934	1,497,360	-
State Literary Fund Loan	2.0	04/01/02	2022	124,041	68,224	-
					<u>\$ 6,005,153</u>	<u>\$ -</u>

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 \$286,566 reported as landfill closure and post-closure care liability at June 30, 2011 represents the post-closure activities for the additional three 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 2011. 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.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

School Board (Continued)

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 \$46,919,824. That amount is obtained as follows:

Expenditures of School Board – Component Unit (Exhibit B-2)	\$ 45,630,911
Principal and other debt service expenditures included in primary government	<u>1,288,913</u>
Total expenditures for school activities	<u>\$ 46,919,824</u>

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)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

**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. The IDA repaid the general fund in fiscal year 2011.

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 10 years of service credit or age 50 with at least 5 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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 2011 was 14.02% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2011 were 8.93% for professional employees and 11.79% for non-professional employees. The County and School Board's contribution rates include the employer's share of 5% paid by the employer.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Defined Benefit Pension Plan (Continued)

Funding Policy (Continued)

For the three years ended June 30, 2011, 2010, and 2009, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$2,110,268, \$2,808,894, and \$3,560,742 and represented 8.93%, 13.81%, and 13.81% of annual covered payroll, respectively, and 100% of the required contributions for 2011, 2010, and 2009.

Annual Pension Cost

For fiscal year 2011, the County and School Board's annual pension costs of \$989,737 and \$296,411, respectively, were equal to their required and actual contributions. The FY2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers 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 also 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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) 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, 2011	\$ 989,737	100%	\$ -
June 30, 2010	\$ 953,485	100%	\$ -
June 30, 2009	\$ 967,930	100%	\$ -

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, 2011	\$ 296,411	100%	\$ -
June 30, 2010	\$ 302,004	100%	\$ -
June 30, 2009	\$ 301,926	100%	\$ -

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 10. Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 76.84% funded for the County and 81.43% funded for the School Board. The actuarial accrued liability for benefits was \$36,079,662 for the County and \$11,556,158 for the School Board and the actuarial value of assets was \$27,723,904 for the County and \$9,410,327 for the School Board, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,355,758 for the County and \$2,145,831 for the School Board. The covered payroll (annual payroll of active employees covered by the plan) was \$7,181,079 for the County and \$2,550,554 for the School Board, and ratio of the UAAL to the covered payroll was 116.36% for the County and 84.13% for the School Board.

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2011, the County and School Board's annual OPEB costs of \$111,200 and \$290,160, respectively, were equal to the adjusted Annual Required Contribution (ARC).

	Primary Government	School Board
Annual required contribution	\$ 120,000	\$ 319,000
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	(8,800)	(28,840)
Annual OPEB cost	111,200	290,160
Contributions made	(36,000)	(175,000)
Increase in net OPEB obligation	75,200	115,160
Net OPEB obligation-beginning of year	193,800	348,840
Net OPEB obligation-end of year	<u>\$ 269,000</u>	<u>\$ 464,000</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 11. Other Post-Employment Benefits (Continued)

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, 2011	\$ 111,200	32.4%	\$ 269,000
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, 2011	\$ 290,160	60.3%	\$ 464,000
June 30, 2010	\$ 316,840	43.9%	\$ 348,840
June 30, 2009	\$ 310,000	44.9%	\$ 171,000

Funding Status and Funding Progress

The funding status of the plan as of July 1, 2010 was as follows:

	Primary Government	School Board
Actuarial Accrued Liability (AAL)	\$ 1,270,000	\$ 3,951,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,270,000	3,951,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	6,975,554	26,157,840
UAAL as a Percentage of Covered Payroll	18.21%	15.10%

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.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 11. Other Post-Employment Benefits (Continued)

Funding Status and Funding Progress (Continued)

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, 2010 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 9% 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, 2011 is 27 years.

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.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 11. Other Post-Employment Benefits (Continued)

Plan Description (Continued)

The number of participants at June 30, 2011 was as follows:

	Primary	
	<u>Government</u>	<u>School Board</u>
Retirees currently receiving benefits	11	96
Active employees	<u>187</u>	<u>735</u>
Total	<u><u>198</u></u>	<u><u>831</u></u>

Funding Policy

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2011, 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.

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.

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.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 fourth renewal period.

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 is in the first renewal period.

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. The County is in the second renewal period.

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 \$25 million dollars which would include the courthouse, sheriff's office, 911 relocation and parking garage at the courthouse. During the fiscal year 2011, costs were incurred for architect fees. Bonds were issued in December of 2011 to finance these improvements (See Note 20).

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.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 16. Intergovernmental Agreements

Litigation

Various other claims are pending against the County. In the opinion of County management, after consulting with legal counsel, the potential loss on all claims will not materially affect the County's financial position.

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 2011, the County remitted a total of \$252,813 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.

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 2011, the County remitted a total of \$132,172 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 operated by Saltville. The County's capacity in the facility is 40% and it pays a monthly user charge based on actual user flow consisting of operating and maintenance costs which are determined by Saltville monthly.

The term of agreement ends March 2041 and is renewable for a term of 40 years. During fiscal year 2011, the County remitted a total of \$15,214 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.

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 17. Fund Balances

The amounts that are reported on the fund financial balance sheet identified as nonspendable, restricted, committed, and assigned fund balance are comprised of the following:

	<u>Primary</u> <u>Government</u> <u>General Fund</u>
Fund Balances:	
Nonspendable:	
Prepaid expenses	\$ <u>65,811</u>
Restricted for:	
E-911	117,930
Courthouse Project	3,465,703
DARE	19,034
Public Safety	<u>62,957</u>
Total Restricted	\$ <u>3,665,624</u>
Committed for:	
Courthouse Security	\$ <u>100,491</u>
Assigned to:	
Animal Control	\$ <u>69,019</u>
	<u>Discretely</u> <u>Presented</u> <u>Component Unit</u> <u>School Board</u>
Fund Balances:	
Nonspendable:	
Inventory	\$ 114,844
Prepaid expenses	<u>79,589</u>
Total Nonspendable	\$ <u>194,433</u>
Assigned to:	
Textbooks	\$ 1,898,551
Food Services	<u>496,598</u>
Total Assigned	\$ <u>2,395,149</u>

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 19. Pending GASB Statements

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

GASB Statement No. 61 *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the “substantively the same governing body” criterion, it additionally requires that a financial benefit or financial burden relationship exist or management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* was issued to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

Management has not yet evaluated the effects, if any, of adopting these standards.

Note 20. Subsequent Events

The County had a bond issuance in November 2011 that consisted of \$26,985,000 General Obligation Public Improvement Bonds, Series 2011A and \$12,500,000 General Obligation Literary Loan Anticipation Notes, Series 2011B. The bond proceeds were received by the County on December 6, 2011. Approximately \$5,000,000 of the proceeds was utilized to pay off the Series 2010 General Obligation Bonds. The County also issued a \$9,500,000 General Obligation School Bond, Series 2011C on December 16, 2011. The purpose of the bonds is to finance the renovation of Marion Primary School and the acquisition, construction, and equipping of a new elementary school, and the mandated improvements to the County courthouse (See Note 15).

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 20. Subsequent Events (Continued)

The County entered into a 12 month lease agreement with Mount Rogers Community Services Board for the use of the building owned by the County. Mount Rogers Community Services Board will be paying \$8,000 monthly (equivalent to \$2 per square foot.) Mount Rogers Community Services Board will pay for the maintenance and any repairs to the building.

The Commonwealth of Virginia is requiring localities to provide coverage for the Line of Duty Act starting July 2011. The Line of Duty Act requires coverage for Smyth County law enforcement, animal control, emergency management, and firefighters that may get injured or killed in the line of duty. The County is required to cover Towns located in the County unless the Towns elect to provide coverage on their own. The County agreed to use Virginia Association of Counties (VACO) for coverage for the Line of Duty Act. The County will obtain a mutual aid agreement with the Towns and invoice the Towns for their cost of the coverage.

The Board of Supervisors approved a contract for \$1,448,526 with South End Construction for the construction of the new parking structure.

The Industrial Development Authority of Smyth County received an application from Smyth County Community Hospital and Mountain State Health Alliance to issue revenue bonds in an amount not to exceed \$150,000,000. The revenue bonds are for projects that consist of (1) improvements and additions to the Norton Community Hospital facility, (2) renovations and equipping of a clinic owned by Norton Community Hospital, (3) improvements and additions to the current Smyth County Community Hospital facility, the construction and equipping of the new Smyth County Community Hospital facility, equipment and other capital improvements for Smyth County Francis Marion Manor, and the acquisition, construction, and equipping of a Medical Office Building located in the Town of Rural Retreat, and (4) construction and equipping of the Johnston Memorial Hospital facility. The resolution was passed by the Board of the Industrial Development Authority of Smyth County.

REQUIRED SUPPLEMENTARY INFORMATION



COUNTY OF SMYTH, VIRGINIA

Required Supplementary Information
Schedule of Funding Progress
As of June 30, 2011

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, 2010	\$ 27,723,904	\$ 36,079,662	\$ 8,355,758	76.84%	\$ 7,181,079	116.36%
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, 2010	\$ 9,410,327	\$ 11,556,158	\$ 2,145,831	81.43%	\$ 2,550,554	84.13%
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, 2010	\$ -	\$ 1,270,000	\$ 1,270,000	0.00%	\$ 6,975,554	18.21%
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, 2010	\$ -	\$ 3,951,000	\$ 3,951,000	0.00%	\$ 26,157,840	15.10%
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%



OTHER SUPPLEMENTARY INFORMATION



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.



COUNTY OF SMYTH, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2011

	Special Welfare	Carnegie	Total
ASSETS			
Cash and cash equivalents	\$ 235,907	\$ 1,687	\$ 237,594
Accrued interest	32	-	32
Due from other governmental units	2,655	-	2,655
Total assets	<u>\$ 238,594</u>	<u>\$ 1,687</u>	<u>\$ 240,281</u>
LIABILITIES			
Amounts held for social services clients	\$ 238,594	-	\$ 238,594
Amounts held for Carnegie fund	-	1,687	1,687
Total liabilities	<u>\$ 238,594</u>	<u>\$ 1,687</u>	<u>\$ 240,281</u>



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.



COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2011

	<u>School Operating</u>
ASSETS	
Cash and cash equivalents	\$ 2,573,581
Due from primary government	4,512,062
Due from other governmental units	2,550,277
Accrued interest	1,826
Prepaid expense	79,589
Inventories	114,844
	<hr/>
Total assets	\$ 9,832,179
	<hr/>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 232,395
Accrued payroll and related liabilities	4,605,349
	<hr/>
Total liabilities	4,837,744
	<hr/>
Fund Balance:	
Nonspendable	194,433
Restricted	-
Committed	-
Assigned	2,395,149
Unassigned	2,404,853
	<hr/>
Total fund balance	4,994,435
	<hr/>
Total liabilities and fund balance	\$ 9,832,179
	<hr/>
Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balance	\$ 4,994,435
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	8,984,683
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.	<hr/> (1,147,066)
Net assets of governmental activities	\$ 12,832,052
	<hr/>

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, 2011**

	<u>School Operating</u>
REVENUES	
Revenue from use of money and property	\$ 15,874
Charges for services	1,439,143
Miscellaneous	22,025
Recovered costs	515,944
Intergovernmental	<u>43,916,319</u>
Total revenues	<u>45,909,305</u>
EXPENDITURES	
Current:	
Instruction	34,531,626
Administration, attendance and health	1,558,283
Transportation	2,180,818
Operation and maintenance	3,842,626
School nutrition	2,464,104
Capital projects	<u>1,053,454</u>
Total expenditures	<u>45,630,911</u>
Excess of revenues over expenditures	278,394
OTHER FINANCING SOURCES	
Insurance recovery	<u>18,060</u>
Total other financing sources	<u>18,060</u>
Net change in fund balance	296,454
FUND BALANCE AT JULY 1, 2010	<u>4,697,981</u>
FUND BALANCE AT JUNE 30, 2011	<u><u>\$ 4,994,435</u></u>

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

Net change in fund balance	\$ 296,454
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 (\$1,464,414) exceeds depreciation (\$772,822).	691,592
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(90,777)</u>
Change in net assets of governmental activities	<u><u>\$ 897,269</u></u>

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, 2011

	School Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 35,750	\$ 35,750	\$ 15,874	\$ (19,876)
Charges for services	1,521,350	1,521,350	1,439,143	(82,207)
Miscellaneous	-	-	22,025	22,025
Recovered costs	358,000	358,000	515,944	157,944
Intergovernmental	44,402,133	45,817,093	43,916,319	(1,900,774)
Total revenues	46,317,233	47,732,193	45,909,305	(1,822,888)
EXPENDITURES				
Current:				
Instruction	35,216,337	35,216,337	34,531,626	684,711
Administration, attendance and health	1,561,443	1,561,443	1,558,283	3,160
Transportation	2,147,801	2,147,801	2,180,818	(33,017)
Operation and maintenance	4,321,226	4,321,226	3,842,626	478,600
School nutrition	2,850,288	2,850,288	2,464,104	386,184
Capital projects	185,138	1,600,098	1,053,454	546,644
Total expenditures	46,282,233	47,697,193	45,630,911	2,066,282
Excess of revenues over expenditures	35,000	35,000	278,394	243,394
OTHER FINANCING SOURCES				
Insurance recovery	-	-	18,060	18,060
Total other financing sources	-	-	18,060	18,060
Net change in fund balance	\$ 35,000	\$ 35,000	\$ 296,454	\$ 261,454



SUPPORTING SCHEDULES



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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,000,000	\$ 9,000,000	\$ 9,352,273	\$ 352,273
Public service corporation taxes	575,000	575,000	823,619	248,619
Personal property taxes	2,720,000	2,720,000	1,977,336	(742,664)
Mobile home taxes	113,500	113,500	97,452	(16,048)
Machinery and tools taxes	1,656,000	1,656,000	1,717,023	61,023
Merchant's capital taxes	186,000	186,000	175,745	(10,255)
Special assessment taxes	6,000	6,000	-	(6,000)
Penalties and interest	230,000	230,000	228,467	(1,533)
Total General Property Taxes	14,486,500	14,486,500	14,371,915	(114,585)
Other local taxes:				
Local sales and use taxes	1,800,000	1,800,000	1,872,712	72,712
Consumers' utility taxes	568,000	568,000	561,140	(6,860)
Local consumption tax	162,000	162,000	132,523	(29,477)
Communication tax	625,000	625,000	613,186	(11,814)
Motor vehicle licenses	15,000	15,000	246,737	231,737
Taxes on recordation and wills	140,000	140,000	71,856	(68,144)
Special conveyance tax	25,000	25,000	17,536	(7,464)
Lodging tax	18,500	18,500	47,820	29,320
Total Other Local Taxes	3,353,500	3,353,500	3,563,510	210,010
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	61,875	61,875	63,686	1,811
Animal licenses	11,425	11,425	10,217	(1,208)
Total Permits, Privilege Fees, and Regulatory Licenses	73,300	73,300	73,903	603
Fines and forfeitures	533,000	533,000	730,320	197,320
Revenue from use of money and property:				
Revenue from use of money	408,000	408,000	142,342	(265,658)
Revenue from use of property	52,318	52,318	51,390	(928)
Total Revenue from Use of Money and Property	460,318	460,318	193,732	(266,586)
Charges for services:				
Sheriff's fees	2,076	2,076	1,794	(282)
Courthouse maintenance	25,000	25,000	25,085	85
Courthouse security fees	76,000	76,000	130,355	54,355
Commonwealth's attorney	1,800	1,800	2,525	725
Prisoners	12,000	12,000	6,583	(5,417)
Law library fees	8,800	8,800	8,279	(521)
Sanitation and waste removal	650,000	650,000	749,030	99,030
Total Charges for Services	775,676	775,676	923,651	147,975

(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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Recovered costs:				
Rye Valley water salary reimbursement	\$ 87,479	\$ 87,479	\$ 77,797	\$ (9,682)
Insurance recoveries	25,000	25,000	13,673	(11,327)
Local board of welfare	75,000	75,000	20,993	(54,007)
School resource officer	84,000	84,000	84,000	-
Workforce director	100,732	100,732	97,125	(3,607)
Other recovered costs	94,835	94,835	74,901	(19,934)
Total recovered costs	<u>467,046</u>	<u>467,046</u>	<u>368,489</u>	<u>(98,557)</u>
Other revenue:				
Payments in lieu of taxes	-	-	48,972	48,972
Miscellaneous	126,800	126,800	180,673	53,873
Total Other Revenue	<u>126,800</u>	<u>126,800</u>	<u>229,645</u>	<u>102,845</u>
Total Revenue from Local Sources	<u>20,276,140</u>	<u>20,276,140</u>	<u>20,455,165</u>	<u>179,025</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	75,000	75,000	40,008	(34,992)
Motor vehicle rental tax	2,500	2,500	227	(2,273)
Personal Property Tax Relief Act	1,804,310	1,804,310	1,804,316	6.00
Rolling stock taxes	32,812	32,812	607	(32,205)
State recordation tax	-	-	31,738	31,738
Total Non-categorical Aid	<u>1,914,622</u>	<u>1,914,622</u>	<u>1,876,896</u>	<u>(37,726)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	434,463	434,463	424,176	(10,287)
Sheriff	1,583,911	1,583,911	1,574,980	(8,931)
Clerk of Court	285,687	285,687	286,063	376
Commissioner of the Revenue	96,890	96,890	95,652	(1,238)
Treasurer	102,631	102,631	100,487	(2,144)
Registrar/Electoral Board	56,563	56,563	43,128	(13,435)
Local Aid to Commonwealth	-	(175,133)	(228,729)	(53,596)
Total Shared Expenses	<u>2,560,145</u>	<u>2,385,012</u>	<u>2,295,757</u>	<u>(89,255)</u>
Other categorical aid:				
Life EMS	-	-	28,547	28,547
National Forest	12,429	12,429	13,875	1,446
Litter control grant	6,500	6,500	8,531	2,031
Public assistance and welfare administration	1,387,305	1,387,305	1,273,239	(114,066)
Victim witness	45,400	45,400	44,468	(932)
E-911 grant	-	-	38,439	38,439
Fire programs	70,000	70,000	66,312	(3,688)
Comprehensive Services Act program	701,500	701,500	545,710	(155,790)
Asset forfeiture funds	24,500	24,500	16,272	(8,228)
Tobacco grant-Abingdon Feeder Cattle	150,000	150,000	77,426	(72,574)
Tobacco Commission grant	-	-	25,000	25,000
Community oriented policing service	-	-	78,717	78,717
Court record preservation grant	30,000	30,000	-	(30,000)
Criminal history records improvement	-	-	49,394	49,394
Virginia Opportunity Region Marketing grant	250,000	250,000	-	(250,000)
Other state aid	75,004	75,004	23,212	(51,792)
Total other categorical aid	<u>2,752,638</u>	<u>2,752,638</u>	<u>2,289,142</u>	<u>(463,496)</u>
Total categorical aid	<u>5,312,783</u>	<u>5,137,650</u>	<u>4,584,899</u>	<u>(552,751)</u>
Total Revenue from the Commonwealth	<u>7,227,405</u>	<u>7,052,272</u>	<u>6,461,795</u>	<u>(590,477)</u>

(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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,285,760	\$ 2,285,760	\$ 2,097,823	\$ (187,937)
Early Intervention	5,000	5,000	1,368	(3,632)
Open container/alcohol impaired driving	30,000	30,000	22,214	(7,786)
Department of Transportation-alcohol safety	-	-	4,250	4,250
Homeland security grant	-	-	5,000	5,000
DCJS gang grant	-	235,000	-	(235,000)
Assistance to Firefighters grant	75,000	75,000	-	(75,000)
Total Categorical Aid	<u>2,395,760</u>	<u>2,630,760</u>	<u>2,130,655</u>	<u>(500,105)</u>
Total Revenue from the Federal Government	<u>2,395,760</u>	<u>2,630,760</u>	<u>2,130,655</u>	<u>(500,105)</u>
Total Intergovernmental Revenues	<u>9,623,165</u>	<u>9,683,032</u>	<u>8,592,450</u>	<u>(1,090,582)</u>
Total General Fund	<u>\$29,899,305</u>	<u>\$29,959,172</u>	<u>\$29,047,615</u>	<u>\$ (911,557)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School Operating Fund:				
Revenue from local services:				
Revenue from the use of money	\$ 35,000	\$ 35,000	\$ 15,124	\$ (19,876)
Revenue from the use of property	750	750	750	-
Tuition and payments from other divisions	229,600	229,600	342,628	113,028
Cafeteria sales	1,141,750	1,141,750	992,556	(149,194)
Charges for Medicaid payments	150,000	150,000	103,959	(46,041)
Miscellaneous revenue	-	-	22,025	22,025
Sale of supplies	20,000	20,000	27,992	7,992
Other recovered costs	338,000	338,000	487,952	149,952
Total revenue from local services	<u>1,915,100</u>	<u>1,915,100</u>	<u>1,992,986</u>	<u>77,886</u>
Intergovernmental revenues:				
Revenue from local governments:				
Contribution from County of Smyth, Virginia	<u>7,694,356</u>	<u>9,109,316</u>	<u>8,248,122</u>	<u>(861,194)</u>
Revenue from the Commonwealth:				
Share of state sales tax	3,933,054	3,933,054	4,197,922	264,868
Basic school aid	16,952,565	16,952,565	15,825,299	(1,127,266)
Remedial summer education	148,708	148,708	121,210	(27,498)
Regular foster care	53,896	53,896	36,846	(17,050)
Adult secondary education	11,961	11,961	-	(11,961)
Gifted and talented	168,072	168,072	165,952	(2,120)
Remedial education	552,769	552,769	545,797	(6,972)

(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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Commonwealth (Continued):				
Special education	\$ 2,397,820	\$ 2,397,820	\$ 2,367,577	\$ (30,243)
Textbook payment	196,233	196,233	193,758	(2,475)
Hospitals, clinics and detention homes	192,697	192,697	113,698	(78,999)
Vocational education	746,985	746,985	737,563	(9,422)
Fringe benefits	1,710,594	1,710,594	1,689,019	(21,575)
Early reading intervention	52,807	52,807	52,807	-
GED prep course	23,576	23,576	23,576	-
Homebound education	10,582	10,582	15,970	5,388
Vocational education - adult	104,113	104,113	39,310	(64,803)
Vocational education - equipment	-	-	12,243	12,243
Vocational occupational preparedness	-	-	50,588	50,588
Special education - foster children	-	-	37,484	37,484
At risk payments	637,854	637,854	629,734	(8,120)
Jobs for Virginia Grads	20,000	20,000	43,500	23,500
Primary class size	634,381	634,381	612,546	(21,835)
Technology	388,000	388,000	414,000	26,000
Standards of learning algebra readiness	73,802	73,802	76,202	2,400
Title III, LEP	4,381	4,381	3,910	(471)
At Risk four year olds	426,600	426,600	426,600	-
Mentor teacher program	4,040	4,040	10,676	6,636
English as a second language	18,337	18,337	15,778	(2,559)
School Nutrition	30,627	30,627	30,291	(336)
Hold Harmless	228,332	228,332	234,606	6,274
Other state funds	22,096	22,096	22,014	(82)
Total Revenue from the Commonwealth	<u>29,744,882</u>	<u>29,744,882</u>	<u>28,746,476</u>	<u>(998,406)</u>

(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, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Federal Government:				
Title I	\$ 1,225,796	\$ 1,225,796	\$ 1,242,448	\$ 16,652
Title VI-B, special education - grants to states	1,095,868	1,095,868	1,195,857	99,989
Title VI-B, special education - preschool grants	53,912	53,912	58,767	4,855
Safe and drug free schools	19,034	19,034	20,178	1,144
Reading first	-	-	9,475	9,475
Eisenhower professional development grants	6,655	6,655	9,383	2,728
Vocational Education - basic grants to states	102,631	102,631	111,106	8,475
Improving teacher quality state grants	203,972	203,972	210,052	6,080
National school lunch program	1,717,073	1,717,073	1,125,387	(591,686)
School breakfast program	-	-	418,226	418,226
Twenty-first Century community learning centers	402,643	402,643	588,912	186,269
Title II Part D - Enhancing Education Thru Technology	94,900	94,900	96,548	1,648
Forest reserve	112,585	112,585	106,806	(5,779)
Title I grant to local educational agencies - ARRA	532,351	532,351	366,544	(165,807)
Special education - grants to states - ARRA	489,470	489,470	291,713	(197,757)
Special education - preschool grants - ARRA	7,590	7,590	7,006	(584)
State fiscal stabilization fund - ARRA	517,955	517,955	800,268	282,313
Title VI-rural and low	-	-	17,752	17,752
Title II Part D-ARRA	-	-	4,519	4,519
School improvement 1003A	300,000	300,000	219,974	(80,026)
Higher education institutional aid	-	-	428	428
Gear up	17,550	17,550	16,164	(1,386)
Other federal funds	62,910	62,910	4,208	(58,702)
Total Revenue from the Federal Government	<u>6,962,895</u>	<u>6,962,895</u>	<u>6,921,721</u>	<u>(41,174)</u>
Total Intergovernmental Revenues	<u>44,402,133</u>	<u>45,817,093</u>	<u>43,916,319</u>	<u>(1,900,774)</u>
Other financing sources:				
Insurance recoveries	-	-	18,060	18,060
Total Revenue from Other Financing Sources	-	-	18,060	18,060
Total Component Unit - School Board	<u>\$46,317,233</u>	<u>\$47,732,193</u>	<u>\$ 45,927,365</u>	<u>\$ (1,804,828)</u>

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, 2011

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND				
General government administration:				
Legislative:				
Board of supervisors	\$ 546,034	\$ 519,034	\$ 472,417	\$ 46,617
Total Legislative	546,034	519,034	472,417	46,617
General and financial administration:				
County administrator	511,047	528,292	399,593	128,699
Data processing	348,948	348,948	308,032	40,916
Commissioner of revenue	263,498	263,498	250,936	12,562
Treasurer	298,407	298,407	292,168	6,239
Assessor	30,000	30,000	-	30,000
Total General and Financial Administration	1,451,900	1,469,145	1,250,729	218,416
Board of Elections:				
Registrar	175,166	175,166	136,433	38,733
Total Registrar	175,166	175,166	136,433	38,733
Total General Government Administration	2,173,100	2,163,345	1,859,579	303,766
Judicial administration:				
Courts:				
Circuit Court	74,550	74,550	74,366	184
General District Court	31,580	31,580	27,087	4,493
Juvenile and domestic relations court	269,400	269,400	249,231	20,169
Law Library	11,000	11,000	11,072	(72)
Victim Witness program	55,760	55,760	51,176	4,584
Clerk of the circuit court	473,193	473,193	433,245	39,948
Total courts	915,483	915,483	846,177	69,306
Commonwealth Attorney	523,075	523,075	548,265	(25,190)
Total Commonwealth Attorney	523,075	523,075	548,265	(25,190)
Total Judicial Administration	1,438,558	1,438,558	1,394,442	44,116
Public safety:				
Law enforcement and traffic control:				
Sheriff	3,184,027	3,419,027	3,222,833	196,194
Smyth County basic E-911	895,205	895,205	610,935	284,270
Central dispatch	6,500	6,500	12,958	(6,458)
Total Law Enforcement and Traffic Control	4,085,732	4,320,732	3,846,726	474,006
Fire and rescue services:				
Fire department	409,000	409,000	217,749	191,251
Volunteer emergency operations	218,000	218,000	164,362	53,638
Forestry	8,990	8,990	8,990	-
Total Fire and Rescue Squad	635,990	635,990	391,101	244,889
Correction and detention:				
Sheriff - Jail	1,490,210	1,490,210	1,135,840	354,370
Total Correction and Detention	1,490,210	1,490,210	1,135,840	354,370
Inspections:				
Building	381,666	381,666	314,507	67,159
Total Building	381,666	381,666	314,507	67,159
Other protection:				
Animal control	352,364	352,364	361,573	(9,209)
Medical examiner	-	-	700	(700)
Emergency Services	26,215	26,215	14,867	11,348
Motor vehicle license	2,000	2,000	693	1,307
E-911	25,836	25,836	25,325	511
Total Other Protection	406,415	406,415	403,158	3,257
Total Public Safety	7,000,013	7,235,013	6,091,332	1,143,681

(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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Public works:				
Water and sewer:				
Rye Valley water authority	\$ 87,479	\$ 87,479	\$ 85,571	\$ 1,908
Total Water and Sewer	87,479	87,479	85,571	1,908
Sanitation and waste removal:				
Refuse collection and disposal	1,386,737	1,386,737	1,393,884	(7,147)
Total Sanitation and Waste Removal	1,386,737	1,386,737	1,393,884	(7,147)
Maintenance of general buildings and grounds:				
General properties	491,451	491,451	473,098	18,353
Health department/social services building	89,731	124,731	123,104	1,627
Total Maintenance of General Buildings and Grounds	581,182	616,182	596,202	19,980
Total Public Works	2,055,398	2,090,398	2,075,657	14,741
Health and welfare:				
Health:				
Supplement of local health department	444,023	444,023	443,092	931
Total Health	444,023	444,023	443,092	931
Mental health and mental retardation				
Community services board	166,022	166,022	124,516	41,506
Total Mental Health and Mental Retardation	166,022	166,022	124,516	41,506
Welfare:				
Board members	4,200	4,200	3,700	500
Administration and public assistance	4,501,386	4,501,386	3,909,549	591,837
Comprehensive Services Act	987,919	987,919	750,726	237,193
Total Welfare	5,493,505	5,493,505	4,663,975	829,530
Total Health and Welfare	6,103,550	6,103,550	5,231,583	871,967
Education:				
Other instructional costs:				
Contributions to community colleges	51,103	51,103	51,103	-
Contribution to discretely presented component unit - school board	8,983,265	10,398,225	8,248,121	2,150,104
Total Education	9,034,368	10,449,328	8,299,224	2,150,104
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	42,450	42,450	36,600	5,850
Total Parks and Recreation	42,450	42,450	36,600	5,850
Cultural:				
Library administration	926,466	926,466	926,466	-
Total Cultural	926,466	926,466	926,466	-
Total Parks, Recreation, and Cultural	968,916	968,916	963,066	5,850
Community development:				
Planning and development:				
Community development	263,054	263,054	257,868	5,186
Planning	15,173	15,173	4,774	10,399
County engineer	137,171	111,926	130,931	(19,005)
Industrial development authority	469,092	469,092	5,694	463,398
Contribution to discretely presented component unit - IDA	-	-	135,013	(135,013)
Contribution to community organizations	867,596	867,596	801,095	66,501
Total Planning and Development	1,752,086	1,726,841	1,335,375	391,466
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	94,878	94,878	64,182	30,696
Total Cooperative Extension Program	94,878	94,878	64,182	30,696
Total Community Development	1,875,214	1,849,969	1,427,807	422,162

(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, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Capital Projects:				
Capital Improvements	\$ 1,800,000	\$ 1,800,000	\$ 1,895,888	\$ (95,888)
Total Capital Projects	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,895,888</u>	<u>(95,888)</u>
Debt Service:				
Principal retirement	6,017,333	6,017,333	1,018,164	4,999,169
Interest and finance charges	<u>271,576</u>	<u>271,576</u>	<u>270,749</u>	<u>827</u>
Total Debt Service	<u>6,288,909</u>	<u>6,288,909</u>	<u>1,288,913</u>	<u>4,999,996</u>
Total General Fund	<u>\$ 38,738,026</u>	<u>\$ 40,387,986</u>	<u>\$ 30,527,491</u>	<u>\$ 9,860,495</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School operating fund:				
Education:				
Instructional costs	\$ 35,216,337	\$ 35,216,337	\$ 34,531,626	\$ 684,711
Administration, attendance and health	1,561,443	1,561,443	1,558,283	3,160
Transportation	2,147,801	2,147,801	2,180,818	(33,017)
Operation and maintenance	4,321,226	4,321,226	3,842,626	478,600
School nutrition	<u>2,850,288</u>	<u>2,850,288</u>	<u>2,464,104</u>	<u>386,184</u>
Total Education	<u>46,097,095</u>	<u>46,097,095</u>	<u>44,577,457</u>	<u>1,519,638</u>
Capital projects	<u>185,138</u>	<u>1,600,098</u>	<u>1,053,454</u>	<u>546,644</u>
Total Component Unit - School Board	<u>\$ 46,282,233</u>	<u>\$ 47,697,193</u>	<u>\$ 45,630,911</u>	<u>\$ 2,066,282</u>

COUNTY OF SMYTH, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Direct Payments:</u>		
Water and Waste Disposal Expenditures	10.760	\$ 532,911
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	432,940
<u>Department of Agriculture and Consumer Services:</u>		
Food Distribution - Commodities	10.555	207,184
<u>Department of Education:</u>		
School Nutrition Cluster:		
National School Lunch Program	10.555	1,125,387
School Breakfast Program	10.553	418,226
School and Roads - Grants to States	10.665	106,806
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Family Preservation and Support Services	93.556	2,454
Temporary Assistance for Needy Families	93.558	449,469
Refugee and Entrant Assistance	93.566	818
Low Income Home Energy Assistance	93.568	33,353
Child Care Cluster:		
Payments to States for Child Care	93.575	104,080
Child Care and Development Fund	93.596	132,604
Chafee Education and Training Vouchers	93.599	785
Child Welfare Services	93.645	1,900
Foster Care - Title IV-E	93.658	195,012
Foster Care - Title IV-E - ARRA	93.658	4,973
Adoption Assistance	93.659	90,125
Adoption Assistance - ARRA	93.659	5,593
Social Service Block Grant	93.667	349,555
Independent Living	93.674	8,641
Child Care and Development Block Grant - ARRA	93.713	16,280
State Children's Insurance Program	93.767	13,080
Medical Assistance Program	93.778	256,161
Early Intervention	99.999	1,368
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Services:</u>		
State Homeland Security Grant	97.004	5,000

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Environmental Protection Agency:		
<u>Direct Payments:</u>		
<u>Environmental Protection Agency:</u>		
Capitalization Grants for Clean Water State Revolving Funds	66.458	30,690
Capitalization Grants for Clean Water State Revolving Funds-ARRA	66.458	538,174
<u>Pass-through Payments:</u>		
<u>Department of Environmental Quality:</u>		
Environmental Quality Grant	66.000	13,875
Department of Transportation:		
<u>Pass-through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
Alcohol Safety	20.601	4,250
Open Container/Alcohol Impaired Driving	20.607	22,214
Department of Education:		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	1,195,857
Preschool Handicapped	84.173	58,767
Title I: Grants to Local Educational Agencies	84.010	1,242,448
Higher Education Institutional Aid	84.031	428
Vocational Education: Basic Grants to States	84.048	115,250
Drug Free Schools and Communities-State Grants	84.186	20,178
21st Century Community Learning Center	84.287	588,912
Title II Part D - Enhancing Education Through Technology	84.318	105,931
Gear Up	84.334	16,164
Reading First	84.357	9,475
Title VI-Rural and Low	84.358	17,752
Title II Part A - Improving Teacher Quality	84.367	210,052
1003A School Improvement Grant	84.010	219,974
Education Technology State Grant-ARRA	84.386	4,519
Title I Grant to Local Educational Agencies-ARRA	84.389	366,544
Special Education Grant to States-ARRA	84.391	291,713
Special Education-Preschool Grant-ARRA	84.392	7,006
State Fiscal Stabilization Funds-ARRA	84.394	800,268
Substitute Teacher	99.999	64
Total Expenditures of Federal Awards		<u>\$ 10,375,210</u>

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, 2011, the School Board had food commodities total \$114,844 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.

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

Revenue Capacity 5-7

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

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These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt.

Demographic and Economic Information..... 9-10

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

Operating Information11

These schedules contain information about the County's operations and resources.

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



TABLE 1

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 2,698,110	\$ 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	10,205,224	7,438,060	7,465,890	8,115,162	9,117,169	9,015,623	7,959,108
Total governmental activities net assets	<u>\$ 12,903,334</u>	<u>\$ 14,283,535</u>	<u>\$ 12,386,398</u>	<u>\$ 11,696,392</u>	<u>\$ 12,668,995</u>	<u>\$ 12,381,441</u>	<u>\$ 11,395,095</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 19,522,775	\$ 19,024,141	\$ 19,010,037	\$ 19,417,943	\$ 20,190,139	\$ 19,568,066	\$ 18,914,120
Restricted	-	-	-	-	-	-	394,249
Unrestricted	314,120	126,899	50,238	327,387	760,422	2,462,888	2,862,173
Total business-type activities net assets	<u>\$ 19,836,895</u>	<u>\$ 19,151,040</u>	<u>\$ 19,060,275</u>	<u>\$ 19,745,330</u>	<u>\$ 20,950,561</u>	<u>\$ 22,030,954</u>	<u>\$ 22,170,542</u>
Primary government							
Invested in capital assets, net of related debt	\$ 22,220,885	\$ 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	10,519,344	7,564,959	7,516,128	8,442,549	9,877,591	11,478,511	10,821,281
Total primary government net assets	<u>\$ 32,740,229</u>	<u>\$ 33,434,575</u>	<u>\$ 31,446,673</u>	<u>\$ 31,441,722</u>	<u>\$ 33,619,556</u>	<u>\$ 34,412,395</u>	<u>\$ 33,565,637</u>

TABLE 2

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Expenses							
Governmental activities							
General government administration	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750	\$ 2,025,740	\$ 1,849,741	\$ 1,798,211	\$ 1,588,256
Judicial administration	1,438,437	1,405,720	1,383,156	1,322,884	1,173,548	1,004,397	699,119
Public safety	6,073,909	5,840,409	5,500,772	5,391,050	5,129,494	5,008,159	4,513,196
Public works	3,197,528	1,977,527	1,911,028	1,737,587	1,813,216	1,893,212	2,036,828
Health and welfare	5,252,653	5,438,893	5,982,328	5,933,667	5,818,134	5,340,240	5,376,523
Education	9,247,181	7,835,194	7,747,394	10,260,678	7,996,023	7,561,914	8,249,931
Parks, recreation, and cultural	1,012,568	1,083,058	1,161,738	1,085,631	1,025,768	923,338	895,027
Community development	1,310,375	1,324,655	1,682,985	1,666,394	2,037,957	1,349,434	1,188,554
Interest on long-term debt	253,607	287,397	309,053	349,358	388,695	326,663	367,014
Total governmental activities	<u>29,780,664</u>	<u>27,389,176</u>	<u>27,979,204</u>	<u>29,772,989</u>	<u>27,232,576</u>	<u>25,205,568</u>	<u>24,914,448</u>
Business-type activities							
Water and wastewater	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total business-type activities expense	<u>3,290,726</u>	<u>3,127,163</u>	<u>3,163,633</u>	<u>3,114,840</u>	<u>3,031,015</u>	<u>2,595,414</u>	<u>2,483,384</u>
Total primary government expenses	<u>\$ 33,071,390</u>	<u>\$ 30,516,339</u>	<u>\$ 31,142,837</u>	<u>\$ 32,887,829</u>	<u>\$ 30,263,591</u>	<u>\$ 27,800,982</u>	<u>\$ 27,397,832</u>
Program Revenues							
Governmental activities							
Charges for services							
General government administration	\$ -	-	-	\$ -	\$ -	\$ 86,193	\$ 69,884
Judicial administration	178,057	177,857	137,056	106,231	72,015	217,113	117,277
Public safety	800,787	791,428	409,169	296,931	296,821	408,371	705,951
Public works	826,827	766,143	644,738	690,295	728,359	540,601	575,424
Health and welfare	20,993	54,743	81,851	108,244	126,414	110,191	147,418
Operating grants and contributions	7,003,283	7,058,063	7,713,727	7,570,255	7,692,029	6,954,740	6,295,096
Capital grants and contributions	25,000	1,199,255	1,311,013	102,528	33,007	165,803	30,030
Total governmental activities program revenues	<u>8,854,947</u>	<u>10,047,489</u>	<u>10,297,554</u>	<u>8,874,484</u>	<u>8,948,645</u>	<u>8,483,012</u>	<u>7,941,080</u>
Business-type activities							
Charges for services							
Water and wastewater	1,859,391	1,684,425	1,558,151	1,425,665	1,387,876	1,390,247	1,333,993
Capital grants and contributions	1,299,201	1,012,032	564,829	476,526	560,528	1,242,009	5,088,559
Total business-type activities program revenues	<u>3,158,592</u>	<u>2,696,457</u>	<u>2,122,980</u>	<u>1,902,191</u>	<u>1,948,404</u>	<u>2,632,256</u>	<u>6,422,552</u>
Total primary government program revenues	<u>\$ 12,013,539</u>	<u>\$ 12,743,946</u>	<u>\$ 12,420,534</u>	<u>\$ 10,776,675</u>	<u>\$ 10,897,049</u>	<u>\$ 11,115,268</u>	<u>\$ 14,363,632</u>
Net (expense) revenue							
Governmental activities	\$ (20,925,717)	\$ (17,341,687)	\$(17,681,650)	\$ (20,898,505)	\$ (18,283,931)	\$(16,722,556)	\$ (16,973,368)
Business-type activities	<u>(132,134)</u>	<u>(430,706)</u>	<u>(1,040,653)</u>	<u>(1,212,649)</u>	<u>(1,082,611)</u>	<u>36,842</u>	<u>3,939,168</u>
Total primary government net expense	<u>\$ (21,057,851)</u>	<u>\$ (17,772,393)</u>	<u>\$(18,722,303)</u>	<u>\$ (22,111,154)</u>	<u>\$ (19,366,542)</u>	<u>\$(16,685,714)</u>	<u>\$ (13,034,200)</u>

TABLE 3

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

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

	<u>2011</u>
Post-GASB 54 implementation:	
General Fund	
Nonspendable	\$ 65,811
Restricted	3,665,624
Committed	100,491
Assigned	69,019
Unassigned	<u>5,559,366</u>
Total general fund	<u>\$ 9,460,311</u>

Note: 2011 was the first year of implementing GASB 54 which revised fund balance classifications.

TABLE 4

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues							
General property taxes	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891	\$ 12,337,792	\$ 12,165,251	\$ 11,873,268	\$ 11,283,125
Other local taxes	3,563,510	3,602,074	3,543,160	3,570,670	3,547,279	3,550,806	3,723,594
Permits, privilege fees, and licenses	73,903	106,118	73,893	89,988	82,670	85,645	60,404
Fines and forfeitures	730,320	686,447	332,601	200,981	210,993	148,330	23,834
Revenue from use of money and property	193,732	460,995	306,665	558,089	699,966	515,149	261,390
Charges for services	923,651	864,853	706,364	724,269	720,455	631,928	611,687
Recovered costs	368,489	456,267	474,954	477,831	408,106	334,381	554,857
Other	229,645	272,431	295,065	167,518	134,939	169,844	244,318
Intergovernmental	8,592,450	10,121,606	10,705,838	9,638,440	9,681,765	8,963,118	9,180,879
Total revenues	<u>29,047,615</u>	<u>29,850,247</u>	<u>29,151,431</u>	<u>27,765,578</u>	<u>27,651,424</u>	<u>26,272,469</u>	<u>25,944,088</u>
Expenditures							
General government administration	1,859,579	2,065,201	2,272,484	1,951,748	1,828,775	1,719,072	1,559,607
Judicial administration	1,394,442	1,357,675	1,350,907	1,298,991	1,183,222	973,734	667,940
Public safety	6,091,332	7,394,977	6,744,660	5,474,643	5,176,579	4,981,007	4,440,041
Public works	2,075,657	1,991,431	1,918,849	1,796,938	1,809,116	1,940,590	1,692,701
Health and welfare	5,231,583	5,418,921	5,926,197	5,937,048	5,767,503	5,339,338	5,333,706
Education	8,299,224	6,886,448	6,788,029	9,299,298	7,035,326	6,594,696	7,284,396
Parks, recreation, and cultural	963,066	1,030,216	1,106,836	1,040,590	980,727	872,093	841,352
Community development	1,427,807	1,476,745	1,839,806	1,836,396	2,138,369	1,344,954	1,184,787
Capital projects	1,895,888	681,967	236,725	284,836	190,817	-	278,672
Debt service							
Principal	1,018,164	1,006,630	1,013,399	1,003,216	993,341	1,094,053	765,683
Interest	270,749	302,630	334,029	365,079	397,828	338,183	597,770
Total expenditures	<u>30,527,491</u>	<u>29,612,841</u>	<u>29,531,921</u>	<u>30,288,783</u>	<u>27,501,603</u>	<u>25,197,720</u>	<u>24,646,655</u>
Excess of revenues over (under) expenditures	<u>(1,479,876)</u>	<u>237,406</u>	<u>(380,490)</u>	<u>(2,523,205)</u>	<u>149,821</u>	<u>1,074,749</u>	<u>1,297,433</u>
Other Financing Sources (Uses)							
Proceeds from bond issuances	5,003,600	-	-	-	-	-	372,978
Transfers in	-	-	-	-	-	181,889	-
Transfers out	(816,973)	(519,581)	(344,818)	(5,307)	-	-	(44,515)
Total other financing sources (uses)	<u>4,186,627</u>	<u>(519,581)</u>	<u>(344,818)</u>	<u>(5,307)</u>	<u>-</u>	<u>181,889</u>	<u>328,463</u>
Net change in fund balance	<u>\$ 2,706,751</u>	<u>\$ (282,175)</u>	<u>\$ (725,308)</u>	<u>\$ (2,528,512)</u>	<u>\$ 149,821</u>	<u>\$ 1,256,638</u>	<u>\$ 1,625,896</u>
Debt service as a percentage of noncapital expenditures	<u>4.50%</u>	<u>4.53%</u>	<u>4.60%</u>	<u>4.56%</u>	<u>5.09%</u>	<u>5.68%</u>	<u>5.60%</u>

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
2011	\$ 1,415,159,070	\$ 351,573,398	\$ 121,374,173	\$ 1,888,106,641	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
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

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

TABLE 6

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

Personal Property

Taxpayer	Assessed Value	Rank
Phillip S. Martin	\$ 12,195,074	1
Royal Mouldings Limited	\$ 10,757,349	2
General Dynamics Armament	\$ 10,467,683	3
Utility Trailer Manufacturing Co.	\$ 8,148,396	4
Masco Cabinetry LLC	\$ 5,462,100	5
Marion Chevrolet Olds Pontiac Buick Inc	\$ 4,822,778	6
TRW Inc. Rack and Pinion Division	\$ 4,425,654	7
United Salt Corporation	\$ 4,348,603	8
Marion Mold and Tool Inc	\$ 4,294,235	9
Titan Wheel	\$ 4,040,236	10

Real Estate

Taxpayer	Assessed Value	Rank
Utility Trailer Manufacturing	\$ 8,153,900	1
RGTL Nevada Limited	\$ 6,864,800	2
Smyth County Community Foundation	\$ 6,620,100	3
Mountain Empire Operations LLC	\$ 5,933,800	4
Saltville Gas Storage Co LLC	\$ 5,783,300	5
Myrtle Properties LLC	\$ 5,766,400	6
Marion Properties Inc.	\$ 5,417,700	7
Jericho All-Weather Opportunity	\$ 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		
2011	\$ 14,543,200	\$ 13,549,846	93.17%	\$ 489,730	\$ 14,039,576	96.54%	\$ 2,747,133	18.89%
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%

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 Eight Fiscal Years

Fiscal Year	General Obligation Bonds					Other Governmental Activities Debt	Business-type Activities	Total Debt	
	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)
2011	\$ 7,549,801	\$ 11,859,427	\$ 19,409,228	1.028%	\$ 603	\$ 6,005,153	\$ -	\$ 25,414,381	\$ 789
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

TABLE 9

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

Fiscal Year Ended	Population
2011	32,208
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 2011 and One Year Ago**

Employer	2011		2010	
	Employees	Rank	Employees	Rank
Utility Trailer Manufacturing	937	1	750	2
Smyth County School Board	873	2	930	1
S.W. VA Mental Health Institute	534	3	543	4
General Dynamics Armament	496	4	530	5
Mountain States Health Alliance	475	5	440	6
Royal Mouldings Limited	450	6	600	3
Merillat Corporation	300	7	340	7
Food City	257	8	261	9
Smyth County	235	9	267	8
Mount Rogers Community Services Board	190	10	-	11
Marion Correctional Treatment Center	-	11	222	10
	<u>4,747</u>		<u>4,883</u>	

Source: Virginia Economic Commission

TABLE 11

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

<u>Function/Program</u>	<u>2011</u>
General Government	
Management Services	8
Legal	1
Finance	2
Planning	2
Building	11
Other	35
Police	
Officers	35
Civilians	11
Refuse Collection	33
Engineering	1
Library	15
Water	11
Total	<u>165</u>



COMPLIANCE SECTION





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

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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *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.

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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 11-1 and 08-1 to be material weaknesses.**

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 deficiency described in the accompanying schedule of findings and questioned costs as Items 08-3 to be a significant deficiency.**

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 11-5.**

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 responses and, accordingly, we express no opinion on the responses.

We also noted certain matters that we reported to management of the County in a separate letter dated December 30, 2011.

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, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
December 30, 2011



**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, 2011. 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, 2011. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 11-2, 11-3, and 11-4.

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.

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. **However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Item 11-2.** A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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
December 30, 2011

COUNTY OF SMYTH, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2011

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, 2011**

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 deficiencies 08-1 and 11-1 were considered to be material weaknesses.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **One significant deficiency** relating to the audit of the major federal award programs was 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 **three audit findings relating to major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA Number</u>
IDEA Special Education and Preschool	84.027 & 84.173
IDEA Special Education and Preschool, Recovery Act	84.391 & 84.392
State Fiscal Stabilization Fund, Recovery Act	84.394
Title I	84.010
Title I, Recovery Act	84.389
Child Care Assistance	93.575 & 93.596
Child Care Assistance, Recovery Act	93.713
Foster Care – Title IV-E	93.658
Foster Care – Title IV-E, Recovery Act	93.658
Social Services Block Grant	93.667
Water & Waste Disposal Expenditures	10.760
Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Clean Water State Revolving Funds, Recovery Act	66.458

8. The **threshold for** distinguishing between Type A and B programs was **\$ 311,256**.
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.

COUNTY OF SMYTH, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

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

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

Effect: Not properly segregating duties severely heightens the risk of misappropriation of assets and lack of review reduces the chance of detection. An instance was noted where adjustments were being posted to landfill accounts receivable where approval was not noted and supporting documentation was not available.

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.

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.

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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

11-1: Unrecorded Payables (Material Weakness)

Condition: The controls in place at the County were deficient in capturing and properly recording certain payables of the County.

Cause: Management failed to identify and capture certain sewer fund payables due by the County.

Effect: Current year payables were materially misstated.

Recommendation: We recommend that the County implement procedures to ensure that all payables are captured and recorded accurately.

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

11-2: IDEA Special Education – CFDA 84.027, 84.173, 84.391 & 84.392 Allowable Costs/Costs Principles (Significant Deficiency)

Condition: During testing, it was noted that four out of twenty-five purchases did not have a proper purchase order or approval noted on supporting documentation.

Criteria: Recipients of grant funding are required to properly approve purchases prior to payment and reimbursement.

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

Recommendation: The grant administrator should ensure that all purchases should have valid purchase order and authorization before being paid out and requested for reimbursement.

Management Response: The School Board concurs with this recommendation and will ensure that all future purchases are properly authorized prior to payment.

11-3: Social Service Block Grant – CFDA 93.667 Allowable Costs/Costs Principles

Condition: It was noted that one of the twenty-five disbursements we selected did not have any supporting documentation for the payment.

Criteria: Recipients of grant funding are required to obtain supporting documentation for purchases and keep for record-keeping purposes.

Effect: The Department of Social Services is not in compliance with federal requirements.

Recommendation: The grant administrator should ensure that all purchases should have valid invoice and supporting documentation before payment is made.

Management Response: The Department of Social Services concurs with this recommendation and will ensure that all future documentation is obtained prior to payment.

(Continued)

COUNTY OF SMYTH, VIRGINIA

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

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT (Continued)**

11-4: Title I – CFDA 84.010 & 84.389 Allowable Costs/Costs Principles

Condition: During testing, there was one instance of a purchase order and invoice not being properly verified as being received before being paid out.

Criteria: Recipients of grant funding are required to verify that items purchased are received before payment is made.

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

Recommendation: The grant administrator should ensure that all purchases are verified as being received before being paid out and requested for reimbursement.

Management Response: The School Board concurs with this recommendation and will ensure that all future purchases are verified as being received prior to payment.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-5: Conflicts of Interest Act

Condition: Statement of economic interests was filed late by one individual.

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**

**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.

Current Status: Finding was not noted in current year.