

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

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

OTHER OFFICIALS

Judge of the Circuit Court.....	Colin Gibb
Clerk of the Circuit Court	Charles Fraley
Judge of the General District Court	Gino Williams
Judge of the Juvenile & Domestic Relations Court.....	Robert C. Viar, Jr.
Commonwealth's Attorney.....	Phillip Steele
Commissioner of the Revenue	Anne Chambers
Treasurer	Gerald W. Duncan
Sheriff	William M. Millirons
Superintendent of Schools	Dr. Terry Arbogast, II
Director of Social Services	Linda B. Boggs
County Administrator	Chris McKlarney
County Attorney.....	Richard Chidester

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and the major funds of the County of Giles, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Giles, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units and the major funds of the County of Giles, Virginia as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2011, on our consideration of the County of Giles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has elected to omit Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information and schedules of funding progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Giles, Virginia's basic financial statements. The introductory section, other supplementary information section and statistical section are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the County of Giles, Virginia. The other supplementary section, budgetary comparison schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Turner, Co. Associates

Christiansburg, Virginia

January 10, 2011

Basic Financial Statements

County of Giles, Virginia
Statement of Net Assets
June 30, 2010

	Primary Government			Component	Component
	Governmental Activities	Business-type Activities	Total	Unit School Board	Unit IDA
ASSETS					
Cash and cash equivalents	\$ 5,183,921	\$ -	\$ 5,183,921	\$ 2,522,077	\$ 3,470,073
Cash in custody of others	-	-	-	193,619	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,441,119	-	3,441,119	-	-
Other local taxes receivable	73,908	-	73,908	-	-
Accounts receivable	-	147,694	147,694	15,086	77,189
Due from other funds	1,057,898	(1,057,898)	-	-	-
Due from component unit	750,000	-	750,000	-	-
Due from other governmental units	734,757	134,771	869,528	845,879	232,000
Inventories (Land and buildings held for resale)	-	-	-	-	1,788,079
Inventories (Commodities)	-	-	-	53,313	-
Prepaid expenses	-	-	-	286,644	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	717,836	26,472	744,308	-	-
Other assets:					
Unamortized bond issue costs	120,866	-	120,866	-	-
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	465,023
Buildings and system	13,497,383	-	13,497,383	2,922,330	4,819,566
Machinery and equipment	720,511	176,437	896,948	1,843,639	-
Infrastructure	-	10,764,291	10,764,291	-	-
Construction in progress	11,780,947	838,212	12,619,159	73,051	2,796,540
Total assets	\$ 38,609,676	\$ 11,042,979	\$ 49,652,655	\$ 9,229,290	\$ 13,648,470
LIABILITIES					
Accounts payable	\$ 681,432	\$ 117,658	\$ 799,090	\$ 132,695	\$ 13,474
Retainage payable	347,295	-	347,295	-	269,446
Contracts payable	-	-	-	2,154,587	-
Customers' deposits	-	26,472	26,472	-	-
Accrued interest payable	26,735	19,046	45,781	-	153,149
Due to primary government	-	-	-	-	750,000
Deferred revenue	2,846,725	-	2,846,725	-	-
Long-term liabilities:					
Due within one year	15,166,638	90,459	15,257,097	338,774	195,000
Due in more than one year	14,533,674	5,373,428	19,907,102	364,855	5,950,000
Total liabilities	\$ 33,602,499	\$ 5,627,063	\$ 39,229,562	\$ 2,990,911	\$ 7,331,069
NET ASSETS					
Invested in capital assets, net of related debt	\$ 2,176,654	\$ 6,364,277	\$ 8,540,931	\$ 5,312,672	\$ 8,081,129
Restricted for:					
Debt reserves	717,836	-	717,836	-	-
Unrestricted (deficit)	2,112,687	(948,361)	1,164,326	925,707	(1,763,728)
Total net assets	\$ 5,007,177	\$ 5,415,916	\$ 10,423,093	\$ 6,238,379	\$ 6,317,401

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

County of Giles, Virginia
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units	
				Governmental Activities	Business-type Activities	Total	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,557,685	\$ 11,710	\$ 272,243	\$ -	\$ -	\$ (1,273,732)	\$ -
Judicial administration	705,573	3,613	479,899	(222,061)	-	(222,061)	-
Public safety	3,764,901	153,202	1,133,806	(2,477,793)	-	(2,477,793)	-
Public works	438,175	65,157	105,994	(267,024)	-	(267,024)	-
Health and welfare	3,069,055	-	2,342,108	(726,947)	-	(726,947)	-
Education	6,222,250	-	-	(6,222,250)	-	(6,222,250)	-
Parks, recreation, and cultural	861,434	504,262	-	(357,172)	-	(357,172)	-
Community development	5,036,422	3,012	-	(5,033,410)	-	(5,033,410)	-
Interest on long-term debt	1,261,108	-	-	(1,261,108)	-	(1,261,108)	-
Total governmental activities	\$ 22,916,503	\$ 740,956	\$ 4,334,050	\$ (17,841,497)	\$ -	\$ (17,841,497)	\$ -
Business-type activities:							
Water department	\$ 1,530,169	\$ 445,212	\$ -	\$ -	\$ (588,399)	\$ (588,399)	\$ -
Total primary government	\$ 24,446,672	\$ 1,186,168	\$ 4,334,050	\$ (17,841,497)	\$ (588,399)	\$ (18,429,896)	\$ -
COMPONENT UNITS:							
School Board	\$ 25,091,533	\$ 561,403	\$ 18,228,853	\$ -	\$ -	\$ (6,301,277)	\$ -
Industrial Development Authority (IDA)	1,830,989	153,676	-	-	-	-	(1,677,313)
Total component units	\$ 26,922,522	\$ 715,079	\$ 18,228,853	\$ -	\$ -	\$ (6,301,277)	\$ (1,677,313)
General revenues:							
General property taxes				\$ 11,187,893	\$ -	\$ 11,187,893	\$ -
Other local taxes:							
Local Sales and use taxes				1,055,111	-	1,055,111	-
Consumers' utility taxes				240,666	-	240,666	-
Consumption taxes				52,266	-	52,266	-
Gross receipts tax				17,889	-	17,889	-
Motor vehicle licenses				169,762	-	169,762	-
Local tax on deeds				65,002	-	65,002	-
Hotel and motel room taxes				63,889	-	63,889	-
Unrestricted revenues from use of money and property				317,919	-	317,919	15,088
Miscellaneous				35,136	-	35,136	83,895
Contribution from County of Giles, Virginia				-	-	-	1,251
Grants and contributions not restricted to specific programs				-	-	-	6,212,893
Gain (loss) on disposal of capital assets				1,536,301	-	1,536,301	-
Transfers				(1,225,799)	1,225,799	-	(101,454)
Total general revenues				\$ 13,516,035	\$ 1,225,799	\$ 14,741,834	\$ 6,311,876
Change in net assets				\$ (4,325,462)	\$ 637,400	\$ (3,688,062)	\$ 10,599
Net assets - beginning, as restated				\$ 9,332,639	\$ 4,778,516	\$ 14,111,155	\$ 6,227,780
Net assets - ending				\$ 5,007,177	\$ 5,415,916	\$ 10,423,093	\$ 6,238,379

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,131,737	\$ 4,770,020	\$ 5,901,757
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,441,119	-	3,441,119
Other local taxes	73,908	-	73,908
Due from other funds	1,057,898	-	1,057,898
Due from component unit	-	750,000	750,000
Due from other governmental units	734,757	-	734,757
Total assets	<u>\$ 6,439,419</u>	<u>\$ 5,520,020</u>	<u>\$ 11,959,439</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 229,307	\$ 452,125	\$ 681,432
Retainage payable	-	347,295	347,295
Deferred revenue	3,458,646	-	3,458,646
Total liabilities	<u>\$ 3,687,953</u>	<u>\$ 799,420</u>	<u>\$ 4,487,373</u>
Fund balances:			
Reserved for:			
Debt service	\$ 717,836	\$ -	\$ 717,836
Unreserved, reported in:			
General fund	2,033,630	-	2,033,630
Capital projects funds	-	4,720,600	4,720,600
Total fund balances	<u>\$ 2,751,466</u>	<u>\$ 4,720,600</u>	<u>\$ 7,472,066</u>
Total liabilities and fund balances	<u>\$ 6,439,419</u>	<u>\$ 5,520,020</u>	<u>\$ 11,959,439</u>

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

County of Giles, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 7,472,066
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,529,371
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	611,921
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(29,606,181)
Net assets of governmental activities	<u>\$ 5,007,177</u>

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

County of Giles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General	County Capital Improvements	Total
REVENUES			
General property taxes	\$ 11,041,741	\$ -	\$ 11,041,741
Other local taxes	1,664,585	-	1,664,585
Permits, privilege fees, and regulatory licenses	31,477	-	31,477
Fines and forfeitures	29,833	-	29,833
Revenue from the use of money and property	273,497	44,422	317,919
Charges for services	679,646	-	679,646
Miscellaneous	35,136	-	35,136
Recovered costs	886,918	-	886,918
Intergovernmental revenues:			
Local government	-	-	-
Commonwealth	4,598,239	48,928	4,647,167
Federal	1,223,184	-	1,223,184
Total revenues	<u>\$ 20,464,256</u>	<u>\$ 93,350</u>	<u>\$ 20,557,606</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,319,105	\$ 201,651	\$ 1,520,756
Judicial administration	702,042	-	702,042
Public safety	3,831,224	2,080	3,833,304
Public works	559,201	-	559,201
Health and welfare	3,269,547	-	3,269,547
Education	5,180,246	-	5,180,246
Parks, recreation, and cultural	818,511	-	818,511
Community development	4,611,680	350,000	4,961,680
Nondepartmental	406,302	-	406,302
Capital projects	-	10,875,969	10,875,969
Debt service:			
Principal retirement	1,188,738	192,607	1,381,345
Interest and other fiscal charges	572,440	762,657	1,335,097
Bond issuance costs	-	33,500	33,500
Total expenditures	<u>\$ 22,459,036</u>	<u>\$ 12,418,464</u>	<u>\$ 34,877,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,994,780)</u>	<u>\$ (12,325,114)</u>	<u>\$ (14,319,894)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 1,408,185	\$ 1,408,185
Transfers out	(2,633,984)	-	(2,633,984)
Proceeds of revenue anticipation notes	-	13,500,000	13,500,000
Total other financing sources (uses)	<u>\$ (2,633,984)</u>	<u>\$ 14,908,185</u>	<u>\$ 12,274,201</u>
Net change in fund balances	\$ (4,628,764)	\$ 2,583,071	\$ (2,045,693)
Fund balances - beginning, as restated	7,380,230	2,137,529	9,517,759
Fund balances - ending	<u>\$ 2,751,466</u>	<u>\$ 4,720,600</u>	<u>\$ 7,472,066</u>

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

County of Giles, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$ (2,045,693)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	9,651,777
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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.	146,152
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(12,150,682)
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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.	72,984
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Change in net assets of governmental activities	<u><u>\$ (4,325,462)</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Giles, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 3,470,073
Accounts receivable, net of allowances for uncollectibles	147,694	77,189
Due from other governmental units	134,771	232,000
Inventories	-	1,788,079
Total current assets	<u>\$ 282,465</u>	<u>\$ 5,567,341</u>
Restricted current assets:		
Cash and cash equivalents	<u>\$ 26,472</u>	<u>\$ -</u>
Noncurrent assets:		
Capital assets:		
Land	\$ 13,000	\$ 465,023
Utility plant in service	12,778,707	-
Buildings and improvements	-	5,248,286
Machinery and equipment	441,562	-
Less accumulated depreciation	(2,279,541)	(428,720)
Construction in progress	838,212	2,796,540
Total capital assets	<u>\$ 11,791,940</u>	<u>\$ 8,081,129</u>
Total noncurrent assets	<u>\$ 11,791,940</u>	<u>\$ 8,081,129</u>
Total assets	<u>\$ 12,100,877</u>	<u>\$ 13,648,470</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 117,658	\$ 13,474
Retainage payable	-	269,446
Customers' deposits	26,472	-
Accrued interest payable	19,046	153,149
Due to other funds	1,057,898	750,000
Compensated absences - current portion	25,749	-
Bonds payable - current portion	64,710	195,000
Total current liabilities	<u>\$ 1,311,533</u>	<u>\$ 1,381,069</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 5,362,953	\$ 5,950,000
Net OPEB obligation	1,892	-
Compensated absences	8,583	-
Total noncurrent liabilities	<u>\$ 5,373,428</u>	<u>\$ 5,950,000</u>
Total liabilities	<u>\$ 6,684,961</u>	<u>\$ 7,331,069</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 6,364,277	\$ 8,236,129
Unrestricted	(948,361)	(1,918,728)
Total net assets	<u>\$ 5,415,916</u>	<u>\$ 6,317,401</u>

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

County of Giles, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 379,886	\$ -
Rental of property	-	153,676
Penalties	40,502	-
Miscellaneous	17,525	1,251
Total operating revenues	<u>\$ 437,913</u>	<u>\$ 154,927</u>
OPERATING EXPENSES		
Salaries and fringes	\$ 212,154	84,995
Fringes	80,457	20,008
Contracted services	25	11,300
Repair and maintenance	152,633	1,186
Water purchase	272,288	-
Material and supplies	45,743	-
Insurance	7,500	21,233
Miscellaneous	39,241	500
Utilities	29,684	29,808
Reserve capacity payment	418	-
Depreciation	472,178	143,689
Economic development	-	1,179,024
Total operating expenses	<u>\$ 1,312,321</u>	<u>\$ 1,491,743</u>
Operating income (loss)	<u>\$ (874,408)</u>	<u>\$ (1,336,816)</u>
NONOPERATING REVENUES (EXPENSES)		
Loss on sale of assets	\$ -	\$ (101,454)
Interest income	-	84,465
Connection fees	7,299	-
Interest expense	(217,848)	(339,246)
Total nonoperating revenues (expenses)	<u>\$ (210,549)</u>	<u>\$ (356,235)</u>
Income before contributions and transfers	<u>\$ (1,084,957)</u>	<u>\$ (1,693,051)</u>
Capital contributions and construction grants	\$ 496,558	\$ 4,375,511
Transfers in	1,225,799	-
Change in net assets	<u>\$ 637,400</u>	<u>\$ 2,682,460</u>
Total net assets - beginning, as restated	<u>\$ 4,778,516</u>	<u>\$ 3,634,941</u>
Total net assets - ending	<u><u>\$ 5,415,916</u></u>	<u><u>\$ 6,317,401</u></u>

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

County of Giles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 421,528	\$ 216,964
Payments to suppliers	(432,175)	(1,239,636)
Payments to employees	(281,456)	(105,003)
Net cash provided (used) by operating activities	<u>\$ (292,103)</u>	<u>\$ (1,127,675)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>\$ 1,225,799</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (952,713)	\$ (2,727,117)
Principal payments on bonds	(136,952)	(531,391)
Proceeds from sale of assets	-	248,546
Contributions in aid of construction	361,787	4,375,511
Proceeds from indebtedness	23,672	-
Interest payments	(245,517)	(187,965)
Advance to Town	-	(232,000)
Connection fees	<u>7,299</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (942,424)</u>	<u>\$ 945,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Revenue from the use of money and property	\$ -	\$ 84,465
Net increase (decrease) in cash and cash equivalents	\$ (8,728)	\$ (97,626)
Cash and cash equivalents - beginning - including restricted	<u>\$ 35,200</u>	<u>\$ 3,567,699</u>
Cash and cash equivalents - ending - including restricted	<u>\$ 26,472</u>	<u>\$ 3,470,073</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (874,408)</u>	<u>\$ (1,336,816)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	\$ 472,178	\$ 143,689
(Increase) decrease in accounts receivable	(7,657)	62,037
Increase (decrease) in customer deposits	(8,728)	-
Increase (decrease) in operating accounts payable	115,357	3,415
Increase (decrease) in OPEB expense	1,892	-
Increase (decrease) compensated absences	9,263	-
Total adjustments	<u>\$ 582,305</u>	<u>\$ 209,141</u>
Net cash provided (used) by operating activities	<u>\$ (292,103)</u>	<u>\$ (1,127,675)</u>

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

County of Giles, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 55,979
Total assets	<u>\$ 55,979</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 55,979
Total liabilities	<u>\$ 55,979</u>

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

COUNTY OF GILES, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Blended component units – The County has no blended component units.

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

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

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

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

Jointly Governed Organizations – The County and the Counties of Bland, Carroll, Floyd, Grayson, and Wythe and the City of Radford participate in supporting the New River Valley Regional Jail Authority. The monthly payment made by the County to the Regional Jail is based on the number of prisoners housed for the County. For the year ended June 30, 2010, the County paid \$652,534 for the confinement of prisoners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund and the internal service funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

2. Receivables and payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$92,775 at June 30, 2010 and is comprised solely of property taxes. The allowance amounted to approximately \$57,473 for the Water department at June 30, 2010 and is comprised solely of water billings.

5. Use of Estimates

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

6. Capital assets

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies: (continued)**D. Assets, liabilities, and net assets or equity (continued)****6. Capital assets (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. In the water and sewer fund, no interest was capitalized during the current year or prior year.

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

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

7. Compensated Absences

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

8. Long-term obligations

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

9. Fund equity

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

10. Net Assets

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

11. Restricted Assets

Proceeds of the Authority's enterprise note payable as well as amounts due the general fund from the enterprise fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. As of June 30, 2010, \$717,836 is restricted by debt reserve requirements in the County's applicable bond covenants. In addition, customer deposits in the amount of \$26,472 are reported as restricted assets in the water and sewer fund.

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of these \$(29,606,181) and \$(703,629) differences for the primary government and discretely presented component unit, respectively, are as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (Continued)**

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

	Primary Government	Component Unit School Board
Bonds payable	\$(29,073,317)	\$ -
Accrued interest payable	(26,735)	-
Other post-employment benefits	(51,718)	(251,930)
Landfill post-closure monitoring costs	(44,455)	-
Bond issuance cost	120,866	-
Compensated absences	(530,822)	(451,699)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$(29,606,181)</u>	<u>\$ (703,629)</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$9,651,777 and \$(334,937) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 11,044,867	\$ 313,375
Depreciation expense	(1,393,090)	(648,312)
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 9,651,777</u>	<u>\$ (334,937)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of these \$(12,150,682) and \$99,670 differences in the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Debt issued or incurred:		
Issuance of bond anticipation note	\$(13,500,000)	\$ -
Other post-employment benefits	(31,718)	99,670
Accrued landfill closure/postclosure	(309)	-
Total debt issued or incurred	<u>\$(13,532,027)</u>	<u>\$ 99,670</u>
Principal repayments:		
General obligation debt	\$ 1,160,388	\$ -
Revenue bonds	57,607	-
Lease agreements	163,350	-
Total principal repayments	<u>\$ 1,381,345</u>	<u>\$ -</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of</i>	<u>\$(12,150,682)</u>	<u>\$ 99,670</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$72,984 and \$(5,140) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Decrease (increase) in Compensated absences	\$ (34,505)	\$ (5,140)
Decrease (increase) in Accrued interest	<u>107,489</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 72,984</u>	<u>\$ (5,140)</u>

Note 3-Stewardship, Compliance, and Accountability:

- A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

A. Budgetary information (continued)

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

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

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2010, there was one department with expenditures in excess of appropriations. Reimbursement, Retirees, and Wellness expenditures exceeded appropriations in the amount of \$(13,537).

C. Deficit fund equity

At June 30, 2010, there were no funds with deficit fund equity.

Note 4-Deposits and Investments:

Deposits:

All cash of the County and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

Investments:

Statutes authorize local governments and other public bodies 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).

The County had no investments at June 30, 2010 or for the year then ended.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 5-Due from Other Governmental Units:**

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

	Primary Government		Component Unit-	
	Governmental	Business-type	School Board	IDA
<u>Town of Pearisburg:</u>				
Advance to Town	\$ -	\$ -	\$ -	\$ 232,000
<u>Commonwealth of Virginia:</u>				
Local sales tax	193,016	-	-	-
Communication sales tax	44,716	-	-	-
State sales tax	-	-	392,825	-
Categorical aid	11,075	-	2,620	-
Shared expenses	181,275	-	-	-
Non-categorical aid	19,810	-	-	-
Virginia public assistance funds	143,031	-	-	-
Community services act	-	-	-	-
Water and Sewer Grants	-	134,771	-	-
<u>Federal Government:</u>				
Virginia public assistance funds	141,834	-	-	-
School grants	-	-	450,434	-
Totals	\$ 734,757	\$ 134,771	\$ 845,879	\$ 232,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 6-Interfund Transfers and Balances

Interfund transfers and remaining balances for the year ended June 30, 2010, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 1,225,799
Water and Sewer Fund	1,225,799	-
Total	<u>\$ 1,225,799</u>	<u>\$ 1,225,799</u>
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,057,898	\$ -
Water and Sewer Fund	-	1,057,898
Total	<u>\$ 1,057,898</u>	<u>\$ 1,057,898</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization. The General Fund advanced the Water Fund \$1,057,898 for the construction of capital assets with no repayment terms.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

Year Ending June 30,	Revenue Bonds		General Obligation Bonds		Bond Anticipation Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 69,908	\$ 115,852	\$ 1,198,613	\$ 576,746	\$ 13,500,000	\$ 218,700
2012	73,137	112,623	1,227,595	587,626	-	-
2013	76,515	109,245	1,258,448	526,459	-	-
2014	80,049	105,711	1,290,836	463,738	-	-
2015	83,747	102,013	1,319,845	398,189	-	-
2016-2020	480,495	448,305	5,550,897	1,068,747	-	-
2021-2025	541,873	327,584	1,053,000	127,426	-	-
2026-2030	320,776	237,044	-	-	-	-
2031-2035	286,889	169,249	-	-	-	-
2036-2040	307,842	109,218	-	-	-	-
2041-2045	352,852	36,610	-	-	-	-
Totals	\$ 2,674,083	\$ 1,873,454	\$ 12,899,234	\$ 3,748,931	\$ 13,500,000	\$ 218,700

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
General Obligation Bonds	\$ 14,059,622	\$ -	\$ (1,160,388)	\$ 12,899,234
Revenue Bonds	2,731,690	-	(57,607)	2,674,083
Bond Anticipation Note	-	13,500,000	-	13,500,000
Lease Purchase Agreements (note 9)	163,350	-	(163,350)	-
Landfill postclosure liability	44,146	309	-	44,455
OPEB Obligation	20,000	31,718	-	51,718
Compensated absences	496,317	406,743	(372,238)	530,822
Total	\$ 17,515,125	\$ 13,938,770	\$ (1,753,583)	\$ 29,700,312

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (continued)

Primary Government – Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

General Obligation and Revenue Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation (GO) Bonds:</u>						
General Obligation 2000A VPSA Bond	5.10-5.60%	5/18/2000	7/15/2020	\$ 1,270,000	\$ 795,000	\$ 60,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	11,508,990	6,254,171	578,107
General Obligation 1995A VPSA Bond	5.10-5.60%	12/21/1995	7/15/2016	3,065,925	928,791	175,097
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	3,684,045	1,574,754	186,427
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	69,126	371,518	43,982
General Obligation 2008A VPSA Bond	4.73%	12/12/2008	1/15/2024	3,110,000	2,975,000	155,000
Total GO Bonds					\$ 12,899,234	\$ 1,198,613
<u>Revenue Bonds:</u>						
Revenue Bond	4.75%	1/26/1999	1/26/2039	\$ 13,000	\$ 434,430	\$ 22,076
Revenue Bond	4.75%	1/26/1999	1/26/2039	69,700	332,202	16,699
Revenue Bond	4.25%	4/18/2005	4/18/2045	1,569,000	1,512,378	19,548
Revenue Bond	4.25%	4/18/2005	10/1/2025	34,669	395,073	11,585
Total Revenue Bonds					\$ 2,674,083	\$ 69,908
<u>Bond Anticipation Note:</u>						
2009 Public Facilities Bond Anticipation Note	3.24%	7/13/2009	12/15/2010	\$ 13,500,000	\$ 13,500,000	\$ 13,500,000
<u>Other Obligations:</u>						
Landfill Postclosure Monitoring Liability					\$ 44,455	\$ -
OPEB Obligation					51,718	-
Compensated Absences					530,822	398,117
Total Other Obligations					\$ 626,995	\$ 398,117
Total Long-Term Obligations					\$ 29,700,312	\$ 15,166,638

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2011	\$ 64,710	\$ 232,460
2012	67,558	229,612
2013	70,531	226,639
2014	73,635	223,534
2015	76,877	220,293
2016-2020	438,225	1,047,625
2021-2025	543,571	942,278
2026-2030	674,274	811,576
2031-2035	836,441	649,408
2036-2040	996,837	449,490
2041-2045	936,808	239,864
2046-2050	624,524	47,967
Totals	\$ 5,403,991	\$ 5,320,746

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
RD Revenue Bonds	\$ 5,445,395	\$ -	\$ (41,404)	\$ 5,403,991
VRA Revenue Bond	-	23,672	-	23,672
Notes Payable	95,547	-	(95,547)	-
OPEB obligation	-	1,892	-	1,892
Compensated absences	25,069	28,065	(18,802)	34,332
Total	\$ 5,566,011	\$ 53,629	\$ (155,753)	\$ 5,463,887

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (continued)Primary Government – Enterprise Activity Indebtedness: (continued)Details of long-term indebtedness:Revenue Bonds:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
Revenue Bond	4.50%	8/19/1999	8/19/2039	\$ 448,700	\$ 396,242	\$ 7,072
Revenue Bond	4.50%	9/20/2002	9/20/2042	844,000	777,322	11,832
Revenue Bond	4.38%	3/27/2008	3/27/2048	690,000	684,245	6,574
Revenue Bond	4.38%	3/27/2008	3/27/2048	596,000	591,030	6,319
Revenue Bond	4.13%	5/7/2008	5/7/2048	1,314,500	1,303,507	14,731
Revenue Bond	4.25%	5/7/2008	5/7/2048	1,666,000	1,651,645	18,182
Total Revenue Bonds					<u>\$ 5,403,991</u>	<u>\$ 64,710</u>

Other Obligations:

Department of Health Grant-VRA Loan	0.00%	2/25/2010	(1)	347,742	\$ 23,672	\$ -
OPEB Obligation					1,892	-
Compensated Absences					<u>34,332</u>	<u>25,749</u>
Total Other Obligations					<u>\$ 59,896</u>	<u>\$ 25,749</u>
Total Long-Term Obligations					<u>\$ 5,463,887</u>	<u>\$ 90,459</u>

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

Note 8-Long-Term Debt-Component Units:Discretely Presented Component Unit – School Board Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2010:

	Balance Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
OPEB Obligation	\$ 351,600	\$ -	\$ (99,670)	\$ 251,930
Compensated absences	<u>446,559</u>	<u>340,059</u>	<u>(334,919)</u>	<u>451,699</u>
Total	<u>\$ 798,159</u>	<u>\$ 340,059</u>	<u>\$ (434,589)</u>	<u>\$ 703,629</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8-Long-Term Debt-Component Units: (continued)Discretely Presented Component Unit – School Board Indebtedness: (continued)Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
OPEB Obligation	\$ 251,930	\$ -
Compensated absences	451,699	338,774
	<u> </u>	<u> </u>
Total Long-Term Obligations	\$ 703,629	\$ 338,774
	<u> </u>	<u> </u>

Discretely Presented Component Unit – Industrial Development Authority indebtedness:

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 195,000	\$ 492,547
2012	205,000	315,994
2013	216,000	304,838
2014	227,000	293,073
2015	239,000	280,677
2016-2020	1,399,000	1,192,253
2021-2025	1,819,000	761,179
2026-2029	1,845,000	252,548
	<u> </u>	<u> </u>
Totals	\$ 6,145,000	\$ 3,893,109
	<u> </u>	<u> </u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 8-Long-Term Debt-Component Units: (continued)

Discretely Presented Component Unit – Industrial Development Authority indebtedness: (continued)

The following is a summary of long-term debt transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2010:

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Revenue Bonds	\$ 6,300,000	\$ -	\$ (155,000)	\$ 6,145,000
Note payable	318,329	-	(318,329)	-
Capital Leases (Note 9)	58,062	-	(58,062)	-
Total	<u>\$ 6,676,391</u>	<u>\$ -</u>	<u>\$ (531,391)</u>	<u>\$ 6,145,000</u>

Details of long-term indebtedness:

Notes Payable:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Revenue Bond	4.37%	12/12/2008	1/15/2029	\$ 3,300,000	\$ 3,206,000	\$ 112,000
Revenue Bond	6.52%	12/12/2008	1/15/2029	3,000,000	2,939,000	83,000
Total Long-Term Obligations					<u>\$ 6,145,000</u>	<u>\$ 195,000</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 9-Capital Lease Obligations:

The County has entered into a lease agreement as lessee for financing the acquisition of the administration building and several vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception dates.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Land	\$ 5,000
Building	210,000
Vehicles	244,669
Less: Accumulated Depreciation	<u>(186,310)</u>
Total	<u>\$ 273,359</u>

The lease obligations were paid in full during fiscal year June 30, 2010.

Discretely Presented Component Unit – Industrial Development Authority:

The Industrial Development Authority has entered into a lease agreement as lessee for financing the acquisition of the Long Airdox building. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The asset acquired through capital lease is a building held for resale with a cost of \$350,000. Depreciation is not being calculated and expensed due to the nature of the purchase.

The remaining lease obligations were paid in full during fiscal year June 30, 2010.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Employee Retirement System and Pension Plans:

A. Plan Description

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

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

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2010 was 5.63% (excluding member contribution) of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2010 was 11.09% (excluding member contribution) of the annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 10-Employee Retirement System and Pension Plans: (continued)**

C. Annual Pension Cost

For fiscal year 2010, the County of Giles, Virginia's annual pension cost of \$420,575 and \$196,089 was equal to the County of Giles, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC)¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2008	\$ 365,404	100.00%	\$ -
	6/30/2009	425,208	100.00%	-
	6/30/2010	420,575	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2008	\$ 229,691	100.00%	\$ -
	6/30/2009	197,612	100.00%	-
	6/30/2010	196,089	100.00%	-

¹Employer and employee portions

Primary Government:

For fiscal year 2010, the County's annual pension cost of \$420,575 was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both The investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Employee Retirement System and Pension Plans: (continued)

C. Annual Pension Cost (continued)

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

For fiscal year 2008, the School Board's annual pension cost of \$196,089 was equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress:

Primary Government:

As of June 30, 2009, the most recent actuarial valuation date, the plan was 89.94% funded. The actuarial accrued liability for benefits was \$17,365,436, and the actuarial value of assets was \$15,618,012, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,747,424. The covered payroll (annual payroll of active employees covered by the plan) was \$3,933,172, and ratio of the UAAL to the covered payroll was 44.43%.

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

As of June 30, 2009, the most recent actuarial valuation date, the plan was 72.63% funded. The actuarial accrued liability for benefits was \$5,321,168, and the actuarial value of assets was \$3,864,977, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,456,168. The covered payroll (annual payroll of active employees covered by the plan) was \$1,218,448, and ratio of the UAAL to the covered payroll was 119.51%.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Employee Retirement System and Pension Plans: (continued)

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Giles County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. That report may be downloaded from the systems website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$1,322,115, \$1,617,526, and \$1,749,891 for the fiscal years ended 2010, 2009, and 2008, respectively. Employer contributions represented 8.81% for July 2009 through March 2010 and zero (0.00%) for April through June 2010, 8.81%, and 10.30% of covered payroll for the fiscal years ended 2010, 2009, and 2008, respectively.

Note 11-Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$3,458,646 is comprised of the following:

Deferred Property Tax Revenue – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,237,884 at June 30, 2010.

Prepaid Property Taxes – Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$220,762 at June 30, 2010.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 12-Capital Assets:

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 530,530	\$ -	\$ -	\$ 530,530
Construction in progress	1,664,831	11,000,101	(883,985)	11,780,947
Total capital assets not being depreciated	<u>\$ 2,195,361</u>	<u>\$ 11,000,101</u>	<u>\$ (883,985)</u>	<u>\$ 12,311,477</u>
Capital assets, being depreciated:				
Buildings	\$ 23,597,468	\$ 898,117	\$ -	\$ 24,495,585
Machinery and equipment	2,534,673	30,634	-	2,565,307
Total capital assets being depreciated	<u>\$ 26,132,141</u>	<u>\$ 928,751</u>	<u>\$ -</u>	<u>\$ 27,060,892</u>
Less: accumulated depreciation for:				
Buildings	\$ (9,817,867)	\$ (1,180,335)	\$ -	\$ (10,998,202)
Machinery and equipment	(1,632,041)	(212,755)	-	(1,844,796)
Total accumulated depreciation	<u>\$(11,449,908)</u>	<u>\$ (1,393,090)</u>	<u>\$ -</u>	<u>\$(12,842,998)</u>
Total capital assets being depreciated, net	<u>\$ 14,682,233</u>	<u>\$ (464,339)</u>	<u>\$ -</u>	<u>\$ 14,217,894</u>
Governmental activities capital assets, net	<u>\$ 16,877,594</u>	<u>\$ 10,535,762</u>	<u>\$ (883,985)</u>	<u>\$ 26,529,371</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 12-Capital Assets: (continued)**

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Construction in progress	<u>47,540</u>	<u>812,754</u>	<u>(22,082)</u>	<u>838,212</u>
Total capital assets, not being depreciated	<u>\$ 60,540</u>	<u>\$ 812,754</u>	<u>\$ (22,082)</u>	<u>\$ 851,212</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 12,756,625	\$ 22,082	\$ -	\$ 12,778,707
Machinery and equipment	<u>301,603</u>	<u>139,959</u>	<u>-</u>	<u>441,562</u>
Total capital assets, being depreciated	<u>\$ 13,058,228</u>	<u>\$ 162,041</u>	<u>\$ -</u>	<u>\$ 13,220,269</u>
Less: accumulated depreciation for:				
Utility plant and infrastructure	\$ (1,594,968)	\$ (419,448)	\$ -	\$ (2,014,416)
Machinery and equipment	<u>(212,395)</u>	<u>(52,730)</u>	<u>-</u>	<u>(265,125)</u>
Total accumulated depreciation	<u>\$ (1,807,363)</u>	<u>\$ (472,178)</u>	<u>\$ -</u>	<u>\$ (2,279,541)</u>
Total capital assets being depreciated, net	<u>\$ 11,250,865</u>	<u>\$ (310,137)</u>	<u>\$ -</u>	<u>\$ 10,940,728</u>
Business-type activities capital assets, net	<u>\$ 11,311,405</u>	<u>\$ 502,617</u>	<u>\$ (22,082)</u>	<u>\$ 11,791,940</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 12-Capital Assets: (continued)

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

Governmental activities:

General government administration	\$	63,948
Judicial administration		10,530
Public safety		140,928
Public works		500
Health and welfare		8,229
Education		1,042,004
Parks, recreation, and cultural		43,201
Community development		<u>83,750</u>
Total depreciation expense-governmental activities	\$	<u>1,393,090</u>
Business-type activities:		
Water department	\$	<u>472,178</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**Note 12-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2010 was as follows:

Discretely Presented Component Unit-School Board:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 473,652	\$ -	\$ -	\$ 473,652
Construction in progress	701,951	73,051	(701,951)	73,051
Total capital assets not being depreciated	<u>\$ 1,175,603</u>	<u>\$ 73,051</u>	<u>\$ (701,951)</u>	<u>\$ 546,703</u>
Capital assets, being depreciated:				
Buildings	\$ 9,326,738	\$ 701,951	\$ -	\$ 10,028,689
Machinery and equipment	4,033,787	240,324	(213,741)	4,060,370
Total capital assets being depreciated	<u>\$ 13,360,525</u>	<u>\$ 942,275</u>	<u>\$ (213,741)</u>	<u>\$ 14,089,059</u>
Less: accumulated depreciation for:				
Buildings	\$ (6,765,673)	\$ (340,686)	\$ -	\$ (7,106,359)
Machinery and equipment	(2,122,846)	(307,626)	213,741	(2,216,731)
Total accumulated depreciation	<u>\$ (8,888,519)</u>	<u>\$ (648,312)</u>	<u>\$ 213,741</u>	<u>\$ (9,323,090)</u>
Total capital assets being depreciated, net	<u>\$ 4,472,006</u>	<u>\$ 293,963</u>	<u>\$ -</u>	<u>\$ 4,765,969</u>
Governmental activities capital assets, net	<u>\$ 5,647,609</u>	<u>\$ 367,014</u>	<u>\$ (701,951)</u>	<u>\$ 5,312,672</u>

Depreciation expense of \$1,042,004 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 12-Capital Assets: (continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2010 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 265,000	\$ 200,023	\$ -	\$ 465,023
Construction in progress	-	2,796,540	-	2,796,540
Total capital assets not being depreciated	<u>\$ 265,000</u>	<u>\$ 2,996,563</u>	<u>\$ -</u>	<u>\$ 3,261,563</u>
Capital assets, being depreciated:				
Buildings	<u>\$ 5,248,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,248,286</u>
Less: accumulated depreciation for:				
Buildings: as restated	<u>\$ (285,031)</u>	<u>\$ (143,689)</u>	<u>\$ -</u>	<u>\$ (428,720)</u>
Total capital assets being depreciated, net	<u>\$ 4,963,255</u>	<u>\$ (143,689)</u>	<u>\$ -</u>	<u>\$ 4,819,566</u>
Business-type activities capital assets, net	<u>\$ 5,228,255</u>	<u>\$ 2,852,874</u>	<u>\$ -</u>	<u>\$ 8,081,129</u>

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

Note 13-Assets Held for Resale:

Discretely Presented Component Unit-Industrial Development Authority:

The Industrial Development Authority has assets consisting of land and structures specifically held for resale that are not depreciated. At June 30, 2010 the value of these assets was \$1,788,079.

The following is a summary of transactions for these assets for the year ended June 30, 2010.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets held for resale	<u>\$ 2,138,079</u>	<u>\$ -</u>	<u>\$ (350,000)</u>	<u>\$ 1,788,079</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 14-Risk Management:

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

Note 15-Contingent Liabilities:

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

Note 16-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

Note 17-Landfill Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County landfill has been closed. Total costs for landfill postclosure are estimated to be \$44,455. This amount is based on what it would cost to perform all postclosure care in 2010. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 18-Restricted Net Assets:

Net assets have been restricted as required by bond agreements as follows:

Primary Government:

Governmental Activities:

Debt reserves	<u>\$ 717,836</u>
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Note 19 – Lease Purchase Receivable – Industrial Development Authority:

On March 25, 2005, the Industrial Development Authority entered into a lease purchase agreement (as lessor) for the sale of property in the Mountain View Industrial Park to Rene Composites. Terms of the agreement call for monthly payments of \$16,187 through November 1, 2007. From December 1, 2007 through March 1, 2010 the monthly payment will be adjusted based on a new rate of interest as further described. Pursuant to terms of the agreement, interest accrues on the outstanding balance at 5.375% until November 1, 2007 at which time the rate is adjusted to 73% of the prime rate, however the rate shall not be adjusted above 6.785% or below 5.375% on that date. The new rate is 5.475% at November 1, 2007. The initial balance was \$850,000. As of June 30, 2010 the total amount due under the agreement was paid in full.

Note 20 – Construction Commitments:

The County entered into a contract with H.T. Bowling, Inc. for pedestrian improvements to Mountain Lake Ave./Tazewell Street totaling \$342,056. At year end, the amount outstanding on this contract totaled \$306,843.

The School Board entered into a contract with Avis Construction Co. for improvements to the Giles County Technology Center totaling \$5,972,000. At year end, the amount outstanding on this contract totaled \$446,731.

The School Board entered into a contract with Amber Contracting for stadium renovations totaling \$6,950,522. At year end, the amount outstanding on this contract totaled \$1,891,756.

The Industrial Development Authority entered into a contract with H.S. Williams Company, Inc. for a new shell building totaling \$867,880. At year end, the amount outstanding on this contract totaled \$45,639.

The Industrial Development Authority entered into a contract with J.M. Turner and Co., Inc. for a new shell building totaling \$1,742,544. At year end, the amount outstanding on this contract totaled \$404,544.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 21-Other Post-Employment Benefits

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

A. Plan Description

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

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

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 93 and 405 employees that are eligible, respectively, for the program. In addition, the County pays up to \$450.00 per month for retirees with at least 30 years of service with the County and up to \$225.00 per month for retirees with at least 20 years of service with the County. The County does not make contributions to the medical premium for retirees with less than 20 years of service. For the year Beginning July1, 2008, the County pays \$18.17 per month toward the dental premium if the retiree has at least 30 years of service and has selected the 1000 Anthem option. Retirees must pay the difference between the premium and the employer contribution. Any additional premium to cover a spouse and dependents is paid by the retiree. In addition, the School Board pays for retirees under age 65 who have at least 30 years of service with the System, the System contributes a monthly amount equal to the Retiree Only premium of the Key Advantage 300 plan (\$427.00 as of 7/1/2008). Once the retiree reaches age 65, all employer contributions stop. Retirees under age 65 who have less than 30 years of service with the System receive no contribution from the System. Retirees with under 30 years of service may enter a 30 Day Employment

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 21-Other Post-Employment Benefits: (continued)**B. Funding Policy: (continued)**

program. The System makes contributions for participants in the 30 Day Employment Program as though they had 30 years of service. All retirees are responsible for providing the difference between the premium and the amount contributed by the System.

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

Medical & Dental	Anthem 500	Anthem 1000
Employee Only	\$ 474.54	\$ 431.83
Employee & Spouse	1,062.96	967.29
Employee & Child	645.37	587.29
Employee & Dependents	939.58	855.02
Family	1,437.84	1,308.44

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

Medical & Dental	Key Advantage 300	Key Advantage Expanded
Employee Only	\$ 427.00	\$ 480.00
Employee & Spouse	790.00	888.00
Employee & Dependents	790.00	888.00
Family	1,153.00	1,296.00

*The Medicare supplement plan premium is \$117.00

The County and School Board are required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 21-Other Post-Employment Benefits: (continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2010, the County's annual OPEB cost (expense) of \$53,410 did not equal the ARC of \$53,300. The obligation calculation is as follows:

Annual required contribution	\$ 53,300
Interest on net OPEB obligation	800
Adjustment to annual required contribution	(690)
Annual OPEB cost (expense)	53,410
Contributions made	(19,800)
Increase in net OPEB obligation	33,610
Net OPEB obligation - beginning of year	20,000
Net OPEB obligation - end of year	\$ 53,610

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<u>Fiscal Year Ended*</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 53,410	37%	\$ 53,610
6/30/2009	51,000	39%	20,000

*Only two years available

For 2010, the School Board's annual OPEB cost (expense) of \$401,130 did not equal the ARC of \$399,200. The obligation calculation is as follows:

Annual required contribution	\$ 399,200
Interest on net OPEB obligation	14,064
Adjustment to annual required contribution	(12,134)
Annual OPEB cost (expense)	401,130
Contributions made	(500,800)
Increase in net OPEB obligation	(99,670)
Net OPEB obligation - beginning of year	351,600
Net OPEB obligation - end of year	\$ 251,930

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 21-Other Post-Employment Benefits: (continued)

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

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

<u>Fiscal Year Ended*</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010 \$	401,130	124.85%	\$ 251,930
6/30/2009	604,300	41.82%	351,600

* Only two years available

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of June 30, 2009, is as follows:

Actuarial accrued liability (AAL)	\$ 568,800
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 568,800
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 4,241,600
UAAL as a percentage of covered payroll	13.41%

The funded status of the Plan for the School Board as of June 30, 2009, is as follows:

Actuarial accrued liability (AAL)	\$ 6,200,800
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 6,200,800
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 13,580,000
UAAL as a percentage of covered payroll	45.66%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 21-Other Post-Employment Benefits: (continued)

D. Funded Status and Funding Progress: (continued)

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

E. Actuarial Methods and Assumptions

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

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

In the January 1, 2009, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.5 percent, plus productivity component of 1.25 percent, and investments rate of return at 4.50 percent, and a health care trend rate of 10.00 percent graded to 5.00 percent over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2009 was 29 years.

Note 22-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2010 was \$13,750 and equaled the required contributions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 23-Restatement of Beginning Fund Balance/Net Assets:

	Primary Government		Component Unit-IDA
	General Fund	Governmental Activities	Business type Activities
	Fund Balance	Net Assets	Net Assets
Net Assets/Fund Balance, as previously stated	\$ 7,367,630	\$ 9,311,279	\$ 3,703,899
Accounts payable	\$ 12,600	\$ 12,600	\$ -
Capital Assets	-	8,760	-
Depreciation	-	-	(68,958)
Total Restatements	\$ 12,600	\$ 21,360	\$ (68,958)
Net Assets/Fund Balance, as restated	\$ 7,380,230	\$ 9,332,639	\$ 3,634,941

Required Supplementary Information

County of Giles, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 10,658,008	\$ 10,658,008	\$ 11,041,741	\$ 383,733
Other local taxes	1,633,932	1,657,416	1,664,585	7,169
Permits, privilege fees, and regulatory licenses	62,820	62,820	31,477	(31,343)
Fines and forfeitures	27,336	27,336	29,833	2,497
Revenue from the use of money and property	290,495	290,495	273,497	(16,998)
Charges for services	684,599	724,027	679,646	(44,381)
Miscellaneous	19,800	38,428	35,136	(3,292)
Recovered costs	902,205	1,199,200	886,918	(312,282)
Intergovernmental revenues:				
Commonwealth	5,087,877	5,176,172	4,598,239	(577,933)
Federal	1,034,436	1,073,717	1,223,184	149,467
Total revenues	<u>\$ 20,401,508</u>	<u>\$ 20,907,619</u>	<u>\$ 20,464,256</u>	<u>\$ (443,363)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,312,203	\$ 1,378,441	\$ 1,319,105	\$ 59,336
Judicial administration	730,055	730,055	702,042	28,013
Public safety	3,845,052	4,135,730	3,831,224	304,506
Public works	445,673	536,583	559,201	(22,618)
Health and welfare	3,091,474	3,056,559	3,269,547	(212,988)
Education	5,633,607	5,662,466	5,180,246	482,220
Parks, recreation, and cultural	765,472	827,297	818,511	8,786
Community development	2,183,415	2,201,718	4,611,680	(2,409,962)
Nondepartmental	218,211	417,584	406,302	11,282
Debt service:				
Principal retirement	1,118,384	1,064,570	1,188,738	(124,168)
Interest and other fiscal charges	525,982	563,998	572,440	(8,442)
Total expenditures	<u>\$ 19,869,528</u>	<u>\$ 20,575,001</u>	<u>\$ 22,459,036</u>	<u>\$ (1,884,035)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 531,980</u>	<u>\$ 332,618</u>	<u>\$ (1,994,780)</u>	<u>\$ (2,327,398)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (699,142)</u>	<u>\$ (699,142)</u>	<u>\$ (2,633,984)</u>	<u>\$ (1,934,842)</u>
Net change in fund balances	<u>\$ (167,162)</u>	<u>\$ (366,524)</u>	<u>\$ (4,628,764)</u>	<u>\$ (4,262,240)</u>
Fund balances - beginning, as restated	167,162	167,162	7,380,230	7,213,068
Fund balances - ending	<u>\$ -</u>	<u>\$ (199,362)</u>	<u>\$ 2,751,466</u>	<u>\$ 2,950,828</u>

County of Giles, Virginia
Required Supplementary Information

Schedules of OPEB and Pension Funding Progress
For the Year Ended June 30, 2010

Primary Government: County Retirement Plan

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 15,618,012	\$ 17,365,436	\$ 1,747,424	89.94%	\$ 3,933,172	44.43%
6/30/2008	15,668,869	16,167,885	499,016	96.91%	3,998,422	12.48%
6/30/2007	14,596,605	14,253,425	(343,180)	102.41%	3,750,484	-9.15%

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

Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 3,864,977	\$ 5,321,145	\$ 1,456,168	72.63%	\$ 1,218,448	119.51%
6/30/2008	3,974,174	5,067,106	1,092,932	78.43%	1,245,199	87.77%
6/30/2007	3,629,175	4,718,403	1,089,228	76.92%	1,255,510	86.76%

Primary Government: Other Post Employment Benefit (1)

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

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

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

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

Other Supplementary Information

County of Giles, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 44,422	\$ 44,422
Intergovernmental revenues:				
Commonwealth	4,925,000	4,973,928	48,928	(4,925,000)
Total revenues	\$ 4,925,000	\$ 4,973,928	\$ 93,350	\$ (4,880,578)
EXPENDITURES				
Current:				
General government administration	\$ 55,000	\$ 103,928	\$ 201,651	\$ (97,723)
Public safety	-	-	2,080	(2,080)
Community development	4,101,894	3,174,731	350,000	2,824,731
Capital projects	2,280,000	19,165,923	10,875,969	8,289,954
Debt service:				
Principal retirement	185,760	381,760	192,607	189,153
Interest and other fiscal charges	264,000	618,821	762,657	(143,836)
Bond issuance costs	-	-	33,500	(33,500)
Total expenditures	\$ 6,886,654	\$ 23,445,163	\$ 12,418,464	\$ 11,026,699
Excess (deficiency) of revenues over (under) expenditures	\$ (1,961,654)	\$ (18,471,235)	\$ (12,325,114)	\$ 6,146,121
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,961,654	\$ 1,961,654	1,408,185	\$ (553,469)
Proceeds of bond anticipation notes	-	16,600,000	13,500,000	(3,100,000)
Total other financing sources and uses	\$ 1,961,654	\$ 18,561,654	\$ 14,908,185	\$ (3,653,469)
Net change in fund balances	\$ -	\$ 90,419	\$ 2,583,071	\$ 2,492,652
Fund balances - beginning	-	-	2,137,529	2,137,529
Fund balances - ending	\$ -	\$ 90,419	\$ 4,720,600	\$ 4,630,181

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
MAJOR GOVERNMENTAL FUNDS**

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

County of Giles, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2010

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,522,077
Cash in custody of others	193,619
Receivables (net of allowance for uncollectibles):	
Accounts receivable	15,086
Due from other governmental units	845,879
Inventories	53,313
Prepaid items	286,644
Total assets	<u>\$ 3,916,618</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 132,695
Contracts payable	2,154,587
Total liabilities	<u>\$ 2,287,282</u>
Fund balances:	
Unreserved:	
Undesignated	\$ 1,629,336
Total fund balances	<u>\$ 1,629,336</u>
Total liabilities and fund balances	<u>\$ 3,916,618</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,629,336
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,312,672
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(703,629)
Net assets of governmental activities	<u>\$ 6,238,379</u>

County of Giles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 15,088
Charges for services	561,403
Miscellaneous	83,895
Recovered costs	215,835
Intergovernmental revenues:	
Local government	5,170,889
Commonwealth	14,713,421
Federal	3,515,432
Total revenues	<u>\$ 24,275,963</u>
EXPENDITURES	
Current:	
Education	\$ 24,024,957
Total expenditures	<u>\$ 24,024,957</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 251,006</u>
Net change in fund balances	\$ 251,006
Fund balances - beginning	1,378,330
Fund balances - ending	<u>\$ 1,629,336</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ 251,006
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(334,937)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	99,670
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.	(5,140)
Change in net assets of governmental activities	<u>\$ 10,599</u>

County of Giles, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 15,088	\$ 14,938
Charges for services	578,650	578,650	561,403	(17,247)
Miscellaneous	756,400	756,400	83,895	(672,505)
Recovered costs	86,220	86,220	215,835	129,615
Intergovernmental revenues:				
Local government	5,624,250	5,653,109	5,170,889	(482,220)
Commonwealth	16,288,955	16,288,955	14,713,421	(1,575,534)
Federal	2,651,968	2,651,968	3,515,432	863,464
Total revenues	<u>\$ 25,986,593</u>	<u>\$ 26,015,452</u>	<u>\$ 24,275,963</u>	<u>\$ (1,739,489)</u>
EXPENDITURES				
Current:				
Education	\$ 25,986,593	\$ 26,015,452	\$ 24,024,957	\$ 1,990,495
Total expenditures	<u>\$ 25,986,593</u>	<u>\$ 26,015,452</u>	<u>\$ 24,024,957</u>	<u>\$ 1,990,495</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,006</u>	<u>\$ 251,006</u>
Net change in fund balances	\$ -	\$ -	\$ 251,006	\$ 251,006
Fund balances - beginning	-	-	1,378,330	1,378,330
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,629,336</u>	<u>\$ 1,629,336</u>

SUPPORTING SCHEDULES

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,304,265	\$ 5,304,265	\$ 5,525,885	\$ 221,620
Real and personal public service corporation taxes	1,032,000	1,032,000	937,617	(94,383)
Personal property taxes	1,332,342	1,332,342	1,309,529	(22,813)
Mobile home taxes	50,000	50,000	41,962	(8,038)
Machinery and tools taxes	2,641,138	2,641,138	2,911,914	270,776
Merchant's capital	155,572	155,572	162,610	7,038
Penalties	90,000	90,000	94,145	4,145
Interest	52,691	52,691	58,079	5,388
Total general property taxes	<u>\$ 10,658,008</u>	<u>\$ 10,658,008</u>	<u>\$ 11,041,741</u>	<u>\$ 383,733</u>
Other local taxes:				
Local sales and use taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,055,111	\$ 55,111
Consumers' utility taxes	237,307	237,307	240,666	3,359
Consumption taxes	45,505	45,505	52,266	6,761
Gross receipts tax	11,800	11,800	17,889	6,089
Motor vehicle licenses	157,320	157,320	169,762	12,442
Local tax on deeds	104,000	104,000	65,002	(38,998)
Hotel and motel room taxes	78,000	101,484	63,889	(37,595)
Total other local taxes	<u>\$ 1,633,932</u>	<u>\$ 1,657,416</u>	<u>\$ 1,664,585</u>	<u>\$ 7,169</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,000	\$ 9,000	\$ 6,161	\$ (2,839)
Land use application fees	23,720	23,720	1,742	(21,978)
Transfer fees	600	600	619	19
Variance and rezoning fees	5,000	5,000	3,012	(1,988)
Building permits	24,000	24,000	19,943	(4,057)
Other permits and other licenses	500	500	-	(500)
Total permits, privilege fees, and regulatory licenses	<u>\$ 62,820</u>	<u>\$ 62,820</u>	<u>\$ 31,477</u>	<u>\$ (31,343)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 27,336	\$ 27,336	\$ 29,833	\$ 2,497
Revenue from use of money and property:				
Revenue from use of money	\$ 220,000	\$ 220,000	\$ 204,079	\$ (15,921)
Revenue from use of property	70,495	70,495	69,418	(1,077)
Total revenue from use of money and property	<u>\$ 290,495</u>	<u>\$ 290,495</u>	<u>\$ 273,497</u>	<u>\$ (16,998)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 102,476	\$ 108,840	\$ 42,038	\$ (66,802)
Charges for courthouse maintenance	11,843	11,843	14,240	2,397
Charges for US forest patrols	2,500	8,815	6,950	(1,865)
Charges for processing arrest fee	1,600	1,600	1,485	(115)
Charges for Commonwealth's Attorney	600	600	993	393
Charges for nonconsecutive jail and blood test/dna fees	300	300	225	(75)
Charges for law library	3,500	3,500	2,001	(1,499)
Charges for copies	2,700	2,700	4,713	2,013
Charges for courtroom security fee	38,630	51,910	46,567	(5,343)
Charges for PSA billings	47,000	53,301	50,917	(2,384)
Charges for parks and recreation	305,000	305,902	317,950	12,048
Charges for wellness center fees	165,000	165,000	186,312	21,312
Other charges for services	3,450	9,716	5,255	(4,461)
Total charges for services	<u>\$ 684,599</u>	<u>\$ 724,027</u>	<u>\$ 679,646</u>	<u>\$ (44,381)</u>

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 19,800	\$ 38,428	\$ 35,136	\$ (3,292)
Recovered costs:				
School resource officer	\$ 500	\$ 2,389	\$ 234,249	\$ 231,860
Health insurance recoveries	120,000	130,331	143,620	13,289
Health department and Social Services	11,119	11,119	68,339	57,220
DMV license agent reimbursement	34,000	34,000	29,412	(4,588)
PSA recovered costs	42,152	42,152	76,627	34,475
Bicentennial Celebration	-	-	358	358
Other recovered costs	694,434	979,209	334,313	(644,896)
Total recovered costs	\$ 902,205	\$ 1,199,200	\$ 886,918	\$ (312,282)
Total revenue from local sources	\$ 14,279,195	\$ 14,657,730	\$ 14,642,833	\$ (14,897)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 94,500	\$ 94,500	\$ 414	\$ (94,086)
Mobile home titling tax	30,000	30,000	24,440	(5,560)
Animal friendly plates	280	280	228	(52)
Motor vehicle rental tax	-	-	1,457	1,457
State recordation tax	40,500	40,500	43,913	3,413
Communications sales taxes	287,679	287,679	264,914	(22,765)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,680,819	\$ 1,680,819	\$ 1,563,226	\$ (117,593)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 284,982	\$ 284,982	\$ 243,867	\$ (41,115)
Sheriff	968,415	968,415	829,991	(138,424)
Commissioner of revenue	137,949	137,949	122,393	(15,556)
Treasurer	118,028	118,028	108,443	(9,585)
Registrar/electoral board	42,428	42,428	41,407	(1,021)
Clerk of circuit court	219,207	219,207	226,272	7,065
Total shared expenses	\$ 1,771,009	\$ 1,771,009	\$ 1,572,373	\$ (198,636)
Other categorical aid:				
Public assistance and welfare administration	\$ 655,305	\$ 655,305	\$ 683,152	\$ 27,847
Comprehensive Services Act program	680,373	680,373	628,308	(52,065)
Litter control grant	-	-	8,138	8,138
Hazmat revenue	49,000	104,253	34,079	(70,174)
Juvenile justice	10,000	10,000	11,445	1,445
School resource officer grant	201,371	201,371	-	(201,371)
Two-for-Life	-	33,042	16,002	(17,040)
Asset Forfeiture	-	-	7,039	7,039
Fire programs	-	-	27,222	27,222
Bulletproof Vest Partnership Grant	-	-	3,757	3,757
Records Preservation	-	-	9,760	9,760
911 wireless grant	40,000	40,000	33,738	(6,262)
Total other categorical aid	\$ 1,636,049	\$ 1,724,344	\$ 1,462,640	\$ (261,704)
Total categorical aid	\$ 3,407,058	\$ 3,495,353	\$ 3,035,013	\$ (460,340)
Total revenue from the Commonwealth	\$ 5,087,877	\$ 5,176,172	\$ 4,598,239	\$ (577,933)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 22,003	\$ 22,003
Categorical aid:				
Public assistance and welfare administration	\$ 938,744	\$ 938,744	\$ 981,894	\$ 43,150
Public assistance and welfare administration - ARRA	-	-	48,754	48,754
State and community highway safety grants	25,000	42,381	20,247	(22,134)
Justice assistance grants - ARRA	-	21,900	57,611	35,711
State homeland security grants	-	-	68,474	68,474
Forest reserve	70,692	70,692	24,201	(46,491)
Total categorical aid	\$ 1,034,436	\$ 1,073,717	\$ 1,201,181	\$ 127,464
Total revenue from the federal government	\$ 1,034,436	\$ 1,073,717	\$ 1,223,184	\$ 149,467
Total General Fund	\$ 20,401,508	\$ 20,907,619	\$ 20,464,256	\$ (443,363)
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 44,422	\$ 44,422
Total revenue from local sources	\$ -	\$ -	\$ 44,422	\$ 44,422
Revenue from the Commonwealth:				
Categorical aid:				
TEA-21 grant	\$ -	\$ 48,928	\$ 48,928	\$ -
Courthouse renovations	100,000	100,000	-	(100,000)
Economic development grants	4,545,000	4,545,000	-	(4,545,000)
New River walking trail	280,000	280,000	-	(280,000)
Total categorical aid	\$ 4,925,000	\$ 4,973,928	\$ 48,928	\$ (4,925,000)
Total revenue from the Commonwealth	\$ 4,925,000	\$ 4,973,928	\$ 48,928	\$ (4,925,000)
Total County Capital Improvements Fund	\$ 4,925,000	\$ 4,973,928	\$ 93,350	\$ (4,880,578)
Total Primary Government	\$ 25,326,508	\$ 25,881,547	\$ 20,557,606	\$ (5,323,941)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,088	\$ 3,088
Revenue from the use of property	150	150	12,000	11,850
Total revenue from use of money and property	\$ 150	\$ 150	\$ 15,088	\$ 14,938
Charges for services:				
Charges for education	\$ 71,500	\$ 71,500	\$ 45,509	\$ (25,991)
Cafeteria sales	500,000	500,000	515,894	15,894
Transportation of pupils	650	650	-	(650)
Other charges for services	6,500	6,500	-	(6,500)
Total charges for services	\$ 578,650	\$ 578,650	\$ 561,403	\$ (17,247)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 756,400	\$ 756,400	\$ 83,895	\$ (672,505)
Recovered costs:				
Rebates and refunds	\$ 86,220	\$ 86,220	\$ 215,835	\$ 129,615
Total revenue from local sources	\$ 1,421,420	\$ 1,421,420	\$ 876,221	\$ (545,199)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 5,624,250	\$ 5,653,109	\$ 5,170,889	\$ (482,220)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,341,916	\$ 2,341,916	\$ 2,234,921	\$ (106,995)
Basic school aid	9,013,239	9,013,239	8,090,419	(922,820)
Remedial summer education	36,004	36,004	29,426	(6,578)
Regular foster care	6,437	6,437	2,066	(4,371)
Gifted and talented	86,101	86,101	85,141	(960)
Remedial education	208,556	208,556	206,230	(2,326)
School food	41,193	41,193	20,888	(20,305)
Enrollment loss	-	-	69,592	69,592
Special education	1,326,577	1,326,577	1,286,574	(40,003)
Textbook payment	226,771	226,771	104,283	(122,488)
Vocational education - occupational/technology	-	-	34,754	34,754
Vocational standards of quality payments	413,284	413,284	408,676	(4,608)
Vocational adult education	57,223	57,223	13,952	(43,271)
Social security fringe benefits	537,652	537,652	531,658	(5,994)
Retirement fringe benefits	827,634	827,634	514,629	(313,005)
Group life fringe benefits	19,134	19,134	13,244	(5,890)
State lottery payments	-	-	218,434	218,434
Early reading intervention	50,144	50,144	43,307	(6,837)
Homebound education	4,500	4,500	19,929	15,429
Primary class size	275,194	275,194	246,756	(28,438)
Technology	2,600	2,600	2,950	350
Standards of Learning algebra readiness	31,850	31,850	25,658	(6,192)
Vocational education - equipment	-	-	4,448	4,448
E-rate	60,000	60,000	64,161	4,161
At risk payments	140,777	140,777	136,520	(4,257)
GED prep program	7,859	7,859	7,859	-
English as a second language	-	-	2,971	2,971
VPSA technology grants	221,000	221,000	184,285	(36,715)
Other state funds	353,310	353,310	109,690	(243,620)
Total categorical aid	\$ 16,288,955	\$ 16,288,955	\$ 14,713,421	\$ (1,575,534)
Total revenue from the Commonwealth	\$ 16,288,955	\$ 16,288,955	\$ 14,713,421	\$ (1,575,534)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 12,257	\$ 12,257	\$ 98,127	\$ 85,870
Literacy challenge grant	8,000	8,000	4,743	(3,257)
Educational technology - ARRA	-	-	12,007	12,007
Title I	550,000	550,000	497,991	(52,009)
Title I - ARRA	-	-	166,193	166,193
Title VI-B, special education flow-through	590,000	590,000	617,917	27,917
Title VI-B, special education flow-through - ARRA	-	-	254,534	254,534
State fiscal stabilization funds - ARRA	870,928	870,928	1,096,612	225,684
Vocational education	50,000	50,000	21,072	(28,928)
Safe and drug free schools	8,000	8,000	9,255	1,255
Title II	123,000	123,000	124,984	1,984
Special Education - preschool	14,783	14,783	19,275	4,492
National school lunch program	342,749	342,749	478,012	135,263
School breakfast program	82,251	82,251	114,710	32,459
Total categorical aid	\$ 2,651,968	\$ 2,651,968	\$ 3,515,432	\$ 863,464
Total revenue from the federal government	\$ 2,651,968	\$ 2,651,968	\$ 3,515,432	\$ 863,464
Total Discretely Presented Component Unit - School Board	\$ 25,986,593	\$ 26,015,452	\$ 24,275,963	\$ (1,739,489)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 118,004	\$ 139,150	\$ 133,415	\$ 5,735
General and financial administration:				
County administrator	\$ 258,170	\$ 263,818	\$ 259,957	\$ 3,861
Legal services	27,000	35,535	30,778	4,757
Commissioner of revenue	338,162	331,016	315,474	15,542
Assessor	-	-	-	-
Land use	9,354	9,354	8,966	388
Treasurer	323,969	359,723	336,101	23,622
PSA billing and collection	49,120	55,421	56,804	(1,383)
Department of motor vehicles	50,259	50,259	49,271	988
Total general and financial administration	\$ 1,056,034	\$ 1,105,126	\$ 1,057,351	\$ 47,775
Board of elections:				
Registrar	\$ 138,165	\$ 134,165	\$ 128,339	\$ 5,826
Total general government administration	\$ 1,312,203	\$ 1,378,441	\$ 1,319,105	\$ 59,336
Judicial administration:				
Courts:				
Circuit court	\$ 22,154	\$ 22,154	\$ 19,357	\$ 2,797
General district court	17,632	17,632	16,018	1,614
Magistrate	1,500	1,500	1,134	366
Juvenile and domestic court	18,303	18,303	11,219	7,084
Clerk of the circuit court	378,365	378,365	362,815	15,550
Law library	6,556	6,556	6,612	(56)
Total courts	\$ 444,510	\$ 444,510	\$ 417,155	\$ 27,355
Commonwealth's attorney:				
Commonwealth's attorney	\$ 285,545	\$ 285,545	\$ 284,887	\$ 658
Total judicial administration	\$ 730,055	\$ 730,055	\$ 702,042	\$ 28,013
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,088,727	\$ 2,154,026	\$ 1,970,681	\$ 183,345
Criminal justice training	12,600	12,600	12,600	-
Total law enforcement and traffic control	\$ 2,101,327	\$ 2,166,626	\$ 1,983,281	\$ 183,345
Fire and rescue services:				
Fire and rescue	\$ 164,172	\$ 248,671	\$ 238,396	\$ 10,275
GIS system development	93,603	81,603	75,287	6,316
Ambulance service	214,876	215,315	215,315	-
Total fire and rescue services	\$ 472,651	\$ 545,589	\$ 528,998	\$ 16,591

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public Safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail	\$ 762,572	\$ 821,331	\$ 757,601	\$ 63,730
NRV juvenile detention	25,322	27,560	27,560	-
Total correction and detention	<u>\$ 787,894</u>	<u>\$ 848,891</u>	<u>\$ 785,161</u>	<u>\$ 63,730</u>
Inspections:				
Building official	\$ 187,550	\$ 176,740	\$ 172,703	\$ 4,037
Other protection:				
Animal control	\$ 2,236	\$ 2,236	\$ -	\$ 2,236
Medical examiner	500	500	300	200
Emergency services	600	29,543	29,477	66
Haz-mat services	44,584	99,837	79,534	20,303
Probation office	675	675	554	121
School Resource Officer	222,587	222,587	218,884	3,703
US forest service	6,500	12,815	9,010	3,805
Law enforcement grants	17,948	29,691	23,322	6,369
Total other protection	<u>\$ 295,630</u>	<u>\$ 397,884</u>	<u>\$ 361,081</u>	<u>\$ 36,803</u>
Total public safety	<u>\$ 3,845,052</u>	<u>\$ 4,135,730</u>	<u>\$ 3,831,224</u>	<u>\$ 304,506</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 150	\$ -	\$ -	\$ -
Sanitation and waste removal:				
Landfill monitoring	\$ 74,860	\$ 58,360	\$ 63,603	\$ (5,243)
Weed control	3,880	3,880	3,877	3
Total sanitation and waste removal	<u>\$ 78,740</u>	<u>\$ 62,240</u>	<u>\$ 67,480</u>	<u>\$ (5,240)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 366,783	\$ 474,343	\$ 491,721	\$ (17,378)
Total public works	<u>\$ 445,673</u>	<u>\$ 536,583</u>	<u>\$ 559,201</u>	<u>\$ (22,618)</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 121,000	\$ 121,000	\$ 121,000	\$ -
Mental health and mental retardation:				
Community services board	\$ 52,500	\$ 52,500	\$ 52,500	\$ -
Welfare:				
Comprehensive services	\$ 910,448	\$ 910,448	\$ 984,739	\$ (74,291)
Welfare administration and public assistance	1,851,000	1,851,000	2,003,570	(152,570)
Fairview home	31,020	22,105	14,364	7,741
NRVSS nutrition program	9,400	9,400	5,490	3,910
NRV disability services board	1,342	1,342	1,342	-
New River community action	14,100	14,100	14,100	-
Free clinic of the NRV, Inc.	7,520	7,520	7,520	-

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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For the Year Ended June 30, 2010

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Women's resource center	\$ 5,640	\$ 5,640	\$ 5,640	\$ -
Area agency on aging	7,708	7,708	7,708	-
Senior center	75,334	50,334	48,782	1,552
Literacy volunteers of America	470	470	-	470
Veterans War Memorial	900	900	900	-
State and local hospitalization	1,400	400	200	200
NRV cares	1,692	1,692	1,692	-
Total welfare	<u>\$ 2,917,974</u>	<u>\$ 2,883,059</u>	<u>\$ 3,096,047</u>	<u>\$ (212,988)</u>
Total health and welfare	<u>\$ 3,091,474</u>	<u>\$ 3,056,559</u>	<u>\$ 3,269,547</u>	<u>\$ (212,988)</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 9,357	\$ 9,357	\$ 9,357	\$ -
Contribution to County School Board	5,624,250	5,653,109	5,170,889	482,220
Total education	<u>\$ 5,633,607</u>	<u>\$ 5,662,466</u>	<u>\$ 5,180,246</u>	<u>\$ 482,220</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 20,500	\$ 23,532	\$ 23,643	\$ (111)
Golf course	219,039	263,558	259,781	3,777
Castle Rock operations	126,088	166,600	168,608	(2,008)
Castle Rock 19th Hole	44,200	24,200	19,675	4,525
Wellness center	199,013	232,303	229,700	2,603
Other recreation and cultural enrichment	125,107	85,579	85,579	-
Total parks and recreation	<u>\$ 733,947</u>	<u>\$ 795,772</u>	<u>\$ 786,986</u>	<u>\$ 8,786</u>
Library:				
Contribution to county library	\$ 31,525	\$ 31,525	\$ 31,525	\$ -
Total parks, recreation, and cultural	<u>\$ 765,472</u>	<u>\$ 827,297</u>	<u>\$ 818,511</u>	<u>\$ 8,786</u>
Community development:				
Planning and community development:				
County planner	\$ 86,626	\$ 96,011	\$ 95,290	\$ 721
Planning commission	21,593	20,393	19,819	574
Contribution to IDA	1,961,654	1,961,654	4,375,511	(2,413,857)
Zoning Board	646	146	80	66
Other community development	36,388	35,906	35,906	-
Total planning and community development	<u>\$ 2,106,907</u>	<u>\$ 2,114,110</u>	<u>\$ 4,526,606</u>	<u>\$ (2,412,496)</u>
Environmental management:				
Contributions to soil and water districts	\$ 8,827	\$ 8,827	\$ 8,827	\$ -
Cooperative extension program:				
Extension office	\$ 67,681	\$ 78,781	\$ 76,247	\$ 2,534
Total community development	<u>\$ 2,183,415</u>	<u>\$ 2,201,718</u>	<u>\$ 4,611,680</u>	<u>\$ (2,409,962)</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
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For the Year Ended June 30, 2010

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Nondepartmental:				
Fringe benefits and fuel charges	\$ 154,672	\$ 392,583	\$ 406,302	\$ (13,719)
Contingencies	63,539	25,001	-	25,001
Total nondepartmental	<u>\$ 218,211</u>	<u>\$ 417,584</u>	<u>\$ 406,302</u>	<u>\$ 11,282</u>
Debt service:				
Principal retirement	\$ 1,118,384	\$ 1,064,570	\$ 1,188,738	\$ (124,168)
Interest and other fiscal charges	525,982	563,998	572,440	(8,442)
Total debt service	<u>\$ 1,644,366</u>	<u>\$ 1,628,568</u>	<u>\$ 1,761,178</u>	<u>\$ (132,610)</u>
Total General Fund	<u>\$ 19,869,528</u>	<u>\$ 20,575,001</u>	<u>\$ 22,459,036</u>	<u>\$ (1,884,035)</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ 55,000	\$ 55,000	\$ 73,031	\$ (18,031)
TEA 21	-	48,928	128,620	(79,692)
Total general and financial administration	<u>\$ 55,000</u>	<u>\$ 103,928</u>	<u>\$ 201,651</u>	<u>\$ (97,723)</u>
Public Safety:				
GIS system	\$ -	\$ -	\$ 2,080	\$ (2,080)
Community development:				
Planning and community development:				
Economic development	\$ 4,076,894	\$ 3,149,731	\$ 350,000	\$ 2,799,731
Bostic site improvements	25,000	25,000	-	25,000
Total community development	<u>\$ 4,101,894</u>	<u>\$ 3,174,731</u>	<u>\$ 350,000</u>	<u>\$ 2,824,731</u>
Capital projects expenditures:				
Courthouse renovations	\$ 100,000	\$ 100,000	\$ 4,460	\$ 95,540
Hospital project	1,000,000	1,285,923	-	1,285,923
Walking trail	280,000	280,000	-	280,000
School improvements	900,000	17,500,000	10,871,509	\$ 6,628,491
Total capital projects	<u>\$ 2,280,000</u>	<u>\$ 19,165,923</u>	<u>\$ 10,875,969</u>	<u>\$ 8,289,954</u>
Debt service:				
Principal retirement	\$ 185,760	\$ 381,760	\$ 192,607	\$ 189,153
Interest and other fiscal charges	264,000	618,821	762,657	(143,836)
Bond issuance costs	-	-	33,500	(33,500)
Total debt service	<u>\$ 449,760</u>	<u>\$ 1,000,581</u>	<u>\$ 988,764</u>	<u>\$ 11,817</u>
Total Capital Projects Fund	<u>\$ 6,886,654</u>	<u>\$ 23,445,163</u>	<u>\$ 12,418,464</u>	<u>\$ 11,026,699</u>
Total Primary Government	<u>\$ 26,756,182</u>	<u>\$ 44,020,164</u>	<u>\$ 34,877,500</u>	<u>\$ 9,142,664</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 19,937,322	\$ 18,787,302	\$ 16,417,757	\$ 2,369,545
Operating costs:				
Attendance and health services	\$ 725,505	\$ 915,000	\$ 909,089	\$ 5,911
Pupil transportation	1,424,421	1,343,998	1,290,017	53,981
Operation and maintenance of school plant	2,502,207	2,510,176	2,498,681	11,495
Facilities	33,547	-	323,907	(323,907)
Technology	1,229,477	1,415,923	1,411,802	4,121
Total operating costs	\$ 5,915,157	\$ 6,185,097	\$ 6,433,496	\$ (248,399)
School food services:				
Administration of school food program (1)	\$ 134,114	\$ 1,043,053	\$ 1,173,704	\$ (130,651)
Total Discretely Presented Component Unit - School Board	\$ 25,986,593	\$ 26,015,452	\$ 24,024,957	\$ 1,990,495

1) Includes expenses of decentralized cafeterias which total \$1,060,705. This amount is not subject to appropriation since same is processed through School Activity Accounts.

OTHER STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (2)	Non-departmental	Interest on Long-Term Debt	Water Department	Total
2002-03	\$ 826,543	\$ 306,622	\$ 2,511,217	\$ 480,564	\$ 1,543,907	\$ 6,854,139	\$ 508,176	\$ 723,227	\$ -	\$ 929,402	\$ 636,834	\$ 15,325,631
2003-04	969,724	302,697	2,497,636	423,687	1,817,039	7,142,510	705,021	757,170	-	939,397	844,229	16,399,110
2004-05	1,278,949	494,331	3,053,312	309,003	1,958,813	6,509,380	664,241	704,970	50,028	878,240	789,851	16,691,118
2005-06	1,135,553	518,247	3,305,443	415,498	2,645,705	6,330,274	758,113	287,666	18,787	813,501	957,366	17,186,153
2006-07	1,308,071	592,293	3,556,881	966,677	2,622,010	5,671,104	896,860	343,263	-	862,168	1,065,923	17,885,270
2007-08	1,534,269	672,928	3,584,867	549,638	2,874,710	6,903,898	813,781	1,571,574	-	807,477	1,137,390	20,450,532
2008-09	1,602,292	703,829	3,856,862	476,772	3,058,974	5,765,131	839,706	323,454	-	834,439	1,595,807	19,057,266
2009-10	1,557,685	705,573	3,764,801	438,175	3,069,055	6,222,250	861,434	5,036,422	-	1,261,108	1,530,169	24,446,672

(1) Information has only been available for 8 years.

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

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	
2002-03	\$ 529,576	\$ 3,292,119	\$ -	\$	7,692,628	1,684,627	40,764	14,108	177,721	55,768	1,519,779	\$ 14,991,090
2003-04	749,229	2,762,309	278,919		10,581,091	1,763,972	-	-	184,495	40,600	1,480,707	17,841,322
2004-05	749,708	2,959,790	342,440		9,380,467	1,850,521	72,326	26,428	158,976	50,507	1,571,776	17,162,939
2005-06	909,805	3,736,766	274,568		9,499,802	1,859,770	-	-	263,587	23,245	1,595,836	18,163,379
2006-07	981,279	4,884,180	51,714		10,266,359	1,723,520	-	-	286,779	20,244	1,664,325	19,878,400
2007-08	1,052,921	4,295,126	1,848,937		10,606,003	2,044,328	-	-	306,607	37,991	1,478,463	21,672,376
2008-09	1,285,528	4,388,647	221,660		11,050,675	1,912,001	-	-	372,250	994,633	1,585,670	21,811,064
2009-10	1,186,168	4,285,122	496,558		11,187,893	1,664,585	-	-	317,919	35,136	1,585,229	20,758,610

(1) Information has only been available for 8 years.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Parks, Recreation, and Cultural	Community Development (3)	Non-departmental	Debt Service	Total
2000-01	\$ 949,736	\$ 512,938	\$ 2,556,228	\$ 493,069	\$ 1,554,431	\$ 506,753	\$ 128,931	\$ 131,906	\$ 1,909,813	\$ 27,224,720
2001-02	1,007,999	603,146	2,535,100	381,730	1,602,412	504,810	574,590	-	2,822,734	27,846,604
2002-03	882,805	484,329	2,562,807	486,605	1,542,032	451,505	714,952	-	2,126,586	27,998,326
2003-04	994,441	477,789	2,507,233	419,791	1,900,396	663,784	788,835	-	1,887,947	28,545,031
2004-05	1,245,466	494,331	3,218,254	344,450	1,971,352	626,606	710,306	50,028	1,928,747	31,005,879
2005-06	1,223,288	528,047	3,431,264	420,545	2,752,848	721,535	297,002	18,787	2,187,188	32,687,848
2006-07	1,331,494	637,024	3,797,384	971,197	2,611,276	872,465	288,154	17,751	2,528,409	35,563,169
2007-08	1,606,123	663,594	3,573,864	488,472	2,869,119	790,006	1,254,203	59,637	1,999,896	37,059,932
2008-09	1,597,862	695,441	3,849,643	441,893	3,058,680	795,081	257,520	352,012	2,053,898	37,836,593
2009-10	1,520,756	702,042	3,833,304	559,201	3,269,547	818,511	4,961,680	406,302	2,749,942	42,855,599

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

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2000-01	\$ 7,987,740	\$ 1,616,282	\$ 81,992	\$ 6,203	\$ 306,666	\$ 881,546	\$ 458,085	\$ 24,654	\$ 16,726,251	\$ 28,089,419
2001-02	7,685,429	1,638,430	47,042	6,972	386,727	869,357	146,451	528,075	16,607,995	27,916,478
2002-03	8,070,304	1,684,627	40,764	14,108	179,506	824,165	147,286	382,546	16,274,402	27,617,708
2003-04	10,497,188	1,763,972	50,968	25,765	185,345	971,658	141,366	693,752	16,449,051	30,779,065
2004-05	9,199,339	1,850,521	72,326	26,428	159,606	1,042,762	198,805	201,823	18,787,643	31,539,253
2005-06	9,745,745	1,859,770	50,460	31,181	264,206	1,180,146	230,459	245,886	20,266,978	33,874,831
2006-07	10,189,093	1,723,520	54,433	28,553	287,670	1,232,174	227,636	177,498	23,980,577	37,901,154
2007-08	10,697,096	2,044,328	45,065	24,264	308,607	1,189,193	121,344	391,456	23,060,256	37,881,599
2008-09	11,102,097	1,912,001	76,669	20,192	339,722	1,331,462	1,444,646	433,831	24,797,393	41,458,013
2009-10	11,041,741	1,664,585	31,477	29,833	333,007	1,241,049	119,031	1,102,753	24,099,204	39,662,680

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,3)	Percent of Delinquent Taxes to Tax Levy
2000-01	\$ 8,456,916	\$ 7,961,484	94.14%	\$ 374,104	\$ 8,335,588	98.57%	\$ 847,415	10.02%
2001-02	8,598,450	8,485,714	98.69%	287,528	8,773,242	102.03%	742,381	8.63%
2002-03	9,105,199	8,888,359	97.62%	190,888	9,079,247	99.71%	675,333	7.42%
2003-04	11,801,618	11,285,852	95.63%	206,023	11,491,875	97.38%	864,214	7.32%
2004-05	10,199,386	9,970,670	97.76%	230,567	10,201,237	100.02%	683,140	6.70%
2005-06	10,829,309	10,599,412	97.88%	200,067	10,799,479	99.72%	810,565	7.48%
2006-07	11,390,695	11,030,334	96.84%	254,477	11,284,811	99.07%	713,456	6.26%
2007-08	11,849,315	11,598,742	97.89%	183,512	11,782,254	99.43%	846,963	7.15%
2008-09	12,204,375	11,999,984	98.33%	179,820	12,179,804	99.80%	780,033	6.39%
2009-10	12,233,089	11,860,088	96.95%	257,289	12,117,377	99.05%	907,800	7.42%

(1) Exclusive of penalties and interest.

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

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools(3)	Public Utilities (2)	Merchants Capital(3)	Total
2000-01	\$ 559,891,300	\$ 72,302,959	\$ -	\$ 133,866,097	\$ -	\$ 766,060,356
2001-02	568,786,656	74,443,349	-	124,832,020	-	768,062,025
2002-03	578,462,264	77,109,638	-	120,510,492	-	776,082,394
2003-04	594,426,300	145,914,008	244,668,902	124,364,016	17,017,905	1,126,391,131
2004-05	601,714,100	144,669,995	241,355,915	112,196,011	18,773,208	1,118,709,229
2005-06	823,399,650	153,098,989	244,180,466	143,721,688	18,890,372	1,383,291,165
2006-07	1,017,262,300	161,819,004	245,025,208	132,978,340	19,756,981	1,576,841,833
2007-08	1,026,272,400	160,653,821	266,799,376	136,065,449	20,388,269	1,610,179,315
2008-09	1,049,284,251	165,541,200	279,614,150	132,446,151	22,641,189	1,649,526,941
2009-10	1,052,823,700	149,667,307	297,610,968	179,729,561	20,849,657	1,700,681,193

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

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

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

Table 7

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

Fiscal Year (2)	Real Estate (3)	Personal Property (2)	Machinery and Tools	Merchant's Capital
2000-01	\$ 0.59	\$ 7.00	\$ 7.00	\$ 4.80
2001-02	0.59	8.75	8.75	0.60
2002-03	0.64	8.75	8.75	0.50
2003-04	0.67	1.85	0.88	0.90
2004-05	0.72	1.85	0.90	0.75
2005-06	0.59	1.85	0.95	0.75
2006-07	0.63	1.85	0.95	0.75
2007-08	0.63	1.89	0.99	0.79
2008-09	0.52	1.89	0.99	0.79
2009-10	0.52/0.54	1.89	0.99	0.79

(1) Per \$100 of assessed value.

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

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2000-01	16,657	\$ 766,060	\$ 19,945,120	2.60%	\$ 1,197
2001-02	16,657	768,062	19,660,841	2.56%	1,180
2002-03	16,657	776,082	18,510,872	2.39%	1,111
2003-04	16,657	1,126,391	17,388,564	1.54%	1,044
2004-05	16,657	1,118,709	16,592,150	1.48%	996
2005-06	16,657	1,383,291	17,031,551	1.23%	1,022
2006-07	16,657	1,576,842	15,782,580	1.00%	948
2007-08	16,657	1,610,179	14,694,109	0.91%	882
2008-09	16,657	1,649,527	16,791,312	1.02%	1,008
2009-10	16,657	1,700,681	29,073,317	1.71%	1,745

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

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

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

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

Table 9

County of Giles, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years (2)

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

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

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, the major fund, and the aggregate remaining fund information of the County of Giles, Virginia as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications of Audits for Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (reference 2010-1, 2010-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Giles, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the County of Giles, Virginia in a separate letter dated January 10, 2011.

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

Robinson, Turner, Co. Associates

Christiansburg, Virginia

January 10, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the County of Giles, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Giles, Virginia's major federal programs for the year ended June 30, 2010. The County of Giles, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Giles, Virginia's management. Our responsibility is to express an opinion on the County of Giles, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Giles, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Giles, Virginia's compliance with those requirements.

In our opinion, the County of Giles, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Robinson, Faimer, Cox Associates

Christiansburg, Virginia
January 10, 2011

COUNTY OF GILES, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	Not applicable	\$ 290,785
Pass Through Payments:			
State Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution-Schools (Note 3)	10.555	Not applicable	70,427
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	189,454
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	5,686
Department of Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	40591	114,710
National School Lunch Program	10.555	40623	407,585
Schools and Roads - Grants to States	10.665	43841	121,004
Total Department of Agriculture			<u>\$ 1,199,651</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	90249, 90359, 90360, 90361	\$ 14,316
Temporary Assistance for Needy Families	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90247, 90365, 90366 90377, 90409, 90410, 90411 90412, 90601, 90603	180,843
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90313, 90413 90713	436
Low-Income Home Energy Assistance	93.568	90110, 90114, 90115, 90234 90235	9,838
Child Care Cluster:			
Child Care and Development Block Grant	93.575	90544, 90545	55,199
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	90116, 90117, 90118, 90119 90236, 90237, 90238, 90239 90378, 90517, 90521, 90529 90540, 90541	59,721
ARRA - Child Care and Development Block Grant	93.713	90517, 90521, 90529, 90540 90543, 90545	20,123
Chafee Education and Training Vouchers Program	93.599	90353	2,642
Child Welfare Services - State Grants	93.645	90251	665
Foster Care - Title IV-E	93.658	90105, 90106, 90107, 90209 90225, 90226, 90227, 90253 90258, 90405, 90406, 90636 90637, 90639, 90705, 90706 90707, 90733, 90738	225,415
ARRA - Foster Care - Title IV-E	93.658	90636, 90637, 90639	21,330
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90606, 90708	41,322

COUNTY OF GILES, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES: (CONTINUED)			
Pass Through Payments: (Continued)			
<i>Department of Social Services: (Continued)</i>			
ARRA - Adoption Assistance	93.659	90606	4,458
Social Services Block Grant	93.667	90120, 90122, 90123, 90124 90125, 90126, 90240, 90242 90243, 90244, 90245, 90246 90262, 90312, 90339, 90340 90358, 90379	73,396
Chafee Foster Care Independence Program	93.674	90254, 90356	5,401
Children's Health Insurance Program	93.767	90102, 90222, 90402, 90702	8,606
Medical Assistance Program	93.778	90101, 90146, 90213, 90221, 90266, 90401, 90403, 90446 90701, 90746	111,797
Total Department of Health and Human Services			<u>\$ 835,508</u>
DEPARTMENT OF DEFENSE:			
Direct Payment:			
Payments to States in Lieu of Real Estate Taxes	12.112	Not applicable	<u>\$ 1,324</u>
US DEPARTMENT OF JUSTICE:			
Pass Through Payments:			
<i>Virginia Compensation Board:</i>			
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	09SUB9033	<u>\$ 57,611</u>
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I; Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	42901	\$ 497,991
ARRA - Title I Grants to Local Educational Agencies	84.389	42913	166,193
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	43071	617,917
ARRA-Special Education-Grants to States	84.391	61245	254,534
Special Education-Preschool Grants	84.173	62521	19,275
Career and Technical Education: Basic Grants to States	84.048	61095	21,072
Safe and Drug-Free Schools and Communities-State Grants	84.186	60511	9,255
Educational Technology State Grants	84.318	61600	4,743
ARRA - Education Technology State Grants	84.386	60897	12,007
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	1,096,612
Improving Teacher Quality-State Grants	84.367	61480	<u>124,984</u>
Total Department of Education			<u>\$ 2,824,583</u>
DEPARTMENT OF INTERIOR:			
Direct Payments:			
Payments in Lieu of Taxes	15.226	Not applicable	<u>\$ 22,003</u>

COUNTY OF GILES, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
US DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
Alcohol Open Container Requirements	20.607	154AL-2009 59193 3496 154AL-2010 50280 3900	\$ 20,247
US DEPARTMENT OF HOMELAND SECURITY:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
State Homeland Security Program	97.073	52707, 52708	\$ 68,474
Total Expenditures of Federal Awards			<u>\$ 5,029,401</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Giles County, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133. Because the Schedule presents only a selected portion of the operations of Giles County, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Giles County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2010 Giles County, Virginia had food commodities totaling \$53,313 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 1,223,184
Water Fund - Contributions in Aid of Construction	290,785

Total primary government	<u>\$ 1,513,969</u>
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Component Unit Schools:

School Operating Fund	\$ 3,515,432
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Total Federal Expenditures per Basic Financial Statements	<u>\$ 5,029,401</u>
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County of Giles, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2010

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

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

Federal Awards

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

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.561	SNAP Cluster
84.394	ARRA, State Fiscal Stabilization Funds-Education State Grants
84.010/84.389	Title I; Part A Cluster
84.027/84.391/84.173	Special Education Cluster (IDEA)

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

County of Giles, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2010

Section II - Financial Statement Findings**2010-1**

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entities internal control indicates that a material weakness may exist.
Condition:	The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls over financial reporting.
Cause of Condition:	The County has historically relied on the auditors for assistance in preparing the financial statements and related adjustments. As the consultant gains knowledge of the County's books, misstatements that are material will decline.
Recommendation:	Management has and continues to work towards making all necessary entries and adjustments.
Management's Response:	The County continues to hire a consultant to compile year-end financials. As the consultant becomes more familiar with the County's books, misstatements material to the financials will decrease to immaterial amounts.

2010-2

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The County (including Social Services) and the School Board lack proper segregation of duties over the following functions: Collections in the Treasurer's office, Accounts Payable and Payroll at the County; Accounts Payable and Payroll at the School Board; and Accounts Payable and Payroll in the Department of Social Services.
Cause of Condition:	The County, Social Services, and School Board lack the funding to fully support a completely segregated finance department.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.

**Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2010**

2010-2 (continued)

Recommendation: Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.

Management's Response: Management acknowledges that internal controls over the functions listed above lack proper segregation of duties; however, to alleviate same would require additional staff. Due to cost constraints, the County and School Board have decided not to address the aforementioned internal control deficiency.

Section III - Federal Award Findings and Questioned Costs

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