

**COUNTY OF SMYTH, VIRGINIA
FINANCIAL STATEMENTS**

JUNE 30, 2012

**FINANCIAL AND MANAGEMENT
SERVICES DEPARTMENT**

COUNTY OF SMYTH, VIRGINIA

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INTRODUCTORY SECTION



COUNTY OF SMYTH, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2012

BOARD OF SUPERVISORS

Wade H. Blevins, Jr., Chairperson

Ron C. Blevins
M. Todd Dishner
Regina H. Davidson

Rick K. Blevins
Roscoe D. Call
J. Howard Burton

Michael L. Carter, Clerk

COUNTY SCHOOL BOARD

Jesse Choate, Chairperson

Charles M. Buchanan, Jr.
Susan Williams
Susan Sneed

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

Darlene Doyle, Clerk

SOCIAL SERVICES BOARD

Merrelle Ward, Chairperson

Judy Hess
Rodney Blevins
JoAnn Bennett

Karen Gillespie
Anne Shults
Regina H. Davidson

Kenneth P. Arnold, Secretary

OTHER OFFICIALS

Judge of the Circuit Court

Isaac St. C. Freeman

C. Randall Lowe

Sage B. Johnson

Clerk of the Circuit Court

John Graham

Judge of the General District Court

Joseph S. Tate

Judge of the Juvenile and Domestic Relations Court

V. Blake McKinney

Florence A. Powell

Deanis L. Simmons

Commonwealth's Attorney

Roy F. Evans, Jr.

Commissioner of the Revenue

Jeffrey Richardson

Treasurer

Thomas Burkett

Sheriff

R. David Bradley

Superintendent of Schools

Michael Robinson

Director, Department of Social Services

Kenneth P. Arnold

County Administrator

Michael L. Carter



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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 February 4, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
February 4, 2013

BASIC FINANCIAL STATEMENTS



COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Total
ASSETS						
Cash and cash equivalents (Note 2)	\$ 8,185,660	\$ 75,658	\$ 8,261,318	\$ 2,076,158	\$ 1,097,234	\$ 11,434,710
Receivables, net (Note 3)	21,176,090	201,512	21,377,602	-	78,334	21,455,936
Due from primary government (Note 9)	-	-	-	4,069,379	-	4,069,379
Due from component unit (Note 9)	-	-	-	-	-	-
Due from other governmental units (Note 4)	1,353,801	155,120	1,508,921	3,709,102	-	5,218,023
Accrued interest	6,045	-	6,045	1,258	311	7,614
Inventories	-	-	-	86,717	-	86,717
Investment in Smyth-Washington Industrial Facilities Authority	-	-	-	-	1,832,673	1,832,673
Bond issuance costs, net	86,000	46,980	132,980	-	-	132,980
Prepaid expense	51,925	-	51,925	75,978	-	127,903
Restricted assets:						
Cash and cash equivalents-restricted (Note 2)	41,132,675	-	41,132,675	-	-	41,132,675
Capital assets: (Note 6)						
Non-depreciable	12,977,281	504,075	13,481,356	2,471,170	3,530,876	19,483,402
Depreciable, net	12,899,727	29,772,412	42,672,139	7,675,965	-	50,348,104
Total assets	<u>97,869,204</u>	<u>30,755,757</u>	<u>128,624,961</u>	<u>20,165,727</u>	<u>6,539,428</u>	<u>155,330,116</u>
LIABILITIES						
Accounts payable and accrued expenses	3,036,963	74,085	3,111,048	122,576	-	3,233,624
Accrued payroll	25,690	-	25,690	4,096,330	-	4,122,020
Accrued interest payable	354,583	21,607	376,190	-	-	376,190
Unearned revenue (Note 3)	18,112,663	56,327	18,168,990	-	-	18,168,990
Due to component units (Note 9)	4,069,379	-	4,069,379	-	-	4,069,379
Due to primary government (Note 9)	-	-	-	-	-	-
Due to other governmental unit	-	-	-	-	84,000	84,000
Cash bonds held in escrow	43,184	-	43,184	-	-	43,184
Long-term liabilities: (Note 7)						
Due within one year	2,532,488	378,727	2,911,215	119,000	-	3,030,215
Due in more than one year	56,906,830	11,259,973	68,166,803	932,200	-	69,099,003
Total liabilities	<u>85,081,780</u>	<u>11,790,719</u>	<u>96,872,499</u>	<u>5,270,106</u>	<u>84,000</u>	<u>102,226,605</u>
NET ASSETS						
Invested in capital assets, net of related debt	8,750,010	18,674,951	27,424,961	10,147,135	3,530,876	41,102,972
Unrestricted	4,037,414	290,087	4,327,501	4,748,486	2,924,552	12,000,539
Total net assets	<u>\$ 12,787,424</u>	<u>\$ 18,965,038</u>	<u>\$ 31,752,462</u>	<u>\$ 14,895,621</u>	<u>\$ 6,455,428</u>	<u>\$ 53,103,511</u>

EXHIBIT 2

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Program Revenues					Net (Expense) Revenue and Changes in Net Assets					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		Total
					Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	
Primary Government:										
Governmental activities:										
General government administration	\$ 2,243,730	\$ -	\$ 243,594	\$ -	\$ (2,000,136)	\$ -	\$ (2,000,136)	\$ -	\$ -	\$ (2,000,136)
Judicial administration	1,442,451	163,113	799,009	-	(480,329)	-	(480,329)	-	-	(480,329)
Public safety	6,606,593	850,353	2,006,468	-	(3,749,772)	-	(3,749,772)	-	-	(3,749,772)
Public works	2,085,140	1,415,524	7,324	-	(662,292)	-	(662,292)	-	-	(662,292)
Health and welfare	5,069,915	11,369	3,821,158	-	(1,237,388)	-	(1,237,388)	-	-	(1,237,388)
Education	8,016,040	-	-	-	(8,016,040)	-	(8,016,040)	-	-	(8,016,040)
Parks, recreational, and cultural	1,019,793	-	15,912	-	(1,003,881)	-	(1,003,881)	-	-	(1,003,881)
Community development	1,266,069	-	22,306	-	(1,243,763)	-	(1,243,763)	-	-	(1,243,763)
Interest on long-term debt	1,009,693	-	-	-	(1,009,693)	-	(1,009,693)	-	-	(1,009,693)
Total governmental activities	28,759,424	2,440,359	6,915,771	-	(19,403,294)	-	(19,403,294)	-	-	(19,403,294)
Business-type activities:										
Water and sewer	3,339,245	1,881,076	-	172,048	-	(1,286,121)	(1,286,121)	-	-	(1,286,121)
Total business-type activities	3,339,245	1,881,076	-	172,048	-	(1,286,121)	(1,286,121)	-	-	(1,286,121)
Total primary government	\$ 32,098,669	\$ 4,321,435	\$ 6,915,771	\$ 172,048	(19,403,294)	(1,286,121)	(20,689,415)	-	-	(20,689,415)
Component Units:										
School Board	\$ 45,563,551	\$ 1,419,778	\$ 37,663,639	\$ 1,000,000	-	-	-	(5,480,134)	-	(5,480,134)
Industrial Development Authority	220,289	25,001	-	3,506,634	-	-	-	-	3,311,346	3,311,346
Total component units	\$ 45,783,840	\$ 1,444,779	\$ 37,663,639	\$ 4,506,634	-	-	-	(5,480,134)	3,311,346	(2,168,788)
General Revenues:										
General property taxes					14,745,763	-	14,745,763	-	-	14,745,763
Sales and use tax					1,947,535	-	1,947,535	-	-	1,947,535
Other local taxes					1,736,615	-	1,736,615	-	-	1,736,615
Intergovernmental revenue, unrestricted					1,748,615	-	1,748,615	-	-	1,748,615
Revenue from use of money and property					289,596	-	289,596	14,812	53,488	357,896
Miscellaneous					210,722	5,036	215,758	62,517	3,024	281,299
Incentive payment recoveries					-	-	-	-	121,394	121,394
Loss on investment in joint venture					-	-	-	-	(50,660)	(50,660)
Payments from Smyth County					-	-	-	7,078,374	172,350	7,250,724
Special item-underwriter's discount on bond					(493,563)	-	(493,563)	-	-	(493,563)
Transfers (Note 5)					(409,228)	409,228	-	-	-	-
Total general revenues and transfers					19,776,055	414,264	20,190,319	7,155,703	299,596	27,645,618
Change in net assets					372,761	(871,857)	(499,096)	1,675,569	3,610,942	4,787,415
NET ASSETS JULY 1, 2011					12,903,334	19,836,895	32,740,229	12,832,052	2,844,486	48,416,767
RESTATEMENT OF BEGINNING NET ASSETS					(488,671)	-	(488,671)	388,000	-	(100,671)
NET ASSETS JUNE 30, 2012					\$ 12,787,424	\$ 18,965,038	\$ 31,752,462	\$ 14,895,621	\$ 6,455,428	\$ 53,103,511

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

COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2012

	<u>General</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 49,318,335
Accrued interest	6,045
Receivables, net (Note 3)	21,176,090
Prepaid expense	51,925
Due from other governmental units (Note 4)	1,353,801
Total assets	<u><u>\$ 71,906,196</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued liabilities	\$ 3,036,963
Accrued payroll and related liabilities	25,690
Due to component units	4,069,379
Deferred revenue (Note 3)	20,562,925
Cash bonds held in escrow	43,184
Total liabilities	<u>27,738,141</u>
Fund Balance:	
Nonspendable (Note 17)	51,925
Restricted (Note 17)	39,125,509
Committed (Note 17)	-
Assigned (Note 17)	58,485
Unassigned	4,932,136
Total fund balance	<u>44,168,055</u>
Total liabilities and fund balance	<u><u>\$ 71,906,196</u></u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balance	\$ 44,168,055
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds.	25,877,008
Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred in the funds.	2,536,262
Interest on long-term debt is not accrued in the fund statements as it is in the government-wide statements.	(354,583)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(59,439,318)</u>
Net assets of governmental activities	<u><u>\$ 12,787,424</u></u>

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

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUND
For the Year Ended June 30, 2012**

	<u>General</u>
REVENUES	
General property taxes	\$ 14,294,912
Other local taxes	3,684,150
Permits, privilege fees, and regulatory licenses	127,045
Fines and forfeitures	726,131
Revenue from use of money and property	289,596
Charges for services	1,033,161
Recovered costs	760,405
Other	210,723
Intergovernmental	<u>8,580,386</u>
Total revenues	<u>29,706,509</u>
EXPENDITURES	
Current operating:	
General government administration	2,140,645
Judicial administration	1,405,780
Public safety	6,408,287
Public works	2,090,119
Health and welfare	5,073,079
Education	7,131,034
Parks, recreation and cultural	968,916
Community development	1,321,245
Capital projects	11,022,959
Debt service:	
Principal retirement	6,033,554
Interest and other fiscal charges	<u>891,381</u>
Total expenditures	<u>44,486,999</u>
Excess of revenues over expenditures	<u>(14,780,490)</u>
OTHER FINANCING USES	
Transfers out	(409,228)
Bond issuance costs	(86,000)
Premium on bonds	1,840,039
Underwriter's discount on bonds	(493,563)
Proceeds from bond issuance	<u>48,985,000</u>
Total other financing uses	<u>49,836,248</u>
Net change in fund balance	<u>35,055,758</u>
FUND BALANCE AT JULY 1, 2011	9,460,311
RESTATEMENT OF BEGINNING FUND BALANCE	<u>(348,014)</u>
FUND BALANCE AT JUNE 30, 2012	<u><u>\$ 44,168,055</u></u>

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

(Continued)

COUNTY OF SMYTH, VIRGINIA

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

(Continued)

For the Year Ended June 30, 2012

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

Net change in fund balance - total governmental fund	\$ 35,055,758
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$11,374,342) exceeds depreciation (\$1,615,427).	9,758,915
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The net effect of various miscellaneous transactions involving capital assets (i.e., disposals and sales) is to decrease net assets.	-
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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.	450,851
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	6,119,973
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In government-wide statements, however, issuing debt increases long term liabilities in the state of net assets and does not affect the statement of activities	(50,831,914)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(180,822)</u>
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Change in net assets of governmental activities	<u><u>\$ 372,761</u></u>
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The Notes to Financial Statements are an integral part of this statement

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
General property taxes	\$ 14,368,300	\$ 14,368,300	\$ 14,294,912	\$ (73,388)
Other local taxes	3,721,000	3,721,000	3,684,150	(36,850)
Permits, privilege fees, and regulatory licenses	72,400	72,400	127,045	54,645
Fines and forfeitures	802,700	802,700	726,131	(76,569)
Revenue from use of money and property	511,087	511,087	289,596	(221,491)
Charges for services	909,771	909,771	1,033,161	123,390
Recovered costs	391,664	391,664	760,405	368,741
Other	186,500	186,500	210,723	24,223
Intergovernmental	9,357,778	9,386,578	8,580,386	(806,192)
Total revenues	<u>30,321,200</u>	<u>30,350,000</u>	<u>29,706,509</u>	<u>(643,491)</u>
EXPENDITURES				
Current Operating:				
General government administration	2,487,312	2,468,501	2,140,645	327,856
Judicial administration	1,398,295	1,410,295	1,405,780	4,515
Public safety	6,951,179	7,243,790	6,408,287	835,503
Public works	2,094,051	2,094,051	2,090,119	3,932
Health and welfare	6,077,912	6,077,912	5,073,079	1,004,833
Education	8,076,113	7,872,629	7,131,034	741,595
Parks, recreation, and cultural	968,916	968,916	968,916	-
Community development	1,647,190	1,647,190	1,321,245	325,945
Capital Projects	9,169,943	34,169,943	11,022,959	23,146,984
Debt Service:				
Principal retirement	1,022,699	1,022,699	6,033,554	(5,010,855)
Interest and other fiscal charges	245,867	449,351	891,381	(442,030)
Total expenditures	<u>40,139,477</u>	<u>65,425,277</u>	<u>44,486,999</u>	<u>20,938,278</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (9,818,277)</u>	<u>\$ (35,075,277)</u>	<u>\$ (14,780,490)</u>	<u>\$ 20,294,787</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2012

	<u>Business-type Activity</u> <u>Enterprise Fund</u> <u>Water and</u> <u>Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 75,658
Receivables, net (Note 3)	201,512
Due from other governmental units (Note 4)	<u>155,120</u>
Total current assets	<u>432,290</u>
Noncurrent assets:	
Capital assets, net (Note 6)	30,276,487
Bond issue costs, net	<u>46,980</u>
Total noncurrent assets	<u>30,323,467</u>
Total assets	<u>30,755,757</u>
LIABILITIES	
Current liabilities:	
Accounts payable	74,085
Accrued interest payable	21,607
Unearned revenue (Note 3)	56,327
Bonds payable (Note 7)	368,159
Compensated absences and other post employment benefits (Note 7)	<u>10,568</u>
Total current liabilities	<u>530,746</u>
Noncurrent liabilities:	
Bonds payable (Note 7)	11,233,377
Compensated absences and other post employment benefits (Note 7)	<u>26,596</u>
Total noncurrent liabilities	<u>11,259,973</u>
Total liabilities	<u>11,790,719</u>
NET ASSETS	
Invested in capital assets, net of related debt	18,674,951
Unrestricted	<u>290,087</u>
Total net assets	<u>\$ 18,965,038</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	<u>Business-type Activities</u>
	<u>Enterprise Fund</u>
	<u>Water and Sewer</u>
OPERATING REVENUES	
Water revenues	\$ 1,135,778
Wastewater revenues	695,437
Service charges	29,401
Connection fees	20,460
Miscellaneous	5,036
Total operating revenues	<u>1,886,112</u>
OPERATING EXPENSES	
Salaries and wages	267,843
Employee benefits	131,335
Utilities and communication	54,534
Water and wastewater services	388,797
Water purchases	366,841
Project expenses	108,805
Repairs and maintenance	113,529
Insurance	6,915
Office supplies and miscellaneous	16,454
Depreciation and amortization	<u>1,439,260</u>
Total operating expenses	<u>2,894,313</u>
Operating loss	<u>(1,008,201)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	-
Interest expense	<u>(444,932)</u>
Total non-operating revenues (expenses)	<u>(444,932)</u>
Loss before contributions and transfers	(1,453,133)
CAPITAL CONTRIBUTIONS (Note 6)	172,048
TRANSFERS IN	<u>409,228</u>
Change in Net Assets	(871,857)
NET ASSETS JULY 1, 2011	<u>19,836,895</u>
NET ASSETS JUNE 30, 2012	<u><u>\$ 18,965,038</u></u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2012

	<u>Business-type Activities</u> <u>Enterprise Fund</u>
	<u>Water and</u> <u>Sewer</u>
OPERATING ACTIVITIES	
Receipts from customers	\$ 1,863,771
Payments to suppliers	(1,113,673)
Payments to employees	(393,789)
Other receipts	5,036
Net cash provided by operating activities	<u>361,345</u>
NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>409,228</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(302,025)
Contributions in aid of construction	207,540
Proceeds from indebtedness	6,208,000
Costs associated with debt issuances	(41,650)
Principal payments on debt	(6,465,891)
Interest payments on debt	<u>(451,090)</u>
Net cash provided by capital and related financing activities	<u>(845,116)</u>
INVESTING ACTIVITIES	
Interest received	<u>-</u>
Net change in cash and cash equivalents	(74,543)
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>150,201</u>
Ending at June 30	<u>\$ 75,658</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (1,008,201)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,406,508
Amortization	32,752
Increase in accounts receivable	(17,305)
Decrease in accounts payable	(57,798)
Increase in accrued payroll and related liabilities	5,389
Net cash provided by operating activities	<u>\$ 361,345</u>
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Imputed interest	<u>\$ 9,965</u>
Capital asset purchases included in accounts payable at year end	<u>\$ 21,381</u>

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

COUNTY OF SMYTH, VIRGINIA

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 225,301
Accrued interest	26
Due from other governmental units	<u>583</u>
Total assets	<u><u>\$ 225,910</u></u>
LIABILITIES	
Amounts held for social services clients	\$ 224,223
Amounts held for Carnegie fund	<u>1,687</u>
Total liabilities	<u><u>\$ 225,910</u></u>

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

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

Smyth County School Board

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

Smyth County Industrial Development Authority

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

The following entities are excluded from the financial statements:

Joint Ventures

Smyth-Bland Regional Library

The County in conjunction with Bland County established a jointly owned Regional Library located in Marion, Virginia with three branches in Chilhowie, Saltville, and Bland. Three officers and four trustees are appointed by the County and the County provides funding annually to the library to fund capital and operating expenditures. The County owns the library building and reports it and other operating equipment purchased for the library in the Government-Wide statements. During the fiscal year, the County provided \$926,466 to fund operations. Financial statements of the library can be obtained from the library at 118 S. Sheffey Street, Marion, Virginia 24354.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Smyth-Wythe Airport Commission

The County along with the Town of Marion, the Town of Wytheville, and the County of Wythe established the Smyth-Wythe Airport Commission. The County provides funding annually and appoints one member to the governing board. The County along with the Town of Marion appoints an additional member to the board. During the year the County provided \$48,310 to the airport. Complete financial statements of the Airport Commission can be obtained by contacting the Commission at P.O. Box 885, Marion, Virginia 24354.

Southwest Virginia Regional Jail Authority

The Southwest Virginia Regional Jail Authority was created by the County, the City of Norton and the Counties of Buchanan, Dickenson, Lee, Russell, Scott, Washington, and Wise for the purpose of constructing and operating jail facilities for these participating localities. The County paid fees in the amount of \$1,179,559 during 2012 to the Authority.

Joint Venture – Discretely Presented Component Unit-IDA

Smyth-Washington Regional Industrial Facilities Authority

Smyth and Washington County Industrial Development Authorities created the Smyth-Washington Regional Industrial Facilities Authority for the purpose of promoting economic development in those counties. The IDA shares equally in the costs and revenue generated from the development of the Glade Highlands Industrial Park. The IDA reports its investment in the Authority as an equity interest. The investment balance in the Authority as of June 30, 2012 was \$1,832,673. Income (loss) earned on the investment during the 2012 fiscal year was (\$50,660). Complete financial statements for the Authority can be obtained at the administrative office located at 1021 Terrace Drive, Marion, VA 24354.

Related Organizations

Mount Rogers Community Services Board

The Mount Rogers Community Services Board was formed to provide mental health services to participating localities. The County provides funding to the board each year and is represented on the Mount Rogers Planning District Commission which oversees this board. The County provided \$207,527 to the board during the 2012 fiscal year.

The Appalachian Juvenile Commission

The Appalachian Juvenile Commission (renamed from Highlands Juvenile Detention Center Commission) was organized in 1984 and is jointly governed by the Counties of Washington, Lee, Dickenson, Tazewell, Wise, Russell, Buchanan, and Scott, the Cities of Bristol and Norton and the County. The County appoints two members to the governing board; however, the County is not financially accountable to the Commission. The County provided \$204,008 to the Commission in the 2012 fiscal year.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental fund:

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

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

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

Additionally, the County reports the following fund category:

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government.

Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. *General revenues* include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Operating revenues and expenses in the proprietary fund result from providing goods and services in connection with their principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges for services. The proprietary fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, purchases, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgetary Information

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

- ◆ Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the County and School Board for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- ◆ Public hearings are conducted to obtain citizen comments.
- ◆ Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- ◆ The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Board of Supervisors can revise the appropriation for each fund. The County Administrator is authorized to transfer budgeted amounts within general government funds and the School Board is authorized to transfer budgeted amounts within the school system's functions.
- ◆ Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Fund is integrated only at the level of legal adoption.
- ◆ All budgets are adopted on a basis which is consistent with generally accepted accounting principles (GAAP).
- ◆ Appropriations lapse on June 30 for all County units.
- ◆ All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

Receivables

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

Inventories

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

Capital Assets

Capital assets which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

Deferred Revenues

Deferred revenue consists primarily of property taxes not collected within 60 days of year end and property taxes collected that are not yet due. For fiscal year 2012, deferred revenue also consists of grant revenue unearned at June 30, 2012.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Repayments and issuance costs are reported as debt service expenditures.

Encumbrances

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

Estimates

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

Net Assets/Fund Equity

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Purpose

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

Components of Fund Balance

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

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

Committed Fund Balance Policy

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

Assigned Fund Balance Policy

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

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

Minimum Unassigned Fund Balance Policy

The County has no minimum fund balance requirement.

Resource Flow Policy

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

Note 2. Deposits and Investments

Deposits

All cash of the County and the discretely presented component units – School Board and IDA - are maintained in accounts covered by Federal Depository Insurance or collateralized in accordance with the Virginia Security for Public Deposits Act Section 2.2-4400 *et seq.* of the *Code of Virginia*. The County has restricted cash and cash equivalents of \$41,132,675 for school project and courthouse renovations.

Investments

Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

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

Note 3. Receivables/Deferred and Unearned Revenue

Receivables at June 30 are as follows:

	Governmental Activities	Business-Type Activities
Receivables		
Taxes	\$ 21,472,593	\$ -
Accounts	350,941	258,689
	<hr/>	<hr/>
Gross receivables	21,823,534	258,689
Less:		
Allowance for uncollectibles	(647,444)	(57,177)
	<hr/>	<hr/>
Net total receivables	<u>\$ 21,176,090</u>	<u>\$ 201,512</u>

A receivable for incentive payments of \$78,334 is reflected in the IDA fund.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

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

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Property taxes receivable	\$ 20,412,667	\$ 17,962,405
Prepaid taxes – unearned	<u>150,258</u>	<u>150,258</u>
	<u>\$ 20,562,925</u>	<u>\$ 18,112,663</u>

Deferred revenue of \$56,327 for the business-type activities consists of grants received from Rural Development in advance of costs incurred on the water and sewer projects. Revenue will be recognized in the year the costs are incurred.

Note 4. Due from Other Governmental Units

Due from other government units consists of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>			
Local sales tax	\$ 342,815	\$ -	\$ -
State sales tax	-	-	759,464
Communication tax	102,594	-	-
Categorical aid – shared expenses	221,704	-	-
Comprehensive services act	93,050	-	-
Virginia public assistance funds	111,190	-	-
Other categorical aid	26,153	-	416,144
Non-categorical aid	108,974	-	-
<u>Federal Government:</u>			
Federal public assistance funds	147,799	-	-
SVRWWCF	-	20,435	-
School Improvement	-	-	164,160
Title I	-	-	476,083
Title II	-	-	81,529
Title IV-B	-	-	498,605
School Breakfast and Lunch	-	-	160,882
Pre-School Handicapped	-	-	18,698
21 st Century Learning	-	-	110,678
Education Jobs-ARRA	-	-	778,789
Other Federal aid	-	-	58,196
<u>Other:</u>			
Other Governmental units	<u>199,522</u>	<u>134,685</u>	<u>185,874</u>
	<u>\$ 1,353,801</u>	<u>\$ 155,120</u>	<u>\$ 3,709,102</u>

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 5. Interfund Transfers

Interfund transfers are as follows:

<u>Transfer to Fund</u>	<u>Transfer From Fund</u>	<u>Amount</u>
Water and Sewer	General Fund	\$ 409,228

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

Note 6. Capital Assets

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

Primary Government

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated:				
Land	\$ 652,317	\$ -	\$ -	\$ 652,317
Construction in progress	1,303,040	11,021,924	-	12,324,964
Total capital assets, not depreciated	1,955,357	11,021,924	-	12,977,281
Capital assets, depreciated:				
Infrastructure	56,660	-	-	56,660
Buildings and improvements	26,342,187	-	(1,900,000)	24,442,187
Machinery and equipment	7,856,898	352,418	(230,633)	7,978,683
Total capital assets, depreciated	34,255,745	352,418	(2,130,633)	32,477,530
Less accumulated depreciation for:				
Infrastructure	(11,301)	(1,700)	-	(13,001)
Buildings and improvements	(16,071,743)	(1,078,611)	1,900,000	(15,250,354)
Machinery and equipment as restated	(4,009,965)	(535,116)	230,633	(4,314,448)
Total accumulated depreciation	(20,093,009)	(1,615,427)	2,130,633	(19,577,803)
Capital assets, depreciated, net	14,162,736	(1,263,009)	-	12,899,727
Governmental activities capital assets, net	<u>\$ 16,118,093</u>	<u>\$ 9,758,915</u>	<u>\$ -</u>	<u>\$ 25,877,008</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 25,431	\$ 4,400	\$ -	\$ 29,831
Construction in progress	1,638,670	374,010	(1,538,436)	474,244
Total capital assets, not depreciated	1,664,101	378,410	(1,538,436)	504,075
Capital assets, depreciated:				
Utility system	45,292,625	1,460,820	-	46,753,445
Machinery and equipment	559,026	-	-	559,026
Capital assets, depreciated	45,851,651	1,460,820	-	47,312,471
Less: accumulated depreciation for:				
Utility system	(15,826,237)	(1,340,387)	-	(17,166,624)
Machinery and equipment	(307,313)	(66,122)	-	(373,435)
Total accumulated depreciation	(16,133,550)	(1,406,509)	-	(17,540,059)
Capital assets, depreciated, net	29,718,101	54,311	-	29,772,412
Business-type activities capital assets, net	\$ 31,382,202	\$ 432,721	\$ (1,538,436)	\$ 30,276,487

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 145,609
Judicial administration	38,604
Public safety	444,233
Public works	44,872
Health and welfare	39,879
Education	861,945
Parks, recreation, and cultural	40,285
Community development	-
	<u>1,615,427</u>
Business-type activities:	
Water and Sewer	<u>1,406,509</u>
Total depreciation expense – primary government	<u>\$ 3,021,936</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 6. Capital Assets (Continued)

Primary Government (Continued)

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

Project	Amount Spent to Date	Remaining Commitment
Clark Brothers-E911 & Sheriff's Office	\$ 1,565,422	\$ 601,246
RRMM Architects-School Projects	1,403,614	230,197
Burwil Construction-School Projects	7,044,175	15,266,633
Moseley-Courthouse Renovations	1,201,738	443,108
Total	<u>\$ 11,214,949</u>	<u>\$ 16,541,184</u>

The County received \$172,048 in capital contributions from Federal, State, and Local granting agencies for the construction and expansion of wastewater treatment facilities.

Discretely Presented Component Unit – School Board

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

Discretely Presented Component Unit – School Board	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 610,977	\$ 233,486	\$ -	\$ 844,463
Construction in progress	1,542,282	1,336,717	(1,252,292)	1,626,707
Total capital assets, not depreciated	2,153,259	1,570,203	(1,252,292)	2,471,170
Capital assets, depreciated:				
Buildings and improvements	11,240,056	3,295,499	-	14,535,555
Machinery and equipment	6,091,779	230,509	(164,500)	6,157,788
Total capital assets, depreciated	17,331,835	3,526,008	(164,500)	20,693,343
Less accumulated depreciation for:				
Buildings and improvements	(7,213,270)	(2,195,238)	-	(9,408,508)
Machinery and equipment	(3,287,141)	(486,229)	164,500	(3,608,870)
Total accumulated depreciation	(10,500,411)	(2,681,467)	164,500	(13,017,378)
Capital assets, depreciated, net	6,831,424	844,541	-	7,675,965
School Board capital assets, net	<u>\$ 8,984,683</u>	<u>\$ 2,414,744</u>	<u>\$ (1,252,292)</u>	<u>\$ 10,147,135</u>

Total depreciation expense recorded in fiscal year 2012 was \$781,468.

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit – Industrial Development Authority

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

Discretely Presented Component Unit - Industrial Development Authority	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 160,079	\$ 3,370,797	\$ -	\$ 3,530,876

Note 7. Long-Term Debt

The County issues general obligation bonds to provide funds for financing and refinancing the acquisition and construction of major capital improvements. During the fiscal year ended June 30, 2012, the County issued General Obligation bonds detailed as follows:

On December 6, 2011, the County issued General Obligation bonds Series 2011A in an aggregate principal amount of \$26,985,000. The proceeds will be used to finance and refinance capital improvements for the County.

On December 6, 2011, the County issued General Obligation bonds Series 2011B in an aggregate principal amount of \$12,500,000 to provide financing for the renovations to existing schools and the acquisition, construction and equipping of a new elementary school, each of which constitute capital projects for public school purposes.

On December 15, 2011, the Virginia Public School Authority (VPSA) purchased the County's General Obligation bonds Series 2011C in an aggregate principal amount of \$9,500,000. The VPSA Qualified School Construction Bonds issued will provide financing for the renovations to existing schools and the acquisition, construction and equipping of a new elementary school, each of which constitute capital projects for public school purposes.

On May 10, 2012, the County issued General Obligation Water and Sewer Utility Refunding bonds in an aggregate principal amount of \$6,208,000. The proceeds were used to refund the Water Facility Bond Series 2002B, General Obligation Sewer Bond Series 2005, General Obligation Refunding Bond Series 2005, and General Obligation Water and Sewer Bonds Series 2007.

(Continued)

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Debt (Continued)

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Primary Government					
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 7,555,487	\$ 41,325,039	\$ 5,474,870	\$ 43,405,656	\$ 1,411,818
Literary fund loans	6,005,153	-	651,136	5,354,017	556,136
School construction bonds	-	9,500,000	-	9,500,000	145,000
Total bonds payable	13,560,640	50,825,039	6,126,006	58,259,673	2,112,954
Landfill closure/ post-closure	286,466	6,875	-	293,341	-
Compensated absences	572,940	-	13,562	559,378	419,534
Other post-employment benefits	251,273	116,753	41,100	326,926	-
	<u>\$ 14,671,319</u>	<u>\$ 50,948,667</u>	<u>\$ 6,180,668</u>	<u>\$ 59,439,318</u>	<u>\$ 2,532,488</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 11,859,427	\$ -	\$ 6,465,891	\$ 5,393,536	\$ 106,159
Revenue bonds	-	6,208,000	-	6,208,000	262,000
Total bonds payable	11,859,427	6,208,000	6,465,891	11,601,536	368,159
Compensated absences	14,048	42	-	14,090	10,568
Other post-employment benefits	17,727	8,247	2,900	23,074	-
	<u>\$ 11,891,202</u>	<u>\$ 6,216,289</u>	<u>\$ 6,468,791</u>	<u>\$ 11,638,700</u>	<u>\$ 378,727</u>
Component Unit					
School Board:					
Compensated absences	\$ 683,066	\$ -	\$ 211,866	\$ 471,200	\$ 119,000
Other post-employment benefits	464,000	327,000	211,000	580,000	-
	<u>\$ 1,147,066</u>	<u>\$ 327,000</u>	<u>\$ 422,866</u>	<u>\$ 1,051,200</u>	<u>\$ 119,000</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Other Long-Term Debt		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,411,818	\$ 1,525,329	\$ 701,136	\$ 107,081	\$ 368,159	\$ 387,570
2014	1,424,238	1,488,184	706,136	95,957	380,411	375,944
2015	1,456,853	1,450,544	716,136	84,835	392,795	363,903
2016	13,975,169	1,412,041	761,136	73,712	404,316	351,491
2017	1,175,185	1,005,892	1,046,136	62,590	417,980	338,654
2018-2022	6,695,350	4,434,634	5,304,801	169,351	2,293,291	1,484,676
2023-2027	7,720,910	3,103,537	3,498,536	42,426	2,696,043	1,090,262
2028-2032	9,546,133	1,172,125	2,120,000	-	2,106,145	648,996
2033-2037	-	-	-	-	898,003	419,840
2038-2042	-	-	-	-	1,049,664	229,056
2043-2047	-	-	-	-	532,650	44,450
2048-2052	-	-	-	-	62,079	2,564
	<u>\$43,405,656</u>	<u>\$15,592,286</u>	<u>\$14,854,017</u>	<u>\$ 635,952</u>	<u>\$11,601,536</u>	<u>\$ 5,737,406</u>

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>General Obligation Bonds:</u>						
Landfill	4.5%	03/26/96	2016	\$ 1,129,000	\$ 276,110	\$ -
School Construction	4.9 – 6.35	11/12/92	2012	214,010	14,587	-
School Construction	5.1 – 6.1	12/21/95	2015	3,430,007	843,195	-
School Construction	4.975 – 5.85	11/01/00	2020	1,836,901	950,062	-
School Construction	4.1-5.6	11/10/04	2024	117,994	83,429	-
Virginia Resource Authority	2.5	10/17/01	2032	133,000	-	100,252
Virginia Resource Authority	0% Coupon	03/05/04	2034	503,049	-	374,489
Virginia Resource Authority	0	11/26/08	2029	473,000	-	402,050
Rural Development Administration	3.250	02/14/05	2045	1,500,000	-	1,382,342
Rural Development Administration	4.375	05/26/04	2044	2,735,500	-	2,528,898
Rural Development Administration	4.00	2/11/10	2049	123,500	-	118,995
Rural Development Administration	2.375	2/11/10	2049	121,500	-	120,822
Rural Development Administration	4.50	02/13/09	2048	500,000	-	492,927
General Obligation Bond Series 2011A	2.0-5.0%	12/5/11	2032	26,985,000	26,985,000	-
General Obligation Bond Series 2011B	3%	12/5/11	2016	12,500,000	12,500,000	-
General Obligation Refunding Bond Series 2012	3.25%	4/25/12	2030	6,208,000	-	6,208,000
					41,652,383	11,728,775
Bond Premiums					1,753,273	-
Imputed Interest	4%				-	(127,239)
					<u>\$ 43,405,656</u>	<u>\$ 11,601,536</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 7. Long-Term Debt (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-type Activities
<u>Other Long-Term Debt:</u>						
State Literary Fund Loan	2.0	04/01/99	2019	\$ 893,655	\$ 312,789	\$ -
State Literary Fund Loan	2.0	03/15/99	2019	1,777,000	621,950	-
State Literary Fund Loan	2.0	10/01/96	2016	125,500	31,375	-
State Literary Fund Loan	2.0	07/15/98	2018	90,000	31,500	-
State Literary Fund Loan	2.0	07/15/98	2018	1,240,000	434,000	-
State Literary Fund Loan	2.0	01/15/98	2018	1,770,000	619,500	-
State Literary Fund Loan	2.0	03/01/98	2018	557,000	167,100	-
State Literary Fund Loan	2.0	07/01/97	2017	115,000	28,750	-
State Literary Fund Loan	2.0	08/01/99	2019	187,873	75,157	-
State Literary Fund Loan	2.0	04/01/02	2024	2,418,692	1,572,338	-
State Literary Fund Loan	2.0	04/01/02	2024	2,146,934	1,397,536	-
State Literary Fund Loan	2.0	04/01/02	2022	124,041	62,022	-
Qualified School Construction Bond	0	12/15/2011	2031	9,500,000	9,500,000	-
					<u>\$ 14,854,017</u>	<u>\$ -</u>

Note 8. Landfill Closure and Post-Closure Care Costs

The County owns a closed landfill and operates a transfer station. Although the landfill closed in 1995, state and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for ten years after closure. During the fiscal year 2006, the County performed gas remediation activities and the post-closure period was projected to continue for an additional five years. The \$293,341 reported as landfill closure and post-closure care liability at June 30, 2012 represents the post-closure activities for the additional three year period and closure costs for the transfer station. The amounts are based on what it would cost to perform all closure and post-closure care in 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

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

School Board

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s General Fund. Money in an amount equal to the proceeds received is then provided to the School Board to pay for capital expenditures. Any unspent money at year-end is transferred to the County.
2. The primary government’s budgeting process provides funding to the School Board component unit for debt service payments. The School Board is responsible for appropriating debt service payments for debt issued by the primary government on its behalf. GAAP requires that debt issued “on behalf” of the School Board and related debt service payments be reported by the primary government for financial reporting purposes. Therefore, debt service payments as payments for school bonded debt is reported as part of the primary government for financial reporting purposes in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.
3. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be \$48,788,549 That amount is obtained as follows:

Expenditures of School Board – Component Unit (Exhibit B-2)	\$ 47,316,500
Principal and other debt service expenditures included in primary government	<u>1,472,049</u>
Total expenditures for school activities	<u>\$ 48,788,549</u>

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

Industrial Development Authority

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Defined Benefit Pension Plan

Plan Description

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

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

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

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

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. The County has assumed this 5.00% member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 14.02% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2012 were 11.33% for professional employees and 11.79% for non-professional employees. The County and School Board's contribution rates include the employer's share of 5% paid by the employer.

For the three years ended June 30, 2012, 2011, and 2010, total employer and employee contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$2,668,197, \$2,110,268, and \$2,808,894 and represented 11.33%, 8.93%, and 13.81% of annual covered payroll, respectively, and 100% of the required contributions for 2012, 2011, and 2010.

Annual Pension Cost

For fiscal year ended June 30, 2012, the County and School Board's annual pension costs of \$990,416 and \$299,579, respectively, for VRS were equal to their required and actual contributions. The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50% (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers and sheriffs, and (c) a cost of living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Three-Year Trend Information for the County of Smyth				
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
June 30, 2012	\$ 990,416	100%	\$	-
June 30, 2011	\$ 989,737	100%	\$	-
June 30, 2010	\$ 953,485	100%	\$	-

Three-Year Trend Information for the County of Smyth School Board Non-Professional				
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
June 30, 2012	\$ 299,579	100%	\$	-
June 30, 2011	\$ 296,411	100%	\$	-
June 30, 2010	\$ 302,004	100%	\$	-

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 75.53% funded for the County and 79.74% funded for the School Board. The actuarial accrued liability for benefits was \$37,432,773 for the County and \$11,845,671 for the School Board and the actuarial value of assets was \$28,273,501 for the County and \$9,446,295 for the School Board, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,159,272 for the County and \$2,399,376 for the School Board. The covered payroll (annual payroll of active employees covered by the plan) was \$7,011,820 for the County and \$2,507,730 for the School Board, and ratio of the UAAL to the covered payroll was 130.63% for the County and 95.68% for the School Board.

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

Note 11. Other Post-Employment Benefits

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Other Post-Employment Benefits (Continued)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2012, the County and School Board's annual OPEB costs of \$125,000 and \$327,000, respectively, were equal to the Annual Required Contribution (ARC).

	Primary Government	School Board
Annual required contribution	\$ 126,000	\$ 328,000
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	(1,000)	(1,000)
Annual OPEB cost	125,000	327,000
Contributions made	(44,000)	(211,000)
Increase in net OPEB obligation	81,000	116,000
Net OPEB obligation-beginning of year	269,000	464,000
Net OPEB obligation-end of year	<u>\$ 350,000</u>	<u>\$ 580,000</u>

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 125,000	35.2%	\$ 350,000
June 30, 2011	\$ 111,200	32.4%	\$ 269,000
June 30, 2010	\$ 134,800	26.7%	\$ 193,800

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

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 327,000	64.5%	\$ 580,000
June 30, 2011	\$ 290,160	60.3%	\$ 464,000
June 30, 2010	\$ 316,840	43.9%	\$ 348,840

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Other Post-Employment Benefits (Continued)

Funding Status and Funding Progress

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

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Accrued Liability (AAL)	\$ 1,354,000	\$ 4,087,000
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	1,354,000	4,087,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%	0%
Covered Payroll (Active Plan Members)	7,070,980	27,199,166
UAAL as a Percentage of Covered Payroll	19.15%	15.03%

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used to determine liabilities. Under this method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 9% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at June 30, 2012 is 26 years.

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Other Post-Employment Benefits (Continued)

Plan Description

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

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

The number of participants at June 30, 2012 was as follows:

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

Funding Policy

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2012, neither the County nor the Schools designated any funding for the OPEB liability.

Note 12. Property Taxes

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 12. Property Taxes (Continued)

Property taxes are billed in annual installments due December 5. Real estate taxes attach an enforceable lien on property as of January 1. The real estate tax rate is \$.69 per \$100 of assessed value. Personal property tax assessments are as follows per \$100 of assessed value: \$2.25 on motor vehicles; \$1.55 on business use machinery and tools; \$.40 on merchant's capital; \$1.55 on interstate commerce; and \$.69 on mobile homes.

Note 13. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public risk entity pool for their coverage of general liability, auto, crime, and property insurance with the Virginia Association of Counties (VACO). Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. The County pays VACO contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims, and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 14. Leases

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

Note 15. Commitments and Contingencies

Purchase Commitments

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

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 15. Commitments and Contingencies (Continued)

Purchase Commitments (Continued)

The County entered into an agreement with a certain entity to purchase up to 70,000 gallons of water per day for a rate of \$2.25 per 1,000 gallons (subject to increase with increase in corporate rates) depending on monthly usage. The initial term of the agreement was five years with seven successive five-year periods at the option of the County. The County has renewed the agreement for the first five-year option. The second five year option has been renewed.

The County entered into an agreement with a certain Town to purchase up to 256,000 gallons of water per day at a rate of \$19.71 for first 5,000 gallons, the next 495,000 gallons at a rate of \$3.37 and over 500,000 gallons at a rate of \$2.70 subject to increase of commercial rate capped at 2%. The initial term of the agreement was five years with fifteen successive three-year periods at mutual agreement between the Town and the County.

The County and a certain Town entered into a water purchase agreement in July 2003 for the purchase of up to 12.5 million gallons of water per month at a rate of \$3.98 per 1,000 gallons (subject to increase with residential rates). In the event that the Town must purchase water back from the County, the rate is the same. The initial term of the agreement is three years with three successive annual periods at mutual agreement between the Town and the County. The rate increased to \$6.09 per 1,000 gallons effective July 2011.

Other Commitments

During fiscal year 2006, the County was mandated by the state government to undertake a major renovation of the Smyth County courthouse. This project will extend over a period of years and have substantial costs. The project will be a major overhaul of the courthouse that could cost several million dollars. At current, the project is estimated at \$25 million dollars. During the fiscal year 2012, costs were incurred for sheriff's office, 911 relocation, parking garage and architect fees on the courthouse.

Special Purpose Grants

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

Note 16. Intergovernmental Agreements

Mountain Empire Regional Wastewater Facility

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

The user charge is determined monthly. The County also remits a semi-annual payment for debt service which ends February 2014. The term of the agreement ends August 2030 and is renewable for an additional 40-year period. During fiscal year 2012, the County remitted a total of \$200,705 to Marion. As part of the agreement, Marion bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

(Continued)

COUNTY OF SMYTH, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 16. Intergovernmental Agreements (Continued)

Chilhowie-Smyth Wastewater Treatment Plant

In 1997, the County entered into an agreement with the Town of Chilhowie ("Chilhowie") for joint utilization of the capacity of the Chilhowie/Smyth Wastewater Treatment Plant. Chilhowie owns and operates the facility in which the County is entitled to 25% of the wastewater treatment capacity and pays a monthly user charge determined by Chilhowie consisting of an allocation of debt service, operating and maintenance costs, funding of replacement reserve, and overruns from the previous year less revenue derived from treatment of wastewater. The user charge is determined each month based on a percentage of the plant flow. The term of the agreement ends July 2037 and is renewable for an additional 40-year period. During fiscal year 2012, the County remitted a total of \$131,565 to Chilhowie. As part of the agreement, Chilhowie bills wastewater treatment customers of the County and remits collections of those billings to the County within 30 days.

Saltville-Smyth County Regional Wastewater Treatment Facility

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

The term of agreement ends March 2041 and is renewable for a term of 40 years. During fiscal year 2012, the County remitted a total of \$16,254 to Saltville in user charges. As part of the agreement, Saltville bills wastewater treatment customers of the County and remits collections of those billings to the County each quarter.

Note 17. Net Assets/Fund Balance

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

	<u>Primary Government General Fund</u>
Fund Balances:	
Nonspendable:	
Prepaid expenses	\$ <u>51,925</u>
Restricted for:	
E-911	133,453
School Construction Project	17,954,511
Courthouse Project	20,857,860
DARE	25,344
Public Safety	61,624
Courthouse Security	<u>92,717</u>
Total Restricted	\$ <u>39,125,509</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 17. Net Assets/Fund Balance (Continued)

	Primary Government <u>General Fund</u>
Fund Balances (continued):	
Assigned to:	
Animal Control	\$ <u>58,485</u>
	Discretely Presented <u>Component Unit</u> <u>School Board</u>
Fund Balances:	
Nonspendable:	
Inventory	\$ 86,717
Prepaid expenses	<u>75,978</u>
Total Nonspendable	\$ <u>162,695</u>
Assigned to:	
Textbooks	\$ 1,246,152
Food Services	<u>613,661</u>
Total Assigned	\$ <u>1,859,813</u>

Note 18. New Accounting Standards

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

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple—Employer Plans* contains provisions related to the frequency and timing of measurements. This statement will be effective for periods beginning after September 30, 2012.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* improves financial reporting by addressing the issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement will be effective for periods beginning after September 30, 2013.

GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position* provides reporting on deferred outflows, inflows, and net position. This statement will be effective for periods beginning after September 30, 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* amends the financial reporting elements previously classified as assets and liabilities to be consistent with the definitions of Concept Statement 4. This statement will be effective for periods beginning after September 30, 2014.

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

COUNTY OF SMYTH, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 19. Subsequent Events

The Smyth County School Board was awarded additional qualified school construction bonds in the amount of \$2,171,007 by the Virginia Public School Authority.

The Industrial Development Authority of Smyth County adopted an inducement resolution for an industrial revenue bond financing project for Woodgrain Millwork.

The Industrial Development Authority of Smyth County contracted Anderson & Associates to prepare plans for the demolition of the building on the mega site property.

Note 20. Prior Period Adjustments

Governmental Activities

A prior period adjustment was recorded in fiscal year 2012 that increased accumulated depreciation by \$140,657, decreasing beginning net assets. This is the result of depreciation not being reported in fiscal year 2011 for the Radio System Asset, placed in service June 30, 2010. A prior period adjustment was also recorded in fiscal year 2012 that decreased beginning net assets by \$348,014 for an error in the prior year accrual of salaries and benefits.

Component United School Board Receivables

A prior period adjustment was recorded in fiscal year 2012 that increased beginning net assets and decreased Federal and State revenues by \$388,000. This is the result of Technology Grant Funds related to fiscal year 2011 being recorded in fiscal year 2012.



REQUIRED SUPPLEMENTARY INFORMATION



COUNTY OF SMYTH, VIRGINIA

Required Supplementary Information
Schedule of Funding Progress
As of June 30, 2012

DEFINED BENEFIT PENSION PLAN

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio Assets as Percentage of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. Smyth County						
June 30, 2011	\$ 28,273,501	\$ 37,432,773	\$ 9,159,272	75.53%	\$ 7,011,820	130.63%
June 30, 2010	\$ 27,723,904	\$ 36,079,662	\$ 8,355,758	76.84%	\$ 7,181,079	116.36%
June 30, 2009	\$ 27,781,341	\$ 32,643,891	\$ 4,862,550	85.10%	\$ 7,291,499	66.69%
B. Smyth County Schools Non-professional Employees						
June 30, 2011	\$ 9,446,295	\$ 11,845,671	\$ 2,399,376	79.74%	\$ 2,507,730	95.68%
June 30, 2010	\$ 9,410,327	\$ 11,556,158	\$ 2,145,831	81.43%	\$ 2,550,554	84.13%
June 30, 2009	\$ 9,632,276	\$ 10,534,446	\$ 902,170	91.44%	\$ 2,605,986	34.62%

OTHER POST-EMPLOYMENT BENEFITS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio Assets as Percentage of AAL</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
A. Smyth County						
July 1, 2011	\$ -	\$ 1,354,000	\$ 1,354,000	0.00%	\$ 7,070,980	19.15%
July 1, 2010	\$ -	\$ 1,270,000	\$ 1,270,000	0.00%	\$ 6,975,554	18.21%
July 1, 2009	\$ -	\$ 1,399,000	\$ 1,399,000	0.00%	\$ 7,174,457	19.50%
B. Smyth County School Board						
July 1, 2011	\$ -	\$ 4,087,000	\$ 4,087,000	0.00%	\$ 27,199,166	15.03%
July 1, 2010	\$ -	\$ 3,951,000	\$ 3,951,000	0.00%	\$ 26,157,840	15.10%
July 1, 2009	\$ -	\$ 3,714,000	\$ 3,714,000	0.00%	\$ 28,361,000	13.10%



OTHER SUPPLEMENTARY INFORMATION



FIDUCIARY FUNDS

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

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



COUNTY OF SMYTH, VIRGINIA
 COMBINING STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2012

	Special Welfare	Carnegie	Total
ASSETS			
Cash and cash equivalents	\$ 223,614	\$ 1,687	\$ 225,301
Accrued interest	26	-	26
Due from other governmental units	583	-	583
Total assets	<u>\$ 224,223</u>	<u>\$ 1,687</u>	<u>\$ 225,910</u>
LIABILITIES			
Amounts held for social services clients	\$ 224,223	-	\$ 224,223
Amounts held for Carnegie fund	-	1,687	1,687
Total liabilities	<u>\$ 224,223</u>	<u>\$ 1,687</u>	<u>\$ 225,910</u>



DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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



COUNTY OF SMYTH, VIRGINIA

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
June 30, 2012

	<u>School Operating</u>
ASSETS	
Cash and cash equivalents	\$ 2,076,158
Due from primary government	4,069,379
Due from other governmental units	3,709,102
Accrued interest	1,258
Prepaid expense	75,978
Inventories	86,717
	<hr/>
Total assets	<u>\$ 10,018,592</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 122,576
Accrued payroll and related liabilities	4,096,330
	<hr/>
Total liabilities	<u>4,218,906</u>
Fund Balance:	
Nonspendable	162,695
Restricted	-
Committed	-
Assigned	1,859,813
Unassigned	3,777,178
	<hr/>
Total fund balance	<u>5,799,686</u>
Total liabilities and fund balance	<u>\$ 10,018,592</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balance	\$ 5,799,686
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the funds	10,147,135
Long-term liabilities, including compensated absences and other post-employment benefits are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<hr/> (1,051,200)
Net assets of governmental activities	<u>\$ 14,895,621</u>

COUNTY OF SMYTH, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
For the Year Ended June 30, 2012**

	School Operating
REVENUES	
Revenue from use of money and property	\$ 14,812
Charges for services	1,419,778
Miscellaneous	48,167
Recovered costs	494,631
Intergovernmental	<u>45,742,013</u>
Total revenues	<u>47,719,401</u>
EXPENDITURES	
Current:	
Instruction	35,639,967
Administration, attendance and health	1,431,598
Transportation	2,230,911
Operation and maintenance	4,080,718
School nutrition	2,581,962
Capital projects	<u>1,351,344</u>
Total expenditures	<u>47,316,500</u>
Excess of revenues over expenditures	402,901
OTHER FINANCING SOURCES	
Insurance recovery	<u>14,350</u>
Total other financing sources	<u>14,350</u>
Net change in fund balance	417,251
FUND BALANCE AT JULY 1, 2011	4,994,435
RESTATEMENT OF BEGINNING FUND BALANCE	<u>388,000</u>
FUND BALANCE AT JUNE 30, 2012	<u><u>\$ 5,799,686</u></u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance	\$ 417,251
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. That is the amount by which capital outlay (\$1,943,920) exceeds depreciation (\$781,468).	1,162,452
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>95,866</u>
Change in net assets of governmental activities	<u><u>\$ 1,675,569</u></u>

COUNTY OF SMYTH, VIRGINIA

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

For the Year Ended June 30, 2012

	School Operating			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from use of money and property	\$ 15,750	\$ 15,750	\$ 14,812	\$ (938)
Charges for services	1,551,350	1,551,350	1,419,778	(131,572)
Miscellaneous	600,000	600,000	48,167	(551,833)
Recovered costs	343,000	343,000	494,631	151,631
Intergovernmental	45,840,536	45,637,052	45,742,013	104,961
Total revenues	48,350,636	48,147,152	47,719,401	(427,751)
EXPENDITURES				
Current:				
Instruction	35,865,269	35,925,269	35,639,967	285,302
Administration, attendance and health	1,598,989	1,488,989	1,431,598	57,391
Transportation	2,261,300	2,341,300	2,230,911	110,389
Operation and maintenance	4,136,009	4,106,009	4,080,718	25,291
School nutrition	2,859,194	2,859,194	2,581,962	277,232
Capital projects	1,614,875	1,411,391	1,351,344	60,047
Total expenditures	48,335,636	48,132,152	47,316,500	815,652
Excess of revenues over expenditures	15,000	15,000	402,901	387,901
OTHER FINANCING SOURCES				
Insurance recovery	-	-	14,350	14,350
Total other financing sources	-	-	14,350	14,350
Net change in fund balance	\$ 15,000	\$ 15,000	\$ 417,251	\$ 402,251



SUPPORTING SCHEDULES



COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,303,800	\$ 9,303,800	\$ 9,361,016	\$ 57,216
Public service corporation taxes	575,000	575,000	802,924	227,924
Personal property taxes	2,506,000	2,506,000	2,286,921	(219,079)
Mobile home taxes	97,000	97,000	93,270	(3,730)
Machinery and tools taxes	1,478,500	1,478,500	1,287,446	(191,054)
Merchant's capital taxes	187,000	187,000	191,233	4,233
Special assessment taxes	6,000	6,000	-	(6,000)
Penalties and interest	215,000	215,000	272,102	57,102
Total General Property Taxes	14,368,300	14,368,300	14,294,912	(73,388)
Other local taxes:				
Local sales and use taxes	1,850,000	1,850,000	1,947,535	97,535
Consumers' utility taxes	583,000	583,000	595,851	12,851
Local consumption tax	151,000	151,000	99,496	(51,504)
Communication tax	720,000	720,000	600,725	(119,275)
Franchise license taxes	-	-	8,319	8,319
Motor vehicle licenses	265,000	265,000	258,195	(6,805)
Taxes on recordation and wills	100,000	100,000	94,000	(6,000)
Special conveyance tax	20,000	20,000	25,459	5,459
Lodging tax	32,000	32,000	54,570	22,570
Total Other Local Taxes	3,721,000	3,721,000	3,684,150	(36,850)
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	60,900	60,900	118,321	57,421
Animal licenses	11,500	11,500	8,724	(2,776)
Total Permits, Privilege Fees, and Regulatory Licenses	72,400	72,400	127,045	54,645
Fines and forfeitures	802,700	802,700	726,131	(76,569)
Revenue from use of money and property:				
Revenue from use of money	401,013	401,013	235,011	(166,002)
Revenue from use of property	110,074	110,074	54,585	(55,489)
Total Revenue from Use of Money and Property	511,087	511,087	289,596	(221,491)
Charges for services:				
Sheriff's fees	2,076	2,076	2,076	-
Courthouse maintenance	25,000	25,000	22,631	(2,369)
Courthouse security fees	125,495	125,495	118,007	(7,488)
Commonwealth's attorney	1,900	1,900	3,535	1,635
Prisoners	6,500	6,500	6,672	172
Law library fees	8,800	8,800	7,369	(1,431)
Sanitation and waste removal	740,000	740,000	872,871	132,871
Total Charges for Services	909,771	909,771	1,033,161	123,390

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Recovered costs:				
Rye Valley water salary reimbursement	\$ 87,479	\$ 87,479	\$ 85,916	\$ (1,563)
Insurance recoveries	25,000	25,000	13,158	(11,842)
Local board of welfare	65,000	65,000	11,369	(53,631)
School resource officer	84,000	84,000	84,000	-
Workforce director	50,000	50,000	16,152	(33,848)
Parking facility	-	-	456,737	456,737
Other recovered costs	80,185	80,185	93,073	12,888
Total recovered costs	<u>391,664</u>	<u>391,664</u>	<u>760,405</u>	<u>368,741</u>
Other revenue:				
Payments in lieu of taxes	-	-	65,749	65,749
Miscellaneous	186,500	186,500	144,974	(41,526)
Total Other Revenue	<u>186,500</u>	<u>186,500</u>	<u>210,723</u>	<u>24,223</u>
Total Revenue from Local Sources	<u>20,963,422</u>	<u>20,963,422</u>	<u>21,126,123</u>	<u>162,701</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	40,000	40,000	41,121	1,121
Motor vehicle rental tax	200	200	856	656
Personal Property Tax Relief Act	1,804,310	1,804,310	1,804,316	6
Rolling stock taxes	32,800	32,800	33,572	772
State recordation tax	-	-	37,414	37,414
Total Non-categorical Aid	<u>1,877,310</u>	<u>1,877,310</u>	<u>1,917,279</u>	<u>39,969</u>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	429,593	429,593	423,105	(6,488)
Sheriff	1,551,210	1,551,210	1,587,676	36,466
Clerk of Court	281,342	281,342	309,728	28,386
Commissioner of the Revenue	94,740	94,740	94,814	74
Treasurer	98,380	98,380	98,691	311
Registrar/Electoral Board	56,563	56,563	50,089	(6,474)
Local Aid to Commonwealth	-	-	(168,664)	(168,664)
Total Shared Expenses	<u>2,511,828</u>	<u>2,511,828</u>	<u>2,395,439</u>	<u>(116,389)</u>
Other categorical aid:				
Life EMS	27,500	27,500	27,888	388
National Forest	12,682	12,682	10,912	(1,770)
Litter control grant	8,530	8,530	7,167	(1,363)
Public assistance and welfare administration	1,403,841	1,403,841	1,300,748	(103,093)
Victim witness	45,400	45,400	47,624	2,224
E-911 grant	26,000	26,000	40,982	14,982
Fire programs	63,500	63,500	59,832	(3,668)
Comprehensive Services Act program	846,450	846,450	479,541	(366,909)
Asset forfeiture funds	24,500	24,500	1,186	(23,314)
Tobacco grant-Abingdon Feeder Cattle	25,000	25,000	22,306	(2,694)
Community oriented policing service	-	-	163,666	163,666
Law enforcement block grant	205,000	221,800	2,149	(219,651)
Court record preservation grant	15,516	15,516	-	(15,516)
Other state aid	57,100	69,100	23,709	(45,391)
Total other categorical aid	<u>2,761,019</u>	<u>2,789,819</u>	<u>2,187,710</u>	<u>(602,109)</u>
Total categorical aid	<u>5,272,847</u>	<u>5,301,647</u>	<u>4,583,149</u>	<u>(718,498)</u>
Total Revenue from the Commonwealth	<u>7,150,157</u>	<u>7,178,957</u>	<u>6,500,428</u>	<u>(678,529)</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,202,621	\$ 2,202,621	\$ 2,040,869	\$ (161,752)
Early Intervention	5,000	5,000	-	(5,000)
Homeland security grant	-	-	16,040	16,040
Open container/alcohol impaired driving	-	-	20,549	20,549
Department of Transportation-alcohol safety	-	-	2,500	2,500
Total Categorical Aid	<u>2,207,621</u>	<u>2,207,621</u>	<u>2,079,958</u>	<u>(127,663)</u>
Total Revenue from the Federal Government	<u>2,207,621</u>	<u>2,207,621</u>	<u>2,079,958</u>	<u>(127,663)</u>
Total Intergovernmental Revenues	<u>9,357,778</u>	<u>9,386,578</u>	<u>8,580,386</u>	<u>(806,192)</u>
Total General Fund	<u>\$30,321,200</u>	<u>\$30,350,000</u>	<u>\$29,706,509</u>	<u>\$ (643,491)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School Operating Fund:				
Revenue from local services:				
Revenue from the use of money	\$ 15,000	\$ 15,000	\$ 14,062	\$ (938)
Revenue from the use of property	750	750	750	-
Tuition and payments from other divisions	284,600	284,600	388,606	104,006
Cafeteria sales	1,141,750	1,141,750	824,106	(317,644)
Charges for Medicaid payments	125,000	125,000	207,066	82,066
Miscellaneous revenue	-	-	48,167	48,167
Textbooks	600,000	600,000	-	(600,000)
Sale of supplies	20,000	20,000	26,905	6,905
Other recovered costs	323,000	323,000	467,726	144,726
Total revenue from local services	<u>2,510,100</u>	<u>2,510,100</u>	<u>1,977,388</u>	<u>(532,712)</u>
Intergovernmental revenues:				
Revenue from local governments:				
Contribution from County of Smyth, Virginia	<u>8,023,452</u>	<u>7,819,968</u>	<u>7,078,374</u>	<u>(741,594)</u>
Revenue from the Commonwealth:				
Share of state sales tax	4,245,215	4,245,215	4,392,067	146,852
Basic school aid	16,086,177	16,086,177	16,233,228	147,051
Remedial summer education	121,210	121,210	109,270	(11,940)
Regular foster care	75,265	75,265	45,961	(29,304)
Adult secondary education	11,961	11,961	-	(11,961)
Gifted and talented	162,684	162,684	164,437	1,753
Remedial education	535,049	535,049	540,815	5,766

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Commonwealth (Continued):				
Special education	\$ 2,320,957	\$ 2,320,957	\$ 2,345,966	\$ 25,009
Textbook payment	146,632	146,632	185,328	38,696
Hospitals, clinics and detention homes	167,118	167,118	155,907	(11,211)
Vocational education	723,040	723,040	730,831	7,791
Fringe benefits	1,973,898	1,973,898	1,995,168	21,270
Early reading intervention	50,407	50,407	55,208	4,801
GED prep course	23,576	23,576	23,576	-
Homebound education	16,929	16,929	9,085	(7,844)
Vocational education - adult	94,844	94,844	29,516	(65,328)
Vocational education - equipment	-	-	11,352	11,352
Vocational occupational preparedness	-	-	35,814	35,814
Special education - foster children	-	-	43,188	43,188
At risk payments	618,672	618,672	625,181	6,509
Jobs for Virginia Grads	21,000	21,000	21,000	-
Primary class size	614,606	614,606	640,550	25,944
Technology	388,000	388,000	388,000	-
Standards of learning algebra readiness	73,682	73,682	78,722	5,040
Title III, LEP	2,910	2,910	2,462	(448)
At Risk four year olds	426,600	426,600	426,600	-
Mentor teacher program	4,040	4,040	5,348	1,308
English as a second language	14,789	14,789	13,484	(1,305)
School Nutrition	30,627	30,627	30,120	(507)
Supplemental support	468,602	468,602	473,651	5,049
Other state funds	25,182	25,182	33,730	8,548
Total Revenue from the Commonwealth	<u>29,443,672</u>	<u>29,443,672</u>	<u>29,845,565</u>	<u>401,893</u>

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS (CONTINUED)				
Revenue from the Federal Government:				
Title I	\$ 1,347,874	\$ 1,347,874	\$ 1,212,735	\$ (135,139)
Title VI-B, special education - grants to states	1,088,188	1,088,188	1,267,034	178,846
Title VI-B, special education - preschool grants	53,907	53,907	53,835	(72)
Safe and drug free schools	-	-	1,780	1,780
Eisenhower professional development grants	9,779	9,779	19,498	9,719
Vocational Education - basic grants to states	102,631	102,631	92,074	(10,557)
Improving teacher quality state grants	203,972	203,972	203,972	-
National school lunch program	1,717,073	1,717,073	1,193,791	(523,282)
School breakfast program	-	-	451,884	451,884
Twenty-first Century community learning centers	498,359	498,359	448,058	(50,301)
Title II Part D - Enhancing Education Thru Technology	99,113	99,113	54,427	(44,686)
Forest reserve	100,000	100,000	97,468	(2,532)
Title I grant to local educational agencies - ARRA	200,000	200,000	165,614	(34,386)
Special education - grants to states - ARRA	300,000	300,000	527,739	227,739
Special education - preschool grants - ARRA	2,000	2,000	19,578	17,578
Title VI-rural and low	101,948	101,948	68,173	(33,775)
School improvement 1003A	140,000	140,000	467,515	327,515
Higher education institutional aid	-	-	8,979	8,979
Gear up	20,050	20,050	23,127	3,077
Longitudinal data system	-	-	22,535	22,535
Education job funds	1,349,765	1,349,765	1,369,387	19,622
Title I, neglected and delinquent children	38,753	38,753	48,766	10,013
School energy grant	1,000,000	1,000,000	1,000,000	-
Other federal funds	-	-	105	105
Total Revenue from the Federal Government	<u>8,373,412</u>	<u>8,373,412</u>	<u>8,818,074</u>	<u>444,662</u>
Total Intergovernmental Revenues	<u>45,840,536</u>	<u>45,637,052</u>	<u>45,742,013</u>	<u>104,961</u>
Other financing sources:				
Insurance recoveries	-	-	14,350	14,350
Total Revenue from Other Financing Sources	-	-	14,350	14,350
Total Component Unit - School Board	<u>\$48,350,636</u>	<u>\$48,147,152</u>	<u>\$ 47,733,751</u>	<u>\$ (413,401)</u>

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
General government administration:				
Legislative:				
Board of supervisors	\$ 592,908	\$ 574,097	\$ 477,001	\$ 97,096
Total Legislative	592,908	574,097	477,001	97,096
General and financial administration:				
County administrator	737,172	737,172	570,334	166,838
Data processing	350,014	350,014	347,588	2,426
Legal	-	-	125	(125)
Commissioner of revenue	277,839	277,839	259,400	18,439
Treasurer	340,391	340,391	315,658	24,733
Total General and Financial Administration	1,705,416	1,705,416	1,493,105	212,311
Board of Elections:				
Registrar	188,988	188,988	170,539	18,449
Total Registrar	188,988	188,988	170,539	18,449
Total General Government Administration	2,487,312	2,468,501	2,140,645	327,856
Judicial administration:				
Courts:				
Circuit Court	73,665	73,665	68,422	5,243
General District Court	31,880	31,880	18,121	13,759
Juvenile and domestic relations court	213,408	213,408	210,003	3,405
Law Library	11,000	11,000	9,780	1,220
Victim Witness program	55,760	55,760	53,366	2,394
Clerk of the circuit court	490,507	502,507	494,282	8,225
Total courts	876,220	888,220	853,974	34,246
Commonwealth Attorney	522,075	522,075	551,806	(29,731)
Total Commonwealth Attorney	522,075	522,075	551,806	(29,731)
Total Judicial Administration	1,398,295	1,410,295	1,405,780	4,515
Public safety:				
Law enforcement and traffic control:				
Sheriff	3,499,018	3,772,818	3,450,515	322,303
Smyth County basic E-911	839,133	839,133	456,923	382,210
Central dispatch	5,500	5,500	5,445	55
Total Law Enforcement and Traffic Control	4,343,651	4,617,451	3,912,883	704,568
Fire and rescue services:				
Fire department	254,000	254,000	267,940	(13,940)
Volunteer emergency operations	174,200	174,200	162,088	12,112
Forestry	9,000	9,000	8,990	10
Total Fire and Rescue Squad	437,200	437,200	439,018	(1,818)
Correction and detention:				
Sheriff - Jail	1,219,754	1,219,754	1,179,559	40,195
Total Correction and Detention	1,219,754	1,219,754	1,179,559	40,195
Inspections:				
Building	386,869	386,869	311,700	75,169
Total Building	386,869	386,869	311,700	75,169
Other protection:				
Animal control	431,154	431,154	416,415	14,739
Medical examiner	500	500	500	-
Emergency Services	106,215	125,026	122,742	2,284
E-911	25,836	25,836	25,470	366
Total Other Protection	563,705	582,516	565,127	17,389
Total Public Safety	6,951,179	7,243,790	6,408,287	835,503

(Continued)

COUNTY OF SMYTH, VIRGINIA

**GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PRIMARY GOVERNMENT GENERAL FUND (Continued)				
Public works:				
Water and sewer:				
Rye Valley water authority	\$ 87,479	\$ 87,479	\$ 85,271	\$ 2,208
Total Water and Sewer	87,479	87,479	85,271	2,208
Sanitation and waste removal:				
Refuse collection and disposal	1,397,243	1,397,243	1,450,632	(53,389)
On-site wastewater treatment	39,300	39,300	10,458	28,842
Total Sanitation and Waste Removal	1,436,543	1,436,543	1,461,090	(24,547)
Maintenance of general buildings and grounds:				
General properties	477,262	477,262	462,308	14,954
Health department/social services building	92,767	92,767	81,450	11,317
Total Maintenance of General Buildings and Grounds	570,029	570,029	543,758	26,271
Total Public Works	2,094,051	2,094,051	2,090,119	3,932
Health and welfare:				
Health:				
Supplement of local health department	441,023	441,023	442,023	(1,000)
Total Health	441,023	441,023	442,023	(1,000)
Mental health and mental retardation				
Community services board	166,022	166,022	207,527	(41,505)
Total Mental Health and Mental Retardation	166,022	166,022	207,527	(41,505)
Welfare:				
Board members	4,200	4,200	3,850	350
Administration and public assistance	4,479,348	4,479,348	3,798,679	680,669
Comprehensive Services Act	987,319	987,319	621,000	366,319
Total Welfare	5,470,867	5,470,867	4,423,529	1,047,338
Total Health and Welfare	6,077,912	6,077,912	5,073,079	1,004,833
Education:				
Other instructional costs:				
Contributions to community colleges	52,661	52,661	52,660	1
Contribution to discretely presented component unit - school board	8,023,452	7,819,968	7,078,374	741,594
Total Education	8,076,113	7,872,629	7,131,034	741,595
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	42,450	42,450	42,450	-
Total Parks and Recreation	42,450	42,450	42,450	-
Cultural:				
Library administration	926,466	926,466	926,466	-
Total Cultural	926,466	926,466	926,466	-
Total Parks, Recreation, and Cultural	968,916	968,916	968,916	-
Community development:				
Planning and development:				
Community development	206,001	206,001	180,649	25,352
Planning	15,173	15,173	4,890	10,283
County engineer	41,330	41,330	127,685	(86,355)
Industrial development authority	532,700	532,700	7,456	525,244
Contribution to discretely presented component unit - IDA	-	-	172,350	(172,350)
Contribution to community organizations	728,123	728,123	721,164	6,959
Total Planning and Development	1,523,327	1,523,327	1,214,194	309,133
Environmental Management:				
Contribution to soil and water districts	28,250	28,250	28,250	-
Total Environmental Management	28,250	28,250	28,250	-
Cooperative extension program:				
Extension office	95,613	95,613	78,801	16,812
Total Cooperative Extension Program	95,613	95,613	78,801	16,812
Total Community Development	1,647,190	1,647,190	1,321,245	325,945

(Continued)

COUNTY OF SMYTH, VIRGINIA

GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT
UNIT FOR WHICH ANNUAL BUDGETS HAVE BEEN LEGALLY ADOPTED

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL

For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT				
GENERAL FUND (Continued)				
Capital Projects:				
School construction	\$ -	\$ -	\$ 7,290,245	(7,290,245)
Capital Improvements	9,169,943	34,169,943	3,732,714	30,437,229
Total Capital Projects	9,169,943	34,169,943	11,022,959	23,146,984
Debt Service:				
Principal retirement	1,022,699	1,022,699	6,033,554	(5,010,855)
Interest and finance charges	245,867	449,351	891,381	(442,030)
Total Debt Service	1,268,566	1,472,050	6,924,935	(5,452,885)
Total General Fund	\$ 40,139,477	\$ 65,425,277	\$ 44,486,999	\$ 20,938,278
COMPONENT UNIT - SCHOOL BOARD				
SPECIAL REVENUE FUNDS				
School operating fund:				
Education:				
Instructional costs	\$ 35,865,269	\$ 35,925,269	\$ 35,639,967	\$ 285,302
Administration, attendance and health	1,598,989	1,488,989	1,431,598	57,391
Transportation	2,261,300	2,341,300	2,230,911	110,389
Operation and maintenance	4,136,009	4,106,009	4,080,718	25,291
School nutrition	2,859,194	2,859,194	2,581,962	277,232
Total Education	46,720,761	46,720,761	45,965,156	755,605
Capital projects	1,614,875	1,411,391	1,351,344	60,047
Total Component Unit - School Board	\$ 48,335,636	\$ 48,132,152	\$ 47,316,500	\$ 815,652

COUNTY OF SMYTH, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Direct Payments:</u>		
Water and Waste Disposal Expenditures	10.760	\$ 89,704
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Supplemental Nutrition Assistance Program	10.561	466,749
<u>Department of Agriculture and Consumer Services:</u>		
Food Distribution - Commodities	10.555	153,667
<u>Department of Education:</u>		
School Nutrition Cluster:		
National School Lunch Program	10.555	1,193,791
School Breakfast Program	10.553	451,884
School and Roads - Grants to States	10.665	97,468
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Temporary Assistance for Needy Families	93.558	452,315
Refugee and Entrant Assistance	93.566	690
Low Income Home Energy Assistance	93.568	44,278
Child Care Cluster:		
Payments to States for Child Care	93.575	55,048
Child Care and Development Fund	93.596	88,111
Chafee Education and Training Vouchers	93.599	6,843
Child Welfare Services	93.645	1,577
Foster Care - Title IV-E	93.658	186,964
Adoption Assistance	93.659	101,129
Social Service Block Grant	93.667	335,033
Independent Living	93.674	5,610
State Children's Insurance Program	93.767	13,568
Medical Assistance Program	93.778	282,954
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Emergency Services:</u>		
State Homeland Security Grant	97.004	16,040

(Continued)

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Transportation:		
<u>Pass-through Payments:</u>		
<u>Department of Motor Vehicles:</u>		
Alcohol Safety	20.601	\$ 17,549
Open Container/Alcohol Impaired Driving	20.607	5,500
Department of Energy:		
<u>Pass-through Payments:</u>		
<u>Department of Mines, Minerals, and Energy</u>		
Energy Efficiency and Conservation Block Grant Program-ARRA	81.128	1,000,000
Department of Education:		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Special Education Cluster:		
Special Education - Grants to States	84.027	1,267,034
Preschool Handicapped	84.173	53,835
Title I: Grants to Local Educational Agencies	84.010	1,212,735
Higher Education Institutional Aid	84.031	8,979
Vocational Education: Basic Grants to States	84.048	92,179
Drug Free Schools and Communities-State Grants	84.186	1,780
21st Century Community Learning Center	84.287	448,059
Title II Part D - Enhancing Education Through Technology	84.318	73,924
Gear Up	84.334	23,127
Title VI-Rural and Low	84.358	68,174
Title II Part A - Improving Teacher Quality	84.367	203,972
1003A School Improvement Grant	84.010	131,242
1003G School Improvement Grant	84.377	336,274
Title I Grant to Local Educational Agencies-ARRA	84.389	165,614
Special Education Grant to States-ARRA	84.391	527,739
Special Education-Preschool Grant-ARRA	84.392	19,578
Longitudinal Data System	84.384	22,535
Education Job Funds-ARRA	84.410	1,369,387
Title I-Neglected and Delinquent Children	84.011	48,766
Total Expenditures of Federal Awards		<u>\$ 11,141,405</u>

Note 1. Basis of Accounting

This schedule was prepared on the accrual basis of accounting.

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2012, the School Board had food commodities total \$52,885 in inventory.

STATISTICAL SECTION

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

Contents

Table

Financial Trends 1-4

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

Revenue Capacity 5-7

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

Debt Capacity 8

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

Demographic and Economic Information 9-10

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

Operating Information 11

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

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



TABLE 1

COUNTY OF SMYTH, VIRGINIA

NET ASSETS BY COMPONENT (UNAUDITED)
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Governmental activities								
Invested in capital assets, net of related debt	\$ 8,750,010	\$ 2,698,110	\$ 6,845,475	\$ 4,920,508	\$ 3,581,230	\$ 3,301,826	\$ 3,115,818	\$ 3,185,987
Restricted	-	-	-	-	-	250,000	250,000	250,000
Unrestricted	<u>4,037,414</u>	<u>10,205,224</u>	<u>7,438,060</u>	<u>7,465,890</u>	<u>8,115,162</u>	<u>9,117,169</u>	<u>9,015,623</u>	<u>7,959,108</u>
Total governmental activities net assets	<u>\$ 12,787,424</u>	<u>\$12,903,334</u>	<u>\$ 14,283,535</u>	<u>\$12,386,398</u>	<u>\$ 11,696,392</u>	<u>\$ 12,668,995</u>	<u>\$ 12,381,441</u>	<u>\$ 11,395,095</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 18,674,951	\$19,522,775	\$ 19,024,141	\$19,010,037	\$ 19,417,943	\$ 20,190,139	\$ 19,568,066	\$ 18,914,120
Restricted	-	-	-	-	-	-	-	394,249
Unrestricted	<u>290,087</u>	<u>314,120</u>	<u>126,899</u>	<u>50,238</u>	<u>327,387</u>	<u>760,422</u>	<u>2,462,888</u>	<u>2,862,173</u>
Total business-type activities net assets	<u>\$ 18,965,038</u>	<u>\$19,836,895</u>	<u>\$ 19,151,040</u>	<u>\$19,060,275</u>	<u>\$ 19,745,330</u>	<u>\$ 20,950,561</u>	<u>\$ 22,030,954</u>	<u>\$ 22,170,542</u>
Primary government								
Invested in capital assets, net of related debt	\$ 27,424,961	\$22,220,885	\$ 25,869,616	23,930,545	\$ 22,999,173	\$ 23,491,965	\$ 22,683,884	\$ 22,100,107
Restricted	-	-	-	-	-	250,000	250,000	644,249
Unrestricted	<u>4,327,501</u>	<u>10,519,344</u>	<u>7,564,959</u>	<u>7,516,128</u>	<u>8,442,549</u>	<u>9,877,591</u>	<u>11,478,511</u>	<u>10,821,281</u>
Total primary government net assets	<u>\$ 31,752,462</u>	<u>\$32,740,229</u>	<u>\$ 33,434,575</u>	<u>31,446,673</u>	<u>\$ 31,441,722</u>	<u>\$ 33,619,556</u>	<u>\$ 34,412,395</u>	<u>\$ 33,565,637</u>

TABLE 2

COUNTY OF SMYTH, VIRGINIA

CHANGE IN NET ASSETS BY COMPONENT (UNAUDITED)
Last Eight Fiscal Years
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005
Expenses								
Governmental activities								
General government administration	\$ 2,243,730	\$ 1,994,406	\$ 2,196,323	\$ 2,300,750	\$ 2,025,740	\$ 1,849,741	\$ 1,798,211	\$ 1,588,256
Judicial administration	1,442,451	1,438,437	1,405,720	1,383,156	1,322,884	1,173,548	1,004,397	699,119
Public safety	6,606,593	6,073,909	5,840,409	5,500,772	5,391,050	5,129,494	5,008,159	4,513,196
Public works	2,085,140	3,197,528	1,977,527	1,911,028	1,737,587	1,813,216	1,893,212	2,036,828
Health and welfare	5,069,915	5,252,653	5,438,893	5,982,328	5,933,667	5,818,134	5,340,240	5,376,523
Education	8,016,040	9,247,181	7,835,194	7,747,394	10,260,678	7,996,023	7,561,914	8,249,931
Parks, recreation, and cultural	1,019,793	1,012,568	1,083,058	1,161,738	1,085,631	1,025,768	923,338	895,027
Community development	1,266,069	1,310,375	1,324,655	1,682,985	1,666,394	2,037,957	1,349,434	1,188,554
Interest on long-term debt	1,009,693	253,607	287,397	309,053	349,358	388,695	326,663	367,014
Total governmental activities	28,759,424	29,780,664	27,389,176	27,979,204	29,772,989	27,232,576	25,205,568	24,914,448
Business-type activities								
Water and wastewater	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total business-type activities expense	3,339,245	3,290,726	3,127,163	3,163,633	3,114,840	3,031,015	2,595,414	2,483,384
Total primary government expenses	<u>\$ 32,098,669</u>	<u>\$ 33,071,390</u>	<u>\$ 30,516,339</u>	<u>\$ 31,142,837</u>	<u>\$ 32,887,829</u>	<u>\$ 30,263,591</u>	<u>\$ 27,800,982</u>	<u>\$ 27,397,832</u>
Program Revenues								
Governmental activities								
Charges for services								
General government administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,193	\$ 69,884
Judicial administration	163,113	178,057	177,857	137,056	106,231	72,015	217,113	117,277
Public safety	850,353	800,787	791,428	409,169	296,931	296,821	408,371	705,951
Public works	1,415,524	826,827	766,143	644,738	690,295	728,359	540,601	575,424
Health and welfare	11,369	20,993	54,743	81,851	108,244	126,414	110,191	147,418
Operating grants and contributions	6,915,771	7,003,283	7,058,063	7,713,727	7,570,255	7,692,029	6,954,740	6,295,096
Capital grants and contributions	-	25,000	1,199,255	1,311,013	102,528	33,007	165,803	30,030
Total governmental activities program revenues	9,356,130	8,854,947	10,047,489	10,297,554	8,874,484	8,948,645	8,483,012	7,941,080
Business-type activities								
Charges for services								
Water and wastewater	1,881,076	1,859,391	1,684,425	1,558,151	1,425,665	1,387,876	1,390,247	1,333,993
Capital grants and contributions	172,048	1,299,201	1,012,032	564,829	476,526	560,528	1,242,009	5,088,559
Total business-type activities program revenues	2,053,124	3,158,592	2,696,457	2,122,980	1,902,191	1,948,404	2,632,256	6,422,552
Total primary government program revenues	<u>\$ 11,409,254</u>	<u>\$ 12,013,539</u>	<u>\$ 12,743,946</u>	<u>\$ 12,420,534</u>	<u>\$ 10,776,675</u>	<u>\$ 10,897,049</u>	<u>\$ 11,115,268</u>	<u>\$ 14,363,632</u>
Net (expense) revenue								
Governmental activities	\$ (19,403,294)	\$ (20,925,717)	\$ (17,341,687)	\$ (17,681,650)	\$ (20,898,505)	\$ (18,283,931)	\$ (16,722,556)	\$ (16,973,368)
Business-type activities	(1,286,121)	(132,134)	(430,706)	(1,040,653)	(1,212,649)	(1,082,611)	36,842	3,939,168
Total primary government net expense	<u>\$ (20,689,415)</u>	<u>\$ (21,057,851)</u>	<u>\$ (17,772,393)</u>	<u>\$ (18,722,303)</u>	<u>\$ (22,111,154)</u>	<u>\$ (19,366,542)</u>	<u>\$ (16,685,714)</u>	<u>\$ (13,034,200)</u>

COUNTY OF SMYTH, VIRGINIA

TABLE 3

FUND BALANCE - GOVERNMENTAL FUND (UNAUDITED)
Last Eight Fiscal Years
(modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund								
Reserved	\$ -	\$ -	\$ 327,213	\$ 271,965	\$ 158,967	\$ 8,827	\$ 1,981,918	\$ 711,907
Unreserved	-	-	6,426,347	6,763,770	7,602,076	10,056,388	11,599,572	11,761,210
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,753,560</u>	<u>\$ 7,035,735</u>	<u>\$ 7,761,043</u>	<u>\$ 10,065,215</u>	<u>\$ 13,581,490</u>	<u>\$ 12,473,117</u>

<u>2012</u>	<u>2011</u>
-------------	-------------

Post GASB 54 implementation:

General Fund		
Nonspendable	\$ 51,925	\$ 65,811
Restricted	39,125,509	3,665,624
Committed	-	100,491
Assigned	58,485	69,019
Unassigned	4,932,136	5,559,366
Total general fund	<u>\$ 44,168,055</u>	<u>\$ 9,460,311</u>

TABLE 4

COUNTY OF SMYTH, VIRGINIA

CHANGE IN FUND BALANCE, GOVERNMENTAL FUND (UNAUDITED)

Last Eight Fiscal Years
(modified accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005
Revenues								
General property taxes	\$ 14,294,912	\$ 14,371,915	\$ 13,279,456	\$ 12,712,891	\$ 12,337,792	\$ 12,165,251	\$ 11,873,268	\$ 11,283,125
Other local taxes	3,684,150	3,563,510	3,602,074	3,543,160	3,570,670	3,547,279	3,550,806	3,723,594
Permits, privilege fees, and licenses	127,045	73,903	106,118	73,893	89,988	82,670	85,645	60,404
Fines and forfeitures	726,131	730,320	686,447	332,601	200,981	210,993	148,330	23,834
Revenue from use of money and property	289,596	193,732	460,995	306,665	558,089	699,966	515,149	261,390
Charges for services	1,033,161	923,651	864,853	706,364	724,269	720,455	631,928	611,687
Recovered costs	760,405	368,489	456,267	474,954	477,831	408,106	334,381	554,857
Other	210,723	229,645	272,431	295,065	167,518	134,939	169,844	244,318
Intergovernmental	8,580,386	8,592,450	10,121,606	10,705,838	9,638,440	9,681,765	8,963,118	9,180,879
Total revenues	29,706,509	29,047,615	29,850,247	29,151,431	27,765,578	27,651,424	26,272,469	25,944,088
Expenditures								
General government administration	2,140,645	1,859,579	2,065,201	2,272,484	1,951,748	1,828,775	1,719,072	1,559,607
Judicial administration	1,405,780	1,394,442	1,357,675	1,350,907	1,298,991	1,183,222	973,734	667,940
Public safety	6,408,287	6,091,332	7,394,977	6,744,660	5,474,643	5,176,579	4,981,007	4,440,041
Public works	2,090,119	2,075,657	1,991,431	1,918,849	1,796,938	1,809,116	1,940,590	1,692,701
Health and welfare	5,073,079	5,231,583	5,418,921	5,926,197	5,937,048	5,767,503	5,339,338	5,333,706
Education	7,131,034	8,299,224	6,886,448	6,788,029	9,299,298	7,035,326	6,594,696	7,284,396
Parks, recreation, and cultural	968,916	963,066	1,030,216	1,106,836	1,040,590	980,727	872,093	841,352
Community development	1,321,245	1,427,807	1,476,745	1,839,806	1,836,396	2,138,369	1,344,954	1,184,787
Capital projects	11,022,959	1,895,888	681,967	236,725	284,836	190,817	-	278,672
Debt service								
Principal	6,033,554	1,018,164	1,006,630	1,013,399	1,003,216	993,341	1,094,053	765,683
Interest	891,381	270,749	302,630	334,029	365,079	397,828	338,183	597,770
Total expenditures	44,486,999	30,527,491	29,612,841	29,531,921	30,288,783	27,501,603	25,197,720	24,646,655
Excess of revenues over (under) expenditures	(14,780,490)	(1,479,876)	237,406	(380,490)	(2,523,205)	149,821	1,074,749	1,297,433
Other Financing Sources (Uses)								
Proceeds from bond issuances	48,985,000	5,003,600	-	-	-	-	-	372,978
Bond issuance costs	(86,000)	-	-	-	-	-	-	-
Premium on bonds	1,840,039	-	-	-	-	-	-	-
Underwriter's discount on bonds	(493,563)	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	181,889	-
Transfers out	(409,228)	(816,973)	(519,581)	(344,818)	(5,307)	-	-	(44,515)
Total other financing sources (uses)	49,836,248	4,186,627	(519,581)	(344,818)	(5,307)	-	181,889	328,463
Net change in fund balance	\$ 35,055,758	\$ 2,706,751	\$ (282,175)	\$ (725,308)	\$ (2,528,512)	\$ 149,821	\$ 1,256,638	\$ 1,625,896
Debt service as a percentage of noncapital expenditures	20.69%	4.50%	4.53%	4.60%	4.56%	5.09%	5.68%	5.60%

TABLE 5

COUNTY OF SMYTH, VIRGINIA

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service Corporation (1)	Total Assessed Value	Tax Rate (per \$100)				
					Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Interstate Commerce
2012	\$ 1,420,768,624	\$ 351,413,101	\$ 119,374,517	\$ 1,891,556,242	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.55
2011	\$ 1,415,159,070	\$ 351,573,398	\$ 121,374,173	\$ 1,888,106,641	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2010	\$ 1,200,972,525	\$ 364,320,155	\$ 83,886,362	\$ 1,649,179,042	\$ 0.69	\$ 2.25	\$ 1.55	\$ 0.40	\$ 1.20
2009	\$ 1,192,258,091	\$ 387,895,958	\$ 87,327,987	\$ 1,667,482,036	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2008	\$ 1,182,446,544	\$ 375,631,251	\$ 86,246,420	\$ 1,644,324,215	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2007	\$ 1,171,330,028	\$ 371,286,389	\$ 85,188,111	\$ 1,627,804,528	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2006	\$ 1,158,250,454	\$ 328,284,520	\$ 102,597,017	\$ 1,589,131,991	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2005	\$ 1,137,376,821	\$ 311,939,620	\$ 104,088,101	\$ 1,553,404,542	\$ 0.63	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2004	\$ 915,592,645	\$ 335,834,440	\$ 80,829,217	\$ 1,332,256,302	\$ 0.70	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20
2003	\$ 898,478,867	\$ 325,761,856	\$ 87,746,903	\$ 1,311,987,626	\$ 0.70	\$ 2.25	\$ 1.20	\$ 0.40	\$ 1.20

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

TABLE 6

COUNTY OF SMYTH, VIRGINIA

PRINCIPAL PROPERTY TAX PAYERS (UNAUDITED)

Current Fiscal Year

Personal Property

Taxpayer	Assessed Value	Rank
Phillip S. Martin	\$ 16,860,476	1
TRW Inc. Rack and Pinion Division	\$ 14,337,267	2
Royal Mouldings Limited	\$ 11,418,539	3
General Dynamics Armament	\$ 10,159,955	4
Utility Trailer Manufacturing Co.	\$ 7,919,204	5
United Salt Corporation	\$ 6,029,469	6
Masco Cabinetry LLC	\$ 5,399,279	7
Marion Mold and Tool Inc	\$ 4,857,863	8
Marion Chevrolet Olds Pontiac Buick Inc	\$ 4,210,688	9
Titan Wheel	\$ 4,012,433	10

Real Estate

Taxpayer	Assessed Value	Rank
Smyth County Community Hospital	\$ 21,479,200	1
Utility Trailer Manufacturing	\$ 8,153,900	2
RGTL Nevada Limited	\$ 6,864,800	3
Smyth County Community Foundation	\$ 6,620,100	4
940 E Lee Street Real Estate LLC	\$ 5,933,800	5
Saltville Gas Storage Co LLC	\$ 5,783,300	6
Myrtle Properties LLC	\$ 5,766,400	7
Marion Properties Inc.	\$ 5,417,700	8
Jericho All-Weather Opportunity	\$ 5,185,600	9
United Salt Corporation	\$ 4,817,100	10

Source: Commissioner of Revenue

TABLE 7

COUNTY OF SMYTH, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year (1,2)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections (1)	Total Collections to Date		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
		Amount (1)	Percentage of Levy		Amount	Percentage of Levy		
2012	\$ 16,472,150	\$ 13,522,831	82.10%	\$ 616,523	\$ 14,139,354	85.84%	\$ 3,206,313	19.47%
2011	\$ 14,543,200	\$ 13,549,846	93.17%	\$ 489,730	\$ 14,039,576	96.54%	\$ 2,747,133	18.89%
2010	\$ 13,420,595	\$ 12,566,068	93.63%	\$ 436,121	\$ 13,002,189	96.88%	\$ 2,331,515	17.37%
2009	\$ 12,593,867	\$ 11,897,779	94.47%	\$ 489,314	\$ 12,387,093	98.36%	\$ 2,007,598	15.94%
2008	\$ 12,164,434	\$ 11,625,491	95.57%	\$ 421,584	\$ 12,047,075	99.04%	\$ 1,899,238	15.61%
2007	\$ 11,923,961	\$ 11,350,877	95.19%	\$ 442,015	\$ 11,792,892	98.90%	\$ 1,873,378	15.71%
2006	\$ 11,479,534	\$ 10,893,503	94.89%	\$ 646,019	\$ 11,539,522	100.52%	\$ 1,199,515	10.45%
2005	\$ 11,295,032	\$ 10,738,343	95.07%	\$ 300,034	\$ 11,038,377	97.73%	\$ 1,682,207	14.89%
2004	\$ 12,307,470	\$ 11,733,821	95.34%	\$ 432,219	\$ 12,166,040	98.85%	\$ 1,833,536	14.90%
2003	\$ 12,381,377	\$ 11,675,890	94.30%	\$ 374,451	\$ 12,050,341	97.33%	\$ 1,854,659	14.98%

Note: (1) Exclusive of penalties and interest.

(2) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia

TABLE 8

COUNTY OF SMYTH, VIRGINIA

RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED)
Last Nine Fiscal Years

Fiscal Year	General Obligation Bonds					Other Governmental Activities Debt	Business-type Activities	Total Debt	
	Governmental General Obligation Bonds	Business-Type General Obligation Bonds	Total General Obligation Bonds	Percentage of Actual Value of Taxable Property	Per Capita	Other Debt	Revenue Bonds	Total Primary Government	Per Capita (1)
2012	\$ 29,152,383	\$ 5,393,536	\$ 34,545,919	1.826%	\$ 1,073	\$ 27,354,017	\$ 6,208,000	\$ 68,107,936	\$ 2,115
2011	\$ 7,549,801	\$ 11,859,427	\$ 19,409,228	1.028%	\$ 603	\$ 6,005,153	\$ -	\$ 25,414,381	\$ 789
2010	\$ 2,913,233	\$ 12,154,042	\$ 15,067,275	0.914%	\$ 475	\$ 6,656,286	\$ -	\$ 21,723,561	\$ 684
2009	\$ 3,268,724	\$ 12,136,059	\$ 15,404,783	0.924%	\$ 481	\$ 7,307,425	\$ -	\$ 22,712,208	\$ 709
2008	\$ 3,613,270	\$ 11,462,817	\$ 15,076,087	0.917%	\$ 470	\$ 7,975,860	\$ -	\$ 23,051,947	\$ 719
2007	\$ 3,947,631	\$ 11,359,736	\$ 15,307,367	0.940%	\$ 478	\$ 8,644,296	\$ -	\$ 23,951,663	\$ 747
2006	\$ 4,272,536	\$ 11,566,310	\$ 15,838,846	0.997%	\$ 487	\$ 9,312,732	\$ -	\$ 25,151,578	\$ 774
2005	\$ 4,587,340	\$ 8,121,174	\$ 12,708,514	0.818%	\$ 389	\$ 10,091,982	\$ 3,781,396	\$ 26,581,892	\$ 814
2004	\$ 4,769,977	\$ 3,231,388	\$ 8,001,365	0.601%	\$ 242	\$ 10,310,526	\$ 4,044,709	\$ 22,356,600	\$ 676

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements

(1) See Table 11 for personal income and population data

TABLE 9**COUNTY OF SMYTH, VIRGINIA****POPULATION (UNAUDITED)
Last Ten Fiscal Years**

Fiscal Year Ended	Population
2012	32,208
2011	32,208
2010	31,738
2009	32,050
2008	32,050
2007	32,050
2006	32,506
2005	32,640
2004	33,081
2003	33,081

Source: United States Bureau of the Census

TABLE 10

COUNTY OF SMYTH, VIRGINIA

PRINCIPAL EMPLOYERS (UNAUDITED)
Current Year 2012 and One Year Ago

Employer	2012		2011	
	Employees	Rank	Employees	Rank
Utility Trailer Manufacturing	1,009	1	937	1
Smyth County School Board	851	2	873	2
S.W. VA Mental Health Institute	561	3	534	3
Mountain States Health Alliance	473	4	475	5
General Dynamics Armament	465	5	496	4
Royal Mouldings Limited	439	6	450	6
Masco Building Cabinet (Merillat)	320	7	300	7
Food City	255	8	257	8
Marion Correctional Treatment Center	230	9	-	N/A
Smyth County	229	10	235	9
Mount Rogers Community Services Board	-	N/A	190	10
	<u>4,832</u>		<u>4,747</u>	

Source: Surveys done by Smyth County Economic Development Director

TABLE 11

COUNTY OF SMYTH, VIRGINIA

**FULL-TIME EQUIVALENT COUNTY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM (UNAUDITED)
Current Fiscal Year**

<u>Function/Program</u>	<u>2012</u>
General Government	
Management Services	8
Legal	1
Finance	2
Planning	1
Building	11
Other	37
Police	
Officers	36
Civilians	11
Refuse Collection	34
Engineering	1
Library	15
Water	10
Total	<u>167</u>



COMPLIANCE SECTION





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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Smyth, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including certain provisions of the compliance matters described in the Summary of Compliance Matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Items 11-5, 12-3, 12-4, and 12-5.**

We also noted certain matters that we reported to management of the County in a separate letter dated February 4, 2013.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
February 4, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Members of Board of Supervisors
County of Smyth, Virginia

Compliance

We have audited the compliance of the County of Smyth, Virginia, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Smyth, Virginia, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 12-1 and 12-2.

Internal Control over Compliance

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

Internal Control over Compliance (Continued)

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the County's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the County's compliance but not to provide an opinion on the effectiveness of the County's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purposes.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia
February 4, 2013

COUNTY OF SMYTH, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2012

As more fully described in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Sheriff Internal Controls

Comprehensive Services Act

Economic Development Fund

Social Services

State Agency Requirements

Education

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

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

COUNTY OF SMYTH, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Two significant deficiencies** relating to the audit of the financial statements were reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. **Significant deficiency 08-1 was considered to be a material weakness.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **two audit findings relating to major programs**.
7. The programs tested as major are:

<u>Name of Program:</u>	<u>CFDA Number</u>
IDEA Special Education and Preschool	84.027 & 84.173
IDEA Special Education and Preschool, Recovery Act	84.391 & 84.392
Education Jobs Fund, Recovery Act	84.410
Child Nutrition Cluster	10.553 & 10.555
Supplemental Nutrition Assistance Program	10.561
Medical Assistance Program	93.778
Temporary Assistance for Needy Families	93.558
21 st Century Community Learning Centers	84.287
1003G School Improvement Plan	84.377
Energy Efficiency and Conservation, Recovery Act	81.128

8. The **threshold for** distinguishing between Type A and B programs was **\$ 334,242**.
9. The County of Smyth, Virginia was **not determined** to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

08-1: Segregation of Duties (Material Weakness)

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

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

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

COUNTY OF SMYTH, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

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

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

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

Management Response: The County concurs.

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

School Board Management welcomes recommendations or suggestions for continued improvement in the segregation of duties and review of records as part of our ongoing efforts to achieve an optimal level of internal financial control.

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

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

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

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

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

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

(Continued)

COUNTY OF SMYTH, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

12-1: 21st Century Community Learning Centers – CFDA 84.287 Allowable Costs/Costs Principles

Condition: Documentation of employee time and effort was not made by personnel being reimbursed under the 21st Century grant.

Criteria: 21st Century personnel engaged in non-consolidated fund activities who work solely on the 21st Century program are required to furnish a semi-annual certification documenting such information. If the personnel works in part on 21st Century and in part on other activities or cost objectives, the employee must document the portion of time and effort dedicated to each program or cost objective.

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

Recommendation: Management should review the school-wide program requirements and implement a process by which documentation of time and effort is made.

Management Response: Smyth County schools currently documents employee time and effort compliance for Title I. The same process will be utilized to document employee time and effort for the 21st Century grant.

12-2: Energy Efficiency and Conservation – CFDA 81.128 Reporting

Condition: Monthly reports were not submitted to the Department of Mines, Mineral & Energy in all months.

Criteria: Recipients of grant funding are required to communicate grant activity, even if there is none, in each month.

Effect: The County is not in compliance with grant requirements.

Recommendation: The grant administrator should ensure that monthly reports are filed timely, regardless of the level of activity that is occurring in the grant.

Management Response: Monthly progress reports were not timely filed in all months due to miscommunication of who was responsible for submitting the reports. All reports requested by the Department of Mines, Minerals and Energy were submitted prior to closing of the project.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-5: Conflicts of Interest Act

Condition: Statements of economic interests were not filed by two individuals for the year ending June 31, 2011. For the year ending June 30, 2012, two individuals did not file the required financial disclosure statement. There were also individuals who were required to file the disclosure of real estate holdings form and did not.

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

COUNTY OF SMYTH, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2012

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

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

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

12-3: Security Awareness and Training for Social Services

Condition: Within the Department of Social Services, there was no evidence that one of the individual department users that we tested had completed the annual IT security awareness training.

Criteria: All local users must complete the Virginia Department of Social Services (VDSS) annual IT security awareness training once per year.

Effect: The County is not in compliance with VDSS requirements.

Recommendation: All local department users should receive training each year and receive a Security Training Best Practices Certificate.

Management Response: Policy has been put in place to review security folders quarterly by primary security officer and monthly by back-up security officer to ensure compliance with VDSS Security Awareness Training.

12-4: Access Privileges for Terminated Users

Condition: A terminated user of VDSS systems had not been removed from the SAVE program in a timely manner.

Criteria: When a VDSS employee terminates employment, they must be removed from all programs they had access to within a three day timeframe.

Effect: The County is not in compliance with VDSS requirements.

Recommendation: Management should take steps to ensure that all access privileges for users are removed upon termination.

Management Response: Policy has been put into place to review security folders quarterly by primary security officer and monthly by back-up security officer to ensure compliance with VDSS employee termination policies.

COUNTY OF SMYTH, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

12-5: Unclaimed Property

Condition: One check that totaled \$85.00 was older than one year as of July 1, 2011 and was not included in the November 1, 2011 unclaimed property report.

Criteria: All unclaimed property that is older than a certain date must be remitted to the state.

Effect: The County is not in compliance with the *Code of Virginia*.

Recommendation: Management should take steps to ensure that all appropriate checks are included on the unclaimed property report in compliance with the *Code of Virginia*.

Management Response: The check in question was a Department of Social Services payroll check. The Department of Social Services failed to follow established procedures as it pertains to unclaimed property. In response, the Treasurer's office is now including the date of the check for all outstanding checks. Each department receives a monthly copy of the outstanding check list which now includes dates of the individual checks.

COUNTY OF SMYTH, VIRGINIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

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

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

Current Status: Finding was not noted in current year.

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

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

Current Status: Finding was not noted in current year.

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

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

Current Status: Finding was not noted in current year.