

COUNTY OF GILES, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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COUNTY OF GILES, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

COUNTY OF GILES, VIRGINIA

BOARD OF SUPERVISORS

Paul Baker, Vice Chairman	Barbara Hobbs, Chair	Larry Williams
Richard McCoy		Scott Dunn

COUNTY SCHOOL BOARD

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

SOCIAL SERVICES BOARD

Tom Spangler	Giles Lester, Chair	Gina Franklin
Barbara Hobbs		Claude Wimmer
Clara O'Brien		Donna Collins, Clerk

OTHER OFFICIALS

Clerk of the Circuit Court.....	Charles Fraley
Commonwealth's Attorney	Phillip Steele
Commissioner of the Revenue	Lisa Corell
Treasurer	Gerald W. Duncan
Sheriff	William M. Millirons
Superintendent of Schools	Dr. Terry Arbogast, II
Director of Social Services	Sherri Nipper
County Administrator	Chris McKlarney
County Attorney	Richard Chidester

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Giles, Virginia, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the County of Giles, Virginia adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of pension and OPEB funding progress and budgetary comparison information 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basis financial statements taken as a whole.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Giles, Virginia's basic financial statements. The introductory section, other supplementary information, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information, supporting schedules, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, supporting schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the County of Giles, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering County of Giles, Virginia's internal control over financial reporting and compliance.

Robinson, Finner, & Associates

Blacksburg, Virginia
December 20, 2013

Basic Financial Statements

County of Giles, Virginia
Statement of Net Position
June 30, 2013

	Primary Government			Component	Component
	Governmental	Business-type	Total	Unit	Unit
	Activities	Activities		School Board	IDA
ASSETS					
Cash and cash equivalents	\$ 5,812,813	\$ -	\$ 5,812,813	\$ 2,872,712	\$ 181,040
Cash in custody of others	-	-	-	80,863	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,532,895	-	3,532,895	-	-
Other local taxes receivable	227,296	-	227,296	-	-
Accounts receivable	1,136	107,024	108,160	740	-
Internal balances	1,057,898	(1,057,898)	-	-	-
Due from component unit	8,655	-	8,655	-	-
Due from other governmental units	904,279	-	904,279	740,623	-
Inventories (Commodities)	-	-	-	72,609	-
Prepaid items	50	-	50	767,664	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	-	-	245,119	-
Investments	586,636	3,025,591	3,612,227	-	-
Inventories (Land and buildings held for resale)	-	-	-	-	1,705,481
Capital assets (net of accumulated depreciation):					
Land	530,530	13,000	543,530	473,652	618,634
Buildings and improvements	23,615,961	-	23,615,961	2,818,492	8,491,395
Machinery and equipment	755,362	129,083	884,445	1,298,638	-
Infrastructure	-	10,803,850	10,803,850	-	-
Construction in progress	398,159	109,462	507,621	331,074	12,328
Total assets	\$ 37,431,670	\$ 13,130,112	\$ 50,561,782	\$ 9,702,186	\$ 11,008,878
LIABILITIES					
Accounts payable	\$ 531,066	\$ 21,538	\$ 552,604	\$ 57,140	\$ 5,011
Reconciled overdraft	-	735	735	-	-
Accrued payroll	-	-	-	1,976,632	-
Customers' deposits	-	18,500	18,500	-	-
Accrued interest payable	199,434	73,596	273,030	-	115,435
Due to primary government	-	-	-	-	8,655
Due to other governmental units	86,410	-	86,410	-	-
Long-term liabilities:					
Due within one year	2,070,764	228,125	2,298,889	349,757	226,943
Due in more than one year	23,989,841	8,539,385	32,529,226	385,464	6,066,928
Total liabilities	\$ 26,877,515	\$ 8,881,879	\$ 35,759,394	\$ 2,768,993	\$ 6,422,972
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 3,113,384	\$ -	\$ 3,113,384	\$ -	\$ -
NET POSITION					
Net investment in capital assets	\$ 166,870	\$ 5,367,430	\$ 5,534,300	\$ 4,921,856	\$ 2,828,486
Restricted for:					
School cafeteria	-	-	-	245,119	-
Unrestricted	7,273,901	(1,119,197)	6,154,704	1,766,218	1,757,420
Total Net Position	\$ 7,440,771	\$ 4,248,233	\$ 11,689,004	\$ 6,933,193	\$ 4,585,906

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

County of Giles, Virginia
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,040,876	\$ 51,875	\$ 227,824	\$ -	\$ (761,177)	\$ -	\$ (761,177)	
Judicial administration	704,273	20,249	502,666	-	(181,358)	-	(181,358)	
Public safety	5,055,111	226,209	1,029,836	95,000	(3,704,066)	-	(3,704,066)	
Public works	595,826	32,457	10,873	-	(552,496)	-	(552,496)	
Health and welfare	3,742,017	-	2,721,553	-	(1,020,464)	-	(1,020,464)	
Education	7,869,352	-	-	-	(7,869,352)	-	(7,869,352)	
Parks, recreation, and cultural	741,059	416,121	650	-	(324,288)	-	(324,288)	
Community development	803,350	5,126	-	-	(798,224)	-	(798,224)	
Interest on long-term debt	1,232,875	-	-	-	(1,232,875)	-	(1,232,875)	
Total governmental activities	\$ 21,784,739	\$ 752,037	\$ 4,493,402	\$ 95,000	\$ (16,444,300)	\$ -	\$ (16,444,300)	
Business-type activities:								
Water department	\$ 1,791,446	\$ 485,531	\$ -	\$ 18,826	\$ -	\$ (1,317,089)	\$ (1,317,089)	
Total primary government	\$ 23,576,185	\$ 1,207,568	\$ 4,493,402	\$ 113,826	\$ (16,444,300)	\$ (1,317,089)	\$ (17,761,389)	
COMPONENT UNITS:								
School Board	\$ 23,709,253	\$ 463,528	\$ 16,940,037	\$ -			\$ (6,305,688)	
Industrial Development Authority (IDA)	1,996,597	349,148	-	-				(1,647,449)
Total component units	\$ 25,705,850	\$ 812,676	\$ 16,940,037	\$ -			\$ (6,305,688)	\$ (1,647,449)
General revenues:								
General property taxes					\$ 12,073,980	\$ -	\$ 12,073,980	\$ -
Other local taxes:								
Local Sales and use taxes					1,262,496	-	1,262,496	-
Consumers' utility taxes					241,338	-	241,338	-
Consumption taxes					53,601	-	53,601	-
Gross receipts tax					9,128	-	9,128	-
Motor vehicle licenses					207,994	-	207,994	-
Local tax on deeds					68,092	-	68,092	-
Hotel and motel room taxes					76,567	-	76,567	-
Unrestricted revenues from use of money and property					233,937	3,330	237,267	20
Miscellaneous					47,256	-	47,256	13,817
Contribution from County of Giles, Virginia					-	-	-	6,100,927
Grants and contributions not restricted to specific programs					1,875,527	-	1,875,527	-
Gain on sale of capital assets					-	-	-	-
Gain on disposal of inventory					-	14,027	14,027	-
Transfers					(626,879)	626,879	-	-
Total general revenues and transfers					\$ 15,523,037	\$ 644,236	\$ 16,167,273	\$ 6,149,532
Change in net position					\$ (921,263)	\$ (672,853)	\$ (1,594,116)	\$ (156,156)
Net position - beginning, as restated					\$ 8,362,034	\$ 4,921,086	\$ 13,283,120	\$ 7,089,349
Net position - ending					\$ 7,440,771	\$ 4,248,233	\$ 11,689,004	\$ 6,933,193
								\$ 4,585,906

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

County of Giles, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 5,784,699	\$ 28,114	\$ 5,812,813
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,532,895	-	3,532,895
Other local taxes	227,296	-	227,296
Accounts receivable	1,136	-	1,136
Due from other funds	1,057,898	-	1,057,898
Due from component unit	-	8,655	8,655
Due from other governmental units	904,279	-	904,279
Prepaid items	50	-	50
Restricted assets:			
Temporarily restricted:			
Investments	-	586,636	\$ 586,636
Total assets	<u>\$ 11,508,253</u>	<u>\$ 623,405</u>	<u>\$ 12,131,658</u>
LIABILITIES			
Accounts payable	\$ 180,707	\$ 350,359	\$ 531,066
Due to other governmental units	86,410	-	86,410
Total liabilities	<u>\$ 267,117</u>	<u>\$ 350,359</u>	<u>\$ 617,476</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 3,629,414	\$ -	\$ 3,629,414
FUND BALANCES			
Nonspendable			
Prepaid items	\$ 50	\$ -	\$ 50
Restricted			
Capital projects fund	-	273,046	273,046
Unassigned	7,611,672	-	7,611,672
Total fund balances	<u>\$ 7,611,722</u>	<u>\$ 273,046</u>	<u>\$ 7,884,768</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,878,839</u>	<u>\$ 623,405</u>	<u>\$ 8,502,244</u>

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

County of Giles, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 7,884,768
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$ 530,530	
Construction in progress	398,159	
Buildings and improvements	23,615,961	
Machinery and equipment	755,362	25,300,012

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Unavailable revenue - property taxes	516,030
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (6,726,578)	
Lease revenue bonds	(16,441,098)	
Unamortized bond premium	(2,016,076)	
Capital lease	(222,436)	
Landfill accrued closure/postclosure costs	(46,851)	
Net OPEB obligation	(103,146)	
Compensated absences	(504,420)	
Accrued interest payable	(199,434)	(26,260,039)

Net position of governmental activities	\$ 7,440,771
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The accompanying notes to the financial statements are an integral part of this statement.

County of Giles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General	County Capital Improvements	Total
REVENUES			
General property taxes	\$ 12,105,056	\$ -	\$ 12,105,056
Other local taxes	1,919,216	-	1,919,216
Permits, privilege fees, and regulatory licenses	50,540	-	50,540
Fines and forfeitures	105,492	-	105,492
Revenue from the use of money and property	233,292	645	233,937
Charges for services	596,005	-	596,005
Miscellaneous	47,256	-	47,256
Recovered costs	1,364,725	-	1,364,725
Intergovernmental revenues:			
Local government	-	3,254	3,254
Commonwealth	5,139,866	-	5,139,866
Federal	1,324,063	-	1,324,063
Total revenues	<u>\$ 22,885,511</u>	<u>\$ 3,899</u>	<u>\$ 22,889,410</u>
EXPENDITURES			
Current:			
General government administration	\$ 1,335,713	\$ 76,743	\$ 1,412,456
Judicial administration	752,773	-	752,773
Public safety	4,687,477	875,192	5,562,669
Public works	596,392	3,280	599,672
Health and welfare	3,851,966	-	3,851,966
Education	6,113,188	-	6,113,188
Parks, recreation, and cultural	704,999	-	704,999
Community development	716,368	5,610	721,978
Nondepartmental	880,871	-	880,871
Capital projects	-	395,417	395,417
Debt service:			
Principal retirement	1,088,448	15,870,233	16,958,681
Interest and other fiscal charges	402,234	731,951	1,134,185
Bond issuance costs	-	187,038	187,038
Total expenditures	<u>\$ 21,130,429</u>	<u>\$ 18,145,464</u>	<u>\$ 39,275,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,755,082</u>	<u>\$ (18,141,565)</u>	<u>\$ (16,386,483)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 1,227,223	\$ 1,227,223
Transfers out	(1,854,102)	-	(1,854,102)
Issuance of lease revenue bond	-	16,008,614	16,008,614
Issuance of capital leases	-	222,436	222,436
Total other financing sources (uses)	<u>\$ (1,854,102)</u>	<u>\$ 17,458,273</u>	<u>\$ 15,604,171</u>
Net change in fund balances	\$ (99,020)	\$ (683,292)	\$ (782,312)
Fund balances - beginning	<u>7,710,742</u>	<u>956,338</u>	<u>8,667,080</u>
Fund balances - ending	<u>\$ 7,611,722</u>	<u>\$ 273,046</u>	<u>\$ 7,884,768</u>

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

County of Giles, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	(782,312)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital asset additions	\$	1,216,390
Depreciation expense		(2,138,590)
		(922,200)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(Increase) decrease in unavailable revenue-property taxes		(31,076)
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Issuance of lease revenue bond	\$	(13,943,366)
Plus: Issuance Premium (to be amortized against interest expense)		(2,065,248)
Capital lease proceeds		(222,436)
Payments of principal:		
General obligation bonds		1,088,448
Revenue bonds		2,627,965
Lease revenue bonds		13,242,268
(Increase) decrease in landfill closure and postclosure monitoring costs		(783)
		726,848

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.

(Increase) decrease in compensated absences	\$	19,624
(Increase) decrease in net OPEB obligation		(20,495)
(Increase) decrease in accrued interest payable		39,176
Amortization of bond premium		49,172
		87,477

Change in net position of governmental activities	\$	(921,263)
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The accompanying notes to the financial statements are an integral part of this statement.

County of Giles, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 181,040
Accounts receivable (net of allowance for uncollectibles)	107,024	-
Total current assets	\$ 107,024	\$ 181,040
Restricted current assets:		
Investments	3,025,591	-
Total current assets	\$ 3,132,615	\$ 181,040
Noncurrent assets:		
Inventories (land and buildings held for resale)	\$ -	\$ 1,705,481
Capital assets:		
Land	13,000	618,634
Construction in progress	109,462	12,328
Utility plant in service	14,250,901	-
Buildings and improvements	-	9,481,305
Machinery and equipment	377,912	-
Less accumulated depreciation	(3,695,880)	(989,910)
Total capital assets	\$ 11,055,395	\$ 9,122,357
Total noncurrent assets	\$ 11,055,395	\$ 10,827,838
Total assets	\$ 14,188,010	\$ 11,008,878
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 21,538	\$ 5,011
Reconciled overdraft	735	-
Customers' deposits	18,500	-
Accrued interest payable	73,596	115,435
Due to other funds	1,057,898	8,655
Compensated absences - current portion	27,197	-
Bonds payable - current portion	200,928	226,943
Total current liabilities	\$ 1,400,392	\$ 356,044
Noncurrent liabilities:		
Net OPEB obligation	\$ 17,691	\$ -
Compensated absences - net of current portion	9,066	-
Bonds payable - net of current portion	8,512,628	6,066,928
Total noncurrent liabilities	\$ 8,539,385	\$ 6,066,928
Total liabilities	\$ 9,939,777	\$ 6,422,972
NET POSITION		
Net investment in capital assets	\$ 5,367,430	\$ 2,828,486
Unrestricted	(1,119,197)	1,757,420
Total net position	\$ 4,248,233	\$ 4,585,906

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

County of Giles, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 402,604	\$ -
Rental of property	-	349,148
Penalties	30,498	-
Sale of land held as inventory:		
Gross sales price	-	186,098
Miscellaneous	15,486	13,817
Total operating revenues	<u>\$ 448,588</u>	<u>\$ 549,063</u>
OPERATING EXPENSES		
Salaries	\$ 309,084	\$ 101,082
Fringes	104,271	29,769
Contracted services	1,395	5,746
Repair and maintenance	96,816	-
Water purchase	213,871	-
Material and supplies	73,707	34
Insurance	7,500	19,444
Miscellaneous	48,382	-
Utilities	28,037	29,780
Reserve capacity payment	10,475	-
Depreciation	485,917	248,795
Economic development	-	1,312,505
Total operating expenses	<u>\$ 1,379,455</u>	<u>\$ 1,747,155</u>
Operating income (loss)	<u>\$ (930,867)</u>	<u>\$ (1,198,092)</u>
NONOPERATING REVENUES (EXPENSES)		
Gain on sale of capital assets	\$ 14,027	\$ -
Interest income	3,330	20
Connection fees	6,943	-
Interest expense	(264,812)	(242,043)
Bond issuance costs	(147,179)	(7,399)
Total nonoperating revenues (expenses)	<u>\$ (387,691)</u>	<u>\$ (249,422)</u>
Income before contributions and transfers	<u>\$ (1,318,558)</u>	<u>\$ (1,447,514)</u>
Capital contributions and construction grants	18,826	1,010,450
Transfers in	626,879	-
Change in net position	<u>\$ (672,853)</u>	<u>\$ (437,064)</u>
Net position - beginning, as restated	4,921,086	5,022,970
Net position - ending	<u>\$ 4,248,233</u>	<u>\$ 4,585,906</u>

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

County of Giles, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Water Department	Component Unit Industrial Development Authority
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 491,590	\$ 594,065
Payments to suppliers	(485,938)	(1,355,192)
Payments to employees	(384,396)	(130,851)
Net cash provided by (used for) operating activities	<u>\$ (378,744)</u>	<u>\$ (891,978)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>\$ 626,879</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to capital assets	\$ (130,909)	\$ (6,201)
Principal payments on bonds	(5,276,126)	(820,989)
Proceeds from sale of assets	14,027	-
Proceeds from indebtedness	8,429,174	633,279
Contributions in aid of construction	99,633	1,063,785
Interest payments	(238,072)	(276,803)
Bond issuance costs	(147,179)	(7,399)
Connection fees	6,943	-
Net cash provided by (used for) capital and related financing activities	<u>\$ 2,757,491</u>	<u>\$ 585,672</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	<u>\$ 3,330</u>	<u>\$ 20</u>
Net increase (decrease) in cash and cash equivalents	\$ 3,008,956	\$ (306,286)
Cash and cash equivalents - beginning	15,900	487,326
Cash and cash equivalents - ending	<u>\$ 3,024,856</u>	<u>\$ 181,040</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ (930,867)</u>	<u>\$ (1,198,092)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	\$ 485,917	\$ 248,795
(Increase) decrease in accounts receivable	40,402	-
(Increase) decrease in inventories	-	45,002
Increase (decrease) in customer deposits	2,600	-
Increase (decrease) in accounts payable	(5,755)	3,662
Increase (decrease) in net OPEB obligation	14,068	-
Increase (decrease) in compensated absences	14,891	-
Total adjustments	<u>\$ 552,123</u>	<u>\$ 306,114</u>
Net cash provided by (used for) operating activities	<u>\$ (378,744)</u>	<u>\$ (891,978)</u>

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

County of Giles, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 60,526
Total assets	<u>\$ 60,526</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 60,526
Total liabilities	<u>\$ 60,526</u>

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

COUNTY OF GILES, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

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

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

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

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

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

Jointly Governed Organizations - The County and the Counties of Bland, Carroll, Floyd, Grayson, and Wythe and the City of Radford participate in supporting the New River Valley Regional Jail Authority. The monthly payment made by the County to the Regional Jail is based on the number of prisoners housed for the County. For the year ended June 30, 2013, the County paid \$889,128 for the confinement of prisoners.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

B. Government-Wide and Fund Financial Statements

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

The statement of net position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense - the cost of "using up" capital assets - in the statement of activities. The net position of a government is broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

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

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

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

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

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

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

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

2. Receivables and Payables

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

3. Property Taxes

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$88,506 at June 30, 2013 and is comprised solely of property taxes. The allowance amounted to approximately \$119,538 for the Water department at June 30, 2013 and is comprised solely of water billings and penalties.

5. Inventories and Prepaid Items

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

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

6. Use of Estimates

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

7. Capital Assets

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

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1-Summary of Significant Accounting Policies: (Continued)**D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance (Continued)****7. Capital Assets (Continued)**

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

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

8. Compensated Absences

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

9. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

10. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

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

The policy also authorizes and directs the Treasurer to prepare financial reports which accurately categorize fund balance as required by GASB Statement No. 54. The County of Giles will maintain an unassigned fund balance in the general fund equal to 3% of the expenditures/operating revenues. The County considers a balance of less than 3% to be a cause for concern, barring unusual of deliberate circumstances.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30th, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

12. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

13. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

D. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance
(Continued)

14. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and outflows of resources. The requirement of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on the entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

15. Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The beginning balance reported in the financial statements for governmental activities was restated by \$105,336 as shown in Note 20.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the General Capital Projects Funds. The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2013, the following departments of the County had expenditures in excess of appropriations: Fire and Rescue, New River Valley Jail, Social Services Administration, Swimming Pool, and Golf Course.

C. Deficit Fund Equity

At June 30, 2013, there were no funds with deficit fund equity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 3-Deposits and Investments:

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and Collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). A summary of investments of the County are listed below:

Credit Risk of Debt Securities:

The County has not adopted an investment policy for credit risk.

The County's rated debt investments for SNAP were rated by Standard, as of June 30, 2013 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	AAAm
SNAP	\$ 3,612,227

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

Interest Rate Risk:

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2013.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 4-Due from Other Governmental Units:**

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

	<u>Primary Government Governmental</u>	<u>Component Unit- School Board</u>
<u>Towns:</u>		
Local sales tax	\$ 37,886	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	204,367	-
State sales tax	-	415,633
Categorical aid	19,318	-
Shared expenses	137,344	-
Non-categorical aid	188,843	-
Virginia public assistance funds	68,357	-
Community services act	153,888	-
<u>Federal Government:</u>		
Virginia public assistance funds	86,408	-
School grants	-	324,990
Categorical aid	7,868	-
Totals	\$ 904,279	\$ 740,623

Note 5-Interfund Transfers and Balances:

Interfund transfers and remaining balances for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 1,854,102
Water and Sewer Fund	626,879	-
County Capital Improvements Fund	1,227,223	-
Total	\$ 1,854,102	\$ 1,854,102
	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,057,898	\$ -
Water and Sewer Fund	-	1,057,898
Total	\$ 1,057,898	\$ 1,057,898

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 5-Interfund Transfers and Balances: (Continued)

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

Note 6-Long-Term Obligations:**Primary Government - Governmental Activity Indebtedness:**

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 7,815,026	\$ -	\$ (1,088,448)	\$ 6,726,578
Revenue bonds	2,627,965	-	(2,627,965)	-
Lease revenue bonds	15,740,000	13,943,366	(13,242,268)	16,441,098
Unamortized premium	-	2,065,248	(49,172)	2,016,076
Capital lease	-	222,436	-	222,436
Landfill postclosure liability	46,068	783	-	46,851
Net OPEB obligation	82,651	50,500	(30,005)	103,146
Compensated absences	524,044	373,409	(393,033)	504,420
Total	\$ 26,835,754	\$ 16,655,742	\$ (17,430,891)	\$ 26,060,605

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 1,112,836	\$ 346,055	\$ 439,697	\$ 670,771
2015	1,133,845	288,926	476,420	654,466
2016	957,771	230,725	644,992	633,502
2017	979,507	181,478	692,289	605,206
2018	1,002,118	131,099	737,394	572,555
2019-2023	1,540,501	119,801	5,221,481	2,182,309
2024-2028	-	-	4,877,820	1,060,246
2029-2033	-	-	3,351,005	237,630
Totals	\$ 6,726,578	\$ 1,298,084	\$ 16,441,098	\$ 6,616,685

COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6-Long-Term Obligations: (Continued)

Primary Government - Governmental Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation (GO) Bonds:</u>							
General Obligation 2000A VPSA Bond	5.10-5.60%	5/18/2000	7/15/2020	\$75,000-100,000 a+	\$ 1,270,000	\$ 600,000	\$ 75,000
General Obligation 2000B VPSA Bond	5.10-5.27%	11/25/2000	7/15/2020	\$606,914-679,606 a+	11,508,990	4,492,022	606,914
General Obligation 1995A VPSA Bond	5.10-5.60%	12/21/1995	7/15/2016	\$191,082-196,977 a+	3,065,925	388,059	191,082
General Obligation 1998A VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$194,058-209,765 a+	3,684,045	1,008,557	194,058
General Obligation 1998B VPSA Bond	4.35-5.10%	11/19/1998	7/15/2018	\$45,782-49,488 a+	869,126	237,940	45,782
Total GO Bonds						\$ 6,726,578	\$ 1,112,836
<u>Lease Revenue Bonds:</u>							
Lease Revenue Bond Series 2008A	4.73%	11/20/2008	1/15/2024	\$178,000-291,732 a+	\$ 3,110,000	\$ 2,497,732	\$ 178,000
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$261,697-989,344 a+	13,943,366	13,943,366	261,697
Total Lease Revenue Bonds						\$ 16,441,098	\$ 439,697
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 2,016,076	\$ 98,345
<u>Other Obligations:</u>							
Capital Lease (Note 8)						\$ 222,436	\$ 41,571
Landfill Postclosure Liability						46,851	-
Net OPEB Obligation						103,146	-
Compensated Absences						504,420	378,315
Total Other Obligations						\$ 876,853	\$ 419,886
Total Long-Term Obligations						\$ 26,060,605	\$ 2,070,764

(a+) - annual principal installments shown; does not include semi-annual interest installments

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6-Long-Term Obligations: (Continued)Primary Government - Enterprise Fund Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue bond	\$ 5,586,201	\$ -	\$ (5,276,126)	\$ 310,075
Lease revenue bond	-	7,350,053	-	7,350,053
Unamortized premium	-	1,079,121	(25,693)	1,053,428
Net OPEB obligation	3,623	19,363	(5,295)	17,691
Compensated absences	21,372	30,920	(16,029)	36,263
Total	\$ 5,611,196	\$ 8,479,457	\$ (5,323,143)	\$ 8,767,510

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

Year Ending June 30,	Revenue Bond		Lease Revenue Bond	
	Principal	Interest	Principal	Interest
2014	\$ 11,591	\$ -	\$ 137,950	\$ 292,406
2015	11,591	-	153,091	288,296
2016	11,591	-	237,207	281,945
2017	11,591	-	257,395	271,954
2018	11,591	-	275,900	259,904
2019-2023	57,957	-	2,104,581	1,027,297
2024-2028	57,957	-	2,417,493	553,567
2029-2033	57,957	-	1,766,436	125,263
2034-2038	57,957	-	-	-
2039-2043	20,292	-	-	-
Totals	\$ 310,075	\$ -	\$ 7,350,053	\$ 3,100,632

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COUNTY OF GILES, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6-Long-Term Obligations: (Continued)

Primary Government - Enterprise Fund Indebtedness: (Continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year
<u>Revenue Bond:</u>							
Revenue Bond	0.00%	3/5/2009	3/5/2039	\$11,591 a	\$ 347,742	\$ 310,075	\$ 11,591
<u>Lease Revenue Bond:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$137,950-521,955 a+	\$ 7,350,053	\$ 7,350,053	\$ 137,950
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 1,053,428	\$ 51,387
<u>Other Obligations:</u>							
Net OPEB Obligation						\$ 17,691	\$ -
Compensated Absences						36,263	27,197
Total Other Obligations						\$ 53,954	\$ 27,197
Total Long-Term Obligations						\$ 8,767,510	\$ 228,125

(a+) - annual principal installments shown; does not include semi-annual interest installments

(a) - annual principal installments shown; no interest for this revenue bond

Note 7-Long-Term Obligations-Component Units:

Discretely Presented Component Unit - School Board Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2013:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Net OPEB Obligation	\$ 250,474	\$ 589,204	\$ (570,800)	\$ 268,878
Compensated Absences	469,677	348,924	(352,258)	466,343
Total	\$ 720,151	\$ 938,128	\$ (923,058)	\$ 735,221

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 7-Long-Term Obligations-Component Units: (Continued)Discretely Presented Component Unit - School Board Indebtedness: (Continued)Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 268,878	\$ -
Compensated absences	466,343	349,757
 Total Long-Term Obligations	 \$ 735,221	 \$ 349,757

Discretely Presented Component Unit - Industrial Development Authority indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit Industrial Development Authority for the year ended June 30, 2013:

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
Notes Payable	\$ 6,483,526	\$ -	\$ (820,989)	\$ 5,662,537
Lease Revenue Bond	-	551,581	-	551,581
Unamortized Premium	-	81,698	(1,945)	79,753
 Total	 \$ 6,483,526	 \$ 633,279	 \$ (822,934)	 \$ 6,293,871

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

Year Ending June 30,	Notes Payable		Lease Revenue Bond	
	Principal	Interest	Principal	Interest
2014	\$ 212,701	\$ 240,777	\$ 10,352	\$ 21,944
2015	223,618	230,626	11,489	21,635
2016	235,750	220,029	17,801	21,159
2017	249,106	208,967	19,316	20,409
2018	261,695	197,418	20,705	19,504
2019-2023	1,540,236	795,316	157,937	77,093
2024-2028	2,012,443	420,299	181,420	41,542
2029-2033	926,988	51,180	132,561	9,400
 Totals	 \$ 5,662,537	 \$ 2,364,612	 \$ 551,581	 \$ 232,686

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 7-Long-Term Obligations-Component Units: (Continued)Discretely Presented Component Unit - Industrial Development Authority indebtedness: (Continued)Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amounts</u>	<u>Amount of Original Issue</u>	<u>Balance Business- type Activities</u>	<u>Amount Due with- in One Year</u>
<u>Notes Payable:</u>							
Notes Payable	4.27%	8/12/2010	7/15/2031	\$103,611 a	\$ 1,393,644	\$ 1,301,549	\$ 49,083
Notes Payable	4.27%	8/12/2010	7/15/2031	\$134,294 a	1,806,356	1,686,988	63,618
Notes Payable	6.52%	12/12/2008	1/15/2029	\$100,000-257,000 a+	3,000,000	2,674,000	100,000
Total Notes Payable						\$ 5,662,537	\$ 212,701
<u>Lease Revenue Bond:</u>							
Lease Revenue Bond Series 2012C	2.82-4.83%	12/6/2012	4/1/2033	\$10,352-39,137 a+	\$ 551,581	\$ 551,581	\$ 10,352
<u>Deferred Amount:</u>							
Unamortized Premium						\$ 79,753	\$ 3,890
Total Long-Term Obligations						\$ 6,293,871	\$ 226,943

(a) - annual installments shown; includes interest as applicable

(a+) - annual principal installments shown; does not include semi-annual interest installments

Note 8-Capital Lease:Primary Government

The County has entered into a lease agreement to finance the acquisition of E-911 equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments at the date of inception.

The assets acquired through the capital lease are as follows:

	<u>E-911 Equipment</u>
Machinery and equipment	\$ 170,718
Less: Accumulated depreciation	<u>(4,622)</u>
Net Capital Asset	<u>\$ 166,096</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8-Capital Lease: (Continued)Primary Government (Continued)

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30,	E-911 Equipment
2014	\$ 49,112
2015	49,112
2016	49,112
2017	49,112
2018	49,112
Subtotal	\$ 245,560
Less, amount representing interest	(23,124)
Present Value of Lease Agreement	\$ 222,436

Note 9-Employee Retirement System and Defined Benefit Pension Plan:**A. Plan Description**

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service 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 were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 9-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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 five 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced benefit retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 9-Employee Retirement System and Defined Benefit Pension Plan: (Continued)****B. Funding Policy**Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to being making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County of Giles, Virginia is 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 2013 was 12.10% (excluding member contribution) of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to being making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 15.69% (excluding member contribution) of the annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the County of Giles, Virginia's annual pension cost of \$694,781 and \$225,126 was equal to the County of Giles, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2011	\$ 571,396	100.00%	\$ -
	6/30/2012	552,276	100.00%	-
	6/30/2013	694,781	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	\$ 184,435	100.00%	\$ -
	6/30/2012	185,826	100.00%	-
	6/30/2013	225,126	100.00%	-

¹Employer and employee portions

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 9-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

Primary Government:

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

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

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 77.32% funded. The actuarial accrued liability for benefits was \$20,185,445, and the actuarial value of assets was \$15,606,446, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,578,999. The covered payroll (annual payroll of active employees covered by the plan) was \$3,700,308, and ratio of the UAAL to the covered payroll was 123.75%.

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

As of June 30, 2012, the most recent actuarial valuation date, the plan was 61.52% funded. The actuarial accrued liability for benefits was \$5,830,062, and the actuarial value of assets was \$3,586,911, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,243,151. The covered payroll (annual payroll of active employees covered by the plan) was \$1,061,771 and ratio of the UAAL to the covered payroll was 211.27%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 9-Employee Retirement System and Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress (Continued)

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

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Giles County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to being making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$1,820,925, \$1,228,780, and \$982,990 for the fiscal years ended 2013, 2012, and 2011, respectively. Employer contributions represented 11.66%, 6.33%, and 3.93% of covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 10- Deferred Inflows of Resources:**

Governmental funds report *unavailable revenue* in connection with receivables for revenues 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 the end of the current fiscal year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>
Property taxes receivable	\$ 3,373,811
Prepaid taxes	255,603
Total unavailable revenue for governmental funds	\$ 3,629,414

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 530,530	\$ -	\$ -	\$ 530,530
Construction in progress	13,527,077	1,108,440	(14,237,358)	398,159
Total capital assets not being depreciated	<u>\$ 14,057,607</u>	<u>\$ 1,108,440</u>	<u>\$ (14,237,358)</u>	<u>\$ 928,689</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 25,034,152	\$ 13,967,101	\$ -	\$ 39,001,253
Machinery and equipment	2,520,645	378,207	(46,098)	2,852,754
Total capital assets being depreciated	<u>\$ 27,554,797</u>	<u>\$ 14,345,308</u>	<u>\$ (46,098)</u>	<u>\$ 41,854,007</u>
Accumulated depreciation:				
Buildings and improvements	\$ (13,456,560)	\$ (1,928,732)	\$ -	\$ (15,385,292)
Machinery and equipment	(1,933,632)	(209,858)	46,098	(2,097,392)
Total accumulated depreciation	<u>\$ (15,390,192)</u>	<u>\$ (2,138,590)</u>	<u>\$ 46,098</u>	<u>\$ (17,482,684)</u>
Total capital assets being depreciated, net	<u>\$ 12,164,605</u>	<u>\$ 12,206,718</u>	<u>\$ -</u>	<u>\$ 24,371,323</u>
Governmental activities capital assets, net	<u>\$ 26,222,212</u>	<u>\$ 13,315,158</u>	<u>\$ (14,237,358)</u>	<u>\$ 25,300,012</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 11-Capital Assets: (Continued)**

Primary Government: (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Construction in progress	2,262	107,200	-	109,462
Total capital assets, not being depreciated	<u>\$ 15,262</u>	<u>\$ 107,200</u>	<u>\$ -</u>	<u>\$ 122,462</u>
Capital assets, being depreciated:				
Utility plant and infrastructure	\$ 14,237,729	\$ 13,172	\$ -	\$ 14,250,901
Machinery and equipment	411,524	5,103	(38,715)	377,912
Total capital assets, being depreciated	<u>\$ 14,649,253</u>	<u>\$ 18,275</u>	<u>\$ (38,715)</u>	<u>\$ 14,628,813</u>
Accumulated depreciation:				
Utility plant and infrastructure	\$ (2,986,264)	\$ (460,787)	\$ -	\$ (3,447,051)
Machinery and equipment	(262,414)	(25,130)	38,715	(248,829)
Total accumulated depreciation	<u>\$ (3,248,678)</u>	<u>\$ (485,917)</u>	<u>\$ 38,715</u>	<u>\$ (3,695,880)</u>
Total capital assets being depreciated, net	<u>\$ 11,400,575</u>	<u>\$ (467,642)</u>	<u>\$ -</u>	<u>\$ 10,932,933</u>
Business-type activities capital assets, net	<u>\$ 11,415,837</u>	<u>\$ (360,442)</u>	<u>\$ -</u>	<u>\$ 11,055,395</u>

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

Governmental activities:

General government administration	\$ 55,290
Judicial administration	35,991
Public safety	153,268
Public works	4,243
Education	1,759,418
Parks, recreation, and cultural	46,077
Community development	84,303
Total depreciation expense-governmental activities	<u>\$ 2,138,590</u>

Business-type activities:

Water department	\$ 485,917
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**Note 11-Capital Assets: (Continued)**

Capital asset activity for the School Board for the year ended June 30, 2013 was as follows:

Discretely Presented Component Unit-School Board:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 473,652	\$ -	\$ -	\$ 473,652
Construction in progress	724,925	331,074	(724,925)	331,074
Total capital assets not being depreciated	<u>\$ 1,198,577</u>	<u>\$ 331,074</u>	<u>\$ (724,925)</u>	<u>\$ 804,726</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,171,704	\$ 754,326	\$ -	\$ 10,926,030
Machinery and equipment	4,129,493	178,666	(34,534)	4,273,625
Total capital assets being depreciated	<u>\$ 14,301,197</u>	<u>\$ 932,992</u>	<u>\$ (34,534)</u>	<u>\$ 15,199,655</u>
Accumulated depreciation:				
Buildings and improvements	\$ (7,785,884)	\$ (321,654)	\$ -	\$ (8,107,538)
Machinery and equipment	(2,728,079)	(281,442)	34,534	(2,974,987)
Total accumulated depreciation	<u>\$ (10,513,963)</u>	<u>\$ (603,096)</u>	<u>\$ 34,534</u>	<u>\$ (11,082,525)</u>
Total capital assets being depreciated, net	<u>\$ 3,787,234</u>	<u>\$ 329,896</u>	<u>\$ -</u>	<u>\$ 4,117,130</u>
Governmental activities capital assets, net	<u>\$ 4,985,811</u>	<u>\$ 660,970</u>	<u>\$ (724,925)</u>	<u>\$ 4,921,856</u>

Depreciation expense of \$603,096 was charged to education in the Statement of Activities.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 11-Capital Assets: (Continued)

Capital asset activity for the Industrial Development Authority for the year ended June 30, 2013 was as follows:

Discretely Presented Component Unit-Industrial Development Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 618,634	\$ -	\$ -	\$ 618,634
Construction in progress	12,328	-	-	12,328
Total capital assets not being depreciated	<u>\$ 630,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,962</u>
Capital assets, being depreciated:				
Buildings and improvements	<u>\$ 9,481,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,481,305</u>
Accumulated depreciation:				
Buildings and improvements	<u>\$ (741,115)</u>	<u>\$ (248,795)</u>	<u>\$ -</u>	<u>\$ (989,910)</u>
Total capital assets being depreciated, net	<u>\$ 8,740,190</u>	<u>\$ (248,795)</u>	<u>\$ -</u>	<u>\$ 8,491,395</u>
Business-type activities capital assets, net	<u>\$ 9,371,152</u>	<u>\$ (248,795)</u>	<u>\$ -</u>	<u>\$ 9,122,357</u>

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

Note 12-Inventories/Assets Held for Resale:

Discretely Presented Component Unit-Industrial Development Authority:

The Industrial Development Authority has assets consisting of land and structures specifically held for resale that are not depreciated. At June 30, 2013, the value of these assets was \$1,705,481.

The following is a summary of transactions for these assets for the year ended June 30, 2013.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Inventories/ Assets held for resale	<u>\$ 1,750,483</u>	<u>\$ -</u>	<u>\$ (45,002)</u>	<u>\$ 1,705,481</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 13-Risk Management:

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

Note 14-Contingent Liabilities:

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

Note 15-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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

Note 16-Landfill Postclosure Liability:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County landfill has been closed. Total costs for landfill postclosure are estimated to be \$46,851. This amount is based on what it would cost to perform all postclosure care in 2013. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 16-Landfill Postclosure Liability: (Continued)

The County demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 17-Other Postemployment Benefits - Health Care:

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

A. Plan Description

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

For the County, to be eligible for this benefit a retiree must meet at least one of the following criteria: attained age 50 and 10 years of service, attained age 55 and 5 years of service, or disabled with no age or service requirements. For the School Board, to be eligible for this benefit a retiree must meet at least one of the following criteria for those hired before July 1, 2010: attained age 50 and 10 years of service, attained age 65 and 5 years of service, if hired after July 1, 2010 age plus service is at least 90 or age 60 with at least 5 years of service, or disabled with no age or service. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action respectively. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 81 and 351 employees that are eligible, respectively, for the program. In addition, the County pays up to \$503.00 per month for retirees with at least 30 years of service with the County and up to \$251.50 per month for retirees with at least 20 years of service with the County. The County does not make contributions to the medical premium for retirees with less than 20 years of service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 17-Other Postemployment Benefits - Health Care: (Continued)**B. Funding Policy (Continued)**

Retirees must pay the difference between the premium and the employer contribution. Any additional premium to cover a spouse and dependents is paid by the retiree. In addition, the School Board pays for retirees under age 65 who have at least 30 years of service with the System, the System contributes a monthly amount equal to the Retiree Only premium of the Key Advantage 500 plan (\$503.00 as of 7/1/2012). Once the retiree reaches age 65, all employer contributions stop. Retirees under age 65 who have less than 30 years of service with the System receive no contribution from the System. Retirees with under 30 years of service may enter a 30 Day Employment program. The System makes contributions for participants in the 30 Day Employment Program as though they had 30 years of service. All retirees are responsible for providing the difference between the premium and the amount contributed by the System.

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

Medical & Dental	Anthem 500	Anthem 1000	Anthem 2000
Employee Only	\$ 684.99	\$ 621.64	\$ 56.40
Employee & Spouse	1,532.65	1,390.75	1,260.29
Employee & Child	935.18	848.65	769.10
Employee & Dependents	1,391.14	1,262.36	1,143.96
Family	2,110.29	1,914.87	1,575.36

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

Medical & Dental	Key Advantage 500	Key Advantage Expanded
Employee Only	\$ 503.00	\$ 585.00
Employee & Spouse	931.00	1,082.00
Employee & Dependents	931.00	1,082.00
Family	1,358.00	1,580.00

*The Medicare supplement plan premium is \$127.00

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 17-Other Postemployment Benefits - Health Care: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

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

The following table shows the components of the County and School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County and School Board's net OPEB obligation:

	Primary Government			Component Unit
	General	Water and Sewer	Total	School Board
Annual required contribution	\$ 66,479	\$ 3,721	\$ 70,200	\$ 605,800
Interest on net OPEB obligation	2,562	452	3,014	8,767
Adjustment to annual required contribution	(18,541)	15,190	(3,351)	(25,363)
Annual OPEB cost (expense)	50,500	19,363	69,863	589,204
Contributions made	(30,005)	(5,295)	(35,300)	(570,800)
Increase (Decrease) in net OPEB obligation	20,495	14,068	34,563	18,404
Net OPEB obligation - beginning of year	82,651	3,623	86,274	250,474
Net OPEB obligation - end of year	\$ 103,146	\$ 17,691	\$ 120,837	\$ 268,878

The County and County School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Entity	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	6/30/2013	\$ 69,863	51%	\$ 120,837
County	6/30/2012	53,070	64%	86,274
County	6/30/2011	51,194	73%	67,404
School Board	6/30/2013	589,204	97%	268,878
School Board	6/30/2012	621,061	103%	250,474
School Board	6/30/2011	617,483	98%	266,113

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 17-Other Postemployment Benefits - Health Care: (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of June 30, 2013, is as follows:

Actuarial accrued liability (AAL)	\$	755,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	755,000
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	3,957,400
UAAL as a percentage of covered payroll		19.08%

The funded status of the Plan for the School Board as of June 30, 2013, is as follows:

Actuarial accrued liability (AAL)	\$	6,593,500
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	6,593,500
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	11,601,200
UAAL as a percentage of covered payroll		56.83%

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

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

E. Actuarial Methods and Assumptions

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 17-Other Postemployment Benefits - Health Care: (Continued)

D. Funded Status and Funding Progress (Continued)

As of January 1, 2013, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 3.00 percent, plus productivity component of 1.25 percent, and investments rate of return at 3.50 percent, and a health care trend rate of 7.70 percent graded to 4.80 percent over 70 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at January 1, 2013 was 30 years.

Note 18-Other Postemployment Benefits (OPEB)-VRS Health Insurance Credit:

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The School's Boards contributions to VRS were \$121,324, \$65,072, and \$66,046 for the fiscal years ended 2013, 2012, and 2011, respectively, and equaled the required contributions. The School Board's contributions represented 1.11%, 0.60%, and 0.60% of annual covered payroll for the fiscal years ended 2013, 2012, and 2011, respectively.

Note 19-Litigation:

As of June 30, 2013, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 20-Restatement of Net Position:

Due to the implementation of GASB Statement No. 65, bond issuance costs are to be expensed. Therefore, the County has restated the net position of governmental activities as demonstrated below.

Governmental activities:	
Net Position as previously reported 6/30/12	\$ 8,467,370
Bond issuance costs	(105,336)
Net Position as restated 6/30/12	<u>\$ 8,362,034</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 20-Restatement of Net Position: (Continued)

Beginning net position of the Water Department fund has been restated due to an incorrect loan balance. The restatement is demonstrated below.

Business type activities:

Net Position as previously reported 6/30/12	\$ 4,903,699
VRA loan restatement	17,387
Net Position as restated 6/30/12	<u>\$ 4,921,086</u>

Note 21-Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

Required Supplementary Information

County of Giles, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 11,781,478	\$ 11,967,926	\$ 12,105,056	\$ 137,130
Other local taxes	1,798,754	1,878,697	1,919,216	40,519
Permits, privilege fees, and regulatory licenses	60,075	60,075	50,540	(9,535)
Fines and forfeitures	275,813	275,813	105,492	(170,321)
Revenue from the use of money and property	248,971	257,654	233,292	(24,362)
Charges for services	630,226	678,911	596,005	(82,906)
Miscellaneous	569,246	583,420	47,256	(536,164)
Recovered costs	879,027	1,466,582	1,364,725	(101,857)
Intergovernmental revenues:				
Commonwealth	4,892,410	5,072,792	5,139,866	67,074
Federal	1,258,368	1,311,965	1,324,063	12,098
Total revenues	\$ 22,394,368	\$ 23,553,835	\$ 22,885,511	\$ (668,324)
EXPENDITURES				
Current:				
General government administration	\$ 1,322,172	\$ 1,512,427	\$ 1,335,713	\$ 176,714
Judicial administration	757,282	779,659	752,773	26,886
Public safety	4,175,795	4,705,477	4,687,477	18,000
Public works	460,537	598,624	596,392	2,232
Health and welfare	3,949,657	3,947,584	3,851,966	95,618
Education	6,275,493	6,275,493	6,113,188	162,305
Parks, recreation, and cultural	556,233	714,894	704,999	9,895
Community development	221,001	222,969	716,368	(493,399)
Nondepartmental	517,155	931,111	880,871	50,240
Debt service:				
Principal retirement	1,655,198	1,655,198	1,088,448	566,750
Interest and other fiscal charges	611,679	611,679	402,234	209,445
Total expenditures	\$ 20,502,202	\$ 21,955,115	\$ 21,130,429	\$ 824,686
Excess (deficiency) of revenues over (under) expenditures	\$ 1,892,166	\$ 1,598,720	\$ 1,755,082	\$ 156,362
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,658,687	\$ 2,704,687	\$ -	\$ (2,704,687)
Transfers out	(4,932,369)	(5,723,845)	(1,854,102)	3,869,743
Total other financing sources (uses)	\$ (2,273,682)	\$ (3,019,158)	\$ (1,854,102)	\$ 1,165,056
Net change in fund balances	\$ (381,516)	\$ (1,420,438)	\$ (99,020)	\$ 1,321,418
Fund balances - beginning	381,516	1,420,438	7,710,742	6,290,304
Fund balances - ending	\$ -	\$ -	\$ 7,611,722	\$ 7,611,722

County of Giles, Virginia
Virginia Retirement System Pension and Other Postemployment Plans
Schedule of Pension and OPEB Funding Progress

Primary Government: County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 15,606,446	\$ 20,185,445	\$ 4,578,999	77.32%	\$ 3,700,308	123.75%
6/30/2011	15,742,049	19,507,129	3,765,080	80.70%	3,796,561	99.17%
6/30/2010	15,453,565	19,130,364	3,676,799	80.78%	3,968,686	92.65%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 3,586,911	\$ 5,830,062	\$ 2,243,151	61.52%	\$ 1,061,771	211.27%
6/30/2011	3,724,165	5,937,702	2,213,537	62.72%	1,048,110	211.19%
6/30/2010	3,765,865	5,801,973	2,036,108	64.91%	1,219,349	166.98%

Primary Government: Other Postemployment Benefit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2013	\$ -	\$ 755,000	\$ 755,000	0.00%	\$ 3,957,400	19.08%
1/1/2011	-	535,900	535,900	0.00%	3,615,000	14.82%
1/1/2009	-	568,800	568,800	0.00%	4,241,600	13.41%

Discretely Presented Component Unit: School Board Other Postemployment Benefit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1/1/2013	\$ -	\$ 6,593,500	\$ 6,593,500	0.00%	\$ 11,601,200	56.83%
1/1/2011	-	6,643,300	6,643,300	0.00%	11,886,000	55.89%
1/1/2009	-	6,200,800	6,200,800	0.00%	13,580,000	45.66%

Other Supplementary Information

County of Giles, Virginia
 Capital Improvements Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2013

	Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 1	\$ 645	\$ 644
Intergovernmental revenues:				
Local government	-	-	3,254	3,254
Commonwealth	280,000	422,673	-	(422,673)
Total revenues	\$ 280,000	\$ 422,674	\$ 3,899	\$ (418,775)
EXPENDITURES				
Current:				
General government administration	\$ 55,000	\$ 75,510	\$ 76,743	\$ (1,233)
Public safety	-	610,593	875,192	(264,599)
Public works	600,000	602,630	3,280	599,350
Community development	310,851	64,467	5,610	58,857
Capital projects	1,831,500	1,831,500	395,417	1,436,083
Debt service:				
Principal retirement	1,319,087	1,285,313	15,870,233	(14,584,920)
Interest and other fiscal charges	60,838	59,280	731,951	(672,671)
Bond issuance costs	-	-	187,038	(187,038)
Total expenditures	\$ 4,177,276	\$ 4,529,293	\$ 18,145,464	\$ (13,616,171)
Excess (deficiency) of revenues over (under) expenditures	\$ (3,897,276)	\$ (4,106,619)	\$ (18,141,565)	\$ (14,034,946)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,897,276	\$ 4,106,619	\$ 1,227,223	\$ (2,879,396)
Issuance of revenue bond	-	-	16,008,614	16,008,614
Issuance of capital leases	-	-	222,436	222,436
Total other financing sources (uses)	\$ 3,897,276	\$ 4,106,619	\$ 17,458,273	\$ 13,351,654
Net change in fund balances	\$ -	\$ -	\$ (683,292)	\$ (683,292)
Fund balances - beginning	-	-	956,338	956,338
Fund balances - ending	\$ -	\$ -	\$ 273,046	\$ 273,046

County of Giles, Virginia
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
ASSETS				
Cash and cash equivalents				
Special Welfare Fund	<u>\$ 62,175</u>	<u>\$ 120,374</u>	<u>\$ (122,023)</u>	<u>\$ 60,526</u>
LIABILITIES				
Amounts held for Social Services clients	<u>\$ 62,175</u>	<u>\$ 120,374</u>	<u>\$ (122,023)</u>	<u>\$ 60,526</u>

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

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

County of Giles, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 2,872,712
Cash in custody of others	80,863
Receivables (net of allowance for uncollectibles):	
Accounts receivable	740
Due from other governmental units	740,623
Inventories	72,609
Prepaid items	767,664
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents (in custody of others)	245,119
Total assets	<u>\$ 4,780,330</u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 57,140
Accrued payroll	1,976,632
Total liabilities	<u>\$ 2,033,772</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	\$ 767,664
Inventory	72,609
Restricted:	
School cafeteria	245,119
Committed:	1,661,166
Total fund balances	<u>\$ 2,746,558</u>
Total liabilities and fund balances	<u>\$ 4,780,330</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 2,746,558
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 473,652
Construction in progress	331,074
Buildings and system	2,818,492
Machinery, equipment, and vehicles	<u>1,298,638</u>
	4,921,856
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (268,878)
Compensated absences	<u>(466,343)</u>
	\$ (735,221)
Net position of governmental activities	<u>\$ 6,933,193</u>

County of Giles, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 2,176
Charges for services	463,528
Miscellaneous	46,429
Recovered costs	164,298
Intergovernmental revenues:	
Local government	6,100,927
Commonwealth	14,903,390
Federal	2,036,647
Total revenues	<u>\$ 23,717,395</u>
EXPENDITURES	
Current:	
Education	\$ 23,794,526
Total expenditures	<u>\$ 23,794,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (77,131)</u>
Net change in fund balances	\$ (77,131)
Fund balances - beginning	<u>2,823,689</u>
Fund balances - ending	<u><u>\$ 2,746,558</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (77,131)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital asset additions	\$ 539,141
Depreciation expense	<u>(603,096)</u> (63,955)
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.	
(Increase) decrease in compensated absences	\$ 3,334
(Increase) decrease in net OPEB obligation	<u>(18,404)</u> (15,070)
Change in net position of governmental activities	<u><u>\$ (156,156)</u></u>

County of Giles, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 150	\$ 150	\$ 2,176	\$ 2,026
Charges for services	464,650	464,650	463,528	(1,122)
Miscellaneous	70,850	70,850	46,429	(24,421)
Recovered costs	136,760	136,760	164,298	27,538
Intergovernmental revenues:				
Local government	6,266,486	6,266,486	6,100,927	(165,559)
Commonwealth	15,036,994	15,036,994	14,903,390	(133,604)
Federal	1,753,117	1,753,117	2,036,647	283,530
Total revenues	\$ 23,729,007	\$ 23,729,007	\$ 23,717,395	\$ (11,612)
EXPENDITURES				
Current:				
Education	\$ 23,729,007	\$ 23,729,007	\$ 23,794,526	\$ (65,519)
Total expenditures	\$ 23,729,007	\$ 23,729,007	\$ 23,794,526	\$ (65,519)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (77,131)	\$ (77,131)
Net change in fund balances	\$ -	\$ -	\$ (77,131)	\$ (77,131)
Fund balances - beginning	-	-	2,823,689	2,823,689
Fund balances - ending	\$ -	\$ -	\$ 2,746,558	\$ 2,746,558

Supporting Schedules

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,636,079	\$ 5,636,079	\$ 5,787,188	\$ 151,109
Real and personal public service corporation taxes	1,019,667	1,019,667	980,738	(38,929)
Personal property taxes	1,625,230	1,811,678	1,846,535	34,857
Mobile home taxes	46,740	46,740	42,372	(4,368)
Machinery and tools taxes	3,133,700	3,133,700	3,134,009	309
Merchant's capital	160,305	160,305	167,812	7,507
Common carrier	14,920	14,920	7,105	(7,815)
Penalties	89,837	89,837	84,978	(4,859)
Interest	55,000	55,000	54,319	(681)
Total general property taxes	\$ 11,781,478	\$ 11,967,926	\$ 12,105,056	\$ 137,130
Other local taxes:				
Local sales and use taxes	\$ 1,165,732	\$ 1,165,732	\$ 1,262,496	\$ 96,764
Consumers' utility taxes	240,340	240,340	241,338	998
Consumption taxes	51,358	51,358	53,601	2,243
Gross receipts tax	10,759	10,759	9,128	(1,631)
Motor vehicle licenses	171,368	208,841	207,994	(847)
Local tax on deeds	63,837	63,837	68,092	4,255
Hotel and motel room taxes	95,360	137,830	76,567	(61,263)
Total other local taxes	\$ 1,798,754	\$ 1,878,697	\$ 1,919,216	\$ 40,519
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 6,297	\$ 6,297	\$ 4,780	\$ (1,517)
Land use application fees	874	874	776	(98)
Transfer fees	583	583	7,907	7,324
Variance and rezoning fees	3,621	3,621	4,350	729
Building permits	48,700	48,700	32,727	(15,973)
Total permits, privilege fees, and regulatory licenses	\$ 60,075	\$ 60,075	\$ 50,540	\$ (9,535)
Fines and forfeitures:				
Court fines and forfeitures	\$ 275,813	\$ 275,813	\$ 105,492	\$ (170,321)
Revenue from use of money and property:				
Revenue from use of money	\$ 204,074	\$ 204,074	\$ 190,395	\$ (13,679)
Revenue from use of property	44,897	53,580	42,897	(10,683)
Total revenue from use of money and property	\$ 248,971	\$ 257,654	\$ 233,292	\$ (24,362)
Charges for services:				
Charges for law enforcement and traffic control	\$ 23,468	\$ 24,562	\$ 9,709	\$ (14,853)
Charges for courthouse maintenance	26,565	26,565	32,457	5,892
Charges for processing arrest fee	1,488	1,488	1,967	479
Charges for Commonwealth's Attorney	1,731	1,731	2,448	717
Charges for nonconsecutive jail and blood test/dna fees	313	313	342	29
Charges for law library	2,090	2,090	3,434	1,344
Charges for copies	3,288	3,288	6,460	3,172

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for courtroom security fee	46,800	72,010	59,695	(12,315)
Charges for PSA billings	51,000	63,795	51,875	(11,920)
Charges for parks and recreation	288,015	291,900	249,238	(42,662)
Charges for wellness center fees	180,000	180,000	166,883	(13,117)
Other charges for services	5,468	11,169	11,497	328
Total charges for services	\$ 630,226	\$ 678,911	\$ 596,005	\$ (82,906)
Miscellaneous revenue:				
Miscellaneous	\$ 569,246	\$ 583,420	\$ 47,256	\$ (536,164)
Recovered costs:				
School resource officer	\$ 257,870	\$ 259,142	\$ 313,744	\$ 54,602
Health insurance recoveries	132,033	175,626	171,474	(4,152)
Health department and Social Services	20,579	70,157	138,492	68,335
DMV license agent reimbursement	27,813	27,813	28,836	1,023
PSA recovered costs	57,852	76,950	177,571	100,621
Other recovered costs	382,880	856,894	534,608	(322,286)
Total recovered costs	\$ 879,027	\$ 1,466,582	\$ 1,364,725	\$ (101,857)
Total revenue from local sources	\$ 16,243,590	\$ 17,169,078	\$ 16,421,582	\$ (747,496)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 107,063	\$ 107,063	\$ 262,663	\$ 155,600
Mobile home titling tax	15,788	15,788	14,588	(1,200)
Animal friendly plates	215	215	229	14
Motor vehicle rental tax	1,344	1,344	2,752	1,408
State recordation tax	34,887	34,887	40,124	5,237
Communications sales taxes	249,322	262,097	258,932	(3,165)
Personal property tax relief funds	1,227,860	1,227,860	1,227,860	-
Total noncategorical aid	\$ 1,636,479	\$ 1,649,254	\$ 1,807,148	\$ 157,894
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 272,637	\$ 286,000	\$ 264,555	\$ (21,445)
Sheriff	919,418	919,418	889,285	(30,133)
Commissioner of revenue	113,567	113,567	99,357	(14,210)
Treasurer	91,605	91,605	94,878	3,273
Registrar/electoral board	37,502	37,502	33,549	(3,953)
Clerk of circuit court	211,996	221,625	209,149	(12,476)
Total shared expenses	\$ 1,646,725	\$ 1,669,717	\$ 1,590,773	\$ (78,944)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 731,300	\$ 771,396	\$ 772,087	\$ 691
State and Local Foster Care	-	-	395	395
Comprehensive Services Act program	764,458	764,458	717,540	(46,918)
Litter control grant	8,033	18,906	10,873	(8,033)
Hazmat revenue	15,000	15,000	-	(15,000)
Juvenile justice	9,185	9,185	8,813	(372)
Two-for-Life	16,923	48,119	16,761	(31,358)
Asset Forfeiture	-	14,510	22,198	7,688
Fire programs	27,247	52,398	29,815	(22,583)
FEMA disaster assistance	-	-	1,921	1,921
Circuit court records grant	-	22,789	28,962	6,173
911 wireless grant	37,060	37,060	37,540	480
E911 PSAP equipment grant	-	-	95,000	95,000
Other categorical aid	-	-	40	40
Total other categorical aid	\$ 1,609,206	\$ 1,753,821	\$ 1,741,945	\$ (11,876)
Total categorical aid	\$ 3,255,931	\$ 3,423,538	\$ 3,332,718	\$ (90,820)
Total revenue from the Commonwealth	\$ 4,892,410	\$ 5,072,792	\$ 5,139,866	\$ 67,074
Revenue from the federal government:				
Non-categorical aid:				
Payments in lieu of taxes	\$ 39,135	\$ 39,135	\$ 68,379	\$ 29,244
Categorical aid:				
Public assistance and welfare administration	\$ 977,542	\$ 1,031,139	\$ 1,032,063	\$ 924
Comprehensive Services Act program	215,616	215,616	199,468	(16,148)
Emergency management grants	-	-	2,852	2,852
Tourism enhancement grant	-	-	650	650
State and community highway safety grants	16,075	16,075	9,199	(6,876)
FEMA disaster assistance	-	-	4,352	4,352
U.S forestry assistance	10,000	10,000	7,100	(2,900)
Total categorical aid	\$ 1,219,233	\$ 1,272,830	\$ 1,255,684	\$ (17,146)
Total revenue from the federal government	\$ 1,258,368	\$ 1,311,965	\$ 1,324,063	\$ 12,098
Total General Fund	\$ 22,394,368	\$ 23,553,835	\$ 22,885,511	\$ (668,324)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 1	\$ 645	\$ 644
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from Giles County School Board	\$ -	\$ -	\$ 3,254	\$ 3,254
Categorical aid:				
Economic development grants	\$ -	\$ 142,673	\$ -	\$ (142,673)
New River walking trail	280,000	280,000	-	(280,000)
Total categorical aid	\$ 280,000	\$ 422,673	\$ -	\$ (422,673)
Total revenue from the Commonwealth	\$ 280,000	\$ 422,673	\$ -	\$ (422,673)
Total County Capital Improvements Fund	\$ 280,000	\$ 422,674	\$ 3,899	\$ (418,775)
Total Primary Government	\$ 22,674,368	\$ 23,976,509	\$ 22,889,410	\$ (1,087,099)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 326	\$ 326
Revenue from the use of property	150	150	1,850	1,700
Total revenue from use of money and property	\$ 150	\$ 150	\$ 2,176	\$ 2,026
Charges for services:				
Charges for education	\$ 8,000	\$ 8,000	\$ 5,950	\$ (2,050)
Cafeteria sales	450,000	450,000	457,578	7,578
Transportation of pupils	650	650	-	(650)
Other charges for services	6,000	6,000	-	(6,000)
Total charges for services	\$ 464,650	\$ 464,650	\$ 463,528	\$ (1,122)
Miscellaneous revenue:				
Miscellaneous	\$ 70,850	\$ 70,850	\$ 46,429	\$ (24,421)
Recovered costs:				
Rebates and refunds	\$ 136,760	\$ 136,760	\$ 164,298	\$ 27,538
Total revenue from local sources	\$ 672,410	\$ 672,410	\$ 676,431	\$ 4,021
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Giles, Virginia	\$ 6,266,486	\$ 6,266,486	\$ 6,100,927	\$ (165,559)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,493,661	\$ 2,493,661	\$ 2,483,444	\$ (10,217)
Basic school aid	7,607,258	7,607,258	7,662,739	55,481
Remedial summer education	48,301	48,301	24,840	(23,461)
Regular foster care	21,914	21,914	4,409	(17,505)
Gifted and talented	82,399	82,399	83,064	665
Remedial education	230,946	230,946	232,820	1,874
School food	14,415	14,415	22,049	7,634
Special education	1,149,399	1,149,399	1,158,728	9,329
Textbook payment	159,406	159,406	160,700	1,294
Vocational education - occupational/technology	56,179	56,179	42,513	(13,666)
Vocational standards of quality payments	403,267	403,267	406,540	3,273
Vocational adult education	2,886	2,886	14,745	11,859
Social security fringe benefits	508,080	508,080	512,205	4,125
Retirement fringe benefits	1,130,894	1,130,894	854,271	(276,623)
Group life fringe benefits	31,977	31,977	32,237	260
State lottery payments	95,607	95,607	-	(95,607)
Early reading intervention	68,318	68,318	38,713	(29,605)
Homebound education	13,481	13,481	5,859	(7,622)
Virginia preschool initiative	78,775	78,775	70,022	(8,753)
Primary class size	240,162	240,162	240,677	515
Technology	2,600	2,600	2,839	239
Standards of Learning algebra readiness	34,277	34,277	32,640	(1,637)
Vocational education - equipment	4,500	4,500	4,555	55
Preschool	-	-	148,501	148,501
E-rate	60,000	60,000	97,608	37,608
Special education - foster children	21,914	21,914	20,791	(1,123)
At risk payments	195,590	195,590	197,048	1,458
GED prep program	7,859	7,859	7,859	-
English as a second language	3,914	3,914	3,044	(870)
VPSA technology grants	206,000	206,000	231,768	25,768
Other state funds	63,015	63,015	106,162	43,147
Total categorical aid	\$ 15,036,994	\$ 15,036,994	\$ 14,903,390	\$ (133,604)
Total revenue from the Commonwealth	\$ 15,036,994	\$ 15,036,994	\$ 14,903,390	\$ (133,604)
Revenue from the federal government:				
Categorical aid:				
Payments in lieu of taxes	\$ 13,581	\$ 13,581	\$ 442	\$ (13,139)
Schools and roads	19,435	19,435	86,540	67,105
Literacy challenge grant	8,000	8,000	-	(8,000)
Bullying grant	-	-	3,101	3,101
Title I	494,000	494,000	659,320	165,320
Title VI-B, special education flow-through	490,000	490,000	474,308	(15,692)

County of Giles, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (continued)				
Revenue from the federal government:				
Categorical aid: (Continued)				
Vocational education	\$ 44,000	\$ 44,000	\$ 42,726	\$ (1,274)
Summer food service program	-	-	5,184	5,184
Title II	123,000	123,000	95,006	(27,994)
Special Education - preschool	14,783	14,783	14,737	(46)
National school lunch program	546,318	546,318	655,283	108,965
Total categorical aid	<u>\$ 1,753,117</u>	<u>\$ 1,753,117</u>	<u>\$ 2,036,647</u>	<u>\$ 283,530</u>
Total revenue from the federal government	<u>\$ 1,753,117</u>	<u>\$ 1,753,117</u>	<u>\$ 2,036,647</u>	<u>\$ 283,530</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 23,729,007</u>	<u>\$ 23,729,007</u>	<u>\$ 23,717,395</u>	<u>\$ (11,612)</u>

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 118,004	\$ 150,909	\$ 140,214	\$ 10,695
General and financial administration:				
County administrator	\$ 211,679	\$ 211,679	\$ 207,248	\$ 4,431
Legal services	27,000	49,000	41,199	7,801
Commissioner of revenue	353,801	354,414	296,773	57,641
Land use	9,211	9,211	6,281	2,930
Treasurer	346,423	456,497	380,900	75,597
PSA billing and collection	53,319	71,360	56,215	15,145
Department of motor vehicles	53,333	53,333	53,033	300
Total general and financial administration	\$ 1,054,766	\$ 1,205,494	\$ 1,041,649	\$ 163,845
Board of elections:				
Registrar	\$ 149,402	\$ 156,024	\$ 153,850	\$ 2,174
Total general government administration	\$ 1,322,172	\$ 1,512,427	\$ 1,335,713	\$ 176,714
Judicial administration:				
Courts:				
Circuit court	\$ 22,154	\$ 22,154	\$ 22,234	\$ (80)
General district court	17,632	19,275	18,132	1,143
Magistrate	1,300	1,041	941	100
Juvenile and domestic court	24,803	24,803	12,594	12,209
Clerk of the circuit court	359,309	368,938	362,553	6,385
Law library	6,555	4,555	3,612	943
Total courts	\$ 431,753	\$ 440,766	\$ 420,066	\$ 20,700
Commonwealth's attorney:				
Commonwealth's attorney	\$ 325,529	\$ 338,893	\$ 332,707	\$ 6,186
Total judicial administration	\$ 757,282	\$ 779,659	\$ 752,773	\$ 26,886
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,390,688	\$ 2,506,849	\$ 2,501,097	\$ 5,752
Criminal justice training	13,000	13,155	13,155	-
Total law enforcement and traffic control	\$ 2,403,688	\$ 2,520,004	\$ 2,514,252	\$ 5,752
Fire and rescue services:				
Fire and rescue	\$ 166,833	\$ 244,335	\$ 257,373	\$ (13,038)
GIS system development	87,285	94,151	93,128	1,023
Ambulance service	250,000	277,990	277,990	-
Total fire and rescue services	\$ 504,118	\$ 616,476	\$ 628,491	\$ (12,015)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public Safety: (Continued)				
Correction and detention:				
New River Valley Regional Jail	\$ 736,348	\$ 828,878	\$ 889,128	\$ (60,250)
NRV juvenile detention	52,864	51,290	51,245	45
Total correction and detention	\$ 789,212	\$ 880,168	\$ 940,373	\$ (60,205)
Inspections:				
Building official	\$ 187,033	\$ 187,033	\$ 182,003	\$ 5,030
Other protection:				
Animal control	\$ 2,236	\$ 2,236	\$ -	\$ 2,236
Medical examiner	500	500	200	300
Emergency services	600	54,838	14,618	40,220
Inmate work program	40,000	92,377	91,783	594
Haz-mat services	16,904	16,900	4,426	12,474
Probation office	675	675	-	675
School Resource Officer	207,181	207,181	203,996	3,185
US forest service	7,500	16,184	3,955	12,229
911 wireless grant	-	93,693	93,693	-
Law enforcement grants	16,148	17,212	9,687	7,525
Total other protection	\$ 291,744	\$ 501,796	\$ 422,358	\$ 79,438
Total public safety	\$ 4,175,795	\$ 4,705,477	\$ 4,687,477	\$ 18,000
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 150	\$ 150	\$ -	\$ 150
Sanitation and waste removal:				
Landfill monitoring	\$ 82,860	\$ 42,602	\$ 40,763	\$ 1,839
Weed control	3,000	3,000	3,000	-
Total sanitation and waste removal	\$ 85,860	\$ 45,602	\$ 43,763	\$ 1,839
Maintenance of general buildings and grounds:				
General properties	\$ 374,527	\$ 552,872	\$ 552,629	\$ 243
Total public works	\$ 460,537	\$ 598,624	\$ 596,392	\$ 2,232
Health and welfare:				
Health:				
Supplement of local health department	\$ 121,000	\$ 121,000	\$ 121,000	\$ -
Mental health and mental retardation:				
Community services board	\$ 51,450	\$ 51,450	\$ 51,450	\$ -

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Comprehensive services	\$ 1,548,016	\$ 1,548,016	\$ 1,391,054	\$ 156,962
Welfare administration and public assistance	2,090,588	2,090,588	2,156,384	(65,796)
Fairview home	17,859	17,859	17,859	-
NRVSS nutrition program	8,930	8,645	7,359	1,286
NRV disability services board	1,275	1,275	1,275	-
New River community action	13,680	13,680	13,680	-
Women's resource center	5,358	5,358	5,358	-
Free clinic of the NRV, Inc.	8,000	8,000	8,000	-
Area agency on aging	7,324	7,324	7,324	-
Senior center	74,332	74,332	71,223	3,109
Literacy volunteers of America	445	-	-	-
State and local hospitalization	1,400	57	-	57
Total welfare	\$ 3,777,207	\$ 3,775,134	\$ 3,679,516	\$ 95,618
Total health and welfare	\$ 3,949,657	\$ 3,947,584	\$ 3,851,966	\$ 95,618
Education:				
Educational costs:				
Contributions to Community College	\$ 9,007	\$ 9,007	\$ 9,007	\$ -
Contribution to County School Board	6,266,486	6,266,486	6,104,181	162,305
Total education	\$ 6,275,493	\$ 6,275,493	\$ 6,113,188	\$ 162,305
Parks, recreation, and cultural:				
Parks and recreation:				
Swimming pool	\$ 10,000	\$ 10,000	\$ 12,316	\$ (2,316)
Golf course	194,891	281,673	288,141	(6,468)
Castle Rock operations	66,797	103,813	91,206	12,607
Castle Rock 19th Hole	-	-	-	-
Wellness center	172,875	207,008	202,936	4,072
Other recreation and cultural enrichment	82,420	83,150	81,150	2,000
Total parks and recreation	\$ 526,983	\$ 685,644	\$ 675,749	\$ 9,895
Library:				
Contribution to county library	\$ 29,250	\$ 29,250	\$ 29,250	\$ -
Total parks, recreation, and cultural	\$ 556,233	\$ 714,894	\$ 704,999	\$ 9,895
Community development:				
Planning and community development:				
County planner	\$ 81,659	\$ 77,492	\$ 77,095	\$ 397
Planning commission	20,226	20,226	18,127	2,099
Contribution to IDA	-	-	500,000	(500,000)
Zoning Board	538	538	380	158
Other community development	42,197	44,132	43,892	240
Total planning and community development	\$ 144,620	\$ 142,388	\$ 639,494	\$ (497,106)

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Environmental management:				
Contributions to soil and water districts	\$ 8,700	\$ 9,400	\$ 9,400	\$ -
Cooperative extension program:				
Extension office	\$ 67,681	\$ 71,181	\$ 67,474	\$ 3,707
Total community development	\$ 221,001	\$ 222,969	\$ 716,368	\$ (493,399)
Nondepartmental:				
Fringe benefits and fuel charges	\$ 517,155	\$ 931,111	\$ 880,871	\$ 50,240
Debt service:				
Principal retirement	\$ 1,655,198	\$ 1,655,198	\$ 1,088,448	\$ 566,750
Interest and other fiscal charges	611,679	611,679	402,234	209,445
Total debt service	\$ 2,266,877	\$ 2,266,877	\$ 1,490,682	\$ 776,195
Total General Fund	\$ 20,502,202	\$ 21,955,115	\$ 21,130,429	\$ 824,686
Capital Projects Fund:				
County Capital Improvements Fund:				
General and financial administration:				
Information Technology	\$ 55,000	\$ 72,110	\$ 72,110	\$ -
TANIF project	-	3,400	4,633	(1,233)
Total general and financial administration	\$ 55,000	\$ 75,510	\$ 76,743	\$ (1,233)
Public Safety:				
Radio system	\$ -	\$ 381,949	\$ 379,112	\$ 2,837
Call center	-	228,644	273,644	(45,000)
E911 equipment	-	-	222,436	(222,436)
Total Public Safety	\$ -	\$ 610,593	\$ 875,192	\$ (264,599)
Public Works:				
County wide signage	\$ 50,000	\$ 50,000	\$ 650	\$ 49,350
Roof NEMS	550,000	550,000	-	550,000
Penvir bridge construction	-	2,630	2,630	-
Total Public Works	\$ 600,000	\$ 602,630	\$ 3,280	\$ 599,350
Community development:				
Planning and community development:				
Economic development	\$ 310,851	\$ 60,851	\$ -	\$ 60,851
DGIF boat ramps	-	3,616	5,610	(1,994)
Total community development	\$ 310,851	\$ 64,467	\$ 5,610	\$ 58,857
Capital projects expenditures:				
Walking trail	\$ 280,000	\$ 280,000	\$ -	\$ 280,000
School improvements	1,551,500	1,551,500	395,417	1,156,083
Total capital projects	\$ 1,831,500	\$ 1,831,500	\$ 395,417	\$ 1,436,083

County of Giles, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund: (Continued)				
County Capital Improvements Fund: (Continued)				
Debt service:				
Principal retirement	\$ 1,319,087	\$ 1,285,313	\$ 15,870,233	\$ (14,584,920)
Interest and other fiscal charges	60,838	59,280	731,951	(672,671)
Bond issuance costs	-	-	187,038	(187,038)
Total debt service	<u>\$ 1,379,925</u>	<u>\$ 1,344,593</u>	<u>\$ 16,789,222</u>	<u>\$ (15,444,629)</u>
Total County Capital Improvements Fund	<u>\$ 4,177,276</u>	<u>\$ 4,529,293</u>	<u>\$ 18,145,464</u>	<u>\$ (13,616,171)</u>
Total Primary Government	<u>\$ 24,679,478</u>	<u>\$ 26,484,408</u>	<u>\$ 39,275,893</u>	<u>\$ (12,791,485)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	<u>\$ 15,958,518</u>	<u>\$ 15,958,518</u>	<u>\$ 16,257,984</u>	<u>\$ (299,466)</u>
Operating costs:				
Attendance and health services	\$ 864,207	\$ 864,207	\$ 1,009,474	\$ (145,267)
Pupil transportation	1,293,995	1,293,995	1,226,320	67,675
Operation and maintenance of school plant	2,335,581	2,335,581	2,540,896	(205,315)
Facilities	393,168	393,168	402,312	(9,144)
Technology	876,607	876,607	1,261,725	(385,118)
Total operating costs	<u>\$ 5,763,558</u>	<u>\$ 5,763,558</u>	<u>\$ 6,440,727</u>	<u>\$ (677,169)</u>
School food services:				
Administration of school food program	<u>\$ 2,006,931</u>	<u>\$ 2,006,931</u>	<u>\$ 1,095,815</u>	<u>\$ 911,116</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 23,729,007</u>	<u>\$ 23,729,007</u>	<u>\$ 23,794,526</u>	<u>\$ (65,519)</u>

Other Statistical Information

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development (1)	Non-departmental	Interest on Long-Term Debt		Water Department	Total
										Term	Debt		
2003-04	\$ 969,724	\$ 302,697	\$ 2,497,636	\$ 423,687	\$ 1,817,039	\$ 7,142,510	\$ 705,021	\$ 757,170	\$ -	\$ 939,397	\$ -	\$ 844,229	\$ 16,399,110
2004-05	1,278,949	494,331	3,053,312	309,003	1,958,813	6,509,380	664,241	704,970	50,028	878,240	-	789,851	16,691,118
2005-06	1,135,553	518,247	3,305,443	415,498	2,645,705	6,330,274	758,113	287,666	18,787	813,501	-	957,366	17,186,153
2006-07	1,308,071	592,293	3,556,881	966,677	2,622,010	5,671,104	896,860	343,283	-	862,168	-	1,065,923	17,885,270
2007-08	1,534,269	672,928	3,584,867	549,638	2,874,710	6,903,898	813,781	1,571,574	-	807,477	-	1,137,390	20,450,532
2008-09	1,602,292	703,829	3,856,862	476,772	3,058,974	5,765,131	839,706	323,454	-	834,439	-	1,595,807	19,057,266
2009-10	1,557,685	705,573	3,764,801	438,175	3,069,055	6,222,250	861,434	5,036,422	-	1,261,108	-	1,530,169	24,446,672
2010-11	1,612,399	456,903	3,937,646	382,840	3,467,252	6,117,468	1,072,522	346,131	-	1,217,615	-	1,543,650	20,154,426
2011-12	1,465,212	749,059	3,858,811	433,301	3,815,866	6,418,750	764,944	427,820	-	1,109,865	-	1,633,876	20,677,504
2012-13	1,040,876	704,273	5,055,111	595,826	3,742,017	7,869,352	741,059	803,350	-	1,338,211	-	1,791,446	23,681,521

(1) FY 2009-10 includes a contribution of \$4,375,511 to the Giles Industrial Development Authority in support of the hospital infrastructure projects.

Table 2

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

PROGRAM REVENUES					GENERAL REVENUES							Gain on Sale of Assets	Total
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscellaneous	Contributions Not Restricted to Specific Programs			
2003-04	\$ 749,229	\$ 2,762,309	\$ 278,919	\$ 10,581,091	\$ 1,763,972	\$ -	\$ -	\$ 184,495	\$ 40,600	\$ 1,480,707	\$ -	\$ 17,841,322	
2004-05	749,708	2,959,790	342,440	9,380,467	1,850,521	72,326	26,428	158,976	50,507	1,571,776	-	17,162,939	
2005-06	909,805	3,736,766	274,568	9,499,802	1,859,770	-	-	263,587	23,245	1,595,836	-	18,163,379	
2006-07	981,279	4,884,180	51,714	10,266,359	1,723,520	-	-	286,779	20,244	1,664,325	-	19,878,400	
2007-08	1,052,921	4,295,126	1,848,937	10,606,003	2,044,328	-	-	308,607	37,991	1,478,463	-	21,672,376	
2008-09	1,285,528	4,388,647	221,660	11,050,675	1,912,001	-	-	372,250	994,633	1,585,670	-	21,811,064	
2009-10	1,186,168	4,285,122	496,558	11,187,893	1,664,585	-	-	317,919	35,136	1,585,229	-	20,758,610	
2010-11	1,158,123	4,203,780	873,251	11,722,260	1,749,017	-	-	266,669	462,209	1,689,126	-	22,124,435	
2011-12	1,326,038	4,539,944	170,824	11,877,251	1,746,202	-	-	275,397	24,655	1,695,160	-	21,655,471	
2012-13	1,207,568	4,493,402	113,826	12,073,980	1,919,216	-	-	237,267	47,256	1,875,527	14,027	21,982,069	

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development (3)	Non-departmental	Debt Service	Total
2003-04	\$ 994,441	\$ 477,789	\$ 2,507,233	\$ 419,791	\$ 1,900,396	\$ 18,904,815	\$ 663,784	\$ 788,835	\$ -	\$ 1,887,947	\$ 28,545,031
2004-05	1,245,466	494,331	3,218,254	344,450	1,971,352	20,416,339	626,606	710,306	50,028	1,928,747	31,005,879
2005-06	1,223,288	528,047	3,431,264	420,545	2,752,848	21,107,344	721,535	297,002	18,787	2,187,188	32,687,848
2006-07	1,331,494	637,024	3,797,384	971,197	2,611,276	22,508,015	872,465	288,154	17,751	2,528,409	35,563,169
2007-08	1,606,123	663,594	3,573,864	488,472	2,869,119	23,755,018	790,006	1,254,203	59,637	1,999,896	37,059,932
2008-09	1,597,862	695,441	3,849,643	441,893	3,058,680	24,734,563	795,081	257,520	352,012	2,053,898	37,836,593
2009-10	1,520,756	702,042	3,833,304	559,201	3,269,547	24,034,314	818,511	4,961,680	406,302	2,749,942	42,855,599
2010-11 (4)	1,436,110	726,488	4,153,468	420,421	3,517,234	21,974,561	744,911	262,884	696,032	2,214,272	36,146,381
2011-12	1,489,763	706,626	4,011,209	421,212	3,865,490	22,398,858	743,801	344,123	743,593	2,912,690	37,637,365
2012-13 (5)	1,412,456	752,773	5,562,669	599,672	3,851,966	23,806,787	704,999	721,978	880,871	2,620,748	40,914,919

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

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board and contribution from School Board to the Capital Improvements Fund.

(3) FY 2009-10 includes a contribution of \$4,375,511 to the Giles Industrial Development Authority in support of the hospital infrastructure projects.

(4) Debt service excludes refunded bond anticipation note of \$13,500,000.

(5) Debt service excludes bond refundings of \$15,659,156.

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2003-04	\$ 10,497,188	\$ 1,763,972	\$ 50,968	\$ 25,765	\$ 185,345	\$ 971,658	\$ 141,366	\$ 693,752	\$ 16,449,051	\$ 30,779,065
2004-05	9,199,339	1,850,521	72,326	26,428	159,606	1,042,762	198,805	201,823	18,787,643	31,539,253
2005-06	9,745,745	1,859,770	50,460	31,181	264,206	1,180,146	230,459	245,886	20,266,978	33,874,831
2006-07	10,189,093	1,723,520	54,433	28,553	287,670	1,232,174	227,636	177,498	23,980,577	37,901,154
2007-08	10,697,086	2,044,328	45,065	24,264	308,607	1,189,193	121,344	391,456	23,060,256	37,881,599
2008-09	11,102,097	1,912,001	76,669	20,192	339,722	1,331,462	1,444,646	433,831	24,797,393	41,458,013
2009-10	11,041,741	1,664,585	31,477	29,833	333,007	1,241,049	119,031	1,102,753	24,099,204	39,662,680
2010-11	11,807,023	1,749,017	26,963	26,837	267,339	1,170,525	655,374	1,147,560	23,095,492	39,946,130
2011-12	11,857,303	1,746,202	42,986	31,194	275,735	1,150,905	123,361	1,174,262	23,110,381	39,512,329
2012-13	12,105,056	1,919,216	50,540	105,492	236,113	1,059,533	93,685	1,529,023	23,403,966	40,502,624

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,3)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy			
2003-04	\$ 11,801,618	\$ 11,285,852	95.63%	\$ 206,023	\$ 11,491,875	97.38%	\$	864,214	7.32%
2004-05	10,199,386	9,970,670	97.76%	230,567	10,201,237	100.02%		683,140	6.70%
2005-06	10,829,309	10,599,412	97.88%	200,067	10,799,479	99.72%		810,565	7.48%
2006-07	11,390,695	11,030,334	96.84%	254,477	11,284,811	99.07%		713,456	6.26%
2007-08	11,849,315	11,598,742	97.89%	183,512	11,782,254	99.43%		846,963	7.15%
2008-09	12,204,375	11,999,984	98.33%	179,820	12,179,804	99.80%		780,033	6.39%
2009-10	12,233,089	11,860,088	96.95%	257,289	12,117,377	99.05%		907,800	7.42%
2010-11	12,821,899	12,387,707	96.61%	467,536	12,855,243	100.26%		867,642	6.77%
2011-12	12,934,608	12,404,021	95.90%	946,344	13,350,365	103.21%		835,655	6.46%
2012-13	13,140,195	12,479,020	94.97%	714,599	13,193,619	100.41%		763,561	5.81%

(1) Exclusive of penalties and interest.

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

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (1)	Machinery and Tools	Public Utilities (2)	Merchants Capital	Common Carrier	Total
2003-04	\$ 594,426,300	\$ 145,914,008	\$ 244,668,902	\$ 124,364,016	\$ 17,017,905	\$ -	\$ 1,126,391,131
2004-05	601,714,100	144,669,995	241,355,915	112,196,011	18,773,208	-	1,118,709,229
2005-06	823,399,650	153,098,989	244,180,466	143,721,688	18,890,372	-	1,383,291,165
2006-07	1,017,262,300	161,819,004	245,025,208	132,978,340	19,756,981	-	1,576,841,833
2007-08	1,026,272,400	160,653,821	266,799,376	136,065,449	20,388,269	-	1,610,179,315
2008-09	1,049,284,251	165,541,200	279,614,150	132,446,151	22,641,189	-	1,649,526,941
2009-10	1,052,823,700	149,667,307	297,610,968	179,729,561	20,849,657	-	1,700,681,193
2010-11	1,056,729,200	161,035,270	304,393,326	187,241,026	19,526,928	3,014,800	1,731,940,550
2011-12	1,059,889,900	163,705,613	310,267,438	171,001,017	19,974,892	1,638,533	1,726,477,393
2012-13	1,067,749,700	172,917,073	310,297,932	179,625,302	20,571,130	703,448	1,751,864,585

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

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

Table 7

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

Fiscal Year	Real Estate (2)	Personal Property	Machinery and Tools	Merchant's Capital	Common Carrier
2003-04	\$ 0.67	\$ 1.85	\$ 0.88	\$ 0.90	\$ -
2004-05	0.72	1.85	0.90	0.75	-
2005-06	0.59	1.85	0.95	0.75	-
2006-07	0.63	1.85	0.95	0.75	-
2007-08	0.63	1.89	0.99	0.79	-
2008-09	0.52	1.89	0.99	0.79	-
2009-10	0.52/0.54	1.89	0.99	0.79	-
2010-11	0.54	1.91	1.01	0.81	1.01
2011-12	0.54	1.91	1.01	0.81	1.01
2012-13	0.54	1.91	1.01	0.81	1.01

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross and Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003-04	16,657	\$ 1,126,391	\$ 17,388,564	1.54%	\$ 1,044
2004-05	16,657	1,118,709	16,592,150	1.48%	996
2005-06	16,657	1,383,291	17,031,551	1.23%	1,022
2006-07	16,657	1,576,842	15,782,580	1.00%	948
2007-08	16,657	1,610,179	14,694,109	0.91%	882
2008-09	16,657	1,649,527	16,791,312	1.02%	1,008
2009-10	16,657	1,700,681	29,073,317	1.71%	1,745
2010-11	17,286	1,731,941	27,931,389	1.61%	1,616
2011-12	17,286	1,726,477	26,182,991	1.52%	1,515
2012-13	17,286	1,751,865	25,183,752	1.44%	1,457

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

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

(3) Includes all long-term general obligation bonds and lease revenue bonds of the Primary Government-Governmental Activities. Excludes landfill closure/post-closure care liability, net opeb obligation, and capital leases of the Primary Government-Governmental Activities and all debt of the Primary Government-Business-type Activities and Component Units.

Table 9

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

Fiscal Year	Principal (2)	Interest	Total Debt Service	Total General Governmental Expenditures (1)	Ratio of Debt Service to General Governmental Expenditures
2003-04	\$ 1,142,093	\$ 743,954	\$ 1,886,047	\$ 28,545,031	6.61%
2004-05	963,446	965,301	1,928,747	31,005,879	6.22%
2005-06	1,256,453	930,735	2,187,188	32,687,848	6.69%
2006-07	1,544,893	911,100	2,455,993	35,563,169	6.91%
2007-08	1,189,703	810,193	1,999,896	37,059,932	5.40%
2008-09	1,215,308	838,590	2,053,898	37,836,593	5.43%
2009-10	1,381,345	1,368,597	2,749,942	42,855,599	6.42%
2010-11	1,255,070	959,202	2,214,272	36,146,381	6.13%
2011-12	1,772,087	1,140,873	2,912,960	37,637,365	7.74%
2012-13	1,299,525	1,321,223	2,620,748	40,914,919	6.41%

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

(2) See Table 3 for excluded refunding amounts.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Giles, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise County of Giles, Virginia's basic financial statements and have issued our report thereon dated December 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Giles, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Giles, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Giles, Virginia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2013-1 and 2013-2].

Compliance and Other Matters

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

County of Giles, Virginia's Response to Findings

County of Giles, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Giles, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 20, 2013

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Giles, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Giles, Virginia's major federal programs for the year ended June 30, 2013. County of Giles, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Giles, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 County of Giles, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Giles, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Giles, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Turner, & Associates

Blacksburg, Virginia
December 20, 2013

COUNTY OF GILES, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Rural Business Enterprise Grants	10.769	Not applicable	\$ 10,450
Cooperative Forestry Assistance	10.664	Not applicable	7,100
Pass Through Payments:			
Child Nutrition Cluster:			
<i>State Department of Agriculture:</i>			
Food Distribution-Schools (Note 3)	10.555	Not applicable	80,523
<i>Department of Education:</i>			
National School Lunch Program	10.555	40623	439,591
School Breakfast Program	10.553	40591	135,169
Summer Food Service Program for Children	10.559	Not applicable	5,184
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010112,0010113, 0040112,0040113	177,495
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	86,540
Total Department of Agriculture			<u>\$ 942,052</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community Development Block Grant/State's Program and Non-entitlement Grants in Hawaii	14.228	50790	<u>\$ 18,826</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950112,0950113	\$ 12,753
Temporary Assistance for Needy Families	93.558	0400112,0400113	187,276
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112,0500113	575
Low-Income Home Energy Assistance	93.568	0600412,0600413	15,503
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760112,0760113	32,129
Chafee Education and Training Vouchers Program	93.599	9160112	2,686
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112,0900113	1,097
Foster Care - Title IV-E	93.658	1100112,1100113	294,802
Adoption Assistance	93.659	1120112,1120113	63,896
Social Services Block Grant	93.667	1000112,1000113	329,096
Chafee Foster Care Independence Program	93.674	9150112,9150113	2,845
Children's Health Insurance Program	93.767	0540112,0540113	4,393
Medical Assistance Program	93.778	1200112,1200113	106,985
Total Department of Health and Human Services			<u>\$ 1,054,036</u>
DEPARTMENT OF JUSTICE:			
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Title V Delinquency Prevention Program	16.548	09JPF0088	<u>\$ 3,101</u>
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	42892, 42901	\$ 659,320
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	43071	474,308
Special Education-Preschool Grants	84.173	62521	14,737
Career and Technical Education: Basic Grants to States	84.048	61095	42,726
Improving Teacher Quality-State Grants	84.367	61480	<u>95,006</u>
Total Department of Education			<u>\$ 1,286,097</u>

COUNTY OF GILES, VIRGINIA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ State Pass-Through Grantor/ Program Title	Federal Catalog Number	Entity Identifying Number	Federal Disbursements
DEPARTMENT OF DEFENSE:			
Pass Through Payments:			
Department of Education:			
Payments in Lieu of Real Estate Taxes	12.112	42845	\$ 442
DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	SC-2012-52246-4624 SC-2013-53305-5020 AL-2013-53307-5022	\$ 9,199
DEPARTMENT OF HOMELAND SECURITY:			
Pass Through Payments:			
Department of Emergency Management:			
Hazard Mitigation Grant	97.039	00131/13199	\$ 4,352
State Homeland Security Program	97.073	158	2,852
Total US Department of Homeland Security			\$ 7,204
APPALACHIAN REGIONAL COMMISSION:			
Direct Payments:			
Appalachian Area Development	23.002	VA 17311	\$ 650
Total Expenditures of Federal Awards			\$ 3,321,607

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Giles County, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of Giles County, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Giles County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, Giles County, Virginia had food commodities totaling 580,523 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,324,063
Less: Payments in lieu of taxes	(68,379)
Water Department Fund - Contributions in Aid of Construction	18,826
Total primary government	\$ 1,274,510
Component Units:	
School Board	\$ 2,036,647
Industrial Development Authority	10,450
Total Component Units	2,047,097
Total Federal Expenditures per Basic Financial Statements	\$ 3,321,607
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 3,321,607

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results**Financial Statements**

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

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
93.667	Social Services Block Grant

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

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II - Financial Statement Findings**2013-1**

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The County and the School Board lack proper segregation of duties over collections in the Treasurer's office.
Cause of Condition:	The County and School Board lack the funding to fully support a completely segregated finance department.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the functions listed above lack proper segregation of duties; however, to alleviate same would require additional staff. Due to cost constraints, the County and School Board have decided not to address the aforementioned internal control deficiency.

2013-2

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

County of Giles, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section II - Financial Statement Findings (Continued)

2013-2 (Continued)

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

Recommendation: The County should review the auditors' proposed audit adjustments for 2013 and develop a plan to ensure that trial balances and related schedules are presented accurately for audit.

Management's Response: The County will review the auditors' proposed audit adjustments for 2013 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Findings 2012-1 and 2012-2 are recurring in the current year as 2013-1 and 2013-2.