

COUNTY OF BLAND, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF BLAND, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

COUNTY OF BLAND, VIRGINIA

BOARD OF SUPERVISORS

Nick Asbury, Vice-chair	Karen Hodock, Chair	Jason Ramsey
	Henry Blessing	

COUNTY SCHOOL BOARD

Roger L. Morehead, Vice-chair	Anthony T. Kennedy, Chair	Melinda Litton
	Rob Brizendine	

SOCIAL SERVICES BOARD

Karen Hodock	Margaret Harless	Stephen Kelly
Debbie Barger		Cathy Strock

OTHER OFFICIALS

Clerk of the Circuit Court.....	Rebecca I. Johnson
Commonwealth's Attorney	Clinton S. Kegley
Commissioner of the Revenue	Cindy U. Wright
Treasurer	John F. Goins
Sheriff.....	Jerry Thompson
Superintendent of Schools	Kyle Rhodes
Director of Social Services	Kim Sobey
County Administrator.....	Eric Workman
County Attorney	Paul Cassell

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of the Board of Supervisors
County of Bland, Virginia
Bland, Virginia

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 Bland, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Bland, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Bland, Virginia as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County of Bland, Virginia, adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of the County of Bland, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules of pension and OPEB funding progress 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 schedules of funding progress 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 of provide any assurance on the schedules of funding progress 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 basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Bland, Virginia's financial statements as a whole. The introductory section, supplementary financial statements, supporting schedules, and statistical information, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures and federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, supporting schedules, and 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.

Robinson, Turner, Co. Associates

Christiansburg, Virginia
November 16, 2011

Basic Financial Statements

County of Bland, Virginia
Statement of Net Assets
June 30, 2011

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority (EDA)	Wireless Authority
ASSETS						
Cash and cash equivalents	\$ 3,374,706	\$ -	\$ 3,374,706	\$ 3,450,094	\$ 539,097	\$ 11,495
Cash in custody of others	-	2	2	148,033	19,501	-
Receivables (net of allowance for uncollectibles):						
Taxes receivable	4,856,905	-	4,856,905	-	-	-
Accounts receivable	116,208	57,523	173,731	-	-	11,705
Notes receivable	-	-	-	-	1,331,081	-
Interest receivable	-	-	-	-	1,167	-
Due from component unit	136,579	-	136,579	-	-	-
Due from other governmental units	302,610	-	302,610	183,335	-	-
Prepaid expenses	35,156	-	35,156	-	-	-
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	181,058	181,058	-	-	-
Capital assets (net of accumulated depreciation):						
Land	230,487	255,156	485,643	603,897	390,159	-
Buildings and utility plant	4,341,361	11,226,887	15,568,248	724,564	244,650	-
Machinery and equipment	649,614	-	649,614	594,096	3,182	-
Infrastructure	-	-	-	-	-	382,579
Construction in progress	-	113,425	113,425	-	82,317	-
Total assets	<u>\$ 14,043,626</u>	<u>\$ 11,834,051</u>	<u>\$ 25,877,677</u>	<u>\$ 5,704,019</u>	<u>\$ 2,611,154</u>	<u>\$ 405,779</u>
LIABILITIES						
Accounts payable	\$ 41,247	\$ 14,642	\$ 55,889	\$ 46,391	\$ 66,839	\$ 105
Accrued payroll	-	-	-	735,606	-	-
Customers' deposits	-	8,209	8,209	-	-	-
Accrued interest payable	6,919	2,700	9,619	-	1,167	-
Due to primary government	-	-	-	136,579	-	-
Unearned revenue	4,471,957	-	4,471,957	-	-	-
Long-term liabilities:						
Due within one year	286,242	79,339	365,581	136,669	30,971	-
Due in more than one year	3,494,966	2,143,378	5,638,344	80,656	1,300,110	-
Total liabilities	<u>\$ 8,301,331</u>	<u>\$ 2,248,268</u>	<u>\$ 10,549,599</u>	<u>\$ 1,135,901</u>	<u>\$ 1,399,087</u>	<u>\$ 105</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 1,779,808	\$ 9,382,439	\$ 11,162,247	\$ 1,922,557	\$ (610,773)	\$ 382,579
Restricted for:						
Law library	226	-	226	-	-	-
Courthouse maintenance	72,620	-	72,620	-	-	-
Courtroom security	152,468	-	152,468	-	-	-
Asset forfeiture funds	7,796	-	7,796	-	-	-
Restricted for debt service and bond covenants	-	181,058	181,058	-	-	-
School cafeteria	-	-	-	148,033	-	-
Unrestricted (deficit)	3,729,377	22,286	3,751,663	2,497,528	1,822,840	23,095
Total net assets	<u>\$ 5,742,295</u>	<u>\$ 9,585,783</u>	<u>\$ 15,328,078</u>	<u>\$ 4,568,118</u>	<u>\$ 1,212,067</u>	<u>\$ 405,674</u>

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

County of Bland, Virginia
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units			
					Governmental Activities	Business-type Activities	Total	School Board	EDA	Wireless Authority
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 809,520	\$ 4,673	\$ 188,664	\$ -	\$ (616,183)		\$ (616,183)			
Judicial administration	351,881	1,650	230,803	-	(119,428)		(119,428)			
Public safety	1,706,549	255,205	554,306	88,338	(808,700)		(808,700)			
Public works	797,124	272,437	109,766	-	(414,921)		(414,921)			
Health and welfare	1,472,938	-	1,201,309	-	(271,629)		(271,629)			
Education	2,089,162	-	-	-	(2,089,162)		(2,089,162)			
Parks, recreation, and cultural	427,167	5,727	-	-	(421,440)		(421,440)			
Community development	117,950	645	-	-	(117,305)		(117,305)			
Interest on long-term debt	154,670	-	-	-	(154,670)		(154,670)			
Total governmental activities	\$ 7,926,961	\$ 540,337	\$ 2,284,848	\$ 88,338	\$ (5,013,438)		\$ (5,013,438)			
Business-type activities:										
Service Authority	\$ 848,184	\$ 354,632	\$ 94,665	\$ -		\$ (398,887)	\$ (398,887)			
Total primary government	\$ 8,775,145	\$ 894,969	\$ 2,379,513	\$ 88,338	\$ (5,013,438)	\$ (398,887)	\$ (5,412,325)			
COMPONENT UNITS:										
School Board	\$ 8,729,878	\$ 173,040	\$ 5,864,535	\$ -			\$ (2,692,303)	\$ -	\$ -	
Economic Development Authority (EDA)	301,911	-	-	-			-	(301,911)	-	
Wireless Authority	242,506	-	-	-			-	-	(242,506)	
Total component units	\$ 9,274,295	\$ 173,040	\$ 5,864,535	\$ -			\$ (2,692,303)	\$ (301,911)	\$ (242,506)	
General revenues:										
General property taxes					\$ 4,163,002	\$ -	\$ 4,163,002	\$ -	\$ -	\$ -
Other local taxes:										
Local sales and use taxes					213,337	-	213,337	-	-	-
Consumers' utility taxes					164,269	-	164,269	-	-	-
Restaurant food taxes					81,739	-	81,739	-	-	-
Motor vehicle licenses					103,167	-	103,167	-	-	-
Other local taxes					89,715	-	89,715	-	-	-
Unrestricted revenues from use of money and property					13,061	22,767	35,828	5,810	125,876	-
Miscellaneous					213,334	154	213,488	69,562	5,547	71,323
Contributions from Bland County					-	-	-	2,112,034	152,317	-
Grants and contributions not restricted to specific programs					518,508	-	518,508	-	-	-
Transfers					(153,844)	153,844	-	-	-	-
Total general revenues and transfers					\$ 5,406,288	\$ 176,765	\$ 5,583,053	\$ 2,187,406	\$ 283,740	\$ 71,323
Change in net assets					\$ 392,850	\$ (222,122)	\$ 170,728	\$ (504,897)	\$ (18,171)	\$ (171,183)
Net assets - beginning					5,349,445	9,807,905	15,157,350	5,073,015	1,230,238	576,857
Net assets - ending					\$ 5,742,295	\$ 9,585,783	\$ 15,328,078	\$ 4,568,118	\$ 1,212,067	\$ 405,674

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

County of Bland, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 3,374,706
Receivables (net of allowance for uncollectibles):	
Taxes receivable	4,856,905
Accounts receivable	116,208
Due from component unit	136,579
Due from other governmental units	302,610
Prepaid items	35,156
Total assets	<u>\$ 8,822,164</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 41,247
Deferred revenue	4,867,945
Total liabilities	<u>\$ 4,909,192</u>
 Fund balances:	
Restricted:	
Law library	\$ 226
Courthouse maintenance	72,620
Asset forfeiture funds	7,796
Courtroom security	152,468
Nonspendable:	
Prepaid items	35,156
Assigned:	
Dare program	379
Patrol fund	5,530
Recreation reserves	6,135
General reserves	1,853,117
Unassigned	1,779,545
Total fund balances	<u>\$ 3,912,972</u>
Total liabilities and fund balances	<u>\$ 8,822,164</u>

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

County of Bland, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 3,912,972
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,221,462
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	395,988
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,788,127)
Net assets of governmental activities	<u>\$ 5,742,295</u>

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

County of Bland, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>
REVENUES	
General property taxes	\$ 4,083,994
Other local taxes	652,227
Permits, privilege fees, and regulatory licenses	20,868
Fines and forfeitures	232,830
Revenue from the use of money and property	13,061
Charges for services	286,639
Miscellaneous	213,334
Recovered costs	534,832
Intergovernmental revenues:	
Commonwealth	2,168,862
Federal	722,832
Total revenues	<u>\$ 8,929,479</u>
 EXPENDITURES	
Current:	
General government administration	\$ 977,100
Judicial administration	348,294
Public safety	1,515,813
Public works	837,104
Health and welfare	1,566,107
Education	2,071,848
Parks, recreation, and cultural	387,194
Community development	397,984
Debt service:	
Principal retirement	188,664
Interest and other fiscal charges	161,533
Total expenditures	<u>\$ 8,451,641</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>\$ 477,838</u>
 OTHER FINANCING SOURCES (USES)	
Transfers out	<u>\$ (153,844)</u>
 Net change in fund balances	 \$ 323,994
Fund balances - beginning	3,588,978
Fund balances - ending	<u><u>\$ 3,912,972</u></u>

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

County of Bland, 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, 2011

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

Net change in fund balances - total governmental funds	\$ 323,994
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(177,034)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	79,008
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	166,399
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.	483
Change in net assets of governmental activities	<u>\$ 392,850</u>

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

County of Bland, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Enterprise Fund	Component Units	
	Service Authority	EDA	Wireless Authority
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 539,097	\$ 11,495
Cash in custody of others	2	19,501	-
Note receivable	-	1,331,081	-
Interest receivable	-	1,167	-
Accounts receivable, net of allowance for uncollectibles	57,523	-	11,705
Total current assets	<u>\$ 57,525</u>	<u>\$ 1,890,846</u>	<u>\$ 23,200</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents (in custody of others)	\$ 181,058	\$ -	\$ -
Capital assets:			
Land	\$ 255,156	\$ 390,159	\$ -
Buildings and utility plant in service, net	11,226,887	244,650	-
Machinery and equipment, net	-	3,182	-
Infrastructure, net	-	-	382,579
Construction in progress	113,425	82,317	-
Total capital assets	<u>\$ 11,595,468</u>	<u>\$ 720,308</u>	<u>\$ 382,579</u>
Total noncurrent assets	<u>\$ 11,776,526</u>	<u>\$ 720,308</u>	<u>\$ 382,579</u>
Total assets	<u>\$ 11,834,051</u>	<u>\$ 2,611,154</u>	<u>\$ 405,779</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 14,642	\$ 66,839	\$ 105
Customers' deposits	8,209	-	-
Accrued interest payable	2,700	1,167	-
Compensated absences - current portion	7,266	-	-
Bonds payable - current portion	72,073	30,971	-
Total current liabilities	<u>\$ 104,890</u>	<u>\$ 98,977</u>	<u>\$ 105</u>
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,140,956	\$ 1,300,110	\$ -
Compensated absences - net of current portion	2,422	-	-
Total noncurrent liabilities	<u>\$ 2,143,378</u>	<u>\$ 1,300,110</u>	<u>\$ -</u>
Total liabilities	<u>\$ 2,248,268</u>	<u>\$ 1,399,087</u>	<u>\$ 105</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 9,382,439	\$ (610,773)	\$ 382,579
Restricted for debt service and bond covenants	181,058	-	-
Unrestricted	22,286	1,822,840	23,095
Total net assets	<u>\$ 9,585,783</u>	<u>\$ 1,212,067</u>	<u>\$ 405,674</u>

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

County of Bland, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund	Component Units	
	Service Authority	EDA	Wireless Authority
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 248,860	\$ -	\$ -
Sewer revenues	102,497	-	-
Connection fees	3,275	-	-
Rental income	-	69,632	1,575
Other revenues	22,400	-	21,657
Miscellaneous	154	5,547	48,091
Total operating revenues	<u>\$ 377,186</u>	<u>\$ 75,179</u>	<u>\$ 71,323</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 152,959	\$ 3,456	\$ 20,337
Utilities	36,275	-	5,054
Rent of Equipment	-	-	2,400
Purchase of water	106,330	-	-
Maintenance and repairs	46,264	2,074	52,284
Equipment and repairs	-	-	349
Office expense	3,369	10,122	713
Insurance	5,135	1,700	53
Permits	7,233	-	-
Professional services	9,074	-	-
Indian Village	-	195,921	-
Miscellaneous	2,579	12,855	1,391
Depreciation	388,699	10,642	9,925
Total operating expenses	<u>\$ 757,917</u>	<u>\$ 236,770</u>	<u>\$ 92,506</u>
Operating income (loss)	<u>\$ (380,731)</u>	<u>\$ (161,591)</u>	<u>\$ (21,183)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 367	\$ 56,244	\$ -
Loss on sale of assets	-	(10,930)	-
Interest expense	(90,267)	(54,211)	-
Total nonoperating revenues (expenses)	<u>\$ (89,900)</u>	<u>\$ (8,897)</u>	<u>\$ -</u>
Income before contributions and transfers	<u>\$ (470,631)</u>	<u>\$ (170,488)</u>	<u>\$ (21,183)</u>
Capital contributions and construction grants	\$ 94,665	\$ -	\$ -
Transfers in (Contributions from primary government)	153,844	152,317	-
Transfers out (Contributions to primary government)	-	-	(150,000)
Change in net assets	<u>\$ (222,122)</u>	<u>\$ (18,171)</u>	<u>\$ (171,183)</u>
Total net assets - beginning	9,807,905	1,230,238	576,857
Total net assets - ending	<u>\$ 9,585,783</u>	<u>\$ 1,212,067</u>	<u>\$ 405,674</u>

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

County of Bland, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Enterprise Fund	Component Units	
	Service Authority	EDA	Wireless Authority
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 387,931	\$ 75,179	\$ 73,006
Payments to suppliers	(202,405)	(215,781)	(69,238)
Payments to and for employees	(152,959)	(3,456)	(20,337)
Net cash provided (used) by operating activities	<u>\$ 32,567</u>	<u>\$ (144,058)</u>	<u>\$ (16,569)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 149,038	\$ -	\$ -
Contributions to primary government	-	-	(150,000)
Contributions from primary government	-	152,317	-
Net cash provided (used) by noncapital financing activities	<u>\$ 149,038</u>	<u>\$ 152,317</u>	<u>\$ (150,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (105,505)	\$ (213,345)	\$ -
Principal payments on bonds	(69,932)	(30,607)	-
Capital contributions received	94,665	-	-
Interest payments	(90,339)	(53,044)	-
Proceeds from sales of capital assets	-	29,881	-
Net cash provided (used) by capital and related financing activities	<u>\$ (171,111)</u>	<u>\$ (267,115)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 367	\$ 55,077	\$ -
Net cash provided (used) by investing activities	<u>\$ 367</u>	<u>\$ 55,077</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ 10,861	\$ (203,779)	\$ (166,569)
Cash and cash equivalents - beginning	170,199	762,377	178,064
Cash and cash equivalents - ending	<u>\$ 181,060</u>	<u>\$ 558,598</u>	<u>\$ 11,495</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (380,731)	\$ (161,591)	\$ (21,183)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	\$ 388,699	\$ 10,642	\$ 9,925
(Increase) decrease in accounts receivable	10,745	-	1,683
Increase (decrease) in operating accounts payable	13,854	6,891	(6,994)
Total adjustments	<u>\$ 413,298</u>	<u>\$ 17,533</u>	<u>\$ 4,614</u>
Net cash provided (used) by operating activities	<u>\$ 32,567</u>	<u>\$ (144,058)</u>	<u>\$ (16,569)</u>

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

County of Bland, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Fund
 June 30, 2011

	Agency Fund <u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 9,500
Total assets	<u>\$ 9,500</u>
 LIABILITIES	
Amounts held for Social Services clients	\$ 9,500
Total liabilities	<u>\$ 9,500</u>

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

COUNTY OF BLAND, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

The County of Bland, Virginia (government) is a municipal corporation governed by an elected four-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 Bland County Service Authority provides water and sewer service to the County. The Service Authority is fiscally dependent upon the County. In addition, the County Board appoints the Service Authority's Board.

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 Bland 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.

The Bland County Economic Development Authority encourages and provides financing for economic development in the County. The Economic Development Authority board members are appointed by the Board of Supervisors. The Economic Development Authority is fiscally dependent upon the County. The Economic Development Authority is presented as an enterprise fund type.

The Bland County Wireless Authority provides wireless internet services in the County. The Wireless Authority board members are appointed by the Board of Supervisors. The Wireless Authority is fiscally dependent upon the County. The Wireless Authority is presented as an enterprise fund type.

Related Organizations - The County has no related organizations.

Jointly Governed Organizations - The County of Bland and the County of Smyth participate in supporting the Smyth/Bland Regional Library. The respective governing bodies of the participating jurisdictions appoint the governing body of this organization. For the year ended June 30, 2011, the County contributed \$125,085 to the Regional Library.

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

A. Reporting Entity (continued)

Jointly Governed Organizations (continued) - The County of Bland and the County of Wythe participate in supporting the Wythe-Bland Service Authority. The respective governing bodies of the jurisdictions appoint the governing body of this organization. The Service Authority generates revenue through service charges for refuse disposal.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred 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 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 Law Library Fund, the E-911 Fund, the Road Improvements Fund, Asset Forfeiture Funds, the Social Services Fund, the CSA Fund, the Selective Enforcement Fund, the Recreation Fund, Courthouse Maintenance Fund, Domestic Violence Task Force Fund, Litter Control Fund, Patrol Fund, Terrorism Fund, Courthouse Renovation Fund, and the Courtroom Security Fund.

The government reports the following major proprietary funds:

The Bland County Service Authority provides water service to the County and is presented as a blended component unit.

Additionally, the government reports the following fund types:

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

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise fund 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 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 non-operating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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".

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

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

2. Receivables and payables (continued)

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$179,681 at June 30, 2011. The allowance consists of delinquent taxes in the amount of \$164,649, delinquent garbage bills of \$10,039, and delinquent water and sewer bills of \$4,993.

5. Use of Estimates

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

6. Capital assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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. No interest was capitalized during the current or previous year.

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

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

6. Capital assets (continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Structures, lines, and accessories	20-40
Infrastructure	20-40
Machinery and equipment	4-30

7. Compensated Absences

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

8. Long-term obligations

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

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

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

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

9. Fund equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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 County's highest decision-making level is the Board of Supervisors. Action from the Board of Supervisors is required to commit or release funds from commitment.

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

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(3,788,127) and \$(217,325) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General Obligation Bonds	\$ (287,801)	\$ -
Revenue Bonds	(3,016,153)	-
Literary loans	(137,700)	-
Accrued interest payable	(6,919)	-
Landfill accrued closure and post-closure monitoring costs	(179,786)	-
Net OPEB obligation	(84,257)	(35,100)
Compensated absences	(75,511)	(182,225)
	<u> </u>	<u> </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (3,788,127)</u>	<u>\$ (217,325)</u>

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$(177,034) and \$(220,751) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Capital outlays	\$ 247,792	\$ 7,100
Disposal of Assets (Net)	(22,665)	-
Depreciation expense	<u>(402,161)</u>	<u>(227,851)</u>
 Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ (177,034)</u>	 <u>\$ (220,751)</u>

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

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

Another element of that reconciliation states “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$166,399 and \$(16,900) difference in the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Principal repayments:		
General obligation debt	\$ 55,000	\$ -
Revenue bonds	65,064	-
Literary loans	68,600	-
Accrued landfill postclosure	19,901	-
Increases:		
Net OPEB obligation	(42,166)	(16,900)
 Net adjustment to increase <i>net changes in fund balances-</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	 <u>\$ 166,399</u>	 <u>\$ (16,900)</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these \$483 and \$(11,337) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
(Increase) decrease in compensated absences	\$ (6,380)	\$ (11,337)
(Increase) decrease in accrued interest	6,863	-
 Net adjustment to increase (decrease) <i>net changes</i> <i>in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ 483</u>	 <u>\$ (11,337)</u>

Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The School Operating 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 reserve that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For the year ended June 30, 2011, there were numerous departments that had expenditures in excess of appropriations. The departments exceeding their budgets were Fire Departments, Refuse Disposal and Collection, Landfill Closure, Comprehensive Services, Department of Social Services, and Tourism Initiative.

C. Deficit fund equity

At June 30, 2011, there were no funds with deficit fund equity.

Note 4-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 Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Note 5-Due from Other Governmental Units:

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 38,932	\$ -
State sales tax	-	128,418
Shared expenses	70,565	-
Categorical aid	71,107	-
Non-categorical aid	20,600	-
Virginia public assistance funds	24,696	-
Community services act	37,369	-
<u>Federal Government:</u>		
Virginia public assistance funds	39,341	-
School grants	-	54,917
	<hr/>	<hr/>
Totals	\$ 302,610	\$ 183,335
	<hr/>	<hr/>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 6-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2011, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 153,844
Water and Sewer Fund	153,844	-
Total	<u>\$ 153,844</u>	<u>\$ 153,844</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	<u>\$ -</u>	<u>\$ 136,579</u>
Component Unit:		
School Fund	<u>\$ 136,579</u>	<u>\$ -</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
General obligation bonds	\$ 342,801	\$ -	\$ (55,000)	\$ 287,801
Lease purchase revenue bonds	3,081,217	-	(65,064)	3,016,153
Literary Loans	206,300	-	(68,600)	137,700
Landfill closure/postclosure liability	199,687	-	(19,901)	179,786
Net OPEB obligation	42,091	52,972	(10,806)	84,257
Compensated absences	69,131	58,228	(51,848)	75,511
Total	\$ 3,941,227	\$ 111,200	\$ (271,219)	\$ 3,781,208

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

Year Ending June 30,	Literary Loans		General Obligation Bonds		Lease Purchase Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 68,600	\$ 2,754	\$ 97,801	\$ 11,963	\$ 63,208	\$ 132,932
2013	69,100	1,382	60,000	8,800	60,845	135,295
2014	-	-	65,000	5,363	63,720	132,420
2015	-	-	65,000	1,788	66,730	129,410
2016	-	-	-	-	69,883	126,257
2017-2021	-	-	-	-	402,168	578,532
2022-2026	-	-	-	-	506,576	474,124
2027-2031	-	-	-	-	638,091	342,609
2032-2036	-	-	-	-	803,748	176,952
2037-2039	-	-	-	-	341,184	15,146
Totals	\$ 137,700	\$ 4,136	\$ 287,801	\$ 27,914	\$ 3,016,153	\$ 2,243,677

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
\$710,000 general obligation bonds issued September 15, 1999, with principal payments due annually on September 15th varying from \$35,000 to \$65,000. Interest is payable semi-annually on September 15th and March 15th at rates varying from 5.0% to 5.5%	\$ 245,000	\$ 55,000
\$600,408 school general obligation bonds issued January 15, 1992, principal payments varying from \$30,694 to \$42,801 are payable annually on July 15th through 2012, with interest payable semi-annually on July 15th and January 15th at rates varying between 4.9% to 6.6%	<u>42,801</u>	<u>42,801</u>
Total General Obligation Bonds	<u>\$ 287,801</u>	<u>\$ 97,801</u>
<u>Literary Fund Loans:</u>		
\$1,372,500 State Literary Fund loan issued November 15, 1992, due in annual installments of \$68,600 through November 15, 2011; a final payment of \$69,100 is due on November 15, 2012, interest is payable at 3%	<u>\$ 137,700</u>	<u>\$ 68,600</u>
<u>Lease Purchase Revenue Bonds:</u>		
\$3,500,000 revenue bond issued December 18, 2002 bearing interest at 4.625%. Combined principal and interest payments of \$16,345 are due monthly beginning January 18, 2005 through 2039	<u>\$ 3,016,153</u>	<u>\$ 63,208</u>
<u>Other Obligations:</u>		
Landfill post-closure monitoring liability	\$ 179,786	\$ -
Net OPEB obligation	84,257	-
Compensated absences	75,511	56,633
Total Other Obligations	<u>\$ 339,554</u>	<u>\$ 56,633</u>
Total Long-Term Obligations	<u>\$ 3,781,208</u>	<u>\$ 286,242</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2011.

	<u>Balance</u> <u>July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Revenue Bonds	\$ 2,282,961	\$ -	\$ (69,932)	\$ 2,213,029
Compensated Absences	9,688	7,266	(7,266)	9,688
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 2,292,649	\$ 7,266	\$ (77,198)	\$ 2,222,717

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

<u>Year Ending</u> <u>June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 72,073	\$ 88,179
2013	74,309	85,943
2014	76,652	83,600
2015	79,105	8,147
2016	81,676	78,576
2017-2021	451,442	349,818
2022-2026	420,399	264,703
2027-2031	381,343	176,237
2032-2036	352,231	105,911
2037-2041	223,799	21,926
	<u> </u>	<u> </u>
Totals	\$ 2,213,029	\$ 1,263,040

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Note 7-Long-Term Debt: (continued)

Primary Government - Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Revenue Bonds:</u>		
\$222,165 Rural Development revenue bond, issued July 17, 1986, with interest accruing at 5.0%, due in monthly principal and interest installments of \$1,074 through August 17, 2025	\$ 131,035	\$ 6,484
\$200,700 Rural Development revenue bond, issued July 17, 1986, with interest accruing at 4.5%, due in monthly principal and interest installments of \$904 through November 17, 2025	114,966	5,793
\$54,600 Rural Development revenue bond, issued February 10, 1992, with interest accruing at 5.0%, due in monthly principal and interest installments of \$269 through July 10, 2031	40,893	1,211
\$293,000 Rural Development revenue bond, issued February 10, 1992, with interest accruing at 5.0%, due in monthly principal and interest installments of \$1,439 through November 10, 2031	220,938	6,366
\$475,000 Rural Development revenue bond, issued January 15, 1996, with interest accruing at 4.5%, due in monthly principal and interest installments of \$2,181 through July 14, 2035	385,142	9,026
\$344,600 Rural Development revenue bond, issued August 13, 1998, with interest accruing at 4.5%, due in monthly principal and interest installments of \$1,582 through May 13, 2038	296,135	5,776
\$832,650 Rural Development revenue bond, issued May 22, 2001, with interest accruing at 4.5%, due in monthly principal and interest installments of \$3,822 through December 28, 2040	748,920	12,417

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 7-Long-Term Debt: (continued)

Primary Government - Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds: (continued)</u>		
\$500,000 Revolving Loan, issued February 1, 2001, through the Virginia Resource Authority with semi-annual payments of \$12,500 beginning August 1, 2002 and continuing through February 1, 2022, with the loan bearing no interest	\$ 275,000	\$ 25,000
Total Revenue Bonds	\$ 2,213,029	\$ 72,073
<u>Other Obligations:</u>		
Compensated absences	\$ 9,688	\$ 7,266
Total Long-Term Obligations	\$ 2,222,717	\$ 79,339

Note 8-Long-Term Debt-Component Units:

Discretely Presented Component Unit – Economic Development Authority (EDA):

The following is a summary of long-term debt transactions of the EDA for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
SBA Bond	\$ 1,361,688	\$ -	\$ (30,607)	\$ 1,331,081

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 30,971	\$ 52,680
2013	32,233	51,418
2014	33,546	50,105
2015	34,913	48,738
2016	36,336	47,315
2017-2018	1,163,082	63,820
Totals	\$ 1,331,081	\$ 314,076

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

Discretely Presented Component Unit – Economic Development Authority (EDA): (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Revenue Bonds: (continued)</u>		
\$1,450,000 Small Business Administration Loan, issued July 1, 2008, through the SBA with monthly payments of \$6,971 beginning August 7, 2008 and continuing through November 1, 2017.	\$ 1,331,081	\$ 30,971

Discretely Presented Component Unit – School Board Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>
Compensated absences	\$ 170,888	\$ 139,503	\$ (128,166)	\$ 182,225
Net OPEB obligation	18,200	63,200	(46,300)	35,100
Total	<u>\$ 189,088</u>	<u>\$ 202,703</u>	<u>\$ (174,466)</u>	<u>\$ 217,325</u>

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>Other Obligations:</u>		
Compensated absences	\$ 182,225	\$ 136,669
Net OPEB obligation	35,100	-
Total Long-Term Obligations	<u>\$ 217,325</u>	<u>\$ 136,669</u>

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Note 9-Employee Retirement System and Pension Plans:

A. Plan Description

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

All full-time, salaried permanent (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 credit in their plan.

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

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

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

Note 9-Employee Retirement System and Pension Plans: (continued)

A. Plan Description: (continued)

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

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Bland, 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 of Bland, Virginia's contribution rate for the fiscal year ended 2011 was 15.68% (excluding 5.00% 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. 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 2011 was 7.83% (excluding 5.00% member contribution) of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the County of Bland, Virginia's annual pension cost of \$286,221 and \$38,759 was equal to the County of Bland, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Note 9-Employee Retirement System and Pension Plans: (continued)

C. Annual Pension Cost: (continued)

	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	\$ 286,221	100.00%	\$ -
	6/30/2010	247,806	100.00%	-
	6/30/2009	242,905	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	\$ 38,759	100.00%	\$ -
	6/30/2010	41,725	100.00%	-
¹ Employer portion only	6/30/2009	43,086	100.00%	-

The FY 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Bland, Virginia's and the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Bland, Virginia's and the School Board'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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2010, the most recent actuarial valuation date, the plan was 65.28% funded. The actuarial accrued liability for benefits was \$7,509,666, and the actuarial value of assets was \$4,902,430, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,607,236. The covered payroll (annual payroll of active employees covered by the plan) was \$1,753,390, and ratio of the UAAL to the covered payroll was 148.70%.

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

As of June 30, 2010, the most recent actuarial valuation date, the plan was 83.59% funded. The actuarial accrued liability for benefits was \$1,334,142, and the actuarial value of assets was \$1,115,218, resulting in an unfunded actuarial accrued liability (UAAL) of \$218,924. The covered payroll (annual payroll of active employees covered by the plan) was \$553,376, and ratio of the UAAL to the covered payroll was 39.56%.

Note 9-Employee Retirement System and Pension Plans: (continued)

D. Funded Status and Funding Progress: (continued)

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, 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 Bland 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 report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/2010-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 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. 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 to the statewide cost sharing pool for professional employees was \$371,025, \$164,732, and \$371,025 for the fiscal years ended 2011, 2010, and 2009, respectively. Employer contributions represented 3.93%, 8.81% for July 2009 through March 2010 and zero (0.00%) for April through June 2010, and 8.81% of covered payroll for the fiscal years ended 2011, 2010, and 2009, respectively.

Note 10-Deferred (Unearned) Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$4,867,945 is comprised of prepaid property taxes and unbilled property taxes.

Prepaid Property Taxes – Prepaid property taxes due subsequent to June 30, 2011, but paid in advance by taxpayers totaled \$53,194.

Billed Property Taxes – Property taxes billed as of June 30, 2011, but not paid prior to August 31, 2011 totaled \$395,988.

Unbilled Property Taxes – Property taxes assessed and due December 5, 2011 were estimated at \$4,418,763.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2011 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	\$ 230,487	\$ -	\$ -	\$ 230,487
Capital assets, being depreciated:				
Buildings	\$ 6,693,868	\$ 112,100	\$ -	\$ 6,805,968
Machinery and equipment	2,629,908	135,692	(154,014)	2,611,586
Total capital assets being depreciated	<u>\$ 9,323,776</u>	<u>\$ 247,792</u>	<u>\$ (154,014)</u>	<u>\$ 9,417,554</u>
Less: accumulated depreciation for:				
Buildings	\$ (2,264,461)	\$ (200,146)	\$ -	\$ (2,464,607)
Machinery and equipment	(1,891,306)	(202,015)	131,349	(1,961,972)
Total accumulated depreciation	<u>\$ (4,155,767)</u>	<u>\$ (402,161)</u>	<u>\$ 131,349</u>	<u>\$ (4,426,579)</u>
Total capital assets being depreciated, net	<u>\$ 5,168,009</u>	<u>\$ (154,369)</u>	<u>\$ (22,665)</u>	<u>\$ 4,990,975</u>
Governmental activities capital assets, net	<u>\$ 5,398,496</u>	<u>\$ (154,369)</u>	<u>\$ (22,665)</u>	<u>\$ 5,221,462</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 11-Capital Assets: (continued)

Primary Government: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 255,156	\$ -	\$ -	\$ 255,156
Construction in progress	27,878	85,547	-	113,425
Total capital assets not being depreciated	<u>\$ 283,034</u>	<u>\$ 85,547</u>	<u>\$ -</u>	<u>\$ 368,581</u>
Capital assets, being depreciated:				
Utility plant	\$ 15,516,198	\$ 19,958	\$ -	\$ 15,536,156
Machinery and equipment	126,793	-	-	126,793
Total capital assets being depreciated	<u>\$ 15,642,991</u>	<u>\$ 19,958</u>	<u>\$ -</u>	<u>\$ 15,662,949</u>
Less: accumulated depreciation for:				
Utility plant	\$ (3,922,681)	\$ (386,588)	\$ -	\$ (4,309,269)
Machinery and equipment	(124,682)	(2,111)	-	(126,793)
Total accumulated depreciation	<u>\$ (4,047,363)</u>	<u>\$ (388,699)</u>	<u>\$ -</u>	<u>\$ (4,436,062)</u>
Total capital assets being depreciated, net	<u>\$ 11,595,628</u>	<u>\$ (368,741)</u>	<u>\$ -</u>	<u>\$ 11,226,887</u>
Business-Type activities capital assets, net	<u>\$ 11,878,662</u>	<u>\$ (283,194)</u>	<u>\$ -</u>	<u>\$ 11,595,468</u>

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

Governmental activities:

General government administration	\$ 120,201
Public safety	179,618
Public works	18,444
Health and welfare	300
Education	49,323
Parks, recreation, and cultural	34,275
	<u>402,161</u>

Total depreciation expense-governmental activities \$ 402,161

Business type activities:

Service authority	<u>\$ 388,699</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

Note 11-Capital Assets: (continued)

Discretely Presented Component Unit-School Board:

Capital asset activity for the School Board for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 603,897	\$ -	\$ -	\$ 603,897
Capital assets, being depreciated:				
Buildings	\$ 1,714,380	\$ 7,100	\$ -	\$ 1,721,480
Machinery and equipment	1,768,985	-	(15,000)	1,753,985
Total capital assets being depreciated	<u>\$ 3,483,365</u>	<u>\$ 7,100</u>	<u>\$ (15,000)</u>	<u>\$ 3,475,465</u>
Less: accumulated depreciation for:				
Buildings	\$ (942,200)	\$ (54,716)	\$ -	\$ (996,916)
Machinery and equipment	(1,001,754)	(173,135)	15,000	(1,159,889)
Total accumulated depreciation	<u>\$ (1,943,954)</u>	<u>\$ (227,851)</u>	<u>\$ 15,000</u>	<u>\$ (2,156,805)</u>
Total capital assets being depreciated, net	<u>\$ 1,539,411</u>	<u>\$ (220,751)</u>	<u>\$ -</u>	<u>\$ 1,318,660</u>
Governmental activities capital assets, net	<u>\$ 2,143,308</u>	<u>\$ (220,751)</u>	<u>\$ -</u>	<u>\$ 1,922,557</u>

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Note 11-Capital Assets: (continued)

Discretely Presented Component Unit-Economic Development Authority:

Capital asset activity for the Economic Development Authority for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 328,200	\$ 80,518	\$ (18,559)	\$ 390,159
Construction in progress	-	82,317	-	82,317
Total capital assets not being depreciated	<u>\$ 328,200</u>	<u>\$ 162,835</u>	<u>\$ (18,559)</u>	<u>\$ 472,476</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,662,398	\$ 50,510	\$ (1,450,000)	\$ 262,908
Machinery and equipment	4,546	-	-	4,546
Total capital assets being depreciated	<u>\$ 1,666,944</u>	<u>\$ 50,510</u>	<u>\$ (1,450,000)</u>	<u>\$ 267,454</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (105,647)	\$ (9,278)	\$ 96,667	\$ (18,258)
Machinery and equipment	-	(1,364)	-	(1,364)
Total accumulated depreciation	<u>\$ (105,647)</u>	<u>\$ (10,642)</u>	<u>\$ 96,667</u>	<u>\$ (19,622)</u>
Total capital assets being depreciated, net	<u>\$ 1,561,297</u>	<u>\$ 39,868</u>	<u>\$ (1,353,333)</u>	<u>\$ 247,832</u>
Business-Type activities capital assets, net	<u>\$ 1,889,497</u>	<u>\$ 202,703</u>	<u>\$ (1,371,892)</u>	<u>\$ 720,308</u>

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Note 11-Capital Assets: (continued)

Discretely Presented Component Unit-Wireless Authority:

Capital asset activity for the Wireless Authority for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 397,018	\$ -	\$ -	\$ 397,018
Less: accumulated depreciation for:				
Infrastructure	\$ (4,514)	\$ (9,925)	\$ -	\$ (14,439)
Business-Type activities capital assets, net	\$ 392,504	\$ (9,925)	\$ -	\$ 382,579

Note 12-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, auto, property, workers compensation, and crime insurance with the Virginia Association of Counties Risk Pool. 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 the Virginia Association of Counties contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of the depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County 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 13-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 14-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Rebecca I. Johnson, Clerk of the Circuit Court	\$ 105,000
John F. Goins, Treasurer	300,000
Cindy Wright, Commissioner of the Revenue	3,000
Jerry Thompson, Sheriff	30,000

Note 15-Landfill Closure and Post-closure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The County landfill has been closed. Total costs for landfill postclosure are estimated to be \$179,786. These amounts are based on what it would cost to perform all post-closure care in 2011. 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

Note 16 - School Board Early Retirement Incentive Program:

The Component Unit – School Board is offered a one-time retirement plan in an attempt to balance the 2010-2011 budget. This policy expired on July 1, 2010 and was deleted for future retirees after the deadline. Early retirement was available to those employees with a minimum of thirty years of service in public education covered by the Virginia Retirement System (VRS). To participate, the employee must be a vested member of the VRS, not presently receiving VRS benefits. The retiree must work fourteen days per year prior to June 1st in order to receive payment. In addition, employees may not work for any other agency covered under the VRS during their tenure in the program. The program allows for payment of 16% of an employee's final contracted salary, earned before the effective date of retirement, for a period of 7 years or until death or acceptance of disability retirement. At June 30, 2011, the remaining commitment amounted to \$325,632.

Note 17-Other Post-Employment Benefits – Health Insurance:

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. 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 2010 liability.

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Note 17-Other Post-Employment Benefits – Health Insurance: (continued)

A. Plan Description

The County of Bland and Bland 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 eligible retiree and spouse may receive this benefit until he/she has reached 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, or the spouse’s attainment of age 65.

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. 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 53 and 138 employees that are eligible, respectively, for the program. County retirees must pay the full premium. Any additional premium to cover a spouse and dependents is also paid by the retiree. In addition, the School Board pays for retirees under age 65 who have at least 15 years of service with the System, the System contributes \$1.50 per year of VRS service per month up to \$45.00. Retirees with less than 15 years of service are responsible for 100% of their premiums. 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:

	Premiums	
Employee Only	\$	475.00
Employee & Spouse		879.00
Employee & Family		1,283.00

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:

	Anthem	
	Key Care 15	Key Care 20
Employee Only	\$ 563.21	\$ 541.07
Employee & Spouse	1,260.04	1,210.44
Employee & Child	765.52	735.40
Employee & Family	1,666.34	1,600.73
Family	1,437.84	1,308.44

Note 17-Other Post-Employment Benefits – Health Insurance: (continued)

B. Funding Policy: (continued)

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.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	52,897
Interest on net OPEB obligation		1,683
Adjustment to annual required contribution		(1,608)
Annual OPEB cost (expense)		<u>52,972</u>
Contributions made		<u>(10,806)</u>
Increase in net OPEB obligation		42,166
Net OPEB obligation - beginning of year		<u>42,091</u>
Net OPEB obligation - end of year	\$	84,257

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 52,972	20%	\$ 84,257
6/30/2010	52,897	20%	42,091

Note 17-Other Post-Employment Benefits – Health Insurance: (continued)

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

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

Annual required contribution	\$ 63,100
Interest on net OPEB obligation	728
Adjustment to annual required contribution	(628)
Annual OPEB cost (expense)	<u>63,200</u>
Contributions made	<u>(46,300)</u>
Increase in net OPEB obligation	16,900
Net OPEB obligation - beginning of year	<u>18,200</u>
Net OPEB obligation - end of year	\$ 35,100

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding year are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 63,200	73.26%	\$ 35,100
6/30/2010	60,700	70.02%	18,200

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of June 30, 2010, is as follows:

Actuarial accrued liability (AAL)	\$ 271,296
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 271,296
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 1,668,675
UAAL as a percentage of covered payroll	16.26%

Note 17-Other Post-Employment Benefits – Health Insurance: (continued)

D. Funded Status and Funding Progress: (continued)

The funded status of the Plan for the School Board as of June 30, 2010, is as follows:

Actuarial accrued liability (AAL)	\$	570,800
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	570,800
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	4,842,800
UAAL as a percentage of covered payroll		11.79%

Actuarial valuation 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.

In the June 30, 2010, actuarial valuation of the County, 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: inflation at 3.00 percent, plus productivity component of 1.25 percent, investment rate of return at 4.00 percent, and a health care trend rate of 9.00 percent graded to 5.00 percent over 9 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2010 was 30 years.

Note 17-Other Post-Employment Benefits – Health Insurance: (continued)

E. Actuarial Methods and Assumptions: (continued)

In the June 30, 2010, actuarial valuation of the Schools, 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: inflation at 2.50 percent, plus productivity component of 1.25 percent, investment rate of return at 4.00 percent, and a health care trend rate of 8.20 percent graded to 4.70 percent over 73 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2010 was 30 years.

Note 18-Other Post-Employment Benefits – VRS Health Insurance Credit:

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and 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. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the County, 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 \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2011 was 0.11% of annual covered payroll.

Note 18-Other Post-Employment Benefits – VRS Health Insurance Credit: (continued)

C. OPEB Cost and Net OPEB Obligation:

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the 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 cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2011, the County’s contribution of \$2,008 was equal to the ARC and OPEB cost. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding two years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Primary Government:				
County	6/30/2011	\$ 2,008	100.00%	\$ -
	6/30/2010	2,098	100.00%	-
	6/30/2009	2,056	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 24,387
Actuarial value of plan assets	\$ 6,959
Unfunded actuarial accrued liability (UAAL)	\$ 17,428
Funded ratio (actuarial value of plan assets/AAL)	28.54%
Covered payroll (active plan members)	\$ 1,753,390
UAAL as a percentage of covered payroll	0.99%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. 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 presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Note 18-Other Post-Employment Benefits – VRS Health Insurance Credit: (continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) 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 included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2010 was 26 years.

F. Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2011, 2010, and 2009 were \$25,150, \$43,493, and \$43,493, respectively and equaled the required contributions.

Required Supplementary Information

County of Bland, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 4,199,949	\$ 4,199,949	\$ 4,083,994	\$ (115,955)
Other local taxes	646,067	646,067	652,227	6,160
Permits, privilege fees, and regulatory licenses	25,100	25,100	20,868	(4,232)
Fines and forfeitures	385,887	361,010	232,830	(128,180)
Revenue from the use of money and property	21,556	21,556	13,061	(8,495)
Charges for services	316,825	316,825	286,639	(30,186)
Miscellaneous	56,591	63,534	213,334	149,800
Recovered costs	670,186	670,186	534,832	(135,354)
Intergovernmental revenues:				
Commonwealth	2,510,505	2,831,989	2,168,862	(663,127)
Federal	1,110,539	1,128,293	722,832	(405,461)
Total revenues	<u>\$ 9,943,205</u>	<u>\$ 10,264,509</u>	<u>\$ 8,929,479</u>	<u>\$ (1,335,030)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,057,337	\$ 1,038,428	\$ 977,100	\$ 61,328
Judicial administration	355,070	361,393	348,294	13,099
Public safety	1,608,380	1,626,437	1,515,813	110,624
Public works	933,973	878,174	837,104	41,070
Health and welfare	1,324,747	1,577,676	1,566,107	11,569
Education	1,984,883	1,984,883	2,071,848	(86,965)
Parks, recreation, and cultural	411,039	413,939	387,194	26,745
Community development	809,749	810,503	397,984	412,519
Capital projects	817,000	917,000	-	917,000
Debt service:				
Principal retirement	227,114	227,114	188,664	38,450
Interest and other fiscal charges	166,762	166,762	161,533	5,229
Total expenditures	<u>\$ 9,696,054</u>	<u>\$ 10,002,309</u>	<u>\$ 8,451,641</u>	<u>\$ 1,550,668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 247,151</u>	<u>\$ 262,200</u>	<u>\$ 477,838</u>	<u>\$ 215,638</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (228,841)</u>	<u>\$ (237,841)</u>	<u>\$ (153,844)</u>	<u>\$ 83,997</u>
Net change in fund balances	\$ 18,310	\$ 24,359	\$ 323,994	\$ 299,635
Fund balances - beginning	-	40,701	3,588,978	3,548,277
Fund balances - ending	<u>\$ 18,310</u>	<u>\$ 65,060</u>	<u>\$ 3,912,972</u>	<u>\$ 3,847,912</u>

County of Bland, Virginia
Schedules of Pension and OPEB Funding Progress
As of June 30, 2011

Primary Government: County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 4,902,430	\$ 7,509,666	\$ 2,607,236	65.28%	\$ 1,753,390	148.70%
6/30/2009	4,859,170	6,802,419	1,943,249	71.43%	1,668,675	116.45%
6/30/2008	4,789,783	6,297,861	1,508,078	76.05%	1,675,967	89.98%

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 Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 1,115,218	\$ 1,334,142	\$ 218,924	83.59%	\$ 553,376	39.56%
6/30/2009	1,064,525	1,130,149	65,624	94.19%	583,914	11.24%
6/30/2008	972,772	1,033,452	60,680	94.13%	537,187	11.30%

Primary Government: Other Post Employment Benefit-Health Insurance (1)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ -	\$ 271,296	\$ 271,296	0.00%	\$ 1,668,675	16.26%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ -	\$ 570,800	\$ 570,800	0.00%	\$ 4,842,800	11.79%

(1) Valuations are required every two years with the initial one performed on 6/30/2010.

Primary Government: Other Post Employment Benefit-VRS Health Insurance Credit

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 6,959	\$ 24,387	\$ 17,428	28.54%	\$ 1,753,390	0.99%
6/30/2009	6,191	22,789	16,598	27.17%	1,668,675	0.99%
6/30/2008	8,570	31,592	23,022	27.13%	1,675,967	1.37%

Other Supplementary Information

FIDUCIARY FUNDS

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

County of Bland, Virginia
 Statement of Changes in Assets and Liabilities
 Agency Funds
 June 30, 2011

	<u>Agency Fund</u>			<u>Balance End of Year</u>
	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	
Assets				
Current Assets				
Cash and cash equivalents				
Special Welfare Fund	\$ 8,391	\$ 41,225	\$ (40,116)	\$ 9,500
Liabilities				
Amounts held for social services clients	\$ 8,391	\$ 41,225	\$ (40,116)	\$ 9,500

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

School Operating Fund - The School Operating Fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general 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 Bland, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,450,094
Cash in custody of others	148,033
Due from other governmental units	183,335
Total assets	<u>\$ 3,781,462</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 46,391
Accrued payroll	735,606
Due to primary government	136,579
Total liabilities	<u>\$ 918,576</u>
Fund balances:	
Restricted:	
School cafeteria	\$ 148,033
Assigned:	
Textbook payments	178,768
Future school construction	2,439,620
Unassigned	96,465
Total fund balances	<u>\$ 2,862,886</u>
Total liabilities and fund balances	<u>\$ 3,781,462</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 2,862,886
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,922,557
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(217,325)
Net assets of governmental activities	<u>\$ 4,568,118</u>

County of Bland, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 5,810
Charges for services	173,040
Miscellaneous	69,562
Recovered costs	66,354
Intergovernmental revenues:	
Local government	2,062,711
Commonwealth	4,844,488
Federal	1,020,047
Total revenues	<u>\$ 8,242,012</u>
EXPENDITURES	
Current:	
Education	<u>\$ 8,497,921</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (255,909)</u>
Net change in fund balances	\$ (255,909)
Fund balances - beginning	3,118,795
Fund balances - ending	<u><u>\$ 2,862,886</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	\$ (255,909)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(220,751)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(16,900)
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.	(11,337)
Change in net assets of governmental activities	<u><u>\$ (504,897)</u></u>

County of Bland, 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, 2011

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,810	\$ 5,810
Charges for services	-	-	173,040	173,040
Miscellaneous	8,000	8,000	69,562	61,562
Recovered costs	33,841	33,841	66,354	32,513
Intergovernmental revenues:				
Local government	1,975,746	1,975,746	2,062,711	86,965
Commonwealth	5,101,548	5,101,548	4,844,488	(257,060)
Federal	1,180,760	1,412,986	1,020,047	(392,939)
Total revenues	<u>\$ 8,299,895</u>	<u>\$ 8,532,121</u>	<u>\$ 8,242,012</u>	<u>\$ (290,109)</u>
EXPENDITURES				
Current:				
Education	\$ 8,299,895	\$ 8,675,950	\$ 8,497,921	\$ 178,029
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (143,829)</u>	<u>\$ (255,909)</u>	<u>\$ (112,080)</u>
Net change in fund balances	\$ -	\$ (143,829)	\$ (255,909)	\$ (112,080)
Fund balances - beginning	-	143,829	3,118,795	2,974,966
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,862,886</u>	<u>\$ 2,862,886</u>

SUPPORTING SCHEDULES

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 2,612,803	\$ 2,612,803	\$ 2,508,609	\$ (104,194)
Real and personal public service corporation taxes	373,625	373,625	370,692	(2,933)
Personal property taxes	835,216	835,216	809,377	(25,839)
Mobile home taxes	29,611	29,611	24,692	(4,919)
Machinery and tools taxes	203,535	203,535	172,850	(30,685)
Merchant's capital taxes	110,159	110,159	142,114	31,955
Penalties	15,000	15,000	25,532	10,532
Interest	20,000	20,000	30,128	10,128
Total general property taxes	<u>\$ 4,199,949</u>	<u>\$ 4,199,949</u>	<u>\$ 4,083,994</u>	<u>\$ (115,955)</u>
Other local taxes:				
Local sales and use taxes	\$ 227,167	\$ 227,167	\$ 213,337	\$ (13,830)
Consumers' utility taxes	150,000	150,000	164,269	14,269
Consumption taxes	20,000	20,000	22,015	2,015
Gross receipts taxes	-	-	3,083	3,083
Franchise license tax	-	-	20,913	20,913
Motor vehicle licenses	105,000	105,000	103,167	(1,833)
Taxes on recordation and wills	10,800	10,800	40,164	29,364
Hotel and motel room taxes	3,100	3,100	3,540	440
Restaurant food taxes	130,000	130,000	81,739	(48,261)
Total other local taxes	<u>\$ 646,067</u>	<u>\$ 646,067</u>	<u>\$ 652,227</u>	<u>\$ 6,160</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 3,100	\$ 3,100	\$ 4,016	\$ 916
Land use application fees	1,500	1,500	645	(855)
Transfer fees	200	200	222	22
Building permits	20,000	20,000	15,635	(4,365)
Permits and other licenses	300	300	350	50
Total permits, privilege fees, and regulatory licenses	<u>\$ 25,100</u>	<u>\$ 25,100</u>	<u>\$ 20,868</u>	<u>\$ (4,232)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 385,862	\$ 360,985	\$ 232,830	\$ (128,155)
Dog violation fines	25	25	-	(25)
Total fines and forfeitures	<u>\$ 385,887</u>	<u>\$ 361,010</u>	<u>\$ 232,830</u>	<u>\$ (128,180)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 17,956	\$ 17,956	\$ 9,438	\$ (8,518)
Revenue from use of property	3,600	3,600	3,623	23
Total revenue from use of money and property	<u>\$ 21,556</u>	<u>\$ 21,556</u>	<u>\$ 13,061</u>	<u>\$ (8,495)</u>
Charges for services:				
Charges for sheriff's fees	\$ 50	\$ 50	\$ 18	\$ (32)
Charges for courthouse maintenance	16,830	16,830	13,471	(3,359)
Charges for law library	800	800	988	188
Charges for Commonwealth's Attorney	150	150	440	290
Charges for sanitation and waste removal	286,840	286,840	258,966	(27,874)
Charges for cannery	7,000	7,000	5,727	(1,273)
Charges for forest service coop law enforcement	3,000	3,000	2,706	(294)
Other charges for services	2,155	2,155	4,323	2,168
Total charges for services	<u>\$ 316,825</u>	<u>\$ 316,825</u>	<u>\$ 286,639</u>	<u>\$ (30,186)</u>

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (continued)				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 56,591	\$ 63,534	\$ 213,334	\$ 149,800
Recovered costs:				
Insurance reimbursement	\$ 32,505	\$ 32,505	\$ 31,279	\$ (1,226)
Social services	157,134	157,134	56,894	(100,240)
Utilities	430	430	710	280
Schools	31,307	31,307	32,009	702
Tipping fees	-	-	12,727	12,727
Crossroads Industrial Facilities Authority	200,000	200,000	170,000	(30,000)
Other recovered costs	248,810	248,810	231,213	(17,597)
Total recovered costs	<u>\$ 670,186</u>	<u>\$ 670,186</u>	<u>\$ 534,832</u>	<u>\$ (135,354)</u>
Total revenue from local sources	<u>\$ 6,322,161</u>	<u>\$ 6,304,227</u>	<u>\$ 6,037,785</u>	<u>\$ (266,442)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 750	\$ 750	\$ 541	\$ (209)
Mobile home titling tax	27,500	27,500	14,763	(12,737)
State recordation tax	6,000	6,000	9,316	3,316
Communications taxes	100,000	100,000	108,868	8,868
Personal property tax relief funds	354,561	354,561	354,561	-
Total noncategorical aid	<u>\$ 488,811</u>	<u>\$ 488,811</u>	<u>\$ 488,049</u>	<u>\$ (762)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 77,098	\$ 77,098	\$ 79,257	\$ 2,159
Sheriff	473,094	473,094	461,372	(11,722)
Commissioner of revenue	68,916	68,916	69,925	1,009
Treasurer	57,611	57,611	59,057	1,446
Registrar/electoral board	29,589	29,589	26,610	(2,979)
Clerk of the Circuit Court	128,149	128,149	131,392	3,243
Total shared expenses	<u>\$ 834,457</u>	<u>\$ 834,457</u>	<u>\$ 827,613</u>	<u>\$ (6,844)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 299,841	\$ 299,841	\$ 332,663	\$ 32,822
Comprehensive Services Act program	86,615	281,863	301,625	19,762
Litter control grant	5,125	5,125	5,910	785
Two-for-life	4,005	4,005	6,530	2,525
DMV grant	1,500	1,500	1,850	350
VDOT grant	473,500	473,500	103,856	(369,644)
E-911 state revenue	36,000	36,000	40,596	4,596
Victim-witness grant	16,389	16,389	20,154	3,765
Fire program	18,698	18,698	19,839	1,141
Juvenile justice grant	8,600	8,600	6,186	(2,414)
MRPDC Commerce Park Design Grant	40,064	140,064	-	(140,064)
Tobacco Indemnification and Revitalization Grant	188,900	188,900	-	(188,900)
Mining royalties	3,000	3,000	5,091	2,091
Other categorical	5,000	31,236	8,900	(22,336)
Total other categorical aid	<u>\$ 1,187,237</u>	<u>\$ 1,508,721</u>	<u>\$ 853,200</u>	<u>\$ (655,521)</u>

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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)				
Total categorical aid	\$ 2,021,694	\$ 2,343,178	\$ 1,680,813	\$ (662,365)
Total revenue from the Commonwealth	\$ 2,510,505	\$ 2,831,989	\$ 2,168,862	\$ (663,127)
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 130,000	\$ 130,000	\$ 30,459	\$ (99,541)
Categorical aid:				
Victim-witness grant	\$ 5,462	\$ 5,462	\$ -	\$ (5,462)
State and community highway safety funds	-	17,754	17,933	179
Public assistance and welfare administration	511,077	511,077	567,021	55,944
Schools and roads	-	-	19,081	19,081
Community facilities grant	-	-	88,338	88,338
Other federal categorical aid	464,000	464,000	-	(464,000)
Total categorical aid	\$ 980,539	\$ 998,293	\$ 692,373	\$ (305,920)
Total revenue from the federal government	\$ 1,110,539	\$ 1,128,293	\$ 722,832	\$ (405,461)
Total General Fund	\$ 9,943,205	\$ 10,264,509	\$ 8,929,479	\$ (1,335,030)
Total Primary Government	\$ 9,943,205	\$ 10,264,509	\$ 8,929,479	\$ (1,335,030)
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	\$ -	\$ -	\$ 5,810	\$ 5,810
Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 173,040	\$ 173,040
Miscellaneous revenue:				
Other miscellaneous	\$ 8,000	\$ 8,000	\$ 69,562	\$ 61,562
Recovered costs:				
Miscellaneous recovered costs	\$ 33,841	\$ 33,841	\$ 66,354	\$ 32,513
Total revenue from local sources	\$ 41,841	\$ 41,841	\$ 314,766	\$ 272,925
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Bland, Virginia	\$ 1,975,746	\$ 1,975,746	\$ 2,062,711	\$ 86,965

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 722,359	\$ 722,359	\$ 751,883	\$ 29,524
Basic school aid	3,232,153	3,232,153	2,972,963	(259,190)
Regular foster care	5,204	5,204	6,917	1,713
Adult secondary education	7,859	7,859	7,859	-
Gifted and talented	30,127	30,127	29,376	(751)
Remedial education	60,923	60,923	59,405	(1,518)
Special education	289,919	289,919	274,831	(15,088)
Textbook payment	35,174	35,174	22,594	(12,580)
Vocational SOQ payments	78,999	78,999	77,031	(1,968)
Vocational adult education	4,979	4,979	-	(4,979)
School food	6,940	6,940	6,632	(308)
Social security fringe benefits	177,413	177,413	172,993	(4,420)
Retirement fringe benefits	105,109	105,109	102,490	(2,619)
Group life insurance benefits	6,695	6,695	6,528	(167)
State lottery payments	-	-	11,704	11,704
Early reading intervention	17,688	17,688	17,688	-
Dropout prevention	-	-	2,123	2,123
Homebound education	3,202	3,202	2,423	(779)
Vocation education - equipment	18,000	18,000	3,419	(14,581)
Vocational occupational preparedness	-	-	1,291	1,291
Local history grant	-	-	4,615	4,615
At risk payments	43,571	43,571	42,424	(1,147)
Standards of Learning algebra readiness	9,064	9,064	9,064	-
Mentor teacher program	1,077	1,077	1,423	346
Virginia tobacco settlement	25,000	25,000	26,765	1,765
At risk four year olds	-	-	13,099	13,099
Technology initiative	154,000	154,000	154,000	-
Hold harmless	66,093	66,093	62,632	(3,461)
Other state funds	-	-	316	316
Total categorical aid	<u>\$ 5,101,548</u>	<u>\$ 5,101,548</u>	<u>\$ 4,844,488</u>	<u>\$ (257,060)</u>
Total revenue from the Commonwealth	<u>\$ 5,101,548</u>	<u>\$ 5,101,548</u>	<u>\$ 4,844,488</u>	<u>\$ (257,060)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 214,871	\$ 214,871	\$ 150,529	\$ (64,342)
Title I - ARRA	-	-	43,430	43,430
Title VI-B, flow-through	225,732	225,732	173,602	(52,130)
Title VI-B, flow-through - ARRA	-	-	97,066	97,066
Title VI-B, preschool	7,823	7,823	7,823	-
Title VI-B, preschool - ARRA	-	-	5,640	5,640
Drug free schools	-	-	4,160	4,160
Title II Part D	1,750	1,750	1,277	(473)

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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:(continued)				
Categorical aid: (continued)				
Title II Part A	38,449	38,449	30,165	(8,284)
School food program	150,000	150,000	244,327	94,327
Schools and roads	100,000	100,000	108,127	8,127
State fiscal stabilization funds	-	-	139,311	139,311
Career and technical education	-	-	14,590	14,590
Other federal categorical	442,135	674,361	-	(674,361)
Total categorical aid	<u>\$ 1,180,760</u>	<u>\$ 1,412,986</u>	<u>\$ 1,020,047</u>	<u>\$ (392,939)</u>
Total revenue from the federal government	<u>\$ 1,180,760</u>	<u>\$ 1,412,986</u>	<u>\$ 1,020,047</u>	<u>\$ (392,939)</u>
Total School Operating Fund	<u>\$ 8,299,895</u>	<u>\$ 8,532,121</u>	<u>\$ 8,242,012</u>	<u>\$ (290,109)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 8,299,895</u>	<u>\$ 8,532,121</u>	<u>\$ 8,242,012</u>	<u>\$ (290,109)</u>

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 99,865	\$ 79,735	\$ 75,948	\$ 3,787
General and financial administration:				
County administrator	\$ 385,012	\$ 385,012	\$ 372,810	\$ 12,202
Commissioner of revenue	177,932	177,932	172,759	5,173
Treasurer	170,619	170,619	164,514	6,105
Legal services	32,885	32,885	32,620	265
Information technology	37,710	37,710	23,981	13,729
Auditors	61,550	61,550	48,438	13,112
Employee added benefit pool	-	221	221	-
Local government dues	8,965	9,965	8,967	998
Total general and financial administration	<u>\$ 874,673</u>	<u>\$ 875,894</u>	<u>\$ 824,310</u>	<u>\$ 51,584</u>
Board of elections:				
Electoral board and officials	\$ 23,622	\$ 23,622	\$ 19,236	\$ 4,386
Registrar	59,177	59,177	57,606	1,571
Total board of elections	<u>\$ 82,799</u>	<u>\$ 82,799</u>	<u>\$ 76,842</u>	<u>\$ 5,957</u>
Total general government administration	<u>\$ 1,057,337</u>	<u>\$ 1,038,428</u>	<u>\$ 977,100</u>	<u>\$ 61,328</u>
Judicial administration:				
Courts:				
Circuit court	\$ 4,362	\$ 4,362	\$ 1,417	\$ 2,945
General district court	1,680	3,680	3,485	195
Magistrates	300	300	100	200
Juvenile and domestic relations court	6,912	6,912	1,238	5,674
Victim and witness assistance	22,027	23,775	21,372	2,403
Clerk of the circuit court	204,329	204,329	204,242	87
Law Library	2,000	2,000	1,297	703
Total courts	<u>\$ 241,610</u>	<u>\$ 245,358</u>	<u>\$ 233,151</u>	<u>\$ 12,207</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 113,460	\$ 116,035	\$ 115,143	\$ 892
Total judicial administration	<u>\$ 355,070</u>	<u>\$ 361,393</u>	<u>\$ 348,294</u>	<u>\$ 13,099</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 866,105	\$ 894,911	\$ 829,904	\$ 65,007
Ticket enforcement	64,148	64,148	63,275	873
Transportation safety	-	17,754	18,073	(319)
School resource officer	105,074	105,074	98,802	6,272
Total law enforcement and traffic control	<u>\$ 1,035,327</u>	<u>\$ 1,081,887</u>	<u>\$ 1,010,054</u>	<u>\$ 71,833</u>
Fire and rescue services:				
Fire department	\$ 92,684	\$ 93,084	\$ 93,852	\$ (768)
Ambulance and rescue services	1,942	2,042	990	1,052
Other fire and rescue services	13,816	14,416	14,389	27
Total fire and rescue services	<u>\$ 108,442</u>	<u>\$ 109,542</u>	<u>\$ 109,231</u>	<u>\$ 311</u>
Correction and detention:				
Regional jail	\$ 250,600	\$ 213,151	\$ 190,834	\$ 22,317

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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)				
Inspections:				
Building	\$ 67,949	\$ 74,699	\$ 74,124	\$ 575
Other protection:				
Animal control	\$ 60,336	\$ 61,432	\$ 49,438	\$ 11,994
Medical examiner	120	120	120	-
E-911	85,606	85,606	82,012	3,594
Total other protection	<u>\$ 146,062</u>	<u>\$ 147,158</u>	<u>\$ 131,570</u>	<u>\$ 15,588</u>
Total public safety	<u>\$ 1,608,380</u>	<u>\$ 1,626,437</u>	<u>\$ 1,515,813</u>	<u>\$ 110,624</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Streetlights	\$ 4,000	\$ 4,000	\$ 2,665	\$ 1,335
Sanitation and waste removal:				
Refuse collection and disposal	\$ 395,576	\$ 348,826	\$ 345,880	\$ 2,946
Landfill closure	28,900	33,900	48,547	(14,647)
Total sanitation and waste removal	<u>\$ 424,476</u>	<u>\$ 382,726</u>	<u>\$ 394,427</u>	<u>\$ (11,701)</u>
Maintenance of general buildings and grounds:				
General properties	\$ 295,831	\$ 288,532	\$ 271,036	\$ 17,496
Canneries	99,299	99,299	82,202	17,097
Public works administration	110,367	103,617	86,774	16,843
Total maintenance of general buildings and grounds	<u>\$ 505,497</u>	<u>\$ 491,448</u>	<u>\$ 440,012</u>	<u>\$ 51,436</u>
Total public works	<u>\$ 933,973</u>	<u>\$ 878,174</u>	<u>\$ 837,104</u>	<u>\$ 41,070</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 76,628	\$ 76,628	\$ 76,628	-
Mental health and mental retardation:				
Community services board	\$ 12,000	\$ 12,000	\$ 12,000	-
Welfare:				
Welfare administration	\$ 681,843	\$ 688,343	\$ 665,061	\$ 23,282
Public assistance	418,784	418,784	404,619	14,165
Elderly and handicapped services	9,127	9,127	9,127	-
Comprehensive services	109,765	356,194	386,454	(30,260)
Other welfare	16,600	16,600	12,218	4,382
Total welfare	<u>\$ 1,236,119</u>	<u>\$ 1,489,048</u>	<u>\$ 1,477,479</u>	<u>\$ 11,569</u>
Total health and welfare	<u>\$ 1,324,747</u>	<u>\$ 1,577,676</u>	<u>\$ 1,566,107</u>	<u>\$ 11,569</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 9,137	\$ 9,137	\$ 9,137	-
Contribution to County School Board	1,975,746	1,975,746	2,062,711	(86,965)
Total education	<u>\$ 1,984,883</u>	<u>\$ 1,984,883</u>	<u>\$ 2,071,848</u>	<u>\$ (86,965)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation facilities	\$ 34,378	\$ 35,428	\$ 34,513	\$ 915

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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)				
Parks, recreation, and cultural: (continued)				
Cultural enrichment:				
Indian Village	\$ 247,535	\$ 247,535	\$ 221,946	\$ 25,589
Youth enrichment program	-	400	400	-
Other cultural enrichment	5,000	5,250	5,250	-
Total cultural enrichment	<u>\$ 252,535</u>	<u>\$ 253,185</u>	<u>\$ 227,596</u>	<u>\$ 25,589</u>
Library:				
Contribution to regional library	\$ 124,126	\$ 125,326	\$ 125,085	\$ 241
Total parks, recreation, and cultural	<u>\$ 411,039</u>	<u>\$ 413,939</u>	<u>\$ 387,194</u>	<u>\$ 26,745</u>
Community development:				
Planning and community development:				
Community development	\$ 1,120	\$ 1,120	\$ 924	\$ 196
Planning	113,225	108,980	48,816	60,164
Economic development	631,283	642,783	303,375	339,408
Total planning and community development	<u>\$ 745,628</u>	<u>\$ 752,883</u>	<u>\$ 353,115</u>	<u>\$ 399,768</u>
Environmental management:				
Contribution to soil and water district	\$ 10,500	\$ 10,500	\$ 10,500	-
Cooperative extension program:				
Extension office	\$ 53,621	\$ 47,120	\$ 34,369	\$ 12,751
Total community development	<u>\$ 809,749</u>	<u>\$ 810,503</u>	<u>\$ 397,984</u>	<u>\$ 412,519</u>
Capital projects:				
Other capital projects	\$ 817,000	\$ 917,000	-	\$ 917,000
Debt service:				
Principal retirement	\$ 227,114	\$ 227,114	\$ 188,664	\$ 38,450
Interest and other fiscal charges	166,762	166,762	161,533	5,229
Total debt service	<u>\$ 393,876</u>	<u>\$ 393,876</u>	<u>\$ 350,197</u>	<u>\$ 43,679</u>
Total General Fund	<u>\$ 9,696,054</u>	<u>\$ 10,002,309</u>	<u>\$ 8,451,641</u>	<u>\$ 1,550,668</u>
Total Primary Government	<u>\$ 9,696,054</u>	<u>\$ 10,002,309</u>	<u>\$ 8,451,641</u>	<u>\$ 1,550,668</u>

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ 6,242,332	\$ 6,474,558	\$ 6,292,808	\$ 181,750
Operating costs:				
Administration and health services	\$ 452,379	\$ 452,379	\$ 434,095	\$ 18,284
Pupil transportation	698,224	698,224	540,347	157,877
Operation and maintenance of school plant	723,608	867,437	759,111	108,326
Facilities	3,122	3,122	3,122	-
Total operating costs	<u>\$ 1,877,333</u>	<u>\$ 2,021,162</u>	<u>\$ 1,736,675</u>	<u>\$ 284,487</u>
School food services:				
Administration of school food program	\$ 180,230	\$ 180,230	\$ 468,438	\$ (288,208)
Total Discretely Presented Component Unit - School Board	<u>\$ 8,299,895</u>	<u>\$ 8,675,950</u>	<u>\$ 8,497,921</u>	<u>\$ 178,029</u>

- (1) School Board appropriations are approved at the fund level, therefore appropriations should be compared against expenditures at the fund level only for legal compliance requirements. School expenditures above include disbursements at decentralized cafeteria operations in the amount of \$228,861. These amounts are not subject to appropriation and accordingly are not budgeted

OTHER STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Service Authority	Total
2010-11	\$ 809,520	\$ 351,881	\$ 1,706,549	\$ 797,124	\$ 1,472,938	\$ 2,089,162	\$ 427,167	\$ 117,950	\$ 154,670	\$ 848,184	\$ 8,775,145
2009-10	899,026	339,747	1,634,918	793,257	1,349,766	2,073,276	374,658	127,203	178,482	836,366	8,606,699
2008-09	874,209	341,475	1,698,669	762,499	989,548	1,741,599	277,656	240,035	182,319	846,734	7,954,743
2007-08	949,279	328,350	1,535,649	765,844	994,735	2,184,946	162,006	392,417	193,525	879,490	8,386,241
2006-07	840,399	297,365	1,481,054	728,774	1,544,378	2,084,371	142,065	291,841	201,620	826,285	8,438,152
2005-06	778,866	309,714	1,404,672	638,453	815,065	1,885,195	154,734	136,704	219,003	839,822	7,182,228
2004-05	610,090	308,198	1,585,787	452,403	849,638	1,813,666	132,256	149,572	205,861	825,247	6,932,718
2003-04	610,700	157,670	1,142,285	604,667	857,946	1,833,075	105,440	150,620	160,525	783,401	6,406,329
2002-03	544,185	166,654	1,236,876	553,177	732,946	2,409,685	89,467	100,294	74,936	559,135	6,467,355

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

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2010-11	\$ 894,969	\$ 2,379,513	\$ 88,338	\$ 4,163,002	\$ 652,227	\$ 35,828	\$ 213,488	\$ 518,508	\$ 8,945,873	
2009-10	1,025,159	2,113,469	-	3,871,685	770,784	17,115	91,386	409,725	8,299,323	
2008-09	1,028,168	1,884,067	-	4,248,680	795,467	64,337	31,940	571,623	8,624,282	
2007-08	1,074,480	1,921,241	-	3,623,286	844,536	160,451	21,841	465,491	8,111,326	
2006-07	1,109,941	2,818,405	-	3,496,273	826,622	156,285	8,065	507,610	8,923,201	
2005-06	965,640	1,821,778	-	3,340,366	808,111	90,115	33,980	535,336	7,595,326	
2004-05	1,092,738	1,732,905	-	3,107,948	746,668	31,870	12,235	395,801	7,120,165	
2003-04	731,851	1,809,218	-	2,554,497	670,715	7,726	236,409	438,601	6,449,017	
2002-03	717,256	2,313,540	-	2,442,677	537,350	13,598	16,688	488,039	6,529,148	

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

County of Bland, 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	Debt Service	Total
2010-11	\$ 977,100	\$ 348,294	\$ 1,515,813	\$ 837,104	\$ 1,566,107	\$ 8,507,058	\$ 387,194	\$ 397,984	\$ 350,197	\$ 14,886,851
2009-10	941,426	334,519	1,561,234	790,800	1,414,492	8,939,212	335,437	381,951	446,279	15,145,350
2008-09	919,303	340,198	1,613,833	750,964	1,075,093	9,224,652	356,527	661,825	433,329	15,375,724
2007-08	934,887	325,807	1,390,396	755,811	1,042,904	8,860,586	128,473	476,732	472,674	14,388,270
2006-07	817,094	299,335	1,335,075	736,940	946,016	8,201,233	126,888	351,578	586,148	13,400,307
2005-06	710,820	315,639	1,202,639	646,999	893,987	7,545,042	129,560	235,497	476,839	12,157,022
2004-05	657,733	306,197	1,527,395	596,176	912,423	8,441,212	138,078	199,116	464,170	13,242,500
2003-04	643,310	268,737	1,410,291	556,988	891,649	7,165,625	105,440	150,777	337,706	11,530,523
2002-03	635,889	266,246	1,100,205	560,904	744,286	6,836,170	89,467	98,578	230,088	10,561,833
2001-02	836,356	248,528	784,665	784,409	928,036	6,632,772	94,487	193,488	234,694	10,737,435

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

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

Table 4

County of Bland, 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
2010-11	\$ 4,083,994	\$ 652,227	\$ 20,868	\$ 232,830	\$ 18,871	\$ 459,679	\$ 282,896	\$ 601,186	\$ 8,756,229	\$ 15,108,780
2009-10	3,972,657	770,784	20,815	344,934	24,593	501,753	120,800	630,550	9,071,887	15,458,773
2008-09	4,157,760	795,467	31,301	362,801	109,069	480,020	90,797	719,694	9,734,423	16,481,332
2007-08	3,617,018	844,536	30,020	360,871	251,858	504,072	36,576	438,259	8,779,504	14,862,714
2006-07	3,351,678	826,622	28,040	296,394	258,917	578,721	69,426	269,480	9,363,593	15,042,871
2005-06	3,273,790	808,111	29,033	330,548	169,423	426,461	50,744	362,505	8,038,739	13,489,354
2004-05	3,138,006	746,668	30,202	344,252	74,899	500,266	55,308	351,753	7,908,701	13,150,055
2003-04	2,507,386	670,715	28,018	62,324	18,839	472,032	803,209	165,366	7,659,749	12,387,638
2002-03	2,466,323	655,469	28,861	140,234	34,172	428,282	44,901	196,990	7,178,022	11,173,254
2001-02	2,030,621	646,359	52,156	74,527	62,453	410,508	33,215	226,891	7,343,739	10,880,469

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2010-11	\$ 4,499,124	\$ 4,279,115	95.11%	\$ 103,780	\$ 4,382,895	97.42%	\$ 547,951	12.18%
2009-10	4,393,072	4,174,315	95.02%	101,925	4,276,240	97.34%	453,569	10.32%
2008-09	4,572,954	4,351,121	95.15%	107,837	4,458,958	97.51%	417,952	9.14%
2007-08	3,933,705	3,830,011	97.36%	95,322	3,925,333	99.79%	392,206	9.97%
2006-07	3,733,925	3,579,896	95.87%	88,682	3,668,578	98.25%	342,624	9.18%
2005-06	3,663,193	3,562,454	97.25%	91,914	3,654,368	99.76%	266,586	7.28%
2004-05	3,482,487	3,266,798	93.81%	95,997	3,362,795	96.56%	218,913	6.29%
2003-04	2,809,664	2,718,454	96.75%	57,158	2,775,612	98.79%	194,327	6.92%
2002-03	2,772,481	2,686,344	96.89%	74,992	2,761,336	99.60%	186,608	6.73%
2001-02	2,356,318	2,230,228	94.65%	90,543	2,320,771	98.49%	182,817	7.76%

(1) Exclusive of penalties and interest. Includes payments from the State under the PPTRA Program.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2010-11	\$ 464,944,700	\$ 59,715,654	\$ 19,441,218	\$ 19,501,019	\$ 67,478,296	\$ 631,080,887
2009-10	462,097,800	56,044,649	19,321,771	17,708,818	66,929,253	622,102,291
2008-09	460,617,400	63,124,074	20,572,309	16,411,741	68,693,487	629,419,011
2007-08	270,659,200	63,916,186	25,878,004	19,288,259	50,582,512	430,324,161
2006-07	265,110,100	61,738,795	25,452,487	15,108,640	35,833,223	403,243,245
2005-06	258,944,800	60,157,418	25,043,406	21,483,898	30,787,455	396,416,977
2004-05	253,943,800	56,014,094	23,222,618	27,616,238	22,036,848	382,833,598
2003-04	247,794,775	51,340,645	21,215,034	24,332,409	15,319,483	360,002,346
2002-03	244,150,636	51,573,678	19,785,849	22,804,351	15,534,869	353,849,383
2001-02	178,804,811	51,031,334	20,159,754	17,006,117	11,558,507	278,560,523

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Merchant's Capital	Machinery and Tools
2010-11	\$ 0.55	\$ 2.29	\$ 0.55	\$ 0.73	0.89
2009-10	0.55	2.29	0.55	0.73	0.89
2008-09	0.55	2.29	0.55	0.73	0.89
2007-08	0.69	2.29	0.69	0.73	0.89
2006-07	0.69	2.29	0.69	0.73	0.89
2005-06	0.69	2.29	0.69	0.73	0.89
2004-05	0.69	2.29	0.69	0.73	0.89
2003-04	0.65	1.60	0.65	0.73	0.73
2002-03	0.65	1.60	0.65	0.73	0.73
2001-02	0.69	1.60	0.69	0.73	0.73

(1) Per \$100 of assessed value.

Table 8

County of Bland, 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)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2010-11	6,824	\$ 631,081	\$ 425,501	\$ 425,501	0.07%	\$ 62
2009-10	6,871	622,102	549,101	549,101	0.09%	80
2008-09	6,871	629,419	747,768	747,768	0.12%	109
2007-08	6,871	430,324	903,867	903,867	0.21%	132
2006-07	6,871	403,243	1,053,420	1,053,420	0.26%	153
2005-06	6,871	396,417	1,201,525	1,201,525	0.30%	175
2004-05	6,871	382,834	1,364,859	1,364,859	0.36%	199
2003-04	6,871	360,002	1,496,503	1,496,503	0.42%	218
2002-03	6,871	353,849	1,690,723	1,690,723	0.48%	246
2001-02	6,871	278,561	1,846,964	1,846,964	0.66%	269

(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 bonded debt, bonded anticipation notes, and literary fund loans.

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

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2010-11	\$ 188,664	\$ 161,533	\$ 350,197	\$ 14,886,851	2.35%
2009-10	263,449	182,830	446,279	15,145,350	2.95%
2008-09	248,722	184,607	433,329	15,375,724	2.82%
2007-08	276,561	196,113	472,674	14,388,270	3.29%
2006-07	379,126	207,022	586,148	13,400,307	4.37%
2005-06	261,416	215,423	476,839	12,157,022	3.92%
2004-05	206,152	258,018	464,170	13,242,500	3.51%
2003-04	221,071	116,635	337,706	11,530,523	2.93%
2002-03	156,241	73,847	230,088	10,561,833	2.18%
2001-02	155,241	79,453	234,694	10,737,435	2.19%

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of the Board of Supervisors
County of Bland, Virginia
Bland, Virginia

We have audited 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 the County of Bland, Virginia as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Reference 2011-1).

Compliance and Other Matters

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

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

We noted certain matters that we reported to management of the County of Bland, Virginia in a separate letter dated November 16, 2011.

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

Robinson, Fauner, Co. Associates

Christiansburg, Virginia
November 16, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of the Board of Supervisors
County of Bland, Virginia
Bland, Virginia

Compliance

We have audited the County of Bland, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Bland, Virginia's major federal programs for the year ended June 30, 2011. The County of Bland, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Bland, Virginia's management. Our responsibility is to express an opinion on the County of Bland, Virginia's compliance based on our audit.

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

In our opinion, the County of Bland, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Robinson, Turner, Cox Associates

Christiansburg, Virginia

November 16, 2011

County of Bland, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/Cluster/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110, 0950111	\$ 5,842
Temporary Assistance for Needy Families (TANF)	93.558	0400110, 0400111	85,170
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110, 0500111	163
Low-Income Home Energy Assistance	93.568	0600410, 0600411	6,190
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770110	3,559
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110, 0760111	16,726
ARRA - Child Care and Development Block Grant	93.713	0740109, 0780109	137
Child Welfare Services - State Grants	93.645	0900110, 0900111	339
Foster Care - Title IV-E	93.658	1100110, 1100111	140,032
ARRA - Foster Care - Title IV-E	93.658	1100110, 1100111	7,239
Foster Care Subtotal	93.658		<u>147,271</u>
Adoption Assistance	93.659	1120110, 1120111	54,791
ARRA - Adoption Assistance	93.659	1120110, 1120111	3,642
Adoption Assistance Subtotal	93.659		<u>58,433</u>
Social Services Block Grant	93.667	1000110, 1000111	65,927
Chafee Foster Care Independence Program	93.674	9150110, 9150111	1,190
Children's Health Insurance Program	93.767	0540110, 0540111	3,189
Medical Assistance Program	93.778	1200110, 1200111	64,339
Total Department of Health and Human Services			<u>\$ 458,475</u>
Department of Agriculture:			
Pass Through Payments:			
Virginia Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
National school lunch program - Food Distribution (3)	10.555	Not applicable	<u>\$ 33,102</u>
Rural Development:			
Community Facilities Loans and Grants	10.766	Not applicable	<u>\$ 88,338</u>
Department of Education:			
Child Nutrition Cluster:			
National school breakfast program	10.553	40591	\$ 59,523
National school lunch program	10.555	40623	151,702
Secure Payments for States and Counties Containing Federal Lands	10.665	43841	127,208
Total Department of Education - pass-through payments			<u>\$ 338,433</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110, 0010111, 0040110, 0040111	\$ 107,446
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110, 0010111, 0040110, 0040111	1,100
Total Department of Social Services - pass-through payments			<u>\$ 108,546</u>
Total Department of Agriculture			<u>\$ 568,419</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2001 51337 4279 SC-2010 50357 3977	<u>\$ 17,933</u>

County of Bland, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/Cluster/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I, Part A Cluster:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 150,529
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	43,430
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	173,602
ARRA - Special Education - Grants to States	84.391	61245	97,066
Special Education - preschool grants	84.173	62521	7,823
ARRA - Special Education - preschool grants	84.392	61247	5,640
Career and Technical Education - Basic Grants to States	84.048	61095	14,590
Safe and Drug-Free Schools and Communities - State Grants	84.186	60511	4,160
Education Technology - State Grants	84.318	61600	1,277
Improving Teacher Quality - State Grants	84.367	61480, 61485	30,165
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	<u>139,311</u>
Total Department of Education			<u>\$ 667,593</u>
Total Expenditures of Federal Awards			<u>\$ 1,712,420</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bland County, Virginia under programs of the federal government for the year ended June 30, 2011. 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 the County of Bland, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Bland, 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, 2011, The Bland County School Board had food commodities totaling \$0 in inventory.

Note 4 -- Relationship to 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	<u>\$ 722,832</u>
Total primary government	<u>\$ 722,832</u>
Component Unit:	
School Operating Fund	<u>\$ 1,020,047</u>
Total federal expenditures per the basic financial statements	<u>\$ 1,742,879</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,712,420</u>
Payments to states in lieu of Real Estate Taxes	<u>30,459</u>
Total Federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 1,742,879</u>

County of Bland, Virginia

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
84.027/84.173/84.391/84.392	Special Education Cluster
84.010/84.389	Title I, Part A Cluster
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants
10.553/10.555	Child Nutrition Cluster
93.658	Foster Care, Title IV-E (including ARRA)

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

Schedule of Findings, Responses and Questioned Costs
Year Ended June 30, 2011

Section II - Financial Statement Findings

2011-1

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 (including Social Services) and the School Board lack proper segregation of duties over the following functions: Collections in the Treasurer's office, Accounts Payable and Payroll at the County; Accounts Payable and Payroll at the School Board; and Accounts Payable and Payroll in the Department of Social Services.
Cause of Condition:	The County, Social Services, and School Board lack the funding to fully support a completely segregated finance department.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the functions listed above lack proper segregation of duties, however to alleviate same would require additional staff. Due to cost constraints, the County and School Board have decided not to address the aforementioned internal control deficiency.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

The 2011-1 is recurring in the current year. The federal findings and questioned cost in the prior year was corrected.