

COUNTY OF BLAND, VIRGINIA

FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF BLAND, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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COUNTY OF BLAND, VIRGINIA
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INTRODUCTORY SECTION

COUNTY OF BLAND, VIRGINIA

BOARD OF SUPERVISORS

| | | |
|-------------------------------|-----------------------|---------------|
| Henry Blessing, Vice-Chairman | Nick Asbury, Chairman | Randy Johnson |
| | Karen Hodock | |

COUNTY SCHOOL BOARD

| | | |
|----------------------------------|------------------------------|----------------|
| Roger L. Morehead, Vice-Chairman | Anthony T. Kennedy, Chairman | Melinda Litton |
| | Rob Brizendine | |

SOCIAL SERVICES BOARD

| | | |
|-----------------|------------------|---------------|
| Karen Hodock | Margaret Harless | Stephen Kelly |
| Lanny Lindamood | | Cathy Strock |

OTHER OFFICIALS

| | |
|-----------------------------------|--------------------|
| Clerk of the Circuit Court..... | Rebecca I. Johnson |
| Commonwealth's Attorney | Erin DeHart |
| 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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, 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 or 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, other supplementary information, supporting schedules, and other 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 other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Robinson, Famer, Co. Associates

Blacksburg, Virginia
December 7, 2012

Basic Financial Statements

County of Bland, Virginia
Statement of Net Assets
June 30, 2012

| | Primary Government | | | Component Units | | |
|--|----------------------------|-----------------------------|---------------|-----------------|--|-----------------------|
| | Governmental Activities | Business-type Activities | Total | School Board | Economic Development Authority (EDA) | Wireless Authority |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 2,716,741 | \$ 16,421 | \$ 2,733,162 | \$ 3,277,343 | \$ 545,808 | \$ - |
| Cash in custody of others | - | 2,247 | 2,247 | 119,377 | 12,052 | - |
| Receivables (net of allowance for uncollectibles): | | | | | | |
| Taxes receivable | 5,146,598 | - | 5,146,598 | - | - | - |
| Accounts receivable | 126,085 | 66,390 | 192,475 | - | - | - |
| Notes receivable | - | - | - | - | 1,300,010 | - |
| Interest receivable | - | - | - | - | 1,425 | - |
| Due from component unit | 368,573 | - | 368,573 | - | - | - |
| Due from other governmental units | 1,419,180 | - | 1,419,180 | 459,073 | - | 16,451 |
| Prepaid expenses | 36,498 | - | 36,498 | - | - | - |
| Restricted assets: | | | | | | |
| Temporarily restricted: | | | | | | |
| Cash and cash equivalents | - | 196,643 | 196,643 | - | - | - |
| Capital assets (net of accumulated depreciation): | | | | | | |
| Land | 259,103 | 255,156 | 514,259 | 603,897 | 390,159 | - |
| Buildings and utility plant | 3,177,123 | 10,836,775 | 14,013,898 | 1,630,968 | 271,531 | - |
| Machinery and equipment | 483,802 | - | 483,802 | 451,452 | 2,727 | - |
| Infrastructure | - | - | - | - | - | 372,653 |
| Construction in progress | - | 359,538 | 359,538 | - | 1,183,482 | - |
| Total assets | \$ 13,733,703 | \$ 11,739,402 | \$ 25,473,105 | \$ 6,542,110 | \$ 3,707,194 | \$ 389,104 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 508,965 | \$ 38,907 | \$ 547,872 | \$ 90,500 | \$ 88,388 | \$ - |
| Accrued payroll | - | - | - | 689,282 | - | - |
| Customers' deposits | - | 8,209 | 8,209 | - | - | - |
| Accrued interest payable | 6,860 | 2,625 | 9,485 | - | 1,425 | - |
| Due to primary government | - | - | - | 368,573 | - | - |
| Unearned revenue | 4,574,216 | - | 4,574,216 | - | - | - |
| Long-term liabilities: | | | | | | |
| Due within one year | 172,301 | 81,575 | 253,876 | 135,994 | 44,660 | - |
| Due in more than one year | 3,310,424 | 2,070,069 | 5,380,493 | 105,624 | 1,313,959 | - |
| Total liabilities | \$ 8,572,766 | \$ 2,201,385 | \$ 10,774,151 | \$ 1,389,973 | \$ 1,448,432 | \$ - |
| NET ASSETS | | | | | | |
| Invested in capital assets, net of related debt | \$ 786,464 | \$ 9,309,513 | \$ 10,095,977 | \$ 2,686,317 | \$ 489,280 | \$ 372,653 |
| Restricted for: | | | | | | |
| Law library | 144 | - | 144 | - | - | - |
| Courthouse maintenance | 74,866 | - | 74,866 | - | - | - |
| Courtroom security | 156,530 | - | 156,530 | - | - | - |
| Asset forfeiture funds | 7,028 | - | 7,028 | - | - | - |
| Restricted for debt service and bond covenants | - | 196,643 | 196,643 | - | - | - |
| School cafeteria | - | - | - | 119,377 | - | - |
| Unrestricted (deficit) | 4,135,905 | 31,861 | 4,167,766 | 2,346,443 | 1,769,482 | 16,451 |
| Total net assets | \$ 5,160,937 | \$ 9,538,017 | \$ 14,698,954 | \$ 5,152,137 | \$ 2,258,762 | \$ 389,104 |

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, 2012

| 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 |
| PRIMARY GOVERNMENT: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government administration | \$ 801,053 | \$ 4,478 | \$ 184,601 | \$ - | \$ (611,974) | | \$ (611,974) | | |
| Judicial administration | 370,921 | 1,765 | 220,229 | - | (148,927) | | (148,927) | | |
| Public safety | 1,743,094 | 239,806 | 591,531 | - | (911,757) | | (911,757) | | |
| Public works | 774,316 | 260,069 | 5,000 | - | (509,247) | | (509,247) | | |
| Health and welfare | 1,364,061 | - | 1,042,520 | - | (321,541) | | (321,541) | | |
| Education | 2,568,469 | - | - | - | (2,568,469) | | (2,568,469) | | |
| Parks, recreation, and cultural | 377,449 | 5,114 | - | - | (372,335) | | (372,335) | | |
| Community development | 1,190,443 | - | - | 1,148,852 | (41,591) | | (41,591) | | |
| Interest on long-term debt | 151,503 | - | - | - | (151,503) | | (151,503) | | |
| Total governmental activities | \$ 9,341,309 | \$ 511,232 | \$ 2,043,881 | \$ 1,148,852 | \$ (5,637,344) | | \$ (5,637,344) | | |
| Business-type activities: | | | | | | | | | |
| Service Authority | \$ 874,131 | \$ 364,847 | \$ 69,580 | \$ - | | \$ (439,704) | \$ (439,704) | | |
| Total primary government | \$ 10,215,440 | \$ 876,079 | \$ 2,113,461 | \$ 1,148,852 | \$ (5,637,344) | \$ (439,704) | \$ (6,077,048) | | |
| COMPONENT UNITS: | | | | | | | | | |
| School Board | \$ 8,779,551 | \$ 175,583 | \$ 6,475,670 | \$ - | | | \$ (2,128,298) | \$ - | \$ - |
| Economic Development Authority (EDA) | 499,072 | - | - | 256,404 | | | - | (242,668) | - |
| Wireless Authority | 82,804 | - | - | - | | | - | - | (82,804) |
| Total component units | \$ 9,361,427 | \$ 175,583 | \$ 6,475,670 | \$ 256,404 | | | \$ (2,128,298) | \$ (242,668) | \$ (82,804) |
| General revenues: | | | | | | | | | |
| General property taxes | | | | | \$ 4,125,826 | \$ - | \$ 4,125,826 | \$ - | \$ - |
| Other local taxes: | | | | | | | | | |
| Local sales and use taxes | | | | | 236,864 | - | 236,864 | - | - |
| Consumers' utility taxes | | | | | 162,745 | - | 162,745 | - | - |
| Restaurant food taxes | | | | | 86,676 | - | 86,676 | - | - |
| Motor vehicle licenses | | | | | 102,312 | - | 102,312 | - | - |
| Other local taxes | | | | | 76,926 | - | 76,926 | - | - |
| Unrestricted revenues from use of money and property | | | | | 10,032 | 9,235 | 19,267 | 4,050 | 123,316 |
| Miscellaneous | | | | | 82,304 | 13,526 | 95,830 | 116,860 | 3,372 |
| Contributions from Bland County | | | | | - | - | - | 2,591,407 | 1,162,675 |
| Grants and contributions not restricted to specific programs | | | | | 541,478 | - | 541,478 | - | - |
| Transfers | | | | | (369,177) | 369,177 | - | - | - |
| Total general revenues and transfers | | | | | \$ 5,055,986 | \$ 391,938 | \$ 5,447,924 | \$ 2,712,317 | \$ 1,289,363 |
| Change in net assets | | | | | \$ (581,358) | \$ (47,766) | \$ (629,124) | \$ 584,019 | \$ 1,046,695 |
| Net assets - beginning | | | | | 5,742,295 | 9,585,783 | 15,328,078 | 4,568,118 | 1,212,067 |
| Net assets - ending | | | | | \$ 5,160,937 | \$ 9,538,017 | \$ 14,698,954 | \$ 5,152,137 | \$ 2,258,762 |

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

County of Bland, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

| | <u>General</u> |
|--|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 2,716,741 |
| Receivables (net of allowance for uncollectibles): | |
| Taxes receivable | 5,146,598 |
| Accounts receivable | 126,085 |
| Due from component unit | 368,573 |
| Due from other governmental units | 1,419,180 |
| Prepaid items | 36,498 |
| Total assets | <u>\$ 9,813,675</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 508,965 |
| Deferred revenue | 5,133,924 |
| Total liabilities | <u>\$ 5,642,889</u> |
| Fund balances: | |
| Nonspendable: | |
| Prepaid items | \$ 36,498 |
| Restricted: | |
| Law library | 144 |
| Courthouse maintenance | 74,866 |
| Asset forfeiture funds | 7,028 |
| Courtroom security | 156,530 |
| Assigned: | |
| Dare program | 92 |
| Patrol fund | 9,216 |
| Recreation reserves | 6,144 |
| General reserves | 1,859,473 |
| Unassigned | 2,020,795 |
| Total fund balances | <u>\$ 4,170,786</u> |
| Total liabilities and fund balances | <u>\$ 9,813,675</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, 2012

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

| | |
|--|---------------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 4,170,786 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 3,920,028 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | 559,708 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | (3,489,585) |
| Net assets of governmental activities | <u>\$ 5,160,937</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, 2012

| | <u>General</u> |
|--|----------------------------|
| REVENUES | |
| General property taxes | \$ 3,962,106 |
| Other local taxes | 665,523 |
| Permits, privilege fees, and regulatory licenses | 19,018 |
| Fines and forfeitures | 216,931 |
| Revenue from the use of money and property | 10,032 |
| Charges for services | 275,283 |
| Miscellaneous | 82,304 |
| Recovered costs | 558,024 |
| Intergovernmental revenues: | |
| Commonwealth | 2,608,774 |
| Federal | 1,125,437 |
| Total revenues | <u>\$ 9,523,432</u> |
| EXPENDITURES | |
| Current: | |
| General government administration | \$ 1,002,258 |
| Judicial administration | 367,021 |
| Public safety | 1,589,152 |
| Public works | 798,604 |
| Health and welfare | 1,414,624 |
| Education | 1,589,576 |
| Parks, recreation, and cultural | 336,448 |
| Community development | 1,339,106 |
| Debt service: | |
| Principal retirement | 308,090 |
| Interest and other fiscal charges | 151,562 |
| Total expenditures | <u>\$ 8,896,441</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 626,991</u> |
| OTHER FINANCING SOURCES (USES) | |
| Transfers out | <u>\$ (369,177)</u> |
| Net change in fund balances | \$ 257,814 |
| Fund balances - beginning | 3,912,972 |
| Fund balances - ending | <u><u>\$ 4,170,786</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, 2012

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

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ 257,814 |
| 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. | (1,301,434) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 163,720 |
| The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of 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 obligations and related items. | 326,788 |
| 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. | (28,246) |
| Change in net assets of governmental activities | <u>\$ (581,358)</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, 2012

| | Enterprise Fund | Component Units | |
|--|----------------------|---------------------|-----------------------|
| | Service Authority | EDA | Wireless Authority |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 16,421 | \$ 545,808 | \$ - |
| Cash in custody of others | 2,247 | 12,052 | - |
| Note receivable | - | 1,300,010 | - |
| Interest receivable | - | 1,425 | - |
| Accounts receivable, net of allowance for uncollectibles | 66,390 | - | - |
| Due from other governmental units | - | - | 16,451 |
| Total current assets | <u>\$ 85,058</u> | <u>\$ 1,859,295</u> | <u>\$ 16,451</u> |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and cash equivalents (in custody of others) | \$ 196,643 | \$ - | \$ - |
| Other assets: | | | |
| Unamortized bond issue costs | \$ 6,232 | \$ - | \$ - |
| Capital assets: | | | |
| Land | \$ 255,156 | \$ 390,159 | \$ - |
| Buildings and utility plant in service, net | 10,836,775 | 271,531 | - |
| Machinery and equipment, net | - | 2,727 | - |
| Infrastructure, net | - | - | 372,653 |
| Construction in progress | 359,538 | 1,183,482 | - |
| Total capital assets | <u>\$ 11,451,469</u> | <u>\$ 1,847,899</u> | <u>\$ 372,653</u> |
| Total noncurrent assets | <u>\$ 11,654,344</u> | <u>\$ 1,847,899</u> | <u>\$ 372,653</u> |
| Total assets | <u>\$ 11,739,402</u> | <u>\$ 3,707,194</u> | <u>\$ 389,104</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 38,907 | \$ 88,388 | \$ - |
| Customers' deposits | 8,209 | - | - |
| Accrued interest payable | 2,625 | 1,425 | - |
| Compensated absences - current portion | 7,266 | - | - |
| Bonds payable - current portion | 74,309 | 44,660 | - |
| Total current liabilities | <u>\$ 131,316</u> | <u>\$ 134,473</u> | <u>\$ -</u> |
| Noncurrent liabilities: | | | |
| Bonds payable - net of current portion | \$ 2,067,647 | \$ 1,313,959 | \$ - |
| Compensated absences - net of current portion | 2,422 | - | - |
| Total noncurrent liabilities | <u>\$ 2,070,069</u> | <u>\$ 1,313,959</u> | <u>\$ -</u> |
| Total liabilities | <u>\$ 2,201,385</u> | <u>\$ 1,448,432</u> | <u>\$ -</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 9,309,513 | \$ 489,280 | \$ 372,653 |
| Restricted for debt service and bond covenants | 196,643 | - | - |
| Unrestricted | 31,861 | 1,769,482 | 16,451 |
| Total net assets | <u>\$ 9,538,017</u> | <u>\$ 2,258,762</u> | <u>\$ 389,104</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, 2012

| | Enterprise Fund | Component Units | |
|---|----------------------|---------------------|-----------------------|
| | Service Authority | EDA | Wireless Authority |
| OPERATING REVENUES | | | |
| Charges for services: | | | |
| Water revenues | \$ 259,129 | \$ - | \$ - |
| Sewer revenues | 95,398 | - | - |
| Connection fees | 10,320 | - | - |
| Rental income | - | 69,771 | 2,100 |
| Other revenues | 8,950 | - | - |
| Miscellaneous | 13,526 | 3,372 | 38,420 |
| Total operating revenues | <u>\$ 387,323</u> | <u>\$ 73,143</u> | <u>\$ 40,520</u> |
| OPERATING EXPENSES | | | |
| Salaries and fringes | \$ 157,446 | \$ 3,560 | \$ 19,678 |
| Utilities | 33,124 | - | 25,215 |
| Rent of Equipment | - | - | 2,575 |
| Purchase of water | 105,988 | - | - |
| Maintenance and repairs | 57,738 | 17 | 22,818 |
| Equipment and repairs | - | - | 2,302 |
| Office expense | 5,149 | 4,979 | 290 |
| Insurance | 5,204 | - | - |
| Permits | 13,404 | - | - |
| Professional services | 5,678 | 29,801 | - |
| Indian Village | - | 139,743 | - |
| Miscellaneous | 3,316 | 1,987 | - |
| Depreciation | 398,980 | 10,302 | 9,926 |
| Total operating expenses | <u>\$ 786,027</u> | <u>\$ 190,389</u> | <u>\$ 82,804</u> |
| Operating income (loss) | <u>\$ (398,704)</u> | <u>\$ (117,246)</u> | <u>\$ (42,284)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | \$ 285 | \$ 53,545 | \$ - |
| Interest expense | (88,104) | (53,454) | - |
| Total nonoperating revenues (expenses) | <u>\$ (87,819)</u> | <u>\$ 91</u> | <u>\$ -</u> |
| Income before contributions and transfers | <u>\$ (486,523)</u> | <u>\$ (117,155)</u> | <u>\$ (42,284)</u> |
| Capital contributions and construction grants | \$ 69,580 | \$ 256,404 | \$ - |
| Capital contributions and construction grant payments | - | (255,229) | - |
| Transfers in (Contributions from primary government) | 369,177 | 1,162,675 | 25,714 |
| Change in net assets | <u>\$ (47,766)</u> | <u>\$ 1,046,695</u> | <u>\$ (16,570)</u> |
| Total net assets - beginning | 9,585,783 | 1,212,067 | 405,674 |
| Total net assets - ending | <u>\$ 9,538,017</u> | <u>\$ 2,258,762</u> | <u>\$ 389,104</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, 2012

| | Enterprise Fund | Component Units | |
|---|----------------------|--------------------|-----------------------|
| | Service Authority | EDA | Wireless Authority |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 378,456 | \$ 104,214 | \$ 52,225 |
| Payments to suppliers | (242,144) | (154,978) | (53,305) |
| Payments to and for employees | (157,446) | (3,560) | (19,678) |
| Net cash provided by (used for) operating activities | <u>\$ (21,134)</u> | <u>\$ (54,324)</u> | <u>\$ (20,758)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | \$ 369,177 | \$ - | \$ - |
| Contributions from primary government | - | 100,000 | 25,714 |
| Net cash provided by (used for) noncapital financing activities | <u>\$ 369,177</u> | <u>\$ 100,000</u> | <u>\$ 25,714</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Additions to capital assets | \$ (224,406) | \$ (75,218) | \$ - |
| Proceeds from indebtedness | 1,000 | 65,000 | - |
| Principal payments on bonds | (72,073) | (37,462) | - |
| Capital contributions received | 69,580 | 256,404 | - |
| Capital contributions disbursed | - | (255,229) | - |
| Interest payments | (88,178) | (53,196) | - |
| Net cash provided by (used for) capital and related financing activities | <u>\$ (314,077)</u> | <u>\$ (99,701)</u> | <u>\$ -</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends received | \$ 285 | \$ 53,287 | \$ - |
| Net cash provided by (used for) investing activities | <u>\$ 285</u> | <u>\$ 53,287</u> | <u>\$ -</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 34,251 | \$ (738) | \$ 4,956 |
| Cash and cash equivalents - beginning | 181,060 | 558,598 | 11,495 |
| Cash and cash equivalents - ending | <u>\$ 215,311</u> | <u>\$ 557,860</u> | <u>\$ 16,451</u> |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Operating income (loss) | \$ (398,704) | \$ (117,246) | \$ (42,284) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | |
| Depreciation expense | \$ 398,980 | \$ 10,302 | \$ 9,926 |
| (Increase) decrease in accounts receivable | (8,867) | - | 11,705 |
| (Increase) decrease in notes receivables | - | 31,071 | - |
| Increase (decrease) in operating accounts payable | (12,543) | 21,549 | (105) |
| Total adjustments | <u>\$ 377,570</u> | <u>\$ 62,922</u> | <u>\$ 21,526</u> |
| Net cash provided by (used for) operating activities | <u>\$ (21,134)</u> | <u>\$ (54,324)</u> | <u>\$ (20,758)</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, 2012

| | <u>Agency Fund</u> <u>Special Welfare</u> |
|--|--|
| ASSETS | |
| Cash and cash equivalents | \$ 16,689 |
| Total assets | <u>\$ 16,689</u> |
| LIABILITIES | |
| Amounts held for Social Services clients | \$ 16,689 |
| Total liabilities | <u>\$ 16,689</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, 2012

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. Financial 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, 2012, the County contributed \$127,915 to the Regional Library.

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

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

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

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

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

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

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

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

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

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

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

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the 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 (trust and agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Agency fund consists of the special welfare fund.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and 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.

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.

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

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

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".

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 \$164,342 at June 30, 2012. The allowance consists of delinquent taxes in the amount of \$135,793, delinquent garbage bills of \$22,691, and delinquent water and sewer bills of \$5,858.

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.

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

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

6. Capital assets (continued)

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.

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.

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

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

8. Long-term obligations (continued)

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.

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.

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

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

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 \$(3,489,585) and \$(241,618) differences for the primary government and discretely presented component unit, respectively, are as follows:

| | <u>Primary Government</u> | <u>Component Unit School Board</u> |
|--|-------------------------------|--|
| General Obligation Bonds | \$ (190,000) | \$ - |
| Revenue Bonds | (2,943,564) | - |
| Accrued interest payable | (6,860) | - |
| Landfill accrued closure and post-closure monitoring costs | (161,088) | - |
| Net OPEB obligation | (126,498) | (60,293) |
| Compensated absences | <u>(61,575)</u> | <u>(181,325)</u> |
| Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i> | <u>\$ (3,489,585)</u> | <u>\$ (241,618)</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 \$(1,301,434) and \$763,760 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 | \$ 68,225 | \$ 6,591 |
| Reversion of Assets to Schools | (1,010,912) | 1,010,912 |
| Depreciation expense | <u>(358,747)</u> | <u>(253,743)</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>\$ (1,301,434)</u> | <u>\$ 763,760</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 \$326,788 difference in the primary government are as follows:

| | Primary Government |
|---|-------------------------------|
| Principal repayments: | |
| General obligation debt | \$ 97,801 |
| Revenue bonds | 72,589 |
| Literary loans | 137,700 |
| Accrued landfill postclosure | <u>18,698</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>\$ 326,788</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 \$(28,246) and \$(24,293) 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 | \$ 13,936 | \$ 900 |
| (Increase) decrease in accrued interest | 59.00 | - |
| (Increase) decrease in net OPEB obligation | <u>(42,241)</u> | <u>(25,193)</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>\$ (28,246)</u> | <u>\$ (24,293)</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 commit 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, 2012, no funds had expenditures in excess of appropriations.

C. Deficit fund equity

At June 30, 2012, there were no funds with deficit fund equity.

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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>Component Unit Wireless Authority</u> |
|---|-------------------------------|--|--|
| <u>Commonwealth of Virginia:</u> | | | |
| Local sales tax | \$ 42,351 | \$ - | \$ - |
| State sales tax | - | 140,618 | - |
| Shared expenses | 69,809 | - | - |
| Categorical aid | 593,177 | - | - |
| Non-categorical aid | 25,131 | - | - |
| Virginia public assistance funds | 26,866 | - | - |
| Community services act | 85,130 | - | - |
| <u>Federal Government:</u> | | | |
| Categorical aid | 534,978 | - | 16,451 |
| Virginia public assistance funds | 41,738 | - | - |
| School grants | - | 318,455 | - |
| Totals | <u>\$ 1,419,180</u> | <u>\$ 459,073</u> | <u>\$ 16,451</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 6-Interfund Transfers and Balances:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------|---------------------|----------------------|
| Primary Government: | | |
| General Fund | \$ - | \$ 369,177 |
| Water and Sewer Fund | 369,177 | - |
| Total | <u>\$ 369,177</u> | <u>\$ 369,177</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>\$ 368,573</u> |
| Component Unit: | | |
| School Board | <u>\$ 368,573</u> | <u>\$ -</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations:

Primary Government - Governmental Activity Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012.

| | <u>Balance July 1, 2011</u> | <u>Increases/ Issuances</u> | <u>Decreases/ Retirements</u> | <u>Balance June 30, 2012</u> |
|--|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| General obligation bonds | \$ 287,801 | \$ - | \$ (97,801) | \$ 190,000 |
| Lease purchase revenue bonds | 3,016,153 | - | (72,589) | 2,943,564 |
| Literary Loans | 137,700 | - | (137,700) | - |
| Landfill closure/postclosure liability | 179,786 | - | (18,698) | 161,088 |
| Net OPEB obligation | 84,257 | 53,047 | (10,806) | 126,498 |
| Compensated absences | 75,511 | 42,697 | (56,633) | 61,575 |
| Total | <u>\$ 3,781,208</u> | <u>\$ 95,744</u> | <u>\$ (394,227)</u> | <u>\$ 3,482,725</u> |

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

| <u>Year Ending June 30,</u> | <u>General Obligation Bonds</u> | | <u>Lease Purchase Revenue Bonds</u> | |
|---------------------------------|---------------------------------|------------------|---|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2013 | \$ 60,000 | \$ 8,800 | \$ 66,120 | \$ 130,020 |
| 2014 | 65,000 | 5,363 | 64,412 | 131,728 |
| 2015 | 65,000 | 1,788 | 67,455 | 128,685 |
| 2016 | - | - | 70,642 | 125,498 |
| 2017 | - | - | 73,980 | 122,160 |
| 2018-2022 | - | - | 425,744 | 554,956 |
| 2023-2027 | - | - | 536,273 | 444,427 |
| 2028-2032 | - | - | 675,497 | 305,202 |
| 2033-2037 | - | - | 850,866 | 129,834 |
| 2038 | - | - | 112,575 | 1,679 |
| Totals | <u>\$ 190,000</u> | <u>\$ 15,951</u> | <u>\$ 2,943,564</u> | <u>\$ 2,074,189</u> |

Note 7-Long-Term Obligations: (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% | <u>\$ 190,000</u> | <u>\$ 60,000</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>\$ 2,943,564</u> | <u>\$ 66,120</u> |
| <u>Other Obligations:</u> | | |
| Landfill post-closure monitoring liability | \$ 161,088 | \$ - |
| Net OPEB obligation | 126,498 | - |
| Compensated absences | 61,575 | 46,181 |
| Total Other Obligations | <u>\$ 349,161</u> | <u>\$ 46,181</u> |
| Total Long-Term Obligations | <u>\$ 3,482,725</u> | <u>\$ 172,301</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations: (continued)

Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2012.

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Increases/</u> <u>Issuances</u> | <u>Decreases/</u> <u>Retirements</u> | <u>Balance</u> <u>June 30, 2012</u> |
|----------------------|---------------------------------------|---------------------------------------|---|--|
| Revenue Bonds | \$ 2,213,029 | \$ 1,000 | \$ (72,073) | \$ 2,141,956 |
| Compensated Absences | <u>9,688</u> | <u>7,266</u> | <u>(7,266)</u> | <u>9,688</u> |
| Total | <u>\$ 2,222,717</u> | <u>\$ 8,266</u> | <u>\$ (79,339)</u> | <u>\$ 2,151,644</u> |

Note: The \$1,000 issuance is in the draw-down phase; therefore, an amortization table has not been provided.

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> |
| 2013 | \$ 74,309 | \$ 85,943 |
| 2014 | 76,652 | 83,600 |
| 2015 | 79,105 | 81,147 |
| 2016 | 81,676 | 78,576 |
| 2017 | 84,370 | 75,882 |
| 2018-2022 | 466,961 | 334,299 |
| 2023-2027 | 389,918 | 246,448 |
| 2028-2032 | 386,954 | 158,416 |
| 2033-2037 | 333,134 | 73,884 |
| 2038-2042 | <u>167,877</u> | <u>12,999</u> |
| Totals | <u>\$ 2,140,956</u> | <u>\$ 1,231,194</u> |

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Note 7-Long-Term Obligations: (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 | \$ 124,551 | \$ 6,815 |
| \$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 | 109,173 | 6,059 |
| \$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 | 39,681 | 1,273 |
| \$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 | 214,573 | 6,692 |
| \$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 | 376,116 | 9,440 |
| \$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 | 290,359 | 6,042 |
| \$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 | 736,503 | 12,988 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations: (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 | \$ 250,000 | \$ 25,000 |
| \$650,000 loan, issued June 26, 2012, through the Virginia Resource Authority bearing interest at 2.50%. As of June 30, 2012, the loan was still in the draw-down phase with a balance of \$1,000. | <u>1,000</u> | <u>-</u> |
| Total Revenue Bonds | <u>\$ 2,141,956</u> | <u>\$ 74,309</u> |
| <u>Other Obligations:</u> | | |
| Compensated absences | <u>\$ 9,688</u> | <u>\$ 7,266</u> |
| Total Long-Term Obligations | <u>\$ 2,151,644</u> | <u>\$ 81,575</u> |

Note 8-Long-Term Obligations-Component Units:

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

The following is a summary of long-term obligation transactions of the EDA for the year ended June 30, 2012.

| | <u>Balance July 1, 2011</u> | <u>Increases/ Issuances</u> | <u>Decreases/ Retirements</u> | <u>Balance June 30, 2012</u> |
|-----------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| SBA Bond | \$ 1,331,081 | \$ - | \$ (31,072) | \$ 1,300,009 |
| Promissory Note | <u>-</u> | <u>65,000</u> | <u>(6,390)</u> | <u>58,610</u> |
| Total | <u>\$ 1,331,081</u> | <u>\$ 65,000</u> | <u>\$ (37,462)</u> | <u>\$ 1,358,619</u> |

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

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

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

| Year Ending June 30, | Revenue Bonds | |
|-------------------------|---------------|------------|
| | Principal | Interest |
| 2013 | \$ 44,660 | \$ 53,006 |
| 2014 | 46,352 | 51,315 |
| 2015 | 48,108 | 49,559 |
| 2016 | 49,933 | 47,735 |
| 2017 | 44,401 | 45,890 |
| 2018 | 1,125,165 | 17,985 |
| Totals | \$ 1,358,619 | \$ 265,490 |

Details of long-term indebtedness:

| | Total Amount | Amount Due Within One Year |
|---|-----------------|-------------------------------|
| Revenue Bonds: | | |
| \$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. | \$ 1,300,009 | \$ 32,233 |
| Other Obligations: | | |
| \$65,000 Promissory Note, issued January 19, 2012, to Mount Rogers Planning District Commission with interest accruing at 3% and monthly payments of \$1,168 beginning March 10, 2012 and continuing through February 10, 2017. | \$ 58,610 | \$ 12,427 |
| Total Long-Term Obligations | \$ 1,358,619 | \$ 44,660 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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

Discretely Presented Component Unit – School Board Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2012.

| | <u>Balance July 1, 2011</u> | <u>Increases/ Issuances</u> | <u>Decreases/ Retirements</u> | <u>Balance June 30, 2012</u> |
|----------------------|---------------------------------|---------------------------------|-----------------------------------|----------------------------------|
| Compensated absences | \$ 182,225 | \$ 135,769 | \$ (136,669) | \$ 181,325 |
| Net OPEB obligation | 35,100 | 60,893 | (35,700) | 60,293 |
| Total | \$ 217,325 | \$ 196,662 | \$ (172,369) | \$ 241,618 |

Details of long-term indebtedness:

| | <u>Total Amount</u> | <u>Amount Due Within One Year</u> |
|------------------------------------|-------------------------|---------------------------------------|
| <u>Other Obligations:</u> | | |
| Compensated absences | \$ 181,325 | \$ 135,994 |
| Net OPEB obligation | 60,293 | - |
| Total Long-Term Obligations | \$ 241,618 | \$ 135,994 |

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.

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

A. Plan Description: (continued)

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 five years of service credit or age 50 with at least 10 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.

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

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

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

B. Funding Policy:

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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 2012 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 2012 was 7.83% (excluding 5.00% member contribution) of annual covered payroll.

C. Annual Pension Cost:

For fiscal year 2012, the County of Bland, Virginia's annual pension cost of \$291,959 and \$37,116 was equal to the County of Bland, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

| | Three-Year Trend Information | | | |
|---|------------------------------|--|-------------------------------|------------------------|
| | Fiscal Year Ending | Annual Pension Cost (APC) ¹ | Percentage of APC Contributed | Net Pension Obligation |
| Primary Government: | | | | |
| County | 6/30/2012 | \$ 291,959 | 100.00% | \$ - |
| | 6/30/2011 | 286,221 | 100.00% | - |
| | 6/30/2010 | 247,806 | 100.00% | - |
| Discretely Presented-Component Unit: | | | | |
| School Board Non-Professional | 6/30/2012 | \$ 37,116 | 100.00% | \$ - |
| | 6/30/2011 | 38,759 | 100.00% | - |
| ¹ Employer portion only | 6/30/2010 | 41,725 | 100.00% | - |

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

C. Annual Pension Cost: (continued)

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, 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 payrolls 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, 2011, the most recent actuarial valuation date, the plan was 64.17% funded. The actuarial accrued liability for benefits was \$7,902,264, and the actuarial value of assets was \$5,070,572, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,831,692. The covered payroll (annual payroll of active employees covered by the plan) was \$1,830,097, and ratio of the UAAL to the covered payroll was 154.73%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 83.80% funded. The actuarial accrued liability for benefits was \$1,404,541, and the actuarial value of assets was \$1,176,989, resulting in an unfunded actuarial accrued liability (UAAL) of \$227,552. The covered payroll (annual payroll of active employees covered by the plan) was \$495,852, and ratio of the UAAL to the covered payroll was 45.89%.

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

E. Discretely Presented Component Unit School Board (Professional Employees):

Plan Description:

The 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.

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

E. Discretely Presented Component Unit School Board (Professional Employees) (continued)

Plan Description: (continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/2011-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 \$251,494, \$164,732, and \$371,025 for the fiscal years ended 2012, 2011, and 2010, respectively. Employer contributions represented 6.33%, 3.93%, and 8.81% of covered payroll for the fiscal years ended 2012, 2011, and 2010, 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 \$5,133,924 is comprised of prepaid property taxes and unbilled property taxes.

Prepaid Property Taxes – Prepaid property taxes due subsequent to June 30, 2012, but paid in advance by taxpayers totaled \$40,268.

Billed Property Taxes – Property taxes billed as of June 30, 2012, but not paid prior to August 31, 2012 totaled \$559,708.

Deferred Property Tax Revenue – Property taxes assessed and due December 5, 2012 were estimated at \$4,533,948.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 11-Capital Assets:

Capital asset activity for the year ended June 30, 2012 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 | \$ 28,616 | \$ - | \$ 259,103 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 6,805,968 | \$ - | \$ (1,972,908) | \$ 4,833,060 |
| Machinery and equipment | 2,611,586 | 39,609 | (60,176) | 2,591,019 |
| Total capital assets being depreciated | <u>\$ 9,417,554</u> | <u>\$ 39,609</u> | <u>\$ (2,033,084)</u> | <u>\$ 7,424,079</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | \$ (2,464,607) | \$ (153,326) | \$ 961,996 | \$ (1,655,937) |
| Machinery and equipment | (1,961,972) | (205,421) | 60,176 | (2,107,217) |
| Total accumulated depreciation | <u>\$ (4,426,579)</u> | <u>\$ (358,747)</u> | <u>\$ 1,022,172</u> | <u>\$ (3,763,154)</u> |
| Total capital assets being depreciated, net | <u>\$ 4,990,975</u> | <u>\$ (319,138)</u> | <u>\$ (1,010,912)</u> | <u>\$ 3,660,925</u> |
| Governmental activities capital assets, net | <u>\$ 5,221,462</u> | <u>\$ (290,522)</u> | <u>\$ (1,010,912)</u> | <u>\$ 3,920,028</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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 | 113,425 | 246,113 | - | 359,538 |
| Total capital assets not being depreciated | <u>\$ 368,581</u> | <u>\$ 246,113</u> | <u>\$ -</u> | <u>\$ 614,694</u> |
| Capital assets, being depreciated: | | | | |
| Utility plant | \$ 15,546,156 | \$ 8,880 | \$ - | \$ 15,555,036 |
| Machinery and equipment | 126,793 | - | - | 126,793 |
| Total capital assets being depreciated | <u>\$ 15,672,949</u> | <u>\$ 8,880</u> | <u>\$ -</u> | <u>\$ 15,681,829</u> |
| Less: accumulated depreciation for: | | | | |
| Utility plant | \$ (4,319,281) | \$ (398,980) | \$ - | \$ (4,718,261) |
| Machinery and equipment | (126,793) | - | - | (126,793) |
| Total accumulated depreciation | <u>\$ (4,446,074)</u> | <u>\$ (398,980)</u> | <u>\$ -</u> | <u>\$ (4,845,054)</u> |
| Total capital assets being depreciated, net | <u>\$ 11,226,875</u> | <u>\$ (390,100)</u> | <u>\$ -</u> | <u>\$ 10,836,775</u> |
| Business-Type activities capital assets, net | <u>\$ 11,595,456</u> | <u>\$ (143,987)</u> | <u>\$ -</u> | <u>\$ 11,451,469</u> |

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

Governmental activities:

| | |
|-----------------------------------|----------------|
| General government administration | \$ 119,117 |
| Public safety | 182,431 |
| Public works | 19,103 |
| Health and welfare | 2,803 |
| Parks, recreation, and cultural | 35,293 |
| | <u>358,747</u> |

Total depreciation expense-governmental activities \$ 358,747

Business type activities:

| | |
|-------------------|-------------------|
| Service authority | <u>\$ 398,980</u> |
|-------------------|-------------------|

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 11-Capital Assets: (continued)

Discretely Presented Component Unit-School Board:

Capital asset activity for the School Board for the year ended June 30, 2012 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|--------------------|---------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 603,897 | \$ - | \$ - | \$ 603,897 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 1,721,480 | \$ 1,972,908 | \$ - | \$ 3,694,388 |
| Machinery and equipment | 1,753,985 | 6,591 | (90,000) | 1,670,576 |
| Total capital assets being depreciated | <u>\$ 3,475,465</u> | <u>\$ 1,979,499</u> | <u>\$ (90,000)</u> | <u>\$ 5,364,964</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | \$ (996,916) | \$ (1,066,504) | \$ - | \$ (2,063,420) |
| Machinery and equipment | (1,159,889) | (149,235) | 90,000 | (1,219,124) |
| Total accumulated depreciation | <u>\$ (2,156,805)</u> | <u>\$ (1,215,739)</u> | <u>\$ 90,000</u> | <u>\$ (3,282,544)</u> |
| Total capital assets being depreciated, net | <u>\$ 1,318,660</u> | <u>\$ 763,760</u> | <u>\$ -</u> | <u>\$ 2,082,420</u> |
| Governmental activities capital assets, net | <u>\$ 1,922,557</u> | <u>\$ 763,760</u> | <u>\$ -</u> | <u>\$ 2,686,317</u> |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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, 2012 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 | \$ 390,159 | \$ - | \$ - | \$ 390,159 |
| Construction in progress | 82,317 | 1,101,165 | - | 1,183,482 |
| Total capital assets not being depreciated | <u>\$ 472,476</u> | <u>\$ 1,101,165</u> | <u>\$ -</u> | <u>\$ 1,573,641</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 262,908 | \$ 36,728 | \$ - | \$ 299,636 |
| Machinery and equipment | 4,546 | - | - | 4,546 |
| Total capital assets being depreciated | <u>\$ 267,454</u> | <u>\$ 36,728</u> | <u>\$ -</u> | <u>\$ 304,182</u> |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | \$ (18,258) | \$ (9,847) | \$ - | \$ (28,105) |
| Machinery and equipment | (1,364) | (455) | - | (1,819) |
| Total accumulated depreciation | <u>\$ (19,622)</u> | <u>\$ (10,302)</u> | <u>\$ -</u> | <u>\$ (29,924)</u> |
| Total capital assets being depreciated, net | <u>\$ 247,832</u> | <u>\$ 26,426</u> | <u>\$ -</u> | <u>\$ 274,258</u> |
| Business-Type activities capital assets, net | <u>\$ 720,308</u> | <u>\$ 1,127,591</u> | <u>\$ -</u> | <u>\$ 1,847,899</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, 2012 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Business-Type Activities: | | | | |
| Capital assets, being depreciated: | | | | |
| Infrastructure | \$ 397,018 | \$ - | \$ - | \$ 397,018 |
| Less: accumulated depreciation for: | | | | |
| Infrastructure | \$ (14,439) | \$ (9,926) | | \$ (24,365) |
| Business-Type activities capital assets, net | <u>\$ 382,579</u> | <u>\$ (9,926)</u> | <u>\$ -</u> | <u>\$ 372,653</u> |

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:

Fidelity & Deposit Company of Maryland-Surety:

| | | |
|--|----|---------|
| 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 \$161,088. These amounts are based on what it would cost to perform all post-closure care in 2012. 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 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, 2012, the remaining commitment amounted to \$271,360.

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, Virginia 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 | 3,370 |
| Adjustment to annual required contribution | (3,220) |
| Annual OPEB cost (expense) | <u>53,047</u> |
| Contributions made | <u>(10,806)</u> |
| Increase in net OPEB obligation | 42,241 |
| Net OPEB obligation - beginning of year | <u>84,257</u> |
| Net OPEB obligation - end of year | \$ 126,498 |

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding two years are as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u> | <u>Net OPEB</u> <u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--------------------------------------|
| 6/30/2012 | \$ 53,047 | 20% | \$ 126,498 |
| 6/30/2011 | 52,972 | 20% | 84,257 |
| 6/30/2010 | 52,897 | 20% | 42,091 |

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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 | \$ 60,700 |
| Interest on net OPEB obligation | 1,404 |
| Adjustment to annual required contribution | (1,211) |
| Annual OPEB cost (expense) | <u>60,893</u> |
| Contributions made | <u>(35,700)</u> |
| Increase in net OPEB obligation | 25,193 |
| Net OPEB obligation - beginning of year | <u>35,100</u> |
| Net OPEB obligation - end of year | \$ 60,293 |

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding two years 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> |
|------------------------------|-----------------------------|---|--------------------------------|
| 6/30/2012 | \$ 60,893 | 58.63% | \$ 60,293 |
| 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, the most recent actuarial valuation date, 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, the most recent actuarial valuation date, 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 2012 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 2012, the County's contribution of \$2,048 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 2012 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 | 6/30/2012 | \$ 2,048 | 100.00% | \$ - |
| | 6/30/2011 | 2,008 | 100.00% | - |
| | 6/30/2010 | 2,098 | 100.00% | - |

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

| | |
|---|------------|
| Actuarial accrued liability (AAL) | \$ 30,519 |
| Actuarial value of plan assets | \$ 7,357 |
| Unfunded actuarial accrued liability (UAAL) | \$ 23,162 |
| Funded ratio (actuarial value of plan assets/AAL) | 24.11% |
| Covered payroll (active plan members) | \$ 511,159 |
| UAAL as a percentage of covered payroll | 4.53% |

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% 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, 2011 was 30 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, 2012, 2011, and 2010 were \$23,838, \$25,150, 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, 2012

| | <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 | \$ 4,257,731 | \$ 4,257,731 | \$ 3,962,106 | \$ (295,625) |
| Other local taxes | 595,022 | 595,022 | 665,523 | 70,501 |
| Permits, privilege fees, and regulatory licenses | 23,325 | 23,325 | 19,018 | (4,307) |
| Fines and forfeitures | 338,818 | 345,563 | 216,931 | (128,632) |
| Revenue from the use of money and property | 11,750 | 11,750 | 10,032 | (1,718) |
| Charges for services | 288,630 | 288,630 | 275,283 | (13,347) |
| Miscellaneous | 133,983 | 136,281 | 82,304 | (53,977) |
| Recovered costs | 506,038 | 506,038 | 558,024 | 51,986 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 4,563,286 | 4,863,628 | 2,608,774 | (2,254,854) |
| Federal | 1,116,366 | 1,134,654 | 1,125,437 | (9,217) |
| Total revenues | <u>\$ 11,834,949</u> | <u>\$ 12,162,622</u> | <u>\$ 9,523,432</u> | <u>\$ (2,639,190)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 1,055,185 | \$ 1,029,686 | \$ 1,002,258 | \$ 27,428 |
| Judicial administration | 354,689 | 372,393 | 367,021 | 5,372 |
| Public safety | 1,615,502 | 1,681,163 | 1,589,152 | 92,011 |
| Public works | 884,717 | 874,183 | 798,604 | 75,579 |
| Health and welfare | 1,735,466 | 1,888,420 | 1,414,624 | 473,796 |
| Education | 1,713,380 | 1,748,621 | 1,589,576 | 159,045 |
| Parks, recreation, and cultural | 361,803 | 371,064 | 336,448 | 34,616 |
| Community development | 719,217 | 689,570 | 1,339,106 | (649,536) |
| Capital projects | 2,781,895 | 2,899,528 | - | 2,899,528 |
| Debt service: | | | | |
| Principal retirement | 257,721 | 257,721 | 308,090 | (50,369) |
| Interest and other fiscal charges | 126,783 | 126,783 | 151,562 | (24,779) |
| Total expenditures | <u>\$ 11,606,358</u> | <u>\$ 11,939,132</u> | <u>\$ 8,896,441</u> | <u>\$ 3,042,691</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ 228,591</u> | <u>\$ 223,490</u> | <u>\$ 626,991</u> | <u>\$ 403,501</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>\$ (228,591)</u> | <u>\$ (244,750)</u> | <u>\$ (369,177)</u> | <u>\$ (124,427)</u> |
| Net change in fund balances | \$ - | \$ (21,260) | \$ 257,814 | \$ 279,074 |
| Fund balances - beginning | - | 21,260 | 3,912,972 | 3,891,712 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,170,786</u> | <u>\$ 4,170,786</u> |

County of Bland, Virginia
Schedules of Pension and OPEB Funding Progress
As of June 30, 2012

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) |
| 6/30/2011 | \$ 5,070,572 | \$ 7,902,264 | \$ 2,831,692 | 64.17% | \$ 1,830,097 | 154.73% |
| 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% |

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) |
| 6/30/2011 | \$ 1,176,989 | \$ 1,404,541 | \$ 227,552 | 83.80% | \$ 495,852 | 45.89% |
| 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% |

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) |
| 6/30/2011 | \$ 7,357 | \$ 30,519 | \$ 23,162 | 24.11% | \$ 511,159 | 4.53% |
| 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% |

Other Supplementary Information

FIDUCIARY FUND

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, 2012

| | <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 | \$ 9,500 | \$ 49,169 | \$ (41,980) | \$ 16,689 |
| Liabilities | | | | |
| Amounts held for social services clients | \$ 9,500 | \$ 49,169 | \$ (41,980) | \$ 16,689 |

**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, 2012

| | <u>School Operating Fund</u> |
|--------------------------------------|--------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 3,277,343 |
| Cash in custody of others | 119,377 |
| Due from other governmental units | 459,073 |
| Total assets | <u>\$ 3,855,793</u> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 90,500 |
| Accrued payroll | 689,282 |
| Due to primary government | 368,573 |
| Total liabilities | <u>\$ 1,148,355</u> |
| Fund balances: | |
| Restricted: | |
| School cafeteria | \$ 119,377 |
| Assigned: | |
| Textbook payments | 98,990 |
| Future school construction | 2,408,055 |
| Unassigned | 81,016 |
| Total fund balances | <u>\$ 2,707,438</u> |
| Total liabilities and fund balances | <u>\$ 3,855,793</u> |

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

| | |
|---|---------------------|
| Total fund balances per above | \$ 2,707,438 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 2,686,317 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. | (241,618) |
| Net assets of governmental activities | <u>\$ 5,152,137</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, 2012

| | <u>School Operating Fund</u> |
|---|--------------------------------------|
| REVENUES | |
| Revenue from the use of money and property | \$ 4,050 |
| Charges for services | 175,583 |
| Miscellaneous | 116,860 |
| Recovered costs | 55,122 |
| Intergovernmental revenues: | |
| Local government | 1,580,495 |
| Commonwealth | 4,918,289 |
| Federal | 1,557,381 |
| Total revenues | <u>\$ 8,407,780</u> |
| EXPENDITURES | |
| Current: | |
| Education | <u>\$ 8,563,228</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (155,448)</u> |
| Net change in fund balances | \$ (155,448) |
| Fund balances - beginning | 2,862,886 |
| Fund balances - ending | <u><u>\$ 2,707,438</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 | \$ (155,448) |
| 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. | 763,760 |
| 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. | (24,293) |
| Change in net assets of governmental activities | <u><u>\$ 584,019</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, 2012

| | School Operating Fund | | | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------------|---------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Revenue from the use of money and property | \$ - | \$ - | \$ 4,050 | \$ 4,050 |
| Charges for services | 17,889 | 17,889 | 175,583 | 157,694 |
| Miscellaneous | 27,889 | 27,889 | 116,860 | 88,971 |
| Recovered costs | 29,044 | 29,044 | 55,122 | 26,078 |
| Intergovernmental revenues: | | | | |
| Local government | 1,704,299 | 1,739,540 | 1,580,495 | (159,045) |
| Commonwealth | 5,339,284 | 5,339,284 | 4,918,289 | (420,995) |
| Federal | 1,408,271 | 1,408,271 | 1,557,381 | 149,110 |
| Total revenues | <u>\$ 8,526,676</u> | <u>\$ 8,561,917</u> | <u>\$ 8,407,780</u> | <u>\$ (154,137)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Education | <u>\$ 8,526,676</u> | <u>\$ 8,561,917</u> | <u>\$ 8,563,228</u> | <u>\$ (1,311)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (155,448)</u> | <u>\$ (155,448)</u> |
| Net change in fund balances | \$ - | \$ - | \$ (155,448) | \$ (155,448) |
| Fund balances - beginning | - | - | 2,862,886 | 2,862,886 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,707,438</u> | <u>\$ 2,707,438</u> |

Supporting Schedules

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 2,612,196 | \$ 2,612,196 | \$ 2,475,239 | \$ (136,957) |
| Real and personal public service corporation taxes | 371,143 | 371,143 | 357,344 | (13,799) |
| Personal property taxes | 916,626 | 916,626 | 832,536 | (84,090) |
| Mobile home taxes | 29,082 | 29,082 | 25,551 | (3,531) |
| Machinery and tools taxes | 169,327 | 169,327 | 158,661 | (10,666) |
| Merchant's capital taxes | 142,357 | 142,357 | 59,751 | (82,606) |
| Penalties | 15,000 | 15,000 | 28,214 | 13,214 |
| Interest | 2,000 | 2,000 | 24,810 | 22,810 |
| Total general property taxes | <u>\$ 4,257,731</u> | <u>\$ 4,257,731</u> | <u>\$ 3,962,106</u> | <u>\$ (295,625)</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 200,000 | \$ 200,000 | \$ 236,864 | \$ 36,864 |
| Consumers' utility taxes | 160,000 | 160,000 | 162,745 | 2,745 |
| Consumption taxes | 20,000 | 20,000 | 20,601 | 601 |
| Gross receipts taxes | 2,700 | 2,700 | 3,260 | 560 |
| Franchise license tax | - | - | 15,287 | 15,287 |
| Motor vehicle licenses | 102,000 | 102,000 | 102,312 | 312 |
| Taxes on recordation and wills | 27,222 | 27,222 | 34,551 | 7,329 |
| Hotel and motel room taxes | 3,100 | 3,100 | 3,227 | 127 |
| Restaurant food taxes | 80,000 | 80,000 | 86,676 | 6,676 |
| Total other local taxes | <u>\$ 595,022</u> | <u>\$ 595,022</u> | <u>\$ 665,523</u> | <u>\$ 70,501</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 4,200 | \$ 4,200 | \$ 4,905 | \$ 705 |
| Land use application fees | 1,000 | 1,000 | 448 | (552) |
| Transfer fees | 225 | 225 | 250 | 25 |
| Building permits | 17,500 | 17,500 | 13,115 | (4,385) |
| Permits and other licenses | 400 | 400 | 300 | (100) |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 23,325</u> | <u>\$ 23,325</u> | <u>\$ 19,018</u> | <u>\$ (4,307)</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | \$ 338,793 | \$ 345,538 | \$ 216,622 | \$ (128,916) |
| Dog violation fines | 25 | 25 | 309 | 284 |
| Total fines and forfeitures | <u>\$ 338,818</u> | <u>\$ 345,563</u> | <u>\$ 216,931</u> | <u>\$ (128,632)</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 8,150 | \$ 8,150 | \$ 7,146 | \$ (1,004) |
| Revenue from use of property | 3,600 | 3,600 | 2,886 | (714) |
| Total revenue from use of money and property | <u>\$ 11,750</u> | <u>\$ 11,750</u> | <u>\$ 10,032</u> | <u>\$ (1,718)</u> |
| Charges for services: | | | | |
| Charges for sheriff's fees | \$ 325 | \$ 325 | \$ 171 | \$ (154) |
| Charges for courthouse maintenance | 16,430 | 16,430 | 11,472 | (4,958) |
| Charges for law library | 1,000 | 1,000 | 971 | (29) |
| Charges for Commonwealth's Attorney | 250 | 250 | 794 | 544 |
| Charges for sanitation and waste removal | 260,000 | 260,000 | 248,597 | (11,403) |
| Charges for cannery | 5,350 | 5,350 | 5,114 | (236) |
| Charges for forest service coop law enforcement | 3,000 | 3,000 | 3,686 | 686 |
| Other charges for services | 2,275 | 2,275 | 4,478 | 2,203 |
| Total charges for services | <u>\$ 288,630</u> | <u>\$ 288,630</u> | <u>\$ 275,283</u> | <u>\$ (13,347)</u> |

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 133,983 | \$ 136,281 | \$ 82,304 | \$ (53,977) |
| Recovered costs: | | | | |
| Insurance reimbursement | \$ 36,420 | \$ 36,420 | \$ 121,646 | \$ 85,226 |
| Social services | 79,944 | 79,944 | 53,895 | (26,049) |
| Utilities | 576 | 576 | 615 | 39 |
| Schools | 32,019 | 32,019 | 32,019 | - |
| Crossroads Industrial Facilities Authority | 112,500 | 112,500 | 150,000 | 37,500 |
| Other recovered costs | 244,579 | 244,579 | 199,849 | (44,730) |
| Total recovered costs | \$ 506,038 | \$ 506,038 | \$ 558,024 | \$ 51,986 |
| Total revenue from local sources | \$ 6,155,297 | \$ 6,164,340 | \$ 5,789,221 | \$ (375,119) |
| Intergovernmental revenues: | | | | |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Motor vehicle carriers' tax | \$ 500 | \$ 500 | \$ 503 | \$ 3 |
| Mobile home titling tax | 27,500 | 27,500 | 16,639 | (10,861) |
| State recordation tax | 6,000 | 6,000 | 6,714 | 714 |
| Communications taxes | 105,000 | 105,000 | 106,656 | 1,656 |
| Personal property tax relief funds | 354,561 | 354,561 | 354,561 | - |
| Total noncategorical aid | \$ 493,561 | \$ 493,561 | \$ 485,073 | \$ (8,488) |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commonwealth's attorney | \$ 79,070 | \$ 79,070 | \$ 79,133 | \$ 63 |
| Sheriff | 453,776 | 453,776 | 460,096 | 6,320 |
| Commissioner of revenue | 66,365 | 66,365 | 69,408 | 3,043 |
| Treasurer | 57,776 | 57,776 | 57,142 | (634) |
| Registrar/electoral board | 28,068 | 31,295 | 28,565 | (2,730) |
| Clerk of the Circuit Court | 131,301 | 131,301 | 141,096 | 9,795 |
| Total shared expenses | \$ 816,356 | \$ 819,583 | \$ 835,440 | \$ 15,857 |
| Other categorical aid: | | | | |
| Public assistance and welfare administration | \$ 377,053 | \$ 377,053 | \$ 289,676 | \$ (87,377) |
| Comprehensive Services Act program | 365,068 | 482,919 | 261,135 | (221,784) |
| Litter control grant | 5,910 | 5,910 | 5,000 | (910) |
| Two-for-life | 6,028 | 6,028 | 6,304 | 276 |
| Virginia Tobacco Commission | 1,762,395 | 1,913,875 | - | (1,913,875) |
| DMV grant | 1,500 | 1,500 | 650 | (850) |
| VDOT grant | 623,500 | 623,500 | 563,874 | (59,626) |
| E-911 state revenue | 40,000 | 40,000 | 40,000 | - |
| Victim-witness grant | 5,462 | 5,462 | 21,862 | 16,400 |
| Fire program | 19,529 | 19,529 | 20,242 | 713 |
| Juvenile justice grant | 6,186 | 6,186 | 32 | (6,154) |
| MRPDC Commerce Park Design Grant | 30,000 | 30,000 | 50,000 | 20,000 |
| Mining royalties | 5,000 | 5,000 | 2,855 | (2,145) |
| Department of justice grants | 5,738 | 33,522 | 26,631 | (6,891) |
| Total other categorical aid | \$ 3,253,369 | \$ 3,550,484 | \$ 1,288,261 | \$ (2,262,223) |

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 4,069,725 | \$ 4,370,067 | \$ 2,123,701 | \$ (2,246,366) |
| Total revenue from the Commonwealth | \$ 4,563,286 | \$ 4,863,628 | \$ 2,608,774 | \$ (2,254,854) |
| Revenue from the federal government: | | | | |
| Noncategorical aid: | | | | |
| Payments in lieu of taxes | \$ 25,000 | \$ 25,000 | \$ 56,405 | \$ 31,405 |
| Categorical aid: | | | | |
| Victim-witness grant | \$ 16,389 | \$ 16,389 | \$ - | \$ (16,389) |
| State and community highway safety funds | - | 18,288 | 17,857 | (431) |
| Public assistance and welfare administration | 511,077 | 511,077 | 491,709 | (19,368) |
| Schools and roads | - | - | 16,617 | 16,617 |
| Commerce park grant | 168,900 | 168,900 | 534,978 | 366,078 |
| State homeland security grant | - | - | 7,871 | 7,871 |
| Total categorical aid | \$ 1,091,366 | \$ 1,109,654 | \$ 1,069,032 | \$ (40,622) |
| Total revenue from the federal government | \$ 1,116,366 | \$ 1,134,654 | \$ 1,125,437 | \$ (9,217) |
| Total General Fund | \$ 11,834,949 | \$ 12,162,622 | \$ 9,523,432 | \$ (2,639,190) |
| Total Primary Government | \$ 11,834,949 | \$ 12,162,622 | \$ 9,523,432 | \$ (2,639,190) |
| 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 | \$ - | \$ - | \$ 4,050 | \$ 4,050 |
| Charges for services: | | | | |
| Cafeteria sales | \$ 17,889 | \$ 17,889 | \$ 175,583 | \$ 157,694 |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ 27,889 | \$ 27,889 | \$ 116,860 | \$ 88,971 |
| Recovered costs: | | | | |
| Miscellaneous recovered costs | \$ 29,044 | \$ 29,044 | \$ 55,122 | \$ 26,078 |
| Total revenue from local sources | \$ 74,822 | \$ 74,822 | \$ 351,615 | \$ 276,793 |
| Intergovernmental revenues: | | | | |
| Revenues from local governments: | | | | |
| Contribution from County of Bland, Virginia | \$ 1,704,299 | \$ 1,739,540 | \$ 1,580,495 | \$ (159,045) |

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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) | | | | |
| Categorical aid: | | | | |
| Share of state sales tax | \$ 778,271 | \$ 778,271 | \$ 791,252 | \$ 12,981 |
| Basic school aid | 3,155,918 | 3,155,918 | 2,948,434 | (207,484) |
| Regular foster care | 6,783 | 6,783 | 2,629 | (4,154) |
| Adult secondary education | 7,859 | 7,859 | 7,859 | - |
| Gifted and talented | 29,799 | 29,799 | 28,199 | (1,600) |
| Remedial education | 59,599 | 59,599 | 56,399 | (3,200) |
| Special education | 278,789 | 278,789 | 263,820 | (14,969) |
| Textbook payment | 26,859 | 26,859 | 25,417 | (1,442) |
| Vocational SOQ payments | 78,140 | 78,140 | 73,945 | (4,195) |
| Vocational adult education | 4,644 | 4,644 | - | (4,644) |
| School food | 6,667 | 6,667 | 7,463 | 796 |
| Social security fringe benefits | 174,823 | 174,823 | 165,436 | (9,387) |
| Retirement fringe benefits | 158,930 | 158,930 | 150,396 | (8,534) |
| Group life insurance benefits | 6,622 | 6,622 | 6,267 | (355) |
| State lottery payments | - | - | 33,463 | 33,463 |
| Early reading intervention | 17,688 | 17,688 | 13,266 | (4,422) |
| Dropout prevention | - | - | 3,264 | 3,264 |
| Homebound education | 2,569 | 2,569 | 4,711 | 2,142 |
| Vocation education - equipment | 3,000 | 3,000 | 3,414 | 414 |
| Vocational occupational preparedness | - | - | 1,455 | 1,455 |
| Local history grant | - | - | 12,622 | 12,622 |
| At risk payments | 43,059 | 43,059 | 40,762 | (2,297) |
| Standards of Learning algebra readiness | 9,064 | 9,064 | 9,064 | - |
| Mentor teacher program | 1,077 | 1,077 | 563 | (514) |
| Virginia tobacco settlement | 25,000 | 25,000 | 49,473 | 24,473 |
| At risk four year olds | 42,867 | 42,867 | 13,099 | (29,768) |
| Technology initiative | 154,000 | 154,000 | 154,000 | - |
| Other state funds | 267,257 | 267,257 | 51,617 | (215,640) |
| Total categorical aid | <u>\$ 5,339,284</u> | <u>\$ 5,339,284</u> | <u>\$ 4,918,289</u> | <u>\$ (420,995)</u> |
| Total revenue from the Commonwealth | <u>\$ 5,339,284</u> | <u>\$ 5,339,284</u> | <u>\$ 4,918,289</u> | <u>\$ (420,995)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Title I | \$ 181,670 | \$ 181,670 | \$ 190,545 | \$ 8,875 |
| Title I - ARRA | - | - | 13,740 | 13,740 |
| Title VI-B, flow-through | - | - | 237,061 | 237,061 |
| Title VI-B, flow-through - ARRA | - | - | 60,623 | 60,623 |
| Title VI-B, preschool | 232,400 | 232,400 | 5,861 | (226,539) |
| Title II Part D | 1,391 | 1,391 | 555 | (836) |

County of Bland, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 36,300 | \$ (2,149) |
| School food program | 180,000 | 180,000 | 226,486 | 46,486 |
| Schools and roads | 100,000 | 100,000 | 94,163 | (5,837) |
| Career and technical education | - | - | 14,341 | 14,341 |
| Other federal categorical | 674,361 | 674,361 | 677,706 | 3,345 |
| Total categorical aid | <u>\$ 1,408,271</u> | <u>\$ 1,408,271</u> | <u>\$ 1,557,381</u> | <u>\$ 149,110</u> |
| Total revenue from the federal government | <u>\$ 1,408,271</u> | <u>\$ 1,408,271</u> | <u>\$ 1,557,381</u> | <u>\$ 149,110</u> |
| Total School Operating Fund | <u>\$ 8,526,676</u> | <u>\$ 8,561,917</u> | <u>\$ 8,407,780</u> | <u>\$ (154,137)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 8,526,676</u> | <u>\$ 8,561,917</u> | <u>\$ 8,407,780</u> | <u>\$ (154,137)</u> |

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 99,158 | \$ 73,709 | \$ 71,095 | \$ 2,614 |
| General and financial administration: | | | | |
| County administrator | \$ 365,260 | \$ 377,160 | \$ 377,933 | \$ (773) |
| Commissioner of revenue | 177,776 | 179,391 | 177,229 | 2,162 |
| Treasurer | 168,193 | 169,808 | 162,043 | 7,765 |
| Legal services | 33,025 | 33,025 | 32,065 | 960 |
| Information technology | 37,412 | 31,412 | 27,763 | 3,649 |
| Auditors | 65,628 | 52,470 | 51,333 | 1,137 |
| Employee added benefit pool | 5,000 | 5,000 | 1,551 | 3,449 |
| Local government dues | 13,585 | 13,951 | 10,826 | 3,125 |
| Total general and financial administration | <u>\$ 865,879</u> | <u>\$ 862,217</u> | <u>\$ 840,743</u> | <u>\$ 21,474</u> |
| Board of elections: | | | | |
| Electoral board and officials | \$ 31,484 | \$ 34,711 | \$ 31,526 | \$ 3,185 |
| Registrar | 58,664 | 59,049 | 58,894 | 155 |
| Total board of elections | <u>\$ 90,148</u> | <u>\$ 93,760</u> | <u>\$ 90,420</u> | <u>\$ 3,340</u> |
| Total general government administration | <u>\$ 1,055,185</u> | <u>\$ 1,029,686</u> | <u>\$ 1,002,258</u> | <u>\$ 27,428</u> |
| Judicial administration: | | | | |
| Courts: | | | | |
| Circuit court | \$ 4,392 | \$ 4,392 | \$ 3,304 | \$ 1,088 |
| General district court | 2,083 | 2,083 | 1,964 | 119 |
| Magistrates | 275 | 275 | 50 | 225 |
| Juvenile and domestic relations court | 6,706 | 21,822 | 21,190 | 632 |
| Victim and witness assistance | 23,819 | 23,920 | 23,812 | 108 |
| Clerk of the circuit court | 202,297 | 203,912 | 201,063 | 2,849 |
| Law Library | 1,500 | 1,500 | 1,263 | 237 |
| Total courts | <u>\$ 241,072</u> | <u>\$ 257,904</u> | <u>\$ 252,646</u> | <u>\$ 5,258</u> |
| Commonwealth's attorney: | | | | |
| Commonwealth's attorney | \$ 113,617 | \$ 114,489 | \$ 114,375 | \$ 114 |
| Total judicial administration | <u>\$ 354,689</u> | <u>\$ 372,393</u> | <u>\$ 367,021</u> | <u>\$ 5,372</u> |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Sheriff | \$ 809,709 | \$ 851,504 | \$ 838,056 | \$ 13,448 |
| Ticket enforcement | 63,502 | 64,040 | 60,835 | 3,205 |
| Transportation safety | - | 18,236 | 10,696 | 7,540 |
| School resource officer | 103,000 | 102,893 | 100,847 | 2,046 |
| Total law enforcement and traffic control | <u>\$ 976,211</u> | <u>\$ 1,036,673</u> | <u>\$ 1,010,434</u> | <u>\$ 26,239</u> |
| Fire and rescue services: | | | | |
| Fire department | \$ 98,225 | \$ 98,675 | \$ 98,619 | \$ 56 |
| Ambulance and rescue services | 7,934 | 9,437 | 9,437 | - |
| Other fire and rescue services | 15,839 | 15,839 | 14,163 | 1,676 |
| Total fire and rescue services | <u>\$ 121,998</u> | <u>\$ 123,951</u> | <u>\$ 122,219</u> | <u>\$ 1,732</u> |
| Correction and detention: | | | | |
| Regional jail | \$ 205,600 | \$ 205,600 | \$ 182,034 | \$ 23,566 |

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 68,000 | \$ 73,246 | \$ 73,016 | \$ 230 |
| Other protection: | | | | |
| Animal control | \$ 53,208 | \$ 51,208 | \$ 48,705 | \$ 2,503 |
| Medical examiner | 100 | 100 | 80 | 20 |
| E-911 | 85,367 | 85,367 | 53,266 | 32,101 |
| Total other protection | <u>\$ 243,693</u> | <u>\$ 241,693</u> | <u>\$ 201,449</u> | <u>\$ 40,244</u> |
| Total public safety | <u>\$ 1,615,502</u> | <u>\$ 1,681,163</u> | <u>\$ 1,589,152</u> | <u>\$ 92,011</u> |
| Public works: | | | | |
| Maintenance of highways, streets, bridges and sidewalks: | | | | |
| Streetlights | \$ 3,000 | \$ 3,000 | \$ 2,398 | \$ 602 |
| Sanitation and waste removal: | | | | |
| Refuse collection and disposal | \$ 374,981 | \$ 359,865 | \$ 338,530 | \$ 21,335 |
| Landfill closure | 33,900 | 33,900 | 33,505 | 395 |
| Total sanitation and waste removal | <u>\$ 408,881</u> | <u>\$ 393,765</u> | <u>\$ 372,035</u> | <u>\$ 21,730</u> |
| Maintenance of general buildings and grounds: | | | | |
| General properties | \$ 283,255 | \$ 296,920 | \$ 291,464 | \$ 5,456 |
| Canneries | 79,927 | 79,992 | 39,853 | 40,139 |
| Public works administration | 109,654 | 100,506 | 92,854 | 7,652 |
| Total maintenance of general buildings and grounds | <u>\$ 472,836</u> | <u>\$ 477,418</u> | <u>\$ 424,171</u> | <u>\$ 53,247</u> |
| Total public works | <u>\$ 884,717</u> | <u>\$ 874,183</u> | <u>\$ 798,604</u> | <u>\$ 75,579</u> |
| Health and welfare: | | | | |
| Health: | | | | |
| Supplement of local health department | \$ 76,628 | \$ 76,628 | \$ 76,628 | - |
| Mental health and mental retardation: | | | | |
| Community services board | \$ 10,000 | \$ 10,000 | \$ 10,000 | - |
| Welfare: | | | | |
| Welfare administration | \$ 784,070 | \$ 802,478 | \$ 649,200 | \$ 153,278 |
| Public assistance | 384,067 | 393,085 | 318,003 | 75,082 |
| Elderly and handicapped services | 9,127 | 9,127 | 9,127 | - |
| Comprehensive services | 459,888 | 585,170 | 345,720 | 239,450 |
| Other welfare | 11,686 | 11,932 | 5,946 | 5,986 |
| Total welfare | <u>\$ 1,648,838</u> | <u>\$ 1,801,792</u> | <u>\$ 1,327,996</u> | <u>\$ 473,796</u> |
| Total health and welfare | <u>\$ 1,735,466</u> | <u>\$ 1,888,420</u> | <u>\$ 1,414,624</u> | <u>\$ 473,796</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contributions to Community College | \$ 9,081 | \$ 9,081 | \$ 9,081 | - |
| Contribution to County School Board | 1,704,299 | 1,739,540 | 1,580,495 | 159,045 |
| Total education | <u>\$ 1,713,380</u> | <u>\$ 1,748,621</u> | <u>\$ 1,589,576</u> | <u>\$ 159,045</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Recreation facilities | \$ 12,271 | \$ 16,475 | \$ 8,006 | \$ 8,469 |

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 219,125 | \$ 219,929 | \$ 195,274 | \$ 24,655 |
| Youth enrichment program | - | 4,253 | 4,253 | - |
| Other cultural enrichment | 1,000 | 1,000 | 1,000 | - |
| Total cultural enrichment | <u>\$ 220,125</u> | <u>\$ 225,182</u> | <u>\$ 200,527</u> | <u>\$ 24,655</u> |
| Library: | | | | |
| Contribution to regional library | \$ 129,407 | \$ 129,407 | \$ 127,915 | \$ 1,492 |
| Total parks, recreation, and cultural | <u>\$ 361,803</u> | <u>\$ 371,064</u> | <u>\$ 336,448</u> | <u>\$ 34,616</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Community development | \$ 8,345 | \$ 8,345 | \$ 6,531 | \$ 1,814 |
| Planning | 78,683 | 49,036 | 39,778 | 9,258 |
| Contribution to EDA | - | - | 1,062,675 | (1,062,675) |
| Economic development | 574,069 | 574,069 | 179,325 | 394,744 |
| Total planning and community development | <u>\$ 661,097</u> | <u>\$ 631,450</u> | <u>\$ 1,288,309</u> | <u>\$ (656,859)</u> |
| Environmental management: | | | | |
| Contribution to soil and water district | \$ 10,500 | \$ 10,500 | \$ 10,500 | - |
| Cooperative extension program: | | | | |
| Extension office | \$ 47,620 | \$ 47,620 | \$ 40,297 | \$ 7,323 |
| Total community development | <u>\$ 719,217</u> | <u>\$ 689,570</u> | <u>\$ 1,339,106</u> | <u>\$ (649,536)</u> |
| Capital projects: | | | | |
| Other capital projects | \$ 2,781,895 | \$ 2,899,528 | - | \$ 2,899,528 |
| Debt service: | | | | |
| Principal retirement | \$ 257,721 | \$ 257,721 | \$ 308,090 | \$ (50,369) |
| Interest and other fiscal charges | 126,783 | 126,783 | 151,562 | (24,779) |
| Total debt service | <u>\$ 384,504</u> | <u>\$ 384,504</u> | <u>\$ 459,652</u> | <u>\$ (75,148)</u> |
| Total General Fund | <u>\$ 11,606,358</u> | <u>\$ 11,939,132</u> | <u>\$ 8,896,441</u> | <u>\$ 3,042,691</u> |
| Total Primary Government | <u>\$ 11,606,358</u> | <u>\$ 11,939,132</u> | <u>\$ 8,896,441</u> | <u>\$ 3,042,691</u> |

County of Bland, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 6,445,444 | \$ 6,445,444 | \$ 6,401,660 | \$ 43,784 |
| Operating costs: | | | | |
| Administration and health services | \$ 443,051 | \$ 443,051 | \$ 468,193 | \$ (25,142) |
| Pupil transportation | 656,427 | 656,427 | 564,384 | 92,043 |
| Operation and maintenance of school plant | 766,453 | 801,694 | 667,068 | 134,626 |
| Facilities | 3,122 | 3,122 | 3,137 | (15) |
| Total operating costs | <u>\$ 1,869,053</u> | <u>\$ 1,904,294</u> | <u>\$ 1,702,782</u> | <u>\$ 201,512</u> |
| School food services: | | | | |
| Administration of school food program | <u>\$ 212,179</u> | <u>\$ 212,179</u> | <u>\$ 458,786</u> | <u>\$ (246,607)</u> |
| Total Discretely Presented Component Unit - School Board | <u>\$ 8,526,676</u> | <u>\$ 8,561,917</u> | <u>\$ 8,563,228</u> | <u>\$ (1,311)</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 \$223,592. 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

| 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 |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|--------------|---------------------------------|-----------------------|----------------------------|-------------------|---------------|
| 2011-12 | \$ 801,053 | \$ 370,921 | \$ 1,743,094 | \$ 774,316 | \$ 1,364,061 | \$ 2,568,469 | \$ 377,449 | \$ 1,190,443 | \$ 151,503 | \$ 874,131 | \$ 10,215,440 |
| 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 |

Table 2

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

| 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 | | |
| 2011-12 | \$ 876,079 | \$ 2,113,461 | \$ 1,148,852 | \$ 4,125,826 | \$ 665,523 | \$ 19,267 | \$ 95,830 | \$ 541,478 | \$ 9,586,316 | |
| 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 | |

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 |
|-------------|-----------------------------------|-------------------------|---------------|--------------|--------------------|---------------|---------------------------------|-----------------------|--------------|---------------|
| 2011-12 | \$ 1,002,258 | \$ 367,021 | \$ 1,589,152 | \$ 798,604 | \$ 1,414,624 | \$ 8,572,309 | \$ 336,448 | \$ 1,339,106 | \$ 459,652 | \$ 15,879,174 |
| 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 |

(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 |
|-------------|------------------------|-------------------|--|-----------------------|--|----------------------|---------------|-----------------|------------------------|---------------|
| 2011-12 | \$ 3,962,106 | \$ 665,523 | \$ 19,018 | \$ 216,931 | \$ 14,082 | \$ 450,866 | \$ 199,164 | \$ 613,146 | \$ 10,209,881 | \$ 16,350,717 |
| 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 |

(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 |
|-------------|--------------------|-----------------------------|---------------------------|--------------------------------|-----------------------|--|----------------------------------|---|
| 2011-12 | \$ 4,387,975 | \$ 4,263,643 | 97.17% | \$ 89,554 | \$ 4,353,197 | 99.21% | \$ 685,219 | 15.62% |
| 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% |

(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 |
|-------------|-----------------|------------------------------------|---------------------|--------------------|--------------------|----------------|
| 2011-12 | \$ 468,060,900 | \$ 58,142,279 | \$ 18,755,542 | \$ 11,520,518 | \$ 64,969,827 | \$ 621,449,066 |
| 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 |

(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 |
|----------------|-------------|----------------------|-----------------|-----------------------|------------------------|
| 2011-12 | \$ 0.55 | \$ 2.29 | \$ 0.55 | \$ 0.73 | 0.89 |
| 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 |

(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 |
|-------------|----------------|-----------------------------------|-------------------------------|-----------------|--|----------------------------|
| 2011-12 | 6,824 | \$ 621,449 | \$ 190,000 | \$ 190,000 | 0.03% | \$ 28 |
| 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 |

(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.

Table 9

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 |
|----------------|------------|------------|--------------------------|--|--|
| 2011-12 | \$ 308,090 | \$ 151,562 | \$ 459,652 | \$ 15,879,174 | 2.89% |
| 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% |

(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, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 7, 2012. 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

Management of the County of Bland, Virginia is responsible for establishing and maintaining effective 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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Reference 2012-1, 2012-2).

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*.

We noted certain matters that we reported to management of the County of Bland, Virginia in a separate letter dated December 7, 2012.

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

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, Fauser, Cox Associates

Blacksburg, Virginia
December 7, 2012

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, 2012. 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.

As described in item 2012-3 in the accompanying schedule of findings and questioned costs, County of Bland, Virginia did not comply with requirements regarding the period of availability of funds that are applicable to its ARRA – Special Education. Compliance with such requirements is necessary, in our opinion, for County of Bland, Virginia to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2012.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-3 to be a material weakness.

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

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
December 7, 2012

County of Bland, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

| 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 | 0950111, 0950112 | \$ 2,401 |
| Temporary Assistance for Needy Families | 93.558 | 0400111, 0400112 | 77,633 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500111, 0500112 | 156 |
| Low-Income Home Energy Assistance | 93.568 | 0600411, 0600412 | 7,184 |
| Child Care and Development Cluster: | | | |
| Child Care and Development Block Grant | 93.575 | 0770110, 0700111 | 3,569 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760111, 0760112 | 14,700 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | 0900111, 0900112 | 243 |
| Foster Care - Title IV-E | 93.658 | 1100111, 1100112 | 87,502 |
| Adoption Assistance | 93.659 | 1120111, 1120112 | 68,589 |
| Social Services Block Grant | 93.667 | 1000111, 1000112 | 60,463 |
| Chafee Foster Care Independence Program | 93.674 | 9150111, 9150112 | 821 |
| Children's Health Insurance Program | 93.767 | 0540111, 0540112 | 2,737 |
| Medical Assistance Program | 93.778 | 1200111, 1200112 | 62,330 |
| | | | \$ 388,328 |
| Total Department of Health and Human Services | | | |
| Department of Agriculture: | | | |
| Direct Payments: | | | |
| Community Connect Grant Program | 10.863 | Not applicable | \$ 25,714 |
| Pass Through Payments: | | | |
| Virginia Department of Agriculture and Consumer Services: | | | |
| Child Nutrition Cluster: | | | |
| National School Lunch Program - Food Distribution (3) | 10.555 | Not applicable | \$ 20,574 |
| Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| National School Lunch Program | 10.555 | 40623 | 143,662 \$ 164,236 |
| National School Breakfast Program | 10.553 | 40591 | 62,250 |
| Schools and Roads - Grants to States | 10.665 | 43841 | 110,780 |
| | | | \$ 337,266 |
| Total Department of Education - pass-through payments | | | |
| Department of Social Services: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 0010111, 0010112, 0040111, 0040112 | \$ 103,381 |
| | | | \$ 466,361 |
| Total Department of Agriculture | | | |
| Department of Homeland Security: | | | |
| Pass Through Payments: | | | |
| Department of Emergency Services: | | | |
| State Homeland Security Grant Program | 97.073 | 52700 | \$ 7,871 |
| Department of Commerce: | | | |
| Direct Payments: | | | |
| Economic Adjustment Assistance | 11.307 | Not applicable | \$ 534,978 |
| Environmental Protection Agency: | | | |
| Pass Through Payments: | | | |
| Virginia Resources Authority: | | | |
| Capitalization Grants for Clean Water State Revolving Funds | 66.458 | Not applicable | \$ 1,580 |
| Department of Transportation: | | | |
| Pass Through Payments: | | | |
| Department of Motor Vehicles: | | | |
| Alcohol Open Container Requirements | 20.607 | 154AL-2011-51337-4279 154AL-2012-52205-4583 | \$ 17,857 |

County of Bland, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

| 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 | \$ 190,545 |
| ARRA - Title I: Grants to Local Educational Agencies | 84.389 | 42913 | 13,740 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 43071 | 237,061 |
| ARRA - Special Education - Grants to States | 84.391 | 61245 | 60,623 |
| Special Education - Preschool Grants | 84.173 | 62521 | 5,861 |
| Career and Technical Education - Basic Grants to States | 84.048 | 61095 | 14,341 |
| Education Technology - State Grants | 84.318 | 61600 | 555 |
| Improving Teacher Quality - State Grants | 84.367 | 61480, 61485 | 36,300 |
| ARRA - State Fiscal Stabilization Funds - Education State Grants | 84.394 | 62532 | 442,135 |
| ARRA - State Fiscal Stabilization Funds - Education Jobs Funds | 84.410 | 62700 | 235,571 |
| Total Department of Education | | | \$ 1,236,732 |
| Total Expenditures of Federal Awards | | | \$ 2,653,707 |

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, 2012. 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, 2012, 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 | | \$ 1,125,437 |
| Less: Payment in Lieu of Taxes | | (56,405) |
| Total General Fund | | <u>\$ 1,069,032</u> |
| Total primary government | | <u>\$ 1,069,032</u> |
| Component Unit: | | |
| School Operating Fund | | \$ 1,557,381 |
| Service Authority (includes \$790 debt proceeds) | | 1,580 |
| Bland County Wireless Authority | | <u>25,714</u> |
| Total Component Units | | <u>\$ 1,584,675</u> |
| Total federal expenditures per the basic financial statements | | <u>\$ 2,653,707</u> |
| Federal expenditures per the Schedule of Expenditures of Federal Awards | | <u>\$ 2,653,707</u> |

County of Bland, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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? | Yes |
| Significant deficiency(ies) identified? | No |
| Type of auditor's report issued on compliance for major programs: | Qualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? | Yes |
| Identification of major programs: | |

| CFDA # | Name of Federal Program or Cluster |
|----------------------|--|
| 11.307 | Economic Adjustment Assistance |
| 84.027/84.173/84.391 | Special Education Cluster |
| 84.394 | ARRA - State Fiscal Stabilization Funds - Education State Grants |
| 84.410 | ARRA - State Fiscal Stabilization Funds - Education Jobs Funds |

| | |
|---|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs | \$300,000 |
|---|-----------|

| | |
|--|----|
| Auditee qualified as low-risk auditee? | No |
|--|----|

County of Bland, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section II - Financial Statement Findings

2012-1

| | |
|------------------------|---|
| 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. |

2012-2

| | |
|----------------------|---|
| Criteria: | Per Statement of Auditing Standards 115 (SAS 115), identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. |
| Condition: | The financial statements, as presented for audit, did not contain all necessary adjustments to comply with generally accepted principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements. |
| Cause of Condition: | The School Board does not have proper controls in place to detect and correct errors in closing their year end financial statements. This particularly relates to timely submission and communication regarding federal reimbursements. |
| Effect of Condition: | There is more than a remote likelihood that a misstatement of the School Board's financial statements that is more than inconsequential will not be prevented or detected by the School Board's internal controls over financial reporting. |

County of Bland, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

2012-2 (Continued)

Recommendation: The School Board should review the auditors' proposed audit adjustments for 2012 and develop a plan to ensure that trial balances and related schedules are presented accurately for audit.

Management's Response: The School Board will review the auditors' proposed audit adjustments for 2012 and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

Section III - Federal Award Findings and Questioned Costs

2012-3 ARRA - Special Education - CFDA 84.391
Award Number H391A090107, Award Year 2009

Statement of Condition: Period of Availability: The School Board requested \$51,130 for expenditures in August 2011. \$35,637 of this request was related to expenses to be paid October 1, 2011 - June 30, 2012. The period of availability for obligation ended September 30, 2011. The subsequent cash management error is projected as an immaterial variance and as such is reported as a management comment.

Criteria: Expenditures related to this grant should have been obligated by September 30, 2011.

Context: We reviewed all three requests for these funds in fiscal year 2012.

Cause: Misunderstanding of submission and documentation requirements.

Effect: The reimbursement received was used for expenses outside of the period of availability.

Questioned Costs: The School Board has \$35,637 in questioned costs.

Recommendation: The School Board should review requirements attached to federal funds and ensure it understands and can comply with same requirements.

Management's Response and Planned Corrective Actions: The School Board will review requirements related to all federal funds received and ensure it understands the related requirements. Funds were received and used as documented in the grant application; however, the School Board saved the funds as long as possible.

Section IV - Status of Prior Audit Findings and Questioned Costs

The 2011-1 is recurring in the current year as 2012-1.