

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

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

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INTRODUCTORY SECTION

FINANCIAL SECTION

COUNTY OF WYTHE, VIRGINIA

BOARD OF SUPERVISORS

Danny C. McDaniel, Chair
Gary M. Houseman, Vice Chair
Joe E. Hale
Coy L. McRoberts
Arthur "Artie" E. Hall
Timothy A. Reeves, Sr.
B. G. "Gene" Horney, Jr.
R. Cellell Dalton, Clerk

COUNTY SCHOOL BOARD

Chalmer L. Frye, Chair
Patricia S. Hines
Walter C. White
David W. Martin
William S. Kidd, Vice Chair
Deborah M Crigger
Stephen R. Sage
Sara F. Dickens, Clerk

SOCIAL SERVICES BOARD

Kenny Johnson, Chair
Dan Challgren
Nancy Jackson
Rose M. Lester
Danny C. McDaniel
A. Michael Hall, Clerk

OTHER OFFICIALS

Judge of the Circuit Court Josiah T. Showalter, Jr.
Clerk of the Circuit Court..... Hayden H. Horney
Judge of the General District Court J.D. Bolt
Judge of the Juvenile & Domestic Relations Court Howard D. Chitwood
Commonwealth's Attorney Gerald Mabe
Commissioner of the Revenue Faye Barker
Treasurer Walter S. Crockett
Sheriff..... Doug King
Superintendent of Schools Dr. W. Lee Brannon
Director of Social Services, Interim Lewis Lafon
County Administrator..... R. Cellell Dalton
County Attorney Scot S. Farthing

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 Wythe, Virginia
Wytheville, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, 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 Wythe, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 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.

We were unable to reconcile beginning equity to the prior year's financial statements due to entries posted against beginning equity in the current period to balance the County's books.

In our opinion, except for the effects of such adjustments as might have been determined to the necessary had we been able to determine the underlying reason(s) for posting current year activity to beginning equity, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, 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 January 14, 2013, on our consideration of the County of Wythe, Virginia's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 operations, 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 Wythe, Virginia's financial statements as a whole. The introductory section, other supplementary information, supporting schedules and statistical information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide an assurance on them.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
January 14, 2013

Basic Financial Statements

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 35,751,341	\$ 8,418,982	\$ 44,170,323	\$ 3,097,762
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,288,428	-	1,288,428	-
Other local taxes	222,723	-	222,723	-
Accounts receivable	78,656	266,800	345,456	29,027
Due from component unit	1,066,090	-	1,066,090	-
Due from other governmental units	1,743,129	6,551,748	8,294,877	1,260,034
Prepaid expenses	-	-	-	45,802
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents (in custody of others)	8,561,343	694,547	9,255,890	-
Other assets:				
Unamortized bond issue costs	79,631	110,740	190,371	-
Capital assets (net of accumulated depreciation):				
Land	2,742,336	218,005	2,960,341	708,696
Buildings and improvements	31,360,497	-	31,360,497	12,407,125
Machinery and equipment	2,340,050	19,668	2,359,718	3,048,657
Infrastructure	2,328,153	30,785,176	33,113,329	-
Construction in progress	13,289,819	5,222,424	18,512,243	-
Total assets	<u>100,852,196</u>	<u>52,288,090</u>	<u>153,140,286</u>	<u>20,597,103</u>
LIABILITIES				
Accounts payable	1,999,686	302,356	2,302,042	272,664
Salaries payable	-	-	-	2,654,201
Customers' deposits	-	66,771	66,771	-
Accrued interest payable	455,215	128,756	583,971	-
Due to primary government	-	-	-	1,066,090
Unearned revenue	114,221	-	114,221	-
Deposits held in escrow	16,000	-	16,000	-
Long-term liabilities:				
Due within one year	11,587,598	778,959	12,366,557	412,242
Due in more than one year	31,387,843	24,291,014	55,678,857	665,914
Total liabilities	<u>45,560,563</u>	<u>25,567,856</u>	<u>71,128,419</u>	<u>5,071,111</u>
NET ASSETS				
Invested in capital assets, net of related debt	16,097,824	11,880,819	27,978,643	16,164,478
Restricted for:				
Law library	52,248	-	52,248	-
Property seizure	58,470	-	58,470	-
Courtroom security	364,795	-	364,795	-
Clerk's records grant	22,340	-	22,340	-
School cafeterias	-	-	-	393,868
Unrestricted (deficit)	38,695,956	14,839,415	53,535,371	(1,032,354)
Total net assets	<u>\$ 55,291,633</u>	<u>\$ 26,720,234</u>	<u>\$ 82,011,867</u>	<u>\$ 15,525,992</u>

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

County of Wythe, Virginia
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,512,480	\$ 24,995	\$ 267,095	\$ -	\$ (1,220,390)	\$ -	\$ (1,220,390)
Judicial administration	1,086,359	12,399	816,836	-	(257,124)	-	(257,124)
Public safety	6,180,621	1,687,111	1,515,929	-	(2,977,581)	-	(2,977,581)
Public works	2,289,730	39,295	15,945	-	(2,234,490)	-	(2,234,490)
Health and welfare	7,058,798	-	4,975,394	-	(2,083,404)	-	(2,083,404)
Education	12,836,648	-	-	-	(12,836,648)	-	(12,836,648)
Parks, recreation, and cultural	626,033	70,523	5,000	-	(550,510)	-	(550,510)
Community development	492,238	-	-	-	(492,238)	-	(492,238)
Interest on long-term debt	1,425,958	-	-	-	(1,425,958)	-	(1,425,958)
Total governmental activities	\$ 33,508,865	\$ 1,834,323	\$ 7,596,199	\$ -	\$ (24,078,343)	\$ -	\$ (24,078,343)
Business-type activities:							
Water and sewer	\$ 3,295,194	\$ 2,409,685	\$ -	\$ 1,289,131	\$ -	\$ 403,622	\$ 403,622
Total primary government	\$ 36,804,059	\$ 4,244,008	\$ 7,596,199	\$ 1,289,131	\$ (24,078,343)	\$ 403,622	\$ (23,674,721)
COMPONENT UNIT:							
School Board	\$ 40,658,873	\$ 1,087,962	\$ 26,467,232	\$ 88,951	\$ -	\$ -	\$ (13,014,728)
General revenues:							
General property taxes					\$ 16,761,296	\$ -	\$ 16,761,296
Other local taxes:							
Local sales and use taxes					3,235,405	-	3,235,405
Consumers' utility taxes					637,956	-	637,956
Consumption tax					92,216	-	92,216
Communication sales and use tax					778,335	-	778,335
Motor vehicle licenses					368,144	-	368,144
Bank stock taxes					30,818	-	30,818
Taxes on recordation and wills					113,209	-	113,209
Hotel and motel room taxes					162,997	-	162,997
Restaurant food taxes					682,186	-	682,186
Unrestricted revenues from use of money and property					1,204,552	235,418	1,439,970
Miscellaneous					569,158	-	569,158
Payments from the County of Wythe					1,721,897	-	1,721,897
Grants and contributions not restricted to specific programs					(356,550)	356,550	-
Transfers					26,001,619	\$ 591,968	\$ 26,593,587
Total general revenues and transfers					\$ 1,923,276	\$ 995,590	\$ 2,918,866
Change in net assets					\$ 53,368,357	\$ 25,724,644	\$ 79,093,001
Net assets - beginning, as restated					\$ 55,291,633	\$ 26,720,234	\$ 82,011,867
Net assets - ending					\$ -	\$ -	\$ 15,525,992

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

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

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 28,136,144	\$ 7,615,197	\$ 35,751,341
Receivables (net of allowance for uncollectibles):			
Property taxes receivable	1,288,428	-	1,288,428
Other local taxes receivable	222,723	-	222,723
Accounts receivable	78,656	-	78,656
Due from component unit	1,066,090	-	1,066,090
Due from other governmental units	1,743,129	-	1,743,129
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	8,173,083	388,260	8,561,343
Total assets	<u>40,708,253</u>	<u>8,003,457</u>	<u>48,711,710</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	1,999,686	-	1,999,686
Deferred revenue	1,281,382	-	1,281,382
Deposits held in escrow	16,000	-	16,000
Total liabilities	<u>3,297,068</u>	<u>-</u>	<u>3,297,068</u>
Fund balances:			
Restricted			
Law library	52,248	-	52,248
Property seizure	58,470	-	58,470
Construction projects	6,108,059	389,252	6,497,311
Courtroom security	364,795	-	364,795
Clerk's records grant	22,340	-	22,340
Committed for capital projects	-	7,614,205	7,614,205
Assigned for police activity	1,581,416	-	1,581,416
Unassigned	29,223,857	-	29,223,857
Total fund balances	<u>37,411,185</u>	<u>8,003,457</u>	<u>45,414,642</u>
Total liabilities and fund balances	<u>\$ 40,708,253</u>	<u>\$ 8,003,457</u>	<u>\$ 48,711,710</u>

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

County of Wythe, 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	\$	45,414,642
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		52,060,855
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. These amounts are as follows:		
Unamortized bond issuance costs	\$ 79,631	
Deferred revenue	<u>1,167,161</u>	1,246,792
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(43,430,656)
Net assets of governmental activities	<u>\$</u>	<u>55,291,633</u>

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

County of Wythe, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 16,486,825	\$ -	\$ 16,486,825
Other local taxes	6,101,266	-	6,101,266
Permits, privilege fees, and regulatory licenses	115,217	-	115,217
Fines and forfeitures	1,379,334	-	1,379,334
Revenue from the use of money and property	1,017,230	187,322	1,204,552
Charges for services	298,794	40,978	339,772
Miscellaneous	216,266	352,892	569,158
Recovered costs	309,100	-	309,100
Intergovernmental revenues:			
Commonwealth	7,061,769	-	7,061,769
Federal	2,181,842	74,485	2,256,327
Total revenues	<u>35,167,643</u>	<u>655,677</u>	<u>35,823,320</u>
EXPENDITURES			
Current:			
General government administration	1,636,064	-	1,636,064
Judicial administration	1,085,673	-	1,085,673
Public safety	6,077,487	-	6,077,487
Public works	2,050,075	-	2,050,075
Health and welfare	7,210,950	-	7,210,950
Education	12,061,060	-	12,061,060
Parks, recreation, and cultural	634,687	-	634,687
Community development	3,144,429	-	3,144,429
Capital projects	2,658,885	-	2,658,885
Debt service:			
Principal retirement	11,944,430	-	11,944,430
Interest and other fiscal charges	1,464,178	-	1,464,178
Total expenditures	<u>49,967,918</u>	<u>-</u>	<u>49,967,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,800,275)</u>	<u>655,677</u>	<u>(14,144,598)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,052,591	976,716	2,029,307
Transfers out	(2,385,857)	-	(2,385,857)
Issuance of proceeds of general obligation bonds	13,010,000	-	13,010,000
Sale of capital assets	79,659	-	79,659
Total other financing sources (uses)	<u>11,756,393</u>	<u>976,716</u>	<u>12,733,109</u>
Net change in fund balances	(3,043,882)	1,632,393	(1,411,489)
Fund balances - beginning, as restated	40,455,067	6,371,064	46,826,131
Fund balances - ending	<u>\$ 37,411,185</u>	<u>\$ 8,003,457</u>	<u>\$ 45,414,642</u>

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

County of Wythe, 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	\$ (1,411,489)
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.	4,138,245
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(6,403)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	274,471
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.	(1,067,174)
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.	(4,374)
Change in net assets of governmental activities	<u>\$ 1,923,276</u>

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

County of Wythe, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds		Total
	Water Department	Sewer Department	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,091,282	\$ 5,327,700	\$ 8,418,982
Accounts receivable	108,881	157,919	266,800
Due from other governmental units	6,551,748	-	6,551,748
Restricted current assets:			
Cash and cash equivalents (in custody of others)	694,547	-	694,547
Total current assets	<u>10,446,458</u>	<u>5,485,619</u>	<u>15,932,077</u>
Noncurrent assets:			
Other assets:			
Unamortized bond issue costs	-	110,740	110,740
Capital assets:			
Land	211,245	6,760	218,005
Utility plant in service	17,041,196	23,666,848	40,708,044
Machinery and equipment	138,731	30,740	169,471
Less: accumulated depreciation	(5,282,573)	(4,790,098)	(10,072,671)
Construction in progress	5,014,557	207,867	5,222,424
Total capital assets	<u>17,123,156</u>	<u>19,122,117</u>	<u>36,245,273</u>
Total noncurrent assets	<u>17,123,156</u>	<u>19,232,857</u>	<u>36,356,013</u>
Total assets	<u>\$ 27,569,614</u>	<u>\$ 24,718,476</u>	<u>\$ 52,288,090</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 211,131	\$ 91,225	\$ 302,356
Customers' deposits	51,246	15,525	66,771
Accrued interest payable	120,299	8,457	128,756
Compensated absences - current portion	7,764	465	8,229
Bonds payable - current portion	391,007	379,723	770,730
Total current liabilities	<u>781,447</u>	<u>495,395</u>	<u>1,276,842</u>
Noncurrent liabilities:			
Compensated absences - net of current portion	2,588	155	2,743
Bonds payable - net of current portion	14,163,513	10,124,758	24,288,271
Total noncurrent liabilities	<u>14,166,101</u>	<u>10,124,913</u>	<u>24,291,014</u>
Total liabilities	<u>14,947,548</u>	<u>10,620,308</u>	<u>25,567,856</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,263,183	8,617,636	11,880,819
Unrestricted	9,358,883	5,480,532	14,839,415
Total net assets	<u>\$ 12,622,066</u>	<u>\$ 14,098,168</u>	<u>\$ 26,720,234</u>

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

County of Wythe, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds		Total
	Water Department	Sewer Department	
OPERATING REVENUES			
Charges for services:			
Water and sewer billings	\$ 1,210,486	\$ 1,199,199	\$ 2,409,685
Total operating revenues	<u>1,210,486</u>	<u>1,199,199</u>	<u>2,409,685</u>
OPERATING EXPENSES			
Personnel services	216,985	69,360	286,345
Fringe benefits	79,555	45,193	124,748
Professional services	46,042	38,870	84,912
Operating expenses	263,445	247,512	510,957
Purchase of water - regional plant	580,086	-	580,086
Depreciation	418,256	593,783	1,012,039
Total operating expenses	<u>1,604,369</u>	<u>994,718</u>	<u>2,599,087</u>
Operating income (loss)	<u>(393,883)</u>	<u>204,481</u>	<u>(189,402)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	105,043	130,375	235,418
Interest expense	(215,150)	(480,957)	(696,107)
Total nonoperating revenues (expenses)	<u>(110,107)</u>	<u>(350,582)</u>	<u>(460,689)</u>
Income before contributions and transfers	<u>(503,990)</u>	<u>(146,101)</u>	<u>(650,091)</u>
Capital contributions and construction grants	1,289,131	-	1,289,131
Transfers in	-	1,402,065	1,402,065
Transfers out	(1,045,515)	-	(1,045,515)
Change in net assets	<u>(260,374)</u>	<u>1,255,964</u>	<u>995,590</u>
Total net assets - beginning, as restated	12,882,440	12,842,204	25,724,644
Total net assets - ending	<u>\$ 12,622,066</u>	<u>\$ 14,098,168</u>	<u>\$ 26,720,234</u>

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

County of Wythe, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water Department	Sewer Department	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,263,202	\$ 1,324,529	\$ 2,587,731
Payments to suppliers	(852,818)	(197,226)	(1,050,044)
Payments to and for employees	(296,456)	(117,944)	(414,400)
Net cash provided by (used for) operating activities	<u>113,928</u>	<u>1,009,359</u>	<u>1,123,287</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	1,402,065	1,402,065
Net cash provided by (used for) noncapital financing activities	<u>(1,045,515)</u>	<u>1,402,065</u>	<u>356,550</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	(5,376,020)	(207,867)	(5,583,887)
Construction grants	1,679,408	-	1,679,408
Principal payments on bonds	(332,046)	(354,341)	(686,387)
Proceeds from indebtedness	4,069,699	93,780	4,163,479
Interest payments	(141,838)	(479,713)	(621,551)
Net cash provided by (used for) capital and related financing activities	<u>(100,797)</u>	<u>(948,141)</u>	<u>(1,048,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	105,043	130,375	235,418
Net cash provided by (used for) investing activities	<u>105,043</u>	<u>130,375</u>	<u>235,418</u>
Net increase (decrease) in cash and cash equivalents	(927,341)	1,593,658	666,317
Cash and cash equivalents - beginning (including \$694,530 of restricted deposits)	4,713,170	3,734,042	8,447,212
Cash and cash equivalents - ending (including \$694,547 of restricted deposits)	<u>\$ 3,785,829</u>	<u>\$ 5,327,700</u>	<u>\$ 9,113,529</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (393,883)	\$ 204,481	\$ (189,402)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	418,256	593,783	1,012,039
(Increase) decrease in accounts receivable	48,533	124,330	172,863
Increase (decrease) in customer deposits	4,183	1,000	5,183
Increase (decrease) in operating accounts payable	36,755	89,156	125,911
Increase (decrease) in compensated absences	84	(3,391)	(3,307)
Total adjustments	<u>507,811</u>	<u>804,878</u>	<u>1,312,689</u>
Net cash provided by (used for) operating activities	<u>\$ 113,928</u>	<u>\$ 1,009,359</u>	<u>\$ 1,123,287</u>

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

County of Wythe, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 40,631
Total assets	<u>\$ 40,631</u>
LIABILITIES	
Amounts held for social services clients	\$ 40,631
Total liabilities	<u>\$ 40,631</u>

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

COUNTY OF WYTHE, 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 government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity:

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

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

Discretely Presented Component Units - The component unit column in the financial statements includes the financial data of the County's discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the County.

The Wythe 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. Separate statements are not issued for the Component Unit – School Board.

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

Jointly Governed Organizations - The Counties of Wythe and Grayson participate in supporting the Wythe/Grayson Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2012, the County contributed \$267,050 to the Library.

The Counties of Wythe and Smyth participate in supporting the Smyth/Wythe Airport Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the year ended June 30, 2012, the County contributed \$64,446 to the Airport.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

B. Government-wide and fund financial statements:

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

The statement of net assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide statement of net assets and will 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.

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for 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 and the Property Seizure Fund.

The County reports the following major capital projects funds:

The County Capital Projects Fund accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. It accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The government reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the County water and sewer system, which includes water distribution and sewage collections systems throughout the County.

Additionally, the government reports the following fund types:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 and the internal service funds are charges to customers for sales and services. The County also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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."

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 \$216,185 at June 30, 2012 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

6. Capital assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Capitalized interest for 2012 was \$62,344 in the enterprise fund.

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

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

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government 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. The School Board and Social Services department accrue payments associated with sick leave upon retirement. The County does not pay for sick leave upon retirement. 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 obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

9. 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.

10. Fund equity

Fund balances, presented in the governmental fund financial statements, represent the difference between assets and liabilities reported in a governmental fund. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental funds. GASB Statement No. 54 requires that fund balances be classified into categories based upon the type of restrictions imposed on the use of funds. The County of Wythe, Virginia evaluated its funds and classified fund balance into the following five categories:

Nonspendable – amounts that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund).

Restricted - amounts that are restricted by external parties such as creditors or imposed by grants, law or legislation

Committed - amounts that have been committed (establish, modify, or rescind) by formal action (resolution or ordinance) by the entity's "highest level of decision-making authority"; which the County of Wythe, Virginia considers to be the Board of Supervisors.

Assigned - amounts that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Wythe, Virginia considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reporting in the general fund

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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 (\$43,430,656) and (\$1,078,156) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
General obligation bonds	\$ (42,060,339)	\$ -
Accrued interest payable	(455,215)	-
Unamortized bond premium	(400,003)	-
Landfill accrued post closure monitoring costs	(68,460)	-
Compensated absences	(243,939)	(549,656)
Net OPEB obligation	<u>(202,700)</u>	<u>(528,500)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (43,430,656)</u>	<u>\$ (1,078,156)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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 \$4,138,245 and \$2,295 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Capital outlays	\$ 5,762,399	\$ 1,137,371
Depreciation expenses	<u>(1,624,154)</u>	<u>(1,135,076)</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>\$ 4,138,245</u>	<u>\$ 2,295</u>

Another element of that reconciliation states "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." The details of this (\$1,067,174) difference in the primary government are as follows:

Debt Issued or incurred:	
Issuance of general obligation debt	\$ (13,010,000)
Increase in accrued landfill closure/postclosure costs	<u>(1,604)</u>
Principal repayments:	
General obligation bonds	<u>11,944,430</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,067,174)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these (\$4,374) and (\$56,530) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Decrease (increase) in compensated absences	\$ 13,706	\$ 1,470
Decrease (increase) in arbitrage rebate liability	35,957	-
Decrease (increase) in accrued interest	(21,428)	-
Amortization of bond premium	30,626	-
Amortization of issuance costs	(6,935)	-
(Increase) decrease in net OPEB obligation	(56,300)	(58,000)
 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>	 \$ (4,374)	 \$ (56,530)

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. The following funds have legally adopted budgets: General Fund and the School Operating Fund
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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

A. Budgetary information (Continued)

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, and the Special Revenue Funds (except the School Operating Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

B. Excess of expenditures over appropriations

For fiscal year 2012, expenditures exceeded appropriations in the School Fund totaling \$128,857 (\$36,747 – instructional costs and \$92,110 – school food services).

C. Deficit fund equity

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

Note 4-Deposits and Investments:

Deposits:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 4-Deposits and Investments: (Continued)

Investments: (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and its discretely presented component units have an investment policy for custodial credit risk included within the County investment policy. The County's investments at June 30, 2012 were held in the County's name by the County's custodial bank. The County's investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<u>County's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
First American Prime Obligation Fund	\$ 4,252,318
Wells Fargo Advantage MM Fund	1,347,083
SNAP	897,909

Concentration of Credit Risk

At June 30, 2012, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

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

Interest Rate Risk

There are no interest rate risk disclosures required for the year ended June 30, 2012.

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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>Local Government:</u>		
New River Valley Regional Water Authority	\$ 3,496,238	\$ -
Town of Wytheville	3,055,510	-
<u>Commonwealth of Virginia:</u>		
Local sales tax	666,307	-
Local communication tax	132,927	-
State sales tax	-	667,388
Categorical aid	291,588	-
Non-categorical aid	20,731	-
Virginia public assistance funds	111,142	-
Community services act	373,947	-
<u>Federal Government:</u>		
Virginia public assistance funds	146,487	-
School grants	-	592,646
	<u> </u>	<u> </u>
Totals	<u>\$ 8,294,877</u>	<u>\$ 1,260,034</u>

Note 6-Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Primary Government:</u>		
General Fund	\$ 1,052,591	\$ 2,385,857
Capital Projects Fund	976,716	-
Water Fund	-	1,045,515
Sewer Fund	1,402,065	-
Total	<u>\$ 3,431,372</u>	<u>\$ 3,431,372</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.

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations:

Primary Government - Governmental Activity Obligations:

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

	Balance July 1, 2011	Increase/ Issuances	Decrease/ Retirements	Balance June 30, 2012
General obligation bonds	\$ 40,994,769	\$ 13,010,000	\$ (11,944,430)	\$ 42,060,339
GO bond premium	430,629	-	(30,626)	400,003
Landfill postclosure liability	66,856	1,604	-	68,460
Compensated absences	257,645	179,528	(193,234)	243,939
Net OPEB obligation	146,400	68,800	(12,500)	202,700
Total	<u>\$ 41,896,299</u>	<u>\$ 13,259,932</u>	<u>\$ (12,180,790)</u>	<u>\$ 42,975,441</u>

The County uses the straight-line method to amortize bond premiums and discounts.

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 11,404,644	\$ 1,562,641
2014	1,872,660	1,278,277
2015	1,917,747	1,197,091
2016	1,968,772	1,114,004
2017	1,949,654	1,029,196
2018-2022	10,517,155	3,819,044
2023-2027	7,115,588	1,740,533
2028-2032	4,377,661	647,818
2033-2037	468,491	172,270
2038-2041	467,967	61,057
Totals	<u>\$ 42,060,339</u>	<u>\$ 12,621,931</u>

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations: (Continued)

Primary Government - Governmental Activity Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds						
Rural Development GO bond	4.75%	7/8/1999	2023	\$ 3,311,000	\$ 1,659,532	\$ 110,940
GO bond	5.29%	1/29/2001	2016	700,000	242,144	56,068
GO bond	3.1-5.35%	11/6/2003	2024	7,435,478	4,734,031	359,332
Rural Development GO bond	4.75%	7/2/2002	2040	2,046,200	1,841,891	29,794
VPSA GO bond	2.35-5.1%	11/7/2002	2023	9,209,707	5,308,606	444,636
VPSA GO bond	4.255%-5.1%	10/24/2006	2027	3,593,557	2,787,784	168,838
GO bond	2%-4%	3/15/2010	2018	1,600,000	1,240,000	195,000
GO bond	2.75%	3/18/2012	2033	10,000,000	10,000,000	348,272
GO bond*	4.10%	3/15/2010	2030	3,440,000	3,440,000	-
Rural Development GO bond	3.75%	12/29/2010	2023	1,351,280	1,206,351	91,764
Public Improvement Note	CP rate + 1.05%	7/8/2010	2013	9,830,000	9,600,000	9,600,000
Total General Obligation Bonds					\$ 42,060,339	
Add: Unamortized premium on						
\$7,435,478 GO bond	n/a	11/6/2003	2024	476,903	\$ 271,835	-
\$3,593,557 GO bond	n/a	10/24/2006	2027	102,414	76,811	-
\$1,600,000 GO bond	n/a	3/15/2010	2018	57,063	51,357	-
Total Unamortized premiums					\$ 400,003	
Total General Obligation Bonds and unamortized premiums					\$ 42,460,342	\$ 11,404,644
* Build America Bonds - effective yield						
Other Obligations:						
Landfill Postclosure Liability	n/a	n/a	n/a	n/a	\$ 68,460	\$ -
Compensated Absences	n/a	n/a	n/a	n/a	243,939	182,954
Net OPEB Obligation	n/a	n/a	n/a	n/a	202,700	-
Total Other Obligations					\$ 515,099	\$ 182,954
Total Long-term obligations					\$ 42,975,441	\$ 11,587,598

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COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations: (Continued)

Primary Government - Enterprise Activity Obligations:

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

	Balance July 1, 2011, as restated	Increase/ Issuances	Decrease/ Retirements	Balance June 30, 2012
VRA and RD Revenue bonds	\$ 11,583,918	\$ 4,163,479	\$ (200,686)	\$ 15,546,711
General obligation bonds	10,010,801	-	(485,701)	9,525,100
Gen oblig bond discount	(13,725)	-	915	(12,810)
Compensated absences	14,279	7,402	(10,709)	10,972
	<u>\$ 21,595,273</u>	<u>\$ 4,170,881</u>	<u>\$ (696,181)</u>	<u>\$ 25,069,973</u>
Total				

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

Year Ending June 30,	VRA and RD Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 264,090	\$ 594,682	\$ 506,640	\$ 402,753
2014	403,219	559,948	527,541	381,052
2015	373,050	546,912	548,934	358,460
2016	361,349	533,326	570,385	335,408
2017	375,507	519,167	598,263	340,429
2018-2022	2,111,789	2,361,586	3,398,182	1,134,929
2023-2027	2,524,696	1,907,021	3,375,155	318,352
2028-2032	2,978,595	1,367,422	-	-
2033-2037	2,838,190	745,147	-	-
2038-2042	1,381,435	390,422	-	-
2043-2047	1,102,177	200,930	-	-
2048-2052	832,614	53,387	-	-
	<u>\$ 15,546,711</u>	<u>\$ 9,779,950</u>	<u>\$ 9,525,100</u>	<u>\$ 3,271,383</u>
Totals				

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 7-Long-Term Obligations: (Continued)

Primary Government - Enterprise Activity Obligations: (Continued)

Details of long-term obligations:

	Interest Rates	Issue Date	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Rural Development and VRA Bonds						
VRA revenue bond (interest imputed)	5.00%	2004	2025	\$ 110,100	\$ 68,113	\$ 5,240
VRA revenue bond	0.00%	5/15/2012	2015	1,369,871	93,780	-
Rural Development Bond	5.00%	9/13/1991	2026	343,000	198,075	10,586
Rural Development Bond	4.50%	10/10/1996	2034	1,650,700	1,256,174	35,206
Rural Development Bond	4.50%	6/12/1997	2036	310,900	251,253	5,970
Rural Development Bond	4.50%	6/12/1997	2036	17,200	13,901	330
Rural Development Bond	4.50%	7/24/1997	2037	2,521,100	2,042,169	48,096
Rural Development Bond	4.50%	10/22/1998	2038	221,000	183,817	4,003
Rural Development Bond	4.50%	4/26/2001	2040	75,000	65,351	1,229
Rural Development Bond	4.50%	4/26/2001	2040	71,700	62,450	1,178
Rural Development Bond	4.50%	10/3/1996	2036	3,991,000	3,195,579	77,848
Rural Development Bond	4.50%	10/31/2002	2042	497,100	444,744	7,557
Rural Development Bond	4.50%	10/31/2002	2042	547,700	490,048	8,321
Rural Development Bond	4.50%	3/5/2004	2035	500,000	462,550	6,899
Rural Development Bond	4.125%	6/23/2010	2040	1,511,260	1,505,744	16,677
Rural Development Bond*	2.375%	3/31/2010	2040	1,100,000	406,586	16,157
Rural Development Bond	2.375%	6/29/2011	2051	640,000	638,501	-
Rural Development Bond	2.375%	6/14/2011	2051	3,316,000	3,311,253	-
Rural Development Bond	2.375%	8/11/2010	2040	1,065,000	856,623	18,793
Total Rural Development and VRA Bonds					<u>\$ 15,546,711</u>	<u>\$ 264,090</u>
General Obligation Bonds:						
GO Bond	3.5-4.5%	1/5/2006	2026	\$ 6,180,000	\$ 4,870,000	\$ 265,000
GO Bond	4.36%	12/15/2005	2026	5,900,000	4,655,100	241,640
Less: Unamortized GO Bond discount					<u>(12,810)</u>	<u>-</u>
Total General Obligation Bonds					<u>\$ 9,512,290</u>	<u>\$ 506,640</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	<u>\$ 10,972</u>	<u>\$ 8,229</u>
Total Other Obligations					<u>\$ 10,972</u>	<u>\$ 8,229</u>
Total Long-term obligations					<u>\$ 25,069,973</u>	<u>\$ 778,959</u>

* Loan issued by Carroll County PSA in the amount of \$5,000,000 with an underlying agreement that Wythe County is responsible for 7.9737% of such loan.

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 8-Long-Term Obligations - Component Unit:

Discretely Presented Component Unit – School Board Obligations:

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</u> <u>July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>
Compensated absences	\$ 551,126	\$ 411,874	\$ (413,344)	\$ 549,656
Net OPEB Obligations	470,500	303,500	(245,500)	528,500
 Total	 <u>\$ 1,021,626</u>	 <u>\$ 715,374</u>	 <u>\$ (658,844)</u>	 <u>\$ 1,078,156</u>

Details of long-term obligations:

	<u>Interest</u> <u>Rates</u>	<u>Issue</u> <u>Date</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Amount of</u> <u>Original</u> <u>Issue</u>	<u>Balance</u> <u>Governmental</u> <u>Activities</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
Other Obligations:						
Compensated Absences	n/a	n/a	n/a	n/a	\$ 549,656	\$412,242
Net OPEB Obligations	n/a	n/a	n/a	n/a	<u>528,500</u>	<u>-</u>
Total Long-term obligations					<u>\$ 1,078,156</u>	<u>\$412,242</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 9-Employee Retirement System and Defined Benefit 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. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or at 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 at 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 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

A. Plan Description: (continued)

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

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. In addition, the County of Wythe, 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 Wythe, Virginia's contribution rate for the fiscal year ended 2012 was 7.01% 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% of their annual salary to the VRS. This 5% 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 8.85% of annual covered payroll.

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COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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

C. Annual Pension Cost

For fiscal year 2012, the County of Wythe, Virginia's and School Board's annual pension costs of \$392,063 and \$138,525 were equal to the County of Wythe, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

	Fiscal Year Ending	Three-Year Trend Information		Net Pension Obligation
		Annual Pension Cost (APC) ¹	Percentage of APC Contributed	
Primary Government:				
County	6/30/2012	\$ 392,063	100.00%	\$ -
	6/30/2011	375,921	100.00%	-
	6/30/2010	407,274	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 138,525	100.00%	\$ -
	6/30/2011	135,594	100.00%	-
	6/30/2010	128,027	100.00%	-

¹ Employer portion only

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 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 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 85.63% funded. The actuarial accrued liability for benefits was \$27,336,580, and the actuarial value of assets was \$23,407,940, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,928,640. The covered payroll (annual payroll of active employees covered by the plan) was \$5,369,797, and ratio of the UAAL to the covered payroll was 73.16%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

D. Funded Status and Funding Progress (Continued)

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.37% funded. The actuarial accrued liability for benefits was \$6,140,651, and the actuarial value of assets was \$4,689,641, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,451,010. The covered payroll (annual payroll of active employees covered by the plan) was \$1,513,218, and ratio of the UAAL to the covered payroll was 95.89%.

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 for benefits.

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

Plan Description

The Wythe 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 State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or obtained by writing to the System 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% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$960,294, \$973,244, and \$1,586,501 for the fiscal years ended 2012, 2011, and 2010, respectively. Required employer contributions represented 6.33% for 2012, 3.93% for 2011, and 8.81% for July 2009 through March 2010 and 0.00% for April through June 2010.

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 \$1,281,382 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled \$114,221 at June 30, 2012.

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 10-Defferd/Unearned Revenue: (Continued)

Uncollected Taxes – Property taxes receivable not collected within 60 days after year end are reflected as deferred revenues. These taxes totaled \$1,167,161.

Note 11-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,742,336	\$ -	\$ -	\$ 2,742,336
Construction in progress	7,820,815	5,498,671	(29,667)	13,289,819
Total capital assets not being depreciated	<u>\$ 10,563,151</u>	<u>\$ 5,498,671</u>	<u>\$ (29,667)</u>	<u>\$ 16,032,155</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 39,175,829	\$ 18,937	\$ -	\$ 39,194,766
Infrastructure	3,311,662	10,727	-	3,322,389
Machinery and equipment	5,257,621	263,731	(25,490)	5,495,862
Total capital assets being depreciated	<u>\$ 47,745,112</u>	<u>\$ 293,395</u>	<u>\$ (25,490)</u>	<u>\$ 48,013,017</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (6,831,206)	\$ (1,003,063)	\$ -	\$ (7,834,269)
Infrastructure	(827,915)	(166,321)	-	(994,236)
Machinery and equipment	(2,720,129)	(454,770)	19,087	(3,155,812)
Total accumulated depreciation	<u>\$ (10,379,250)</u>	<u>\$ (1,624,154)</u>	<u>\$ 19,087</u>	<u>\$ (11,984,317)</u>
Total capital assets being depreciated, net	<u>\$ 37,365,862</u>	<u>\$ (1,330,759)</u>	<u>\$ (6,403)</u>	<u>\$ 36,028,700</u>
Governmental activities capital assets, net	<u>\$ 47,929,013</u>	<u>\$ 4,167,912</u>	<u>\$ (36,070)</u>	<u>\$ 52,060,855</u>

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COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 218,005	\$ -	\$ -	\$ 218,005
Construction in progress	1,875,833	5,535,735	(2,189,144)	5,222,424
Total capital assets not being depreciated	<u>\$ 2,093,838</u>	<u>\$ 5,535,735</u>	<u>\$ (2,189,144)</u>	<u>\$ 5,440,429</u>
Capital assets, being depreciated:				
Utility plant in service	\$ 38,490,358	\$ 2,217,686	\$ -	\$ 40,708,044
Machinery and equipment	149,861	19,610	-	169,471
Total capital assets being depreciated	<u>\$ 38,640,219</u>	<u>\$ 2,237,296</u>	<u>\$ -</u>	<u>\$ 40,877,515</u>
Less: accumulated depreciation for:				
Utility plant in service	\$ (8,915,061)	\$ (1,007,807)	\$ -	\$ (9,922,868)
Machinery and equipment	(145,571)	(4,232)	-	(149,803)
Total accumulated depreciation	<u>\$ (9,060,632)</u>	<u>\$ (1,012,039)</u>	<u>\$ -</u>	<u>\$ (10,072,671)</u>
Total capital assets being depreciated, net	<u>\$ 29,579,587</u>	<u>\$ 1,225,257</u>	<u>\$ -</u>	<u>\$ 30,804,844</u>
Business-type activities capital assets, net	<u>\$ 31,673,425</u>	<u>\$ 6,760,992</u>	<u>\$ (2,189,144)</u>	<u>\$ 36,245,273</u>

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COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 11-Capital Assets: (Continued)

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

Governmental activities:	
General government	\$ 68,290
Public safety	358,759
Public works	236,505
Health and welfare	2,638
Education	775,588
Parks, recreation, and culture	16,337
Community development	<u>166,037</u>
Total depreciation expense-governmental activities	<u>\$ 1,624,154</u>
Business type activities:	
Water and sewer	<u>\$ 1,012,039</u>
Total depreciation expense-Primary Government	<u>\$ 2,636,193</u>

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COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 11-Capital Assets: (Continued)

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

Discretely Presented Component Unit-School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 708,696	\$ -	\$ -	\$ 708,696
Total capital assets not being depreciated	<u>\$ 708,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 708,696</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,029,249	\$ 582,984	\$ -	\$ 23,612,233
Machinery and equipment	7,515,810	554,387	(62,840)	8,007,357
Total capital assets being depreciated	<u>\$ 30,545,059</u>	<u>\$ 1,137,371</u>	<u>\$ (62,840)</u>	<u>\$ 31,619,590</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (10,741,337)	\$ (463,771)	\$ -	\$ (11,205,108)
Machinery and equipment	(4,343,572)	(671,305)	56,177	(4,958,700)
Total accumulated depreciation	<u>\$ (15,084,909)</u>	<u>\$ (1,135,076)</u>	<u>\$ 56,177</u>	<u>\$ (16,163,808)</u>
Total capital assets being depreciated, net	<u>\$ 15,460,150</u>	<u>\$ 2,295</u>	<u>\$ (6,663)</u>	<u>\$ 15,455,782</u>
Governmental activities capital assets, net	<u>\$ 16,168,846</u>	<u>\$ 2,295</u>	<u>\$ (6,663)</u>	<u>\$ 16,164,478</u>

Note 12-Risk Management:

The County and 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 component unit - School Board participate with other localities in a public entity risk pool for their coverage of worker's compensation with the Virginia Municipal League Pool and public officials liability with the Virginia Association of Counties Group Self Insurance Risk Pool. The County pays an annual premium to the pools for its general insurance coverage. The agreement for the formation of the pools provides that the pool will be self-sustaining through member premiums. The County and 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.

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 13-Commitments and Contingent Liabilities:

Federal programs in which the County and its component unit 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 material 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.

The County had the following construction commitments at June 30, 2012:

Project	Original Contract Amount	Outstanding at June 30, 2012
County		
Office Building Addition	\$ 3,670,005	\$ 222,938
Walter Extension, Wytheville to Rural Retreat	4,137,418	396,527
Lot 24 Progress Park	13,013,500	4,817,830
Lot 24 Wastewater Improvement, Phase 1	352,195	48,335
Graham's Forge Sewer, Phase 3	1,155,771	1,088,440
Lot 24 Grading	747,076	722,256
Totals	<u>\$ 23,075,965</u>	<u>\$ 7,296,326</u>

Note 14-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Hayden H. Horney, Clerk of the Circuit Court	\$ 1,500,000
Water S. Crockett, Treasurer	400,000
Faye Barker, Commissioner of the Revenue	3,000
Doug King, Sheriff	30,000
<u>Aetna Casualty and Surety - Surety:</u>	
All social services employees: blanket bond	\$ 100,000
<u>United States Fidelity and Guaranty Company-Surety:</u>	
R. Cellell Dalton, County Administrator	\$ 2,000
Martha Collins, Administrative Secretary	2,000
K. Hurst, Building Inspector	2,000
Stephen Bear, Assistant County Administrator	2,000

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Note 14-Surety Bonds: (Continued)

Component Unit – School Board:

United States Fire Insurance Company - Surety:		
Sara Dickens, Clerk of the School Board	\$	25,000
All school board employees: blanket bond		10,000

Note 15-Landfill Postclosure Care Costs:

State and federal laws and regulations require the County to clean up 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 \$68,460. This amount is based on what it would cost to perform all postclosure care in 2012. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County has demonstrated financial assurance requirements for closure and postclosure care and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 16-Restricted, Committed and Assigned Fund Balance:

Primary Government:		
Restricted for law library expenditures	\$	52,248
Restricted for construction		6,497,311
Restricted for courtroom security		364,795
Restricted for Clerk's records grant		22,340
Restricted for forfeited asset expenditures		58,470
Committed for construction projects		7,614,205
Assigned for police activities		<u>1,581,416</u>
Total Restricted, Committed and Assigned Fund Balance		<u>\$ 16,190,785</u>

Note 17-Due from other Governments:

The County constructed certain debt financed assets that are used by the New River Regional Water Authority and the Town of Wytheville, Virginia. The County has recorded a receivable in the Water/Sewer Fund of \$6,551,748 for repayment of shared construction costs. The County bills these entities as debt service payments are due.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

Note 18-Other Postemployment Benefits (OPEB) 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. In adopting the requirements of GASB Statement No. 45, the County and the School Board recognize 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 and the School Board's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Primary Government

A. Plan Description

The County of Wythe administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the County and their dependents in the health and dental insurance programs available to County employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the County. An eligible County retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the County and the employee must have attained the age of fifty (50). Alternatively, an employee is also eligible to participate at age fifty-five (55) with 5 years of service. The benefits, employee contributions and the employer contributions are governed by the County Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County of Wythe, Virginia currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County of Wythe, Virginia currently has 156 employees that are eligible for the program. In addition, for retirees of the County of Wythe, Virginia, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

County

Participants	Premiums		
	Key Advantage 200	Key Advantage 500	Dental
Employee	\$ 549.00	\$ 483.00	\$ 25.00
Employee / Spouse	1,016.00	894.00	40.42
Employee / Child	1,016.00	894.00	39.16
Family	1,482.00	1,304.00	76.92

The County is 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.

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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

Primary Government (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

For 2012, the County's annual OPEB cost (expense) of \$68,800 did not equal the ARC of \$69,000. The obligation calculation is as follows:

Annual required contribution	\$	69,000
Interest on net OPEB obligation		5,900
Adjustment to annual required contribution		(6,100)
Annual OPEB cost (expense)		<u>68,800</u>
Contributions made		<u>(12,500)</u>
Increase in net OPEB obligation		56,300
Net OPEB obligation - beginning of year		<u>146,400</u>
Net OPEB obligation - ending of year	\$	202,700

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 two preceding years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 68,800	18.17%	\$ 202,700
6/30/2011	64,800	3.40%	146,400
6/30/2010	85,400	52.93%	83,800

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2011 (the most recent actuarial valuation date), was as follows:

Actuarial accrued liability (AAL)	\$ 645,400
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 645,400
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 5,362,639
UAAL as a percentage of covered payroll	12.04%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

Primary Government (Continued)

D. Funded Status and Funding Progress (Continued)

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

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.

E. Actuarial methods and Assumptions

As of July 1, 2011, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011, was 27 years.

Component Unit: School Board

A. Plan Description

The Component Unit – Wythe County School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health and dental insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health and dental insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must have attained the age of fifty (50). Alternatively, an employee is also eligible to participate at age fifty-five (55) with 5 year of service. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through Board action. The Plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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

Component Unit: School Board (Continued)

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 625 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows:

School Board

Participants	Premiums		
	Anthem PPO	Anthem HMO	Dental
Employee	\$ 402.60	\$ 382.95	\$ 33.16
Employee / Spouse	885.65	842.49	60.70
Employee / Child	644.13	612.70	60.70
Family	1,149.36	1,091.37	104.43

The Board is 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

For 2012, the Board's annual OPEB cost (expense) of \$303,500 did not equal the ARC of \$304,400. The obligation calculation is as follows:

Annual required contribution	\$ 304,400
Interest on net OPEB obligation	18,800
Adjustment to annual required contribution	(19,700)
Annual OPEB cost (expense)	303,500
Contributions made	(245,500)
Increase in net OPEB obligation	58,000
Net OPEB obligation - beginning of year	470,500
Net OPEB obligation - ending of year	\$ 528,500

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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

Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 303,500	80.89%	\$ 528,500
6/30/2011	293,100	53.84%	470,500
6/30/2010	341,600	52.93%	335,200

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2011 (the most recent valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 3,749,400
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 3,749,400
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 19,654,061
UAAL as a percentage of covered payroll	19.08%

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

COUNTY OF WYTHE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2012

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

Component Unit: School Board (Continued)

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.

As of July 1, 2011, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, an investment rate of return at 4.0%, and a health care trend rate of 10% graded to 5% over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2011, was 27 years.

Note 19-Restatement of Beginning Equity/Fund Balance:

	General Fund	Governmental Activities	Water Fund
Fund Balance/Net Assets as previously reported	\$ 40,812,445	\$ 53,725,735	\$ 12,755,801
Adjustments:			
Correct value of capital assets transferred to the New River Regional Water Authority	\$ -	\$ -	\$ 98,231
Correct value of capital assets transferred to the Town of Wytheville	-	-	(482,493)
Increase in the Amount due from the the Town of Wytheville	-	-	755,630
Overstatement of prior contribution from the Carroll County PSA	-	-	(273,543)
Undetermined entries to beginning equity (1)	(357,378)	(357,378)	28,814
Total adjustments	<u>\$ (357,378)</u>	<u>\$ (357,378)</u>	<u>\$ 126,639</u>
Fund Balance/Net Assets as restated	<u>\$ 40,455,067</u>	<u>\$ 53,368,357</u>	<u>\$ 12,882,440</u>

1. Entries were posted to beginning fund balance/equity during the fiscal year to balance the books. These entries are related to revenues and/or expenditures that were not properly posted.

Required Supplementary Information

County of Wythe, 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	\$ 15,604,300	\$ 15,604,300	\$ 16,486,825	\$ 882,525
Other local taxes	5,775,000	5,775,000	6,101,266	326,266
Permits, privilege fees, and regulatory licenses	71,000	71,000	115,217	44,217
Fines and forfeitures	1,250,000	1,250,000	1,379,334	129,334
Revenue from the use of money and property	501,000	501,000	1,017,230	516,230
Charges for services	350,100	360,059	298,794	(61,265)
Miscellaneous	321,000	952,550	216,266	(736,284)
Recovered costs	201,000	202,420	309,100	106,680
Intergovernmental revenues:				
Commonwealth	10,508,119	11,028,840	7,061,769	(3,967,071)
Federal	2,176,945	2,178,525	2,181,842	3,317
Total revenues	<u>36,758,464</u>	<u>37,923,694</u>	<u>35,167,643</u>	<u>(2,756,051)</u>
EXPENDITURES				
Current:				
General government administration	1,925,657	2,075,458	1,636,064	439,394
Judicial administration	1,218,902	1,234,865	1,085,673	149,192
Public safety	6,858,694	9,728,485	6,077,487	3,650,998
Public works	2,574,614	2,725,479	2,050,075	675,404
Health and welfare	7,077,727	7,682,717	7,210,950	471,767
Education	12,140,870	12,140,870	12,061,060	79,810
Parks, recreation, and cultural	631,987	1,068,042	634,687	433,355
Community development	5,840,783	12,163,005	3,144,429	9,018,576
Nondepartmental	37,000	37,000	-	37,000
Capital projects	6,002,780	9,750,058	2,658,885	7,091,173
Debt service:				
Principal retirement	1,408,407	1,930,394	11,944,430	(10,014,036)
Interest and other fiscal charges	1,464,178	1,464,178	1,464,178	-
Total expenditures	<u>47,181,599</u>	<u>62,000,551</u>	<u>49,967,918</u>	<u>12,032,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,423,135)</u>	<u>(24,076,857)</u>	<u>(14,800,275)</u>	<u>9,276,582</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,052,591	1,052,591
Transfers out	-	-	(2,385,857)	(2,385,857)
Issuance of general obligation bonds	-	-	13,010,000	13,010,000
Sale of capital assets	11,000	39,182	79,659	40,477
Total other financing sources (uses)	<u>11,000</u>	<u>39,182</u>	<u>11,756,393</u>	<u>11,717,211</u>
Net change in fund balances	(10,412,135)	(24,037,675)	(3,043,882)	20,993,793
Fund balances - beginning	7,920,996	21,387,436	40,455,067	19,067,631
Fund balances - ending	<u>\$ (2,491,139)</u>	<u>\$ (2,650,239)</u>	<u>\$ 37,411,185</u>	<u>\$ 40,061,424</u>

County of Wythe, Virginia
Schedule 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	\$ 23,407,940	\$ 27,336,580	\$ 3,928,640	85.63%	\$ 5,369,797	73.16%
6/30/2010	22,857,751	25,982,117	3,124,366	87.97%	5,533,300	56.46%
6/30/2009	22,585,519	23,919,774	1,334,255	94.42%	5,503,641	24.24%

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	\$ 4,689,641	\$ 6,140,651	\$ 1,451,010	76.37%	\$ 1,513,218	95.89%
6/30/2010	4,637,757	5,992,742	1,354,985	77.39%	1,537,029	88.16%
6/30/2009	4,656,354	5,527,555	871,201	84.24%	1,563,779	55.71%

County Healthcare 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	\$ -	\$ 645,400	\$ 645,400	0.00%	\$ 5,362,639	12.04%
6/30/2009	-	901,200	901,200	0.00%	5,503,641	16.37%

School Board Healthcare 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	\$ -	\$ 3,749,400	\$ 3,749,400	0.00%	\$ 19,654,061	19.08%
6/30/2009	-	3,604,800	3,604,800	0.00%	20,434,400	17.64%

* Only two years of data available

OTHER SUPPLEMENTARY INFORMATION SECTION

County of Wythe, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 187,322	\$ 187,322
Charges for services	-	-	40,978	40,978
Miscellaneous	-	-	352,892	352,892
Intergovernmental revenues:				
Federal	-	-	74,485	74,485
Total revenues	-	-	655,677	655,677
EXPENDITURES				
Capital projects	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	655,677	655,677
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	976,716	976,716
Total other financing sources (uses)	-	-	976,716	976,716
Net change in fund balances	-	-	1,632,393	1,632,393
Fund balances - beginning	-	-	6,371,064	6,371,064
Fund balances - ending	\$ -	\$ -	\$ 8,003,457	\$ 8,003,457

FIDUCIARY FUNDS

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

County of Wythe, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

Agency Funds

Special
Welfare

ASSETS

Cash and cash equivalents	\$	40,631
Total assets		<u>40,631</u>

LIABILITIES

Amounts held for social services clients		40,631
Total liabilities	\$	<u>40,631</u>

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

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

County of Wythe, Virginia
 Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2012

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 3,097,762
Receivables (net of allowance for uncollectibles):	
Accounts receivable	29,027
Due from other governmental units	1,260,034
Prepaid items	45,802
Total assets	<u><u>4,432,625</u></u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	272,664
Salaries payable	2,654,201
Due to primary government	1,066,090
Total liabilities	<u><u>3,992,955</u></u>
Fund balances:	
Nonspendable	45,802
Restricted:	
School cafeterias	393,868
Total fund balances	<u><u>439,670</u></u>
Total liabilities and fund balances	<u><u>\$ 4,432,625</u></u>
 Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 439,670
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,164,478
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,078,156)
Net assets of governmental activities	<u><u>\$ 15,525,992</u></u>

County of Wythe, 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	\$ 60,256
Charges for services	1,087,962
Miscellaneous	51,377
Recovered costs	710,684
Intergovernmental revenues:	
Local government	12,022,055
Commonwealth	22,234,352
Federal	4,321,831
Total revenues	<u>40,488,517</u>
EXPENDITURES	
Current:	
Education	40,097,395
Capital projects	435,676
Total expenditures	<u>40,533,071</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,554)</u>
Net change in fund balances	(44,554)
Fund balances - beginning	484,224
Fund balances - ending	<u>\$ 439,670</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	\$ (44,554)
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.	2,295
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(6,663)
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.	(56,530)
Change in net assets of governmental activities	<u>\$ (105,452)</u>

County of Wythe, 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	\$ 14,050	\$ -	\$ 60,256	\$ 60,256
Charges for services	1,104,093	1,118,143	1,087,962	(30,181)
Miscellaneous	29,346	30,346	51,377	21,031
Recovered costs	626,064	626,064	710,684	84,620
Intergovernmental revenues:				
Local government	12,101,865	12,101,865	12,022,055	(79,810)
Commonwealth	22,291,017	22,290,017	22,234,352	(55,665)
Federal	4,702,831	3,758,988	4,321,831	562,843
Total revenues	<u>40,869,266</u>	<u>39,925,423</u>	<u>40,488,517</u>	<u>563,094</u>
EXPENDITURES				
Current:				
Education	40,069,266	40,069,266	40,097,395	(28,129)
Capital projects	800,000	800,000	435,676	364,324
Total expenditures	<u>40,869,266</u>	<u>40,869,266</u>	<u>40,533,071</u>	<u>336,195</u>
Excess (deficiency) of revenues over (under) expenditures	-	(943,843)	(44,554)	899,289
Net change in fund balances	-	(943,843)	(44,554)	899,289
Fund balances - beginning	-	-	484,224	484,224
Fund balances - ending	<u>\$ -</u>	<u>\$ (943,843)</u>	<u>\$ 439,670</u>	<u>\$ 1,383,513</u>

Supporting Schedules

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

Schedule 1
 Page 1 of 6

<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	\$ 9,475,200	\$ 9,475,200	\$ 9,777,822	\$ 302,622
Real and personal public service corporation taxes	630,000	630,000	704,510	74,510
Personal property taxes	2,905,000	2,905,000	3,088,459	183,459
Mobile home taxes	89,000	89,000	100,330	11,330
Machinery and tools taxes	2,101,000	2,101,000	2,286,755	185,755
Merchant's capital taxes	304,100	304,100	319,355	15,255
Penalties	50,000	50,000	101,660	51,660
Interest	50,000	50,000	107,934	57,934
Total general property taxes	<u>\$ 15,604,300</u>	<u>\$ 15,604,300</u>	<u>\$ 16,486,825</u>	<u>\$ 882,525</u>
Other local taxes:				
Local sales and use taxes	\$ 3,000,000	\$ 3,000,000	\$ 3,235,405	\$ 235,405
Consumers' utility taxes	720,000	720,000	637,956	(82,044)
Consumption tax (Utility license tax)	-	-	92,216	92,216
Communication sales and use tax	800,000	800,000	778,335	(21,665)
Motor vehicle licenses	370,000	370,000	368,144	(1,856)
Bank stock taxes	15,000	15,000	30,818	15,818
Taxes on recordation and wills	110,000	110,000	113,209	3,209
Hotel and motel room taxes	140,000	140,000	162,997	22,997
Restaurant food taxes	620,000	620,000	682,186	62,186
Total other local taxes	<u>\$ 5,775,000</u>	<u>\$ 5,775,000</u>	<u>\$ 6,101,266</u>	<u>\$ 326,266</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 10,000	\$ 10,000	\$ 8,873	\$ (1,127)
Land use application fees	4,000	4,000	24,176	20,176
Transfer fees	100	100	819	719
Building permits	50,000	50,000	45,097	(4,903)
Other permits and licenses	6,900	6,900	36,252	29,352
Total permits, privilege fees, and regulatory licenses	<u>\$ 71,000</u>	<u>\$ 71,000</u>	<u>\$ 115,217</u>	<u>\$ 44,217</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 1,250,000	\$ 1,250,000	\$ 1,379,334	\$ 129,334
Total fines and forfeitures	<u>\$ 1,250,000</u>	<u>\$ 1,250,000</u>	<u>\$ 1,379,334</u>	<u>\$ 129,334</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 500,000	\$ 500,000	\$ 1,013,558	\$ 513,558
Revenue from use of property	1,000	1,000	3,672	2,672
Total revenue from use of money and property	<u>\$ 501,000</u>	<u>\$ 501,000</u>	<u>\$ 1,017,230</u>	<u>\$ 516,230</u>
Charges for services:				
Charges for sheriff's fees	\$ 1,500	\$ 1,500	\$ 1,557	\$ 57
Charges for courthouse maintenance	45,000	45,000	1,501	(43,499)
Charges for animal control	5,000	5,000	3,888	(1,112)
Charges for Commonwealth's Attorney	1,000	1,000	6,564	5,564
Charges for courthouse security	240,000	240,000	208,659	(31,341)

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for jail processing	\$ -	\$ -	\$ 267	\$ 267
Charges for law library	7,600	7,600	5,835	(1,765)
Charges for parks and recreation	50,000	59,959	70,523	10,564
Total charges for services	<u>\$ 350,100</u>	<u>\$ 360,059</u>	<u>\$ 298,794</u>	<u>\$ (61,265)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 321,000	\$ 321,000	\$ 806	\$ (320,194)
Local grants and contributions	-	631,550	215,460	(416,090)
Total miscellaneous revenue	<u>\$ 321,000</u>	<u>\$ 952,550</u>	<u>\$ 216,266</u>	<u>\$ (736,284)</u>
Recovered costs:				
Social services	\$ 100,000	\$ 100,000	\$ 95,985	\$ (4,015)
Police activity funds	1,000	1,000	56,793	55,793
Other recovered costs	100,000	101,420	156,322	54,902
Total recovered costs	<u>\$ 201,000</u>	<u>\$ 202,420</u>	<u>\$ 309,100</u>	<u>\$ 106,680</u>
Total revenue from local sources	<u>\$ 24,073,400</u>	<u>\$ 24,716,329</u>	<u>\$ 25,924,032</u>	<u>\$ 1,207,703</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 40,000	\$ 40,000	\$ 7,361	\$ (32,639)
Mobile home titling tax	57,000	57,000	28,798	(28,202)
Grantor's tax	30,000	30,000	29,406	(594)
State recordation tax	30,000	30,000	44,962	14,962
Personal property tax relief funds	1,500,000	1,500,000	1,500,814	814
Total noncategorical aid	<u>\$ 1,657,000</u>	<u>\$ 1,657,000</u>	<u>\$ 1,611,341</u>	<u>\$ (45,659)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 427,587	\$ 427,587	\$ 449,332	\$ 21,745
Sheriff	1,259,083	1,259,639	1,338,822	79,183
Commissioner of revenue	100,449	100,449	105,989	5,540
Treasurer	84,917	84,917	113,526	28,609
Registrar/electoral board	45,000	45,000	47,580	2,580
Clerk of the Circuit Court	294,531	294,531	302,275	7,744
Refund of State Comp. Board payments	-	-	(111,860)	(111,860)
Total shared expenses	<u>\$ 2,211,567</u>	<u>\$ 2,212,123</u>	<u>\$ 2,245,664</u>	<u>\$ 33,541</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 3,316,038	\$ 3,738,528	\$ 1,321,732	\$ (2,416,796)
Comprehensive Services Act program	-	-	1,674,329	1,674,329
Emergency medical services	25,500	25,500	27,904	2,404
Litter control grant	5,000	5,000	7,823	2,823
Fire program grant	50,866	60,941	54,237	(6,704)
Wireless E-911 grant	30,000	30,000	40,004	10,004

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

Schedule 1
 Page 3 of 6

<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)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Department of environmental quality	\$ 25,000	\$ 53,000	\$ 15,945	\$ (37,055)
Governor's opportunity funds	3,000,000	3,000,000	-	(3,000,000)
Arts grant	5,000	5,000	5,000	-
Asset forfeiture collections	-	-	13,081	13,081
VJCCA	31,148	31,148	31,431	283
Tobacco Commission Funding (Crossroads Lot 24)	150,000	150,000	-	(150,000)
Victim witness grant	-	-	11,266	11,266
Local law enforcement block grant	1,000	60,600	2,012	(58,588)
Total other categorical aid	<u>\$ 6,639,552</u>	<u>\$ 7,159,717</u>	<u>\$ 3,204,764</u>	<u>\$ (3,954,953)</u>
Total categorical aid	<u>\$ 8,851,119</u>	<u>\$ 9,371,840</u>	<u>\$ 5,450,428</u>	<u>\$ (3,921,412)</u>
Total revenue from the Commonwealth	<u>\$ 10,508,119</u>	<u>\$ 11,028,840</u>	<u>\$ 7,061,769</u>	<u>\$ (3,967,071)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 36,000	\$ 36,000	\$ 110,556	\$ 74,556
Total noncategorical aid	<u>\$ 36,000</u>	<u>\$ 36,000</u>	<u>\$ 110,556</u>	<u>\$ 74,556</u>
Categorical aid:				
Public assistance and welfare administration	\$ 2,140,945	\$ 2,140,945	\$ 1,979,333	\$ (161,612)
Local law enforcement block grant	-	1,580	-	(1,580)
Victim witness grant	-	-	22,532	22,532
Violence against women formula grant	-	-	24,919	24,919
State and community highway safety grants	-	-	44,502	44,502
Total categorical aid	<u>\$ 2,140,945</u>	<u>\$ 2,142,525</u>	<u>\$ 2,071,286</u>	<u>\$ (71,239)</u>
Total revenue from the federal government	<u>\$ 2,176,945</u>	<u>\$ 2,178,525</u>	<u>\$ 2,181,842</u>	<u>\$ 3,317</u>
Total General Fund	<u>\$ 36,758,464</u>	<u>\$ 37,923,694</u>	<u>\$ 35,167,643</u>	<u>\$ (2,756,051)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 187,322	\$ 187,322
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,322</u>	<u>\$ 187,322</u>
Charges for services:				
Charges for courthouse maintenance	\$ -	\$ -	\$ 37,794	\$ 37,794
Charges for jail processing	-	-	3,184	3,184
Total charges for services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,978</u>	<u>\$ 40,978</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund: (Continued)				
County Capital Projects Fund: (Continued)				
Miscellaneous revenue:				
Industrial development funds	\$ -	\$ -	\$ 351,449	\$ 351,449
Atmos Energy Contribution	-	-	1,443	1,443
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,892</u>	<u>\$ 352,892</u>
 Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 581,192</u>	<u>\$ 581,192</u>
 Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Emergency preparedness grant	\$ -	\$ -	\$ 74,485	\$ 74,485
Total categorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,485</u>	<u>\$ 74,485</u>
 Total revenue from the federal government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,485</u>	<u>\$ 74,485</u>
 Total County Capital Improvements Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 655,677</u>	<u>\$ 655,677</u>
 Total Primary Government	<u>\$ 36,758,464</u>	<u>\$ 37,923,694</u>	<u>\$ 35,823,320</u>	<u>\$ (2,100,374)</u>
 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 property	\$ 14,050	\$ -	\$ 60,256	\$ 60,256
Total revenue from use of money and property	<u>\$ 14,050</u>	<u>\$ -</u>	<u>\$ 60,256</u>	<u>\$ 60,256</u>
 Charges for services:				
Cafeteria sales	\$ 791,303	\$ 805,353	\$ 767,434	\$ (37,919)
Payments from other divisions	96,790	96,790	94,528	(2,262)
Transportation of pupils	36,000	36,000	41,775	5,775
Dual course credits	180,000	180,000	181,986	1,986
Charges for textbooks	-	-	2,239	2,239
Total charges for services	<u>\$ 1,104,093</u>	<u>\$ 1,118,143</u>	<u>\$ 1,087,962</u>	<u>\$ (30,181)</u>
 Miscellaneous revenue:				
Miscellaneous	\$ -	\$ 1,000	\$ 22,031	\$ 21,031
Foundation for excellence	29,346	29,346	29,346	-
Total miscellaneous revenue	<u>\$ 29,346</u>	<u>\$ 30,346</u>	<u>\$ 51,377</u>	<u>\$ 21,031</u>
 Recovered costs:				
JROTC	\$ 54,058	\$ 54,058	\$ 52,417	\$ (1,641)
E-rate	159,761	159,761	159,761	-
Medicaid reimbursements	225,000	225,000	340,986	115,986
CCEC reimbursements	108,054	108,054	63,780	(44,274)
Sale of supplies	20,158	20,158	15,371	(4,787)
Insurance recoveries	19,033	19,033	27,562	8,529
Other recovered costs	40,000	40,000	50,807	10,807
Total recovered costs	<u>\$ 626,064</u>	<u>\$ 626,064</u>	<u>\$ 710,684</u>	<u>\$ 84,620</u>
 Total revenue from local sources	<u>\$ 1,773,553</u>	<u>\$ 1,774,553</u>	<u>\$ 1,910,279</u>	<u>\$ 135,726</u>

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

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Wythe, Virginia	\$ 12,101,865	\$ 12,101,865	\$ 12,022,055	\$ (79,810)
Total revenues from local governments	<u>\$ 12,101,865</u>	<u>\$ 12,101,865</u>	<u>\$ 12,022,055</u>	<u>\$ (79,810)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Adult secondary education	\$ 15,717	\$ 15,717	\$ 15,717	\$ -
Alternative education	80,724	80,724	80,724	-
At risk four-year olds	246,888	246,888	246,888	-
At risk payments	279,701	279,701	279,701	-
Basic school aid	12,194,984	12,194,984	12,159,911	(35,073)
Early reading intervention	52,093	52,093	52,093	-
English as second language	10,950	10,950	10,950	-
Gifted and talented	130,851	130,851	130,811	(40)
Governor's school	26,572	26,572	26,572	-
Group life insurance instructional	26,170	26,170	26,162	(8)
Homebound education	39,962	39,962	39,962	-
Other state funds	685,447	685,447	301,849	(383,598)
Mentor teacher program	3,424	2,424	3,096	672
Reading recovery	65,115	65,115	77,792	12,677
Regional program tuition	77,767	77,767	81,311	3,544
Primary class size	310,196	310,196	310,196	-
Regular foster care	25,157	25,157	46,102	20,945
Remedial education	380,921	380,921	380,807	(114)
Remedial summer education	12,250	12,250	12,250	-
Retirement	674,608	674,608	674,406	(202)
School food	33,688	33,688	33,689	1
School construction	-	-	314,602	314,602
Share of state sales tax	3,922,562	3,922,562	3,933,445	10,883
Social security fringe benefits	747,303	747,303	747,079	(224)
Special education	1,064,252	1,064,252	1,063,933	(319)
Special education - foster children	25,000	25,000	4,308	(20,692)
Standards of Learning algebra readiness	42,712	42,712	42,712	-
State lottery payments	-	-	88,951	88,951
National board certification	12,500	12,500	12,500	-
Technology resource	388,000	388,000	388,000	-
Textbook payment	117,940	117,940	58,487	(59,453)
Vocational education - adult	2,819	2,819	2,405	(414)
Vocational occupational preparedness	50,987	50,987	43,347	(7,640)
Vocational standards of quality payments	543,757	543,757	543,594	(163)
Total categorical aid	<u>\$ 22,291,017</u>	<u>\$ 22,290,017</u>	<u>\$ 22,234,352</u>	<u>\$ (55,665)</u>
Total revenue from the Commonwealth	<u>\$ 22,291,017</u>	<u>\$ 22,290,017</u>	<u>\$ 22,234,352</u>	<u>\$ (55,665)</u>

County of Wythe, 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:				
Categorical aid:				
Forest reserve funds	\$ 72,952	\$ 72,952	\$ 72,952	\$ -
Title I	1,722,638	1,722,638	986,449	(736,189)
Title VI-B, special education flow-through	1,253,339	309,496	1,028,192	718,696
Vocational education	87,000	87,000	82,155	(4,845)
Education jobs fund	-	-	643,886	643,886
National school food program	970,495	1,220,495	1,116,840	(103,655)
School breakfast program	250,000	-	162,271	162,271
Drug free schools	1,329	1,329	280	(1,049)
Improving teacher quality	227,222	227,222	185,093	(42,129)
Literacy challenge grant	7,801	7,801	2,923	(4,878)
State Stabilization Funds	58,804	58,804	-	(58,804)
CTE certification	-	-	488	488
Community facilities grant	10,950	10,950	-	(10,950)
Summer food	40,301	40,301	40,302	1
Total categorical aid	<u>\$ 4,702,831</u>	<u>\$ 3,758,988</u>	<u>\$ 4,321,831</u>	<u>\$ 562,843</u>
Total revenue from the federal government	<u>\$ 4,702,831</u>	<u>\$ 3,758,988</u>	<u>\$ 4,321,831</u>	<u>\$ 562,843</u>
Total School Operating Fund	<u>\$ 40,869,266</u>	<u>\$ 39,925,423</u>	<u>\$ 40,488,517</u>	<u>\$ 563,094</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 40,869,266</u>	<u>\$ 39,925,423</u>	<u>\$ 40,488,517</u>	<u>\$ 563,094</u>

County of Wythe, 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	\$ 283,916	\$ 287,711	\$ 195,607	\$ 92,104
General and financial administration:				
County administrator	\$ 453,360	\$ 513,287	\$ 410,001	\$ 103,286
Commissioner of revenue	273,527	273,527	251,300	22,227
Treasurer	339,825	340,125	330,657	9,468
Financial administration	238,770	266,770	234,165	32,605
Assessors	150,000	207,779	49,625	158,154
Mapping	48,508	48,508	38,814	9,694
Total general and financial administration	<u>\$ 1,503,990</u>	<u>\$ 1,649,996</u>	<u>\$ 1,314,562</u>	<u>\$ 335,434</u>
Board of elections:				
Electoral board and officials	\$ 48,284	\$ 48,284	\$ 45,683	\$ 2,601
Registrar	89,467	89,467	80,212	9,255
Total board of elections	<u>\$ 137,751</u>	<u>\$ 137,751</u>	<u>\$ 125,895</u>	<u>\$ 11,856</u>
Total general government administration	<u>\$ 1,925,657</u>	<u>\$ 2,075,458</u>	<u>\$ 1,636,064</u>	<u>\$ 439,394</u>
Judicial administration:				
Courts:				
Circuit court	\$ 42,439	\$ 42,439	\$ 35,829	\$ 6,610
General district court	11,140	11,140	8,952	2,188
Juvenile & domestic relations court	12,930	12,930	12,711	219
Magistrates	4,050	4,050	1,564	2,486
Clerk of the circuit court	505,000	505,984	429,903	76,081
Commissioner of accounts	5,000	7,500	2,500	5,000
Law library	14,750	19,750	5,312	14,438
Total courts	<u>\$ 595,309</u>	<u>\$ 603,793</u>	<u>\$ 496,771</u>	<u>\$ 107,022</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 623,593	\$ 631,072	\$ 588,902	\$ 42,170
Total commonwealth's attorney	<u>\$ 623,593</u>	<u>\$ 631,072</u>	<u>\$ 588,902</u>	<u>\$ 42,170</u>
Total judicial administration	<u>\$ 1,218,902</u>	<u>\$ 1,234,865</u>	<u>\$ 1,085,673</u>	<u>\$ 149,192</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,910,867	\$ 4,091,955	\$ 3,513,968	\$ 577,987
Total law enforcement and traffic control	<u>\$ 3,910,867</u>	<u>\$ 4,091,955</u>	<u>\$ 3,513,968</u>	<u>\$ 577,987</u>
Fire and rescue services:				
Fire department	\$ 453,359	\$ 752,593	\$ 624,507	\$ 128,086
Ambulance and rescue services	116,500	116,500	103,528	12,972
Total fire and rescue services	<u>\$ 569,859</u>	<u>\$ 869,093</u>	<u>\$ 728,035</u>	<u>\$ 141,058</u>

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Jail	\$ 1,862,000	\$ 1,862,000	\$ 1,311,793	\$ 550,207
Probation office	7,844	7,844	2,829	5,015
Total correction and detention	<u>\$ 1,869,844</u>	<u>\$ 1,869,844</u>	<u>\$ 1,314,622</u>	<u>\$ 555,222</u>
Inspections:				
Building	\$ 84,178	\$ 84,178	\$ 80,461	\$ 3,717
Total inspections	<u>\$ 84,178</u>	<u>\$ 84,178</u>	<u>\$ 80,461</u>	<u>\$ 3,717</u>
Other protection:				
Animal control	\$ 153,331	\$ 168,505	\$ 150,628	\$ 17,877
Medical examiner	600	600	520	80
E-911 department	183,522	2,492,617	182,082	2,310,535
Wireless E-911 grant	31,188	31,188	28,820	2,368
Emergency services	55,305	120,505	78,351	42,154
Total other protection	<u>\$ 423,946</u>	<u>\$ 2,813,415</u>	<u>\$ 440,401</u>	<u>\$ 2,373,014</u>
Total public safety	<u>\$ 6,858,694</u>	<u>\$ 9,728,485</u>	<u>\$ 6,077,487</u>	<u>\$ 3,650,998</u>
Public works:				
Engineering				
Engineering	\$ 121,301	\$ 121,301	\$ 120,601	\$ 700
Total engineering	<u>\$ 121,301</u>	<u>\$ 121,301</u>	<u>\$ 120,601</u>	<u>\$ 700</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,401,765	\$ 1,436,765	\$ 1,381,172	\$ 55,593
Total sanitation and waste removal	<u>\$ 1,401,765</u>	<u>\$ 1,436,765</u>	<u>\$ 1,381,172</u>	<u>\$ 55,593</u>
Maintenance of general buildings and grounds:				
Courthouse building	\$ 406,849	\$ 486,704	\$ 313,265	\$ 173,439
Health center	1,713	1,713	1,331	382
County administrative building	553,787	586,301	154,922	431,379
Sixth Street building	3,063	3,063	910	2,153
Building and grounds maintenance	79,761	79,902	71,323	8,579
Library building	3,969	7,324	6,196	1,128
Spiller Annex Building	1,600	1,600	21	1,579
Other properties	806	806	334	472
Total maintenance of general buildings and grounds	<u>\$ 1,051,548</u>	<u>\$ 1,167,413</u>	<u>\$ 548,302</u>	<u>\$ 619,111</u>
Total public works	<u>\$ 2,574,614</u>	<u>\$ 2,725,479</u>	<u>\$ 2,050,075</u>	<u>\$ 675,404</u>

County of Wythe, 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)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 308,250	\$ 308,250	\$ 308,250	\$ -
Total health	<u>\$ 308,250</u>	<u>\$ 308,250</u>	<u>\$ 308,250</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 122,869	\$ 122,869	\$ 122,869	\$ -
Total mental health and mental retardation	<u>\$ 122,869</u>	<u>\$ 122,869</u>	<u>\$ 122,869</u>	<u>\$ -</u>
Welfare:				
Public assistance	\$ 6,617,168	\$ 7,222,158	\$ 6,696,203	\$ 525,955
Tax relief for the elderly	-	-	54,188	(54,188)
Family resource center	3,750	3,750	3,750	-
District III coop	25,690	25,690	25,690	-
Total welfare	<u>\$ 6,646,608</u>	<u>\$ 7,251,598</u>	<u>\$ 6,779,831</u>	<u>\$ 471,767</u>
Total health and welfare	<u>\$ 7,077,727</u>	<u>\$ 7,682,717</u>	<u>\$ 7,210,950</u>	<u>\$ 471,767</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 39,005	\$ 39,005	\$ 39,005	\$ -
Contribution to County School Board	12,101,865	12,101,865	12,022,055	79,810
Total education	<u>\$ 12,140,870</u>	<u>\$ 12,140,870</u>	<u>\$ 12,061,060</u>	<u>\$ 79,810</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Commission	\$ 147,672	\$ 164,299	\$ 158,345	\$ 5,954
Rural Retreat Lake campground	110,060	144,800	126,404	18,396
Rural Retreat Lake swimming pool	47,072	46,072	32,640	13,432
Ager Park	18,133	388,321	21,867	366,454
Total parks and recreation	<u>\$ 322,937</u>	<u>\$ 743,492</u>	<u>\$ 339,256</u>	<u>\$ 404,236</u>
Cultural enrichment:				
Festivals/tourism	\$ 42,000	\$ 57,500	\$ 28,381	\$ 29,119
Total cultural enrichment	<u>\$ 42,000</u>	<u>\$ 57,500</u>	<u>\$ 28,381</u>	<u>\$ 29,119</u>
Library:				
Contribution to regional library	\$ 267,050	\$ 267,050	\$ 267,050	\$ -
Total library	<u>\$ 267,050</u>	<u>\$ 267,050</u>	<u>\$ 267,050</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 631,987</u>	<u>\$ 1,068,042</u>	<u>\$ 634,687</u>	<u>\$ 433,355</u>

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

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning commission	\$ 76,983	\$ 77,883	\$ 74,223	\$ 3,660
Regional water	5,465,300	5,719,781	-	5,719,781
Wythe county joint IDA	145,655	6,202,596	2,926,469	3,276,127
Small business incubator	10,000	10,000	10,000	-
Smyth/Wythe airport commission	78,474	78,474	64,446	14,028
New River/Highlands RC&D	700	700	700	-
Total planning and community development	<u>\$ 5,777,112</u>	<u>\$ 12,089,434</u>	<u>\$ 3,075,838</u>	<u>\$ 9,013,596</u>
Environmental management:				
Contribution to soil and water district	\$ 11,000	\$ 11,000	\$ 11,000	\$ -
Total environmental management	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ -</u>
Cooperative extension program:				
Extension office	\$ 52,671	\$ 62,571	\$ 57,591	\$ 4,980
Total cooperative extension program	<u>\$ 52,671</u>	<u>\$ 62,571</u>	<u>\$ 57,591</u>	<u>\$ 4,980</u>
Total community development	<u>\$ 5,840,783</u>	<u>\$ 12,163,005</u>	<u>\$ 3,144,429</u>	<u>\$ 9,018,576</u>
Nondepartmental:				
Revenue refunds	\$ 37,000	\$ 37,000	\$ -	\$ 37,000
Total nondepartmental	<u>\$ 37,000</u>	<u>\$ 37,000</u>	<u>\$ -</u>	<u>\$ 37,000</u>
Capital projects: (1)				
Fort Chiswell emergency services building	\$ -	\$ 150,421	\$ 150,254	\$ 167
County office building construction	-	3,596,857	2,149,402	1,447,455
Progress park improvements	6,002,780	6,002,780	359,229	5,643,551
Total capital projects	<u>\$ 6,002,780</u>	<u>\$ 9,750,058</u>	<u>\$ 2,658,885</u>	<u>\$ 7,091,173</u>
Debt service:				
Principal retirement	\$ 1,408,407	\$ 1,930,394	\$ 11,944,430	\$ (10,014,036)
Interest and other fiscal charges	1,464,178	1,464,178	1,464,178	-
Total debt service	<u>\$ 2,872,585</u>	<u>\$ 3,394,572</u>	<u>\$ 13,408,608</u>	<u>\$ (10,014,036)</u>
Total General Fund	<u>\$ 47,181,599</u>	<u>\$ 62,000,551</u>	<u>\$ 49,967,918</u>	<u>\$ 12,032,633</u>
Total Primary Government	<u>\$ 47,181,599</u>	<u>\$ 62,000,551</u>	<u>\$ 49,967,918</u>	<u>\$ 12,032,633</u>

(1) Budgeted within departmental budgets

County of Wythe, 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:				
Administration of schools:				
Administration and health services	\$ 1,038,666	\$ 1,038,666	\$ 1,028,806	\$ 9,860
Total administration of schools	<u>\$ 1,038,666</u>	<u>\$ 1,038,666</u>	<u>\$ 1,028,806</u>	<u>\$ 9,860</u>
Instruction costs:				
Instruction	\$ 29,070,590	\$ 29,075,390	\$ 29,112,137	\$ (36,747)
Technology instruction	1,255,277	1,255,277	1,211,731	43,546
Total instruction costs	<u>\$ 30,325,867</u>	<u>\$ 30,330,667</u>	<u>\$ 30,323,868</u>	<u>\$ 6,799</u>
Operating costs:				
Pupil transportation	\$ 2,469,583	\$ 2,464,783	\$ 2,424,366	\$ 40,417
Operation and maintenance of school plant	4,163,920	4,163,920	4,157,015	6,905
Total operating costs	<u>\$ 6,633,503</u>	<u>\$ 6,628,703</u>	<u>\$ 6,581,381</u>	<u>\$ 47,322</u>
School food services:				
Administration of school food program	\$ 2,071,230	\$ 2,071,230	\$ 2,163,340	\$ (92,110)
Total school food services	<u>\$ 2,071,230</u>	<u>\$ 2,071,230</u>	<u>\$ 2,163,340</u>	<u>\$ (92,110)</u>
Total education	<u>\$ 40,069,266</u>	<u>\$ 40,069,266</u>	<u>\$ 40,097,395</u>	<u>\$ (28,129)</u>
Capital projects:				
School capital projects	\$ 800,000	\$ 800,000	\$ 435,676	\$ 364,324
Total capital projects	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 435,676</u>	<u>\$ 364,324</u>
Total School Operating Fund	<u>\$ 40,869,266</u>	<u>\$ 40,869,266</u>	<u>\$ 40,533,071</u>	<u>\$ 336,195</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 40,869,266</u>	<u>\$ 40,869,266</u>	<u>\$ 40,533,071</u>	<u>\$ 336,195</u>

Other Statistical Information

County of Wythe, 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	Water/Sewer Department	Total
2011-12	\$ 1,512,480	\$ 1,086,359	\$ 6,180,621	\$ 2,289,730	\$ 7,058,798	\$ 12,836,648	\$ 626,033	\$ 492,238	\$ 1,425,958	\$ 3,295,194	\$ 36,804,059
2010-11	1,114,168	1,113,061	6,044,161	2,260,019	6,792,651	13,486,880	501,448	340,134	1,491,857	3,039,478	36,183,856
2009-10	1,430,893	1,121,160	5,730,414	2,256,629	6,611,511	9,430,330	525,341	1,005,579	1,402,162	2,570,803	32,084,822
2008-09	1,638,876	1,037,073	5,364,813	2,457,234	6,391,877	10,236,820	585,718	538,549	1,308,787	2,595,395	32,155,142
2007-08	1,102,068	1,130,051	5,241,651	2,212,679	5,936,838	11,084,184	583,244	1,139,697	1,398,504	2,326,133	32,155,049
2006-07	1,173,193	992,656	4,980,926	4,663,802	5,908,253	11,026,573	583,031	3,016,335	1,391,274	1,979,890	35,715,933
2005-06	1,360,376	813,383	4,522,067	2,560,585	5,091,607	9,807,061	570,524	4,407,878	1,185,422	1,853,986	32,172,889
2004-05	1,266,445	500,504	4,091,425	2,125,423	4,438,493	9,408,235	534,905	2,423,396	1,275,969	1,787,290	27,852,085
2003-04	1,258,218	446,885	4,181,721	1,776,941	4,228,680	8,141,075	553,592	1,286,266	1,354,490	1,542,077	24,769,945
2002-03	1,254,009	442,169	3,824,191	906,144	3,968,780	8,746,890	547,460	731,107	1,234,396	1,720,255	23,375,401

Table 2

County of Wythe, 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	\$ 4,244,008	\$ 7,596,199	\$ 1,289,131	\$	\$ 16,761,296	\$ 6,101,266	\$ 1,439,970	\$ 569,158	\$ 1,721,897	\$ 39,722,925	
2010-11	4,740,137	8,417,319	4,017,436		16,413,526	5,875,452	1,165,451	211,242	1,715,976	42,556,539	
2009-10	4,238,317	7,546,764	1,470,916		16,239,400	5,784,144	1,001,236	368,416	1,747,887	38,397,080	
2008-09	4,670,134	7,341,206	18,525		16,095,756	5,992,791	1,423,635	-	1,805,916	37,347,963	
2007-08	5,422,562	8,501,323	56,287		15,190,799	6,455,989	1,542,199	477,152	1,759,298	39,405,609	
2006-07	4,336,231	9,338,190	214,941		12,958,011	6,432,895	2,100,588	82,238	1,875,583	37,338,677	
2005-06	3,040,194	8,475,098	1,483,543		12,882,908	6,190,995	1,876,830	6,427	1,924,510	35,880,505	
2004-05	3,173,548	5,501,294	1,877,284		12,881,627	5,907,406	410,629	282,181	1,621,395	31,655,364	
2003-04	2,795,267	6,628,887	-		11,754,967	5,613,402	250,305	1,165,179	2,727,203	30,935,210	
2002-03	2,266,760	6,513,103	-		11,589,801	5,229,303	334,888	384,362	1,965,594	28,283,811	

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

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation & Cultural	Community Development	Non-Departmental	Debt Service	Capital Projects	Totals
2011-12	\$ 1,636,064	\$ 1,085,673	\$ 6,077,487	\$ 2,050,075	\$ 7,210,950	\$ 40,136,400	\$ 634,687	\$ 3,144,429	\$ -	\$ 13,408,608	\$ 3,094,561	\$ 78,478,934
2010-11	1,703,178	1,113,471	7,821,789	1,998,963	6,905,096	37,673,890	490,075	321,127	-	3,540,547	7,407,413	68,975,549
2009-10	1,504,404	1,120,632	5,683,068	2,055,263	6,714,792	41,660,550	541,329	809,283	162,427	3,307,881	1,565,615	65,125,244
2008-09	1,539,578	1,035,285	5,276,627	2,307,558	6,538,139	40,489,013	580,323	972,300	-	3,284,554	5,615,252	67,638,629
2007-08	1,417,942	1,128,376	5,307,665	2,025,909	6,073,447	39,972,881	575,398	973,616	-	6,898,299	277,555	64,651,088
2006-07	1,512,851	991,921	5,094,918	4,616,524	5,903,223	38,670,937	582,594	2,246,726	82	7,278,191	1,447,785	68,345,752
2005-06	1,381,442	818,211	4,967,687	2,705,898	5,080,497	36,059,821	562,903	4,407,734	-	3,187,705	4,645,650	63,817,548
2004-05	1,256,423	500,504	4,831,747	2,478,911	4,454,674	33,635,234	529,734	2,422,935	-	4,018,460	972,280	55,100,902
2003-04	1,251,024	446,885	4,396,199	1,969,733	4,109,237	31,528,248	545,846	1,325,692	-	11,373,044	2,379,069	59,324,977
2002-03	1,223,807	442,169	3,908,194	2,030,428	4,007,536	30,246,276	542,834	731,675	-	11,448,097	6,596,555	61,177,571

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

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

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Revenue from use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2011-12	\$ 16,486,825	\$ 6,101,266	\$ 115,217	\$ 1,379,334	\$ 1,264,808	\$ 1,427,734	\$ 620,535	\$ 1,019,784	\$ 35,874,279	\$ 64,289,782
2010-11	16,464,384	5,875,452	81,452	1,347,286	1,032,789	1,368,655	270,860	1,592,502	40,077,460	68,110,840
2009-10	16,207,800	5,784,144	96,092	1,299,841	907,156	1,429,685	410,546	898,874	40,008,871	67,043,009
2008-09	15,725,637	5,992,791	87,501	1,203,414	1,334,434	1,418,220	2,675	1,152,933	40,335,213	67,252,818
2007-08	15,330,577	6,455,989	112,693	1,483,167	1,470,255	1,453,423	479,077	1,062,904	39,295,486	67,143,571
2006-07	13,318,383	6,432,895	185,507	1,329,058	1,451,377	1,389,051	348,783	1,163,702	39,356,996	64,975,752
2005-06	12,947,597	6,190,995	148,733	1,086,467	1,525,668	1,203,806	370,215	348,218	37,295,408	61,117,107
2004-05	12,662,170	5,907,406	116,878	1,109,379	425,078	1,004,725	803,882	347,332	33,460,859	55,837,709
2003-04	11,722,580	5,613,402	112,148	898,631	246,714	850,728	1,737,464	233,301	31,081,509	52,496,477
2002-03	11,577,642	5,229,303	109,233	730,508	334,029	740,384	715,219	416,833	28,470,281	48,323,432

(1) Includes General and Capital Projects Funds of the Primary Government and includes discretely presented Component Unit School Board.

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1,2)	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	\$ 16,469,488	\$ 15,896,576	96.52%	\$ 380,655	\$ 16,277,231	98.83%	\$ 1,499,609	9.11%
2010-11	16,445,210	15,900,211	96.69%	312,712	16,212,923	98.59%	1,373,871	8.35%
2009-10	16,032,364	15,492,730	96.63%	513,352	16,006,082	99.84%	1,460,821	9.11%
2008-09	15,632,362	15,152,408	96.93%	363,918	15,516,326	99.26%	1,465,066	9.37%
2007-08	15,389,398	14,878,139	96.68%	269,190	15,147,329	98.43%	1,336,406	8.68%
2006-07	15,261,404	14,444,360	94.65%	298,517	14,742,877	96.60%	1,297,569	8.50%
2005-06	14,288,119	14,034,766	98.23%	304,216	14,338,982	100.36%	1,200,460	8.40%
2004-05	14,059,147	13,259,515	94.31%	615,516	13,875,031	98.69%	1,255,928	8.93%
2003-04	13,063,042	12,695,723	97.19%	313,349	13,009,072	99.59%	986,877	7.55%
2002-03	12,813,683	12,545,435	97.91%	300,457	12,845,892	100.25%	955,915	7.46%

(1) Exclusive of penalties and interest, includes penalty beginning fiscal year 2005-06. Reduced for tax remittances to Crossroads Regional IFA.

Table 6

County of Wythe, Virginia
Assessed Value of Taxable Property (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service Companies	Total
2011-12	\$ 2,260,390,881	\$ 471,509,420	\$ 159,110,024	\$ 2,891,010,325
2010-11	2,249,458,695	471,521,559	156,715,339	2,877,695,593
2009-10	2,210,517,580	500,123,110	162,428,985	2,873,069,675
2008-09	2,181,140,120	503,080,112	143,965,550	2,828,185,782
2007-08	2,137,176,630	440,104,314	179,339,116	2,756,620,060
2006-07	1,478,984,752	422,437,107	120,231,024	2,021,652,883
2005-06	1,403,938,970	387,025,032	138,305,024	1,929,269,026
2004-05	1,372,932,485	382,561,623	131,674,744	1,887,168,852
2003-04	1,332,331,545	328,379,094	116,826,731	1,777,537,370
2002-03	1,314,437,851	325,942,084	114,286,219	1,754,666,154

(1) Assessed at 100% of fair market value.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2011-12	\$ 0.44	\$ 2.08	\$ 1.50	\$ 0.56
2010-11	0.44	2.08	1.50	0.56
2009-10	0.43	2.08	1.50	0.56
2008-09	0.43	2.08	1.50	0.56
2007-08	0.43	2.08	1.50	0.56
2006-07	0.54	2.08	1.50	0.56
2005-06	0.54	2.08	1.50	0.56
2004-05	0.54	2.08	1.50	0.56
2003-04	0.54	2.08	1.50	0.56
2002-03	0.54	2.08	1.50	0.56

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Gross Assessed Value	Gross and Net Bonded Debt (2)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011-12	29,235	\$ 2,891,010,325	\$ 65,652,179	2.27%	\$ 2,246
2010-11	29,235	2,877,695,593	51,005,571	1.77%	1,745
2009-10	29,235	2,873,069,675	45,521,384	1.58%	1,557
2008-09	27,599	2,828,185,782	42,750,112	1.51%	1,549
2007-08	27,599	2,756,620,060	40,072,092	1.45%	1,452
2006-07	27,599	2,021,652,883	40,928,550	2.02%	1,483
2005-06	27,599	1,929,269,026	43,599,986	2.26%	1,580
2004-05	27,599	1,887,168,852	29,773,651	1.58%	1,079
2003-04	27,599	1,777,537,370	27,696,308	1.56%	1,004
2002-03	27,599	1,754,666,154	30,571,989	1.74%	1,108

(1) United States Bureau of the Census

(2) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

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

County of Wythe, 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 (2)	Ratio of Debt Service to General Governmental Expenditures
2011-12	\$ 11,944,430	\$ 1,464,178	13,408,608	\$ 78,478,934	17.086%
2010-11	1,990,809	1,549,738	3,540,547	68,975,549	5.133%
2009-10	1,822,011	1,485,870	3,307,881	65,125,244	5.079%
2008-09	1,889,349	1,395,205	3,284,554	67,638,629	4.856%
2007-08(4)	5,443,269	1,455,030	6,898,299	64,651,088	10.670%
2006-07(3)	1,854,614	1,323,577	3,178,191	68,345,752	4.650%
2005-06	1,777,483	1,410,222	3,187,705	63,817,548	4.995%
2004-05	2,425,698	1,592,762	4,018,460	55,100,902	7.293%
2003-04	10,100,013	1,273,031	11,373,044	59,324,977	19.171%
2002-03	10,259,879	1,188,218	11,448,097	61,177,571	18.713%
2001-02	939,834	1,434,386	2,374,220	58,787,408	4.039%

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

(2) Includes capital project expenditures.

(3) Excludes temporary loans.

(4) Includes early redemption of the County's \$3,820,000 bond.

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 Wythe, Virginia
Wytheville, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Wythe, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Wythe, Virginia's basic financial statements and have issued our report thereon dated January 14, 2013, which was qualified because we were unable to substantiate certain journal entries posted to beginning equity. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the County of Wythe, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Wythe, 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 Wythe, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Wythe, 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, as items 2012-1 and 2012-2, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Wythe, 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 Wythe, Virginia in a separate letter dated January 14, 2013.

The County of Wythe, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Wythe, 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
January 14, 2013

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 Wythe, Virginia
Wytheville, Virginia

Compliance

We have audited the County of Wythe, 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 Wythe, Virginia's major federal programs for the year ended June 30, 2012. The County of Wythe, 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 Wythe, Virginia's management. Our responsibility is to express an opinion on the County of Wythe, 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 Wythe, 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 Wythe, Virginia's compliance with those requirements.

In our opinion, the County of Wythe, 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 County of Wythe, 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 County of Wythe, 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 County of Wythe, Virginia's internal control over compliance.

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

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

This report is intended solely for the information and use of management, 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
January 14, 2013

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 5,083,432
Pass Through Payments:			
<i>State Department of Agriculture:</i>			
<i>Child Nutrition Cluster:</i>			
Food Distribution-Summer Food Service Program for Children (Note C)	10.559	N/A	40,302
Food Distribution (Note C)	10.555	N/A	\$ 117,342
<i>Department of Education:</i>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program	10.555	40623	1,161,770
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010110/0040110/0040111	388,488
<i>Department of Education:</i>			
Schools and Roads - Grants to States	10.665	43841	72,952
Total Department of Agriculture			\$ 6,864,286
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950110/0950111	\$ 15,908
Temporary Assistance for Needy Families	93.558	0400111	325,730
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	563
Low-Income Home Energy Assistance	93.568	0600410/0600411	27,349
Chafee Education and Training Vouchers Program	93.599	9160110	4,744
Stephanie Tubbs Jones - Child Welfare Services Program	93.645	0900110/0900111	1,083
Social Services Block Grant	93.667	1000110/1000111	232,437
Chafee Foster Care Independence Program	93.674	9150110/9150111	9,800
Children's Health Insurance Program	93.767	0540110/0540111	10,700
Medical Assistance Program	93.778	1200110/1200111	234,361
<i>Child Care and Development Funds Cluster:</i>			
Child Care and Development Block Grant	93.575	0770110	78,829
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	77,532
Foster Care - Title IV-E	93.658	1100110/1100111	400,339
Adoption Assistance	93.659	1120110/1120111	171,470
Total Department of Health and Human Services			\$ 1,590,845
DEPARTMENT OF HOMELAND SECURITY:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
Emergency Management Performance Grants	97.042	52749/52740	\$ 74,487
Total Department of Homeland Security			\$ 74,487
DEPARTMENT OF TRANSPORTATION:			
Pass Through Payments:			
<i>Department of Motor Vehicles:</i>			
State and Community Highway Safety	20.600	50326	\$ 44,502
Total Department of Transportation			\$ 44,502

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/ State Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF EDUCATION:			
Pass Through Payments:			
<i>Department of Education:</i>			
Career and Technical Education-Basic Grants to States	84.048	61095	\$ 82,643
Improving Teacher Quality State Grants	84.367	61480	185,093
Safe and Drug-Free Schools and Communities-State Grants	84.186	60511	280
ARRA - Education Jobs Fund	84.410	62700	643,886
School Improvement Grants	84.377	43040	96,924
Education Technology State Grants	84.318	86756/86758	2,923
<i>Title I, Part A Cluster:</i>			
Title I Grants to Local Educational Agencies	84.010	42901	887,290
ARRA - Title I Grants to Local Educational Agencies	84.389	42913	2,235
<i>Special Education Cluster (IDEA):</i>			
Special Education-Grants to States	84.027	73071	975,315
ARRA - Special Education-Grants to States	84.391	61245	22,898
Special Education-Preschool Grants	84.173	62521	29,978
Total Department of Education			<u>\$ 2,929,465</u>
DEPARTMENT OF JUSTICE:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Violence Against Women - Formula Grants	16.588	09WFAX0037	\$ 24,919
Crime Victim Assistance	16.575	05VAGX0031	22,532
Total Department of Justice			<u>\$ 47,451</u>
Total Expenditure of Federal Awards			<u>\$ 11,551,036</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Wythe 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the County of Wythe, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Wythe.

Note B -- 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 C -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,181,842
Less: Payments in Lieu of Taxes	(110,556)
Capital Projects Fund	74,487
Water and Sewer Fund Grants	1,127,432
Water and Sewer Fund Loans	3,956,000
Component Unit School Board:	
School Operating Fund	<u>\$ 4,321,831</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 11,551,036</u></u>
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County of Wythe, 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:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities
84.410	ARRA - Education Jobs Fund
84.027/84.173/84.391	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$346,531
Auditee qualified as low-risk auditee?	No

County of Wythe, Virginia

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

Section II - Financial Statement Findings

2012-1

Criteria:	Per Statement on Auditing Standards 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 may exist.
Condition:	The County's financial statements required material adjusting entries by the Auditor to ensure such statements complied with Generally Accepted Accounting Principles.
Cause of Condition:	The County has experienced significant turnover in financial staff, as a result, the County does not have staff on hand with historical prospective. In addition, the County has historically relied on consultants to close the books. Reliance was limited in closing this year and all entries were not identified.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	The County should continue to gain understanding to close the books and/or rely on consultants in the closing process.
Management's Response:	To comply with standards established by Statement on Auditing Standards 115, the County attempted to prepare all necessary journal entries with limited assistance from an external accounting firm. As the County personnel become more familiar with the County's financial records, the potential for misstatements in the annual financial report should decrease significantly.

County of Wythe, Virginia

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

Section II - Financial Statement Findings (continued)

2012-2

Criteria:	Per Statement on Auditing Standards 115, identification of a material error in the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The County's beginning equity (beginning of the year) did not reconcile with the prior year's ending equity for two funds. During the year, the County posted journal entries to beginning equity to balance the books. The reason for these entries could not be identified by the County or by audit staff. As a result, the County's audit report is qualified because of the aforementioned reconciling issue.
Cause of Condition:	The County has not fully implemented their accounting software that was purchased several years ago. The County Treasurer (collection agent) uses software that is not interfaced with the County's general ledger package. In addition the School Board and Social Services Department use software that is not interfaced with the County's system. As such, monthly entries are required to post revenue transactions, certain general expenses, Social Services transactions and School Board transactions. A proper reconciliation of these systems was not performed during the fiscal year resulting in the condition noted above.
Effect:	The financial statements likely contain errors (either overreported revenues or underreported expenses).
Recommendation:	The County should attempt to consolidate one or more of the accounting systems to make reconciliations more timely and reliable.
Management's Response:	The County has a reconciliation process in place, but continues to face challenges in reconciling the multiple systems in place throughout the County. The County is attempting to consolidate one or more of the accounting systems to make these reconciliations more timely and reliable.

County of Wythe, Virginia

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

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

Finding 2011-3 related to Public Safety Partnership and Community Policing Grant compliance and financial statement finding 2011-2 have been resolved in the current fiscal year.