
COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2008



COUNTY OF CARROLL, VIRGINIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2008

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

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COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

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INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Andrew Jackson
Wesley Hurst

Sam Dickson, Chair

Manus McMillian
Tom Littrell

David Hutchins, Vice-chair

COUNTY SCHOOL BOARD

Reginald M. Gardner, Vice-chair
Phillip W. Berrier

Harold T. Golding, Chair

Franklin Jett
Robert E. Utz

OTHER OFFICIALS

Clerk of the Circuit Court	Carolyn H. Honeycutt
Commonwealth's Attorney	Gregory Goad
Commissioner of the Revenue	Louise L. Quesenberry
Treasurer	Bonita M. Williams
Sheriff	H. Warren Manning
Superintendent of Schools	Dr. James Smith
County Administrator	Gary Larowe
County Attorney	James E. Cornwell, Jr

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF CARROLL, VIRGINIA HILLSVILLE, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Carroll, Virginia, as of and for the year ended June 30, 2008, 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 Carroll, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Carroll, Virginia, as of June 30, 2008, 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.

The County has elected to omit Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008, on our consideration of the County of Carroll, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

The budgetary comparison information and the Schedule of Pension Funding Progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited

procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Carroll, Virginia's basic financial statements. The introductory section and the other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of the County of Carroll, Virginia. The schedule of expenditures of federal awards 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. The introductory section and other supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Turner, Co. Associates

Christiansburg, Virginia
December 8, 2008

Basic Financial Statements

County of Carroll, Virginia
Statement of Net Assets
June 30, 2008

Exhibit 1

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
ASSETS						
Cash and cash equivalents	\$ 8,921,675	\$ -	\$ 8,921,675	\$ 1,906,753	\$ 568,167	\$ 416,447
Cash in custody of others	-	165,285	165,285	-	-	-
Investments	1,153,563	-	1,153,563	-	-	1,579
Receivables (net of allowance for uncollectibles):						
Taxes receivable	1,508,282	-	1,508,282	-	-	-
Accounts receivable	56,406	28,544	84,950	-	167,502	116,873
Other local taxes receivable	111,201	-	111,201	-	-	-
Accrued interest receivable	-	-	-	-	-	168,937
Due from component unit	1,397,993	1,543	1,399,536	-	-	-
Due from other governmental units	1,328,269	-	1,328,269	1,415,279	-	-
Prepaid expenses	-	4,509	4,509	169,512	27,646	-
Lease purchase receivable	-	-	-	-	-	9,555,000
Assets held for resale:						
Industrial sites	-	-	-	-	-	888,543
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	229,263	331,665	6,448
Unamortized bond issue costs	-	-	-	-	-	220,593
Capital assets (net of accumulated depreciation):						
Land	2,964,359	-	2,964,359	1,528,700	205,337	274,314
Buildings and system	47,888,729	-	47,888,729	2,818,419	-	1,411,533
Machinery and equipment	833,385	-	833,385	1,436,358	-	-
Infrastructure	-	4,209,049	4,209,049	-	10,722,063	-
Construction in progress	-	-	-	-	3,283,100	-
Total assets	\$ 66,163,862	\$ 4,408,930	\$ 70,572,792	\$ 9,504,284	\$ 15,305,480	\$ 13,060,267
LIABILITIES						
Accounts payable	\$ 219,624	\$ 50,552	\$ 270,176	\$ 101,818	\$ 262,691	\$ 11,812
Accrued liabilities	-	-	-	1,005,508	-	-
Accrued interest payable	759,765	3,033	762,798	-	63,635	203,005
Due to primary government	-	-	-	1,313,461	86,075	-
Unearned revenue	4,085	-	4,085	-	-	-
Deposits held in escrow	20,811	-	20,811	-	28,025	-
Long-term liabilities (net of unamortized bond premium)						
Due within one year	3,561,666	21,183	3,582,849	724,778	165,783	1,002,145
Due in more than one year	38,059,296	1,205,166	39,264,462	241,592	7,271,193	10,645,738
Total liabilities	\$ 42,625,247	\$ 1,279,934	\$ 43,905,181	\$ 3,387,157	\$ 7,877,402	\$ 11,862,700
NET ASSETS						
Invested in capital assets, net of related debt	\$ 11,032,689	\$ 2,982,700	\$ 14,015,389	\$ 5,783,477	\$ 6,844,658	\$ -
Restricted for:						
School cafeterias	-	-	-	229,263	-	6,448
Debt service and bond covenants	-	-	-	-	331,665	-
Unrestricted (deficit)	12,505,926	146,296	12,652,222	104,387	251,755	1,191,119
Total net assets	\$ 23,538,615	\$ 3,128,996	\$ 26,667,611	\$ 6,117,127	\$ 7,428,078	\$ 1,197,567

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

County of Carroll, Virginia
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Units		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 2,386,740	\$ 13,377	\$ 603,045	\$ -	\$ (1,770,318)	\$ -	\$ (1,770,318)	\$ -	\$ -	\$ -
Judicial administration	873,323	16,919	461,746	-	(394,658)	-	(394,658)	-	-	-
Public safety	4,688,063	483,399	1,634,770	-	(2,569,894)	-	(2,569,894)	-	-	-
Public works	830,990	141,019	-	-	(689,971)	-	(689,971)	-	-	-
Health and welfare	4,208,213	-	3,103,363	-	(1,104,850)	-	(1,104,850)	-	-	-
Education	10,319,961	-	-	-	(10,319,961)	-	(10,319,961)	-	-	-
Parks, recreation, and cultural	366,720	78,974	35,055	-	(252,691)	-	(252,691)	-	-	-
Community development	1,734,643	-	-	-	(1,734,643)	-	(1,734,643)	-	-	-
Interest on long-term debt	1,561,537	-	-	-	(1,561,537)	-	(1,561,537)	-	-	-
Total government activities	\$ 26,970,190	\$ 733,688	\$ 5,837,979	\$ -	\$ (20,398,523)	\$ -	\$ (20,398,523)	\$ -	\$ -	\$ -
Business-type activities:										
Gladeville/Cranberry Sewer	\$ 467,272	\$ 250,886	\$ -	\$ -	\$ -	\$ (216,386)	\$ (216,386)	\$ -	\$ -	\$ -
Total primary government	\$ 27,437,462	\$ 984,574	\$ 5,837,979	\$ -	\$ (20,398,523)	\$ (216,386)	\$ (20,614,909)	\$ -	\$ -	\$ -
COMPONENT UNITS:										
School Board	\$ 40,936,886	\$ 830,066	\$ 29,150,664	\$ 836,817	\$ -	\$ -	\$ -	\$ (10,119,339)	\$ -	\$ -
Public Service Authority	2,118,120	1,623,349	-	150,658	-	-	-	-	(344,113)	-
Industrial Development Authority	893,033	379,846	240,122	-	-	-	-	-	-	(273,065)
Total component units	\$ 43,948,039	\$ 2,833,261	\$ 29,390,786	\$ 987,475	\$ -	\$ -	\$ -	\$ (10,119,339)	\$ (344,113)	\$ (273,065)
General revenues:										
General property taxes					\$ 16,382,540	\$ -	\$ 16,382,540	\$ -	\$ -	\$ -
Local sales and use taxes					1,529,793	-	1,529,793	-	-	-
Consumer's utility tax					655,242	-	655,242	-	-	-
Telecommunications tax					1,160,677	-	1,160,677	-	-	-
Motor vehicle taxes					630,894	-	630,894	-	-	-
Restaurant food taxes					429,869	-	429,869	-	-	-
Other local taxes					769,956	-	769,956	-	-	-
Unrestricted revenues from use of money and property					418,073	6,428	424,501	60,205	23,584	136,943
Miscellaneous					79,683	3,600	83,283	227,718	-	323
Payments from Primary Government					-	-	-	10,025,316	92,927	-
Grants and contributions not restricted to specific programs					1,174,594	-	1,174,594	-	-	(69,119)
Gain (Loss) on disposal of capital assets					-	-	-	-	-	68,147
Total general revenues					\$ 23,231,321	\$ 10,028	\$ 23,241,349	\$ 10,313,239	\$ 116,511	\$ (204,918)
Change in net assets					\$ 2,832,798	\$ (206,358)	\$ 2,626,440	\$ 193,900	\$ (227,602)	\$ 1,402,485
Net assets - beginning					20,705,817	3,335,354	24,041,171	5,923,227	7,655,680	1,197,567
Net assets - ending					\$ 23,538,615	\$ 3,128,996	\$ 26,667,611	\$ 6,117,127	\$ 7,428,078	\$ 1,197,567

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2008

General

ASSETS

Cash and cash equivalents	\$ 8,921,675
Investments	1,153,563
Receivables (net of allowance for uncollectibles):	
Taxes receivable	1,508,282
Accounts receivable	56,406
Other local taxes receivable	111,201
Due from component unit	1,397,993
Due from other governmental units	1,328,269
Total assets	<u>\$ 14,477,389</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 219,624
Deferred revenue	1,339,456
Deposits held in escrow	20,811
Total liabilities	<u>\$ 1,579,891</u>

Fund balances:

Unreserved, reported in:	
Unrestricted (deficit)	\$ 12,897,498
Total fund balances	<u>\$ 12,897,498</u>
Total liabilities and fund balances	<u>\$ 14,477,389</u>

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

County of Carroll, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 12,897,498
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,686,473
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,335,371
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(42,380,727)
Net assets of governmental activities	<u>\$ 23,538,615</u>

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

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 16,552,335	\$ -	\$ 16,552,335
Other local taxes	5,176,431	-	5,176,431
Permits, privilege fees, and regulatory licenses	210,405	-	210,405
Fines and forfeitures	10,176	-	10,176
Revenue from the use of money and property	413,860	4,213	418,073
Charges for services	513,107	-	513,107
Miscellaneous	79,683	-	79,683
Recovered costs	1,456,401	-	1,456,401
Intergovernmental revenues:			
Commonwealth	5,335,382	-	5,335,382
Federal	1,677,191	-	1,677,191
Total revenues	<u>\$ 31,424,971</u>	<u>\$ 4,213</u>	<u>\$ 31,429,184</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,516,169	\$ -	\$ 2,516,169
Judicial administration	874,219	-	874,219
Public safety	4,777,341	-	4,777,341
Public works	1,453,133	-	1,453,133
Health and welfare	4,284,238	-	4,284,238
Education	8,466,477	-	8,466,477
Parks, recreation, and cultural	533,165	-	533,165
Community development	1,657,164	-	1,657,164
Capital projects	-	294,645	294,645
Debt service:			
Principal retirement	2,737,868	-	2,737,868
Interest and other fiscal charges	1,654,074	-	1,654,074
Total expenditures	<u>\$ 28,953,848</u>	<u>\$ 294,645</u>	<u>\$ 29,248,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,471,123</u>	<u>\$ (290,432)</u>	<u>\$ 2,180,691</u>
Fund balances - beginning	10,426,375	290,432	10,716,807
Fund balances - ending	<u>\$ 12,897,498</u>	<u>\$ -</u>	<u>\$ 12,897,498</u>

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

County of Carroll, 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, 2008

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

Net change in fund balances - total governmental funds	\$ 2,180,691
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.	(2,019,928)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(169,795)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,796,328
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.	45,502
Change in net assets of governmental activities	<u>\$ 2,832,798</u>

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

County of Carroll, Virginia
Statement of Net Assets
Proprietary Fund
June 30, 2008

	Enterprise Fund Gladeville/ Cranberry Sewer
ASSETS	
Current assets:	
Cash in custody of others	\$ 165,285
Accounts receivable, net of allowances for uncollectibles	28,544
Due from component unit	1,543
Prepaid expenses	4,509
Total current assets	<u>\$ 199,881</u>
Capital assets:	
Infrastructure	\$ 5,453,913
Less accumulated depreciation	(1,244,864)
Total capital assets	<u>\$ 4,209,049</u>
Total noncurrent assets	<u>\$ 4,209,049</u>
Total assets	<u>\$ 4,408,930</u>
LIABILITIES	
Accounts payable	\$ 50,552
Accrued interest payable	3,033
Bonds payable - current portion	21,183
Total current liabilities	<u>\$ 74,768</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	<u>\$ 1,205,166</u>
Total noncurrent liabilities	<u>\$ 1,205,166</u>
Total liabilities	<u>\$ 1,279,934</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 2,982,700
Unrestricted	146,296
Total net assets	<u>\$ 3,128,996</u>

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

County of Carroll, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2008

	Enterprise Fund Gladeville/ Cranberry Sewer
OPERATING REVENUES	
Charges for services:	
Water/sewer revenues	\$ 245,085
Penalties and interest	4,148
Other revenues	1,653
Total operating revenues	<u>\$ 250,886</u>
OPERATING EXPENSES	
Salaries and fringe benefits	\$ 85,354
Professional services	1,300
Utilities	3,627
Maintenance and repairs	760
Office expenses	5,505
Operating supplies	17,440
Uniforms	1,113
Treatment expenses	67,297
Insurance expense	1,672
Other expenses	1,724
Depreciation	137,264
Total operating expenses	<u>\$ 323,056</u>
Operating income (loss)	<u>\$ (72,170)</u>
NONOPERATING REVENUES (EXPENSES)	
Contributions to the Public Service Authority	\$ (92,927)
Connection fees	3,600
Interest revenue	6,428
Interest expense	(51,289)
Total nonoperating revenues (expenses)	<u>\$ (134,188)</u>
Change in net assets	\$ (206,358)
Total net assets - beginning	3,335,354
Total net assets - ending	<u><u>\$ 3,128,996</u></u>

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

County of Carroll, Virginia
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2008

	Enterprise Fund Gladeville/ Cranberry Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 285,620
Payments to suppliers	(59,751)
Payments to employees	(85,354)
Net cash provided (used) by operating activities	<u>\$ 140,515</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contribution to the Public Service Authority	\$ (92,927)
Net cash provided (used) by noncapital financing activities	<u>\$ (92,927)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (23,074)
Principal payments on bonds	(20,449)
Connection fees	3,600
Interest payments	(51,276)
Net cash provided (used) by capital and related financing activities	<u>\$ (91,199)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 6,428
Net cash provided (used) by investing activities	<u>\$ 6,428</u>
Net increase (decrease) in cash and cash equivalents	\$ (37,183)
Cash and cash equivalents - beginning - including restricted	204,011
Cash and cash equivalents - ending - including restricted	<u><u>\$ 166,828</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (72,170)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 137,264
(Increase) decrease in accounts receivable	34,734
(Increase) decrease in prepaid expenses	(2,837)
Increase (decrease) in accounts payable	43,524
Total adjustments	<u>\$ 212,685</u>
Net cash provided (used) by operating activities	<u><u>\$ 140,515</u></u>

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

County of Carroll, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 2,876,314
Total assets	<u>\$ 2,876,314</u>
LIABILITIES	
Amounts held for social services clients	\$ 38,575
Amounts held for Solid Waste Authority	2,728,745
Amounts held for Twin County Airport	108,994
Total liabilities	<u>\$ 2,876,314</u>

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

COUNTY OF CARROLL, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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. Reporting Entity

The County of Carroll, Virginia is a political subdivision governed by an elected six-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 - None

Discretely Presented Component Units- The component unit columns in the financial statements include the financial data of the County's discretely presented component units. The component units are reported in a separate column to emphasize that they are legally separate from the County.

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

The Carroll County Public Service Authority provides water and sewer service to County residents. The Public Service Authority is fiscally dependent upon the County because the County significantly funds Authority operations. In addition, the County Board appoints the Public Service Authority's Board. A copy of the Public Service Authority's report can be obtained from the Public Service Authority.

The Carroll County Industrial Development Authority promotes industrial development in the County. The Authority is fiscally dependent upon the County. In addition, the Authority's Board is appointed by the County Board of Supervisors. A copy of the Industrial Development Authority's report can be obtained from the Industrial Development Authority.

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations do not extend beyond making the appointments.

Jointly Governed Organizations:

The County along with the Counties of Wythe, Bland, Grayson, Smyth and the City of Galax participate in supporting the Mt. Rogers Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2008, the County contributed \$114,500 to the Community Services Board.

The County along with the City of Galax participates in supporting the Galax-Carroll Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2008, the County contributed \$187,262 to the Library.

The County along with the County of Grayson and the City of Galax participate in supporting the Carroll-Grayson-Galax Regional Solid Waste Authority through user charges. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions.

The County along with the County of Grayson and the City of Galax participate in supporting the Twin Counties E-911 Program. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Payments to the program totaled \$285,659 for the fiscal year ended June 30, 2008.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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 the legally separate *component units* for which the primary government is financially accountable.

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

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

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

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

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

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

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. Certain funds have been merged with the general fund for financial reporting purposes only.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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

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

The School Construction fund is reported as the County's only major *capital projects funds*. The fund accounts for financial resources to be used for the acquisition and construction of major capital projects.

The County reports the following major proprietary fund:

The County operates a sewer collection and treatment system. The activities of the system are accounted for in the Gladeville/Cranberry Sewer Fund.

Additionally, the County reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare, Solid Waste Authority, and Twin County Airport Funds are reported as agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict 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 functions. 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. 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, 2008

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

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

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 6th. 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 \$576,174 at June 30, 2008 and is composed 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Note 1-Summary of Significant Accounting Policies: (continued)**D. Assets, liabilities, and net assets or equity (continued)****6. Capital Assets (continued)**

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30
Land improvements	10

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. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term Obligations

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

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

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Net Assets

Net assets is 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008Note 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 \$(42,380,727) and \$(966,370) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General Obligation Bonds	\$ (21,004,720)	\$ -
General Obligation Bond Premium	(698,703)	-
Literary Loans	(9,395,361)	-
Revenue Bond	(9,555,000)	-
Accrued interest payable	(759,765)	-
Landfill accrued postclosure monitoring costs	(551,944)	-
Compensated absences	(415,234)	(966,370)
	<u> </u>	<u> </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (42,380,727)	\$ (966,370)

- 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 \$(2,019,928) and \$(57,880) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 263,430	\$ 444,612
Depreciation expense	(2,283,358)	(502,492)
	<u> </u>	<u> </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>	\$ (2,019,928)	\$ (57,880)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$2,796,328 difference in the primary government, are as follows:

	<u>Primary Government</u>
Principal Payments or Other Reductions:	
General Obligation Bonds	\$ 1,436,701
Bond Premium (amortization of)	52,061
Lease Purchase (Revenue Bond)	490,000
Literary loans	811,167
Decrease in landfill closure/post-closure liability	<u>6,399</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>\$ 2,796,328</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$45,502 and \$(30,265) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Compensated absences	\$ 5,026	\$ (30,265)
Accrued interest	<u>40,476</u>	<u>-</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>\$ 45,502</u>	<u>\$ (30,265)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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

B. Deficit fund equity

At June 30, 2008, there were no funds with deficit fund equity.

C. Appropriations

Expenditures exceeded appropriations in the School Operating Fund and the School Construction Fund.

Note 4-Deposits and Investments:

Deposits:

All cash of the County is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

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, 2008**Note 4-Deposits and Investments:** (continued)Credit Risk of Debt Securities:

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2008 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 3,782,836
Evergreen Treasury MM	416,747

The fair value of the position in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC rule 2a-7.

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 Authorities:</u>		
Carroll-Grayson-Galax Solid Waste Authority	\$ 131,961	\$ -
<u>Local Government:</u>		
City of Galax	123,696	-
<u>Commonwealth of Virginia:</u>		
Local sales tax	276,285	-
Other local taxes	186,485	-
State sales tax	-	631,970
Categorical aid-shared expenses	342,997	-
Non-categorical aid	14,557	-
Virginia public assistance funds	71,606	-
Other categorical aid	13,186	-
Comprehensive services act	80,351	-
<u>Federal Government:</u>		
Virginia public assistance funds	87,145	-
School grants	-	783,309
Totals	<u>\$ 1,328,269</u>	<u>\$ 1,415,279</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008Note 6-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 1,397,993
Enterprise Fund	-	1,543
Component Unit - School Board:		
School Fund	1,313,461	-
Component Unit - Public Service Authority		
PSA	86,075	-
Totals	<u>\$ 1,399,536</u>	<u>\$ 1,399,536</u>

Note 7-Long-Term Debt:Primary Government – Governmental Activity Indebtedness:

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

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Literary Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,439,129	\$ 999,112	\$ 754,167	\$ 230,964
2010	1,437,078	936,139	754,167	215,881
2011	1,439,934	872,799	723,196	200,797
2012	1,442,824	809,285	680,167	186,334
2013	1,446,086	744,010	680,167	172,730
2014-2018	7,292,520	2,596,576	3,400,835	659,601
2019-2023	6,507,149	745,634	2,402,662	282,821
Totals	<u>\$ 21,004,720</u>	<u>\$ 7,703,555</u>	<u>\$ 9,395,361</u>	<u>\$ 1,949,128</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008Note 7-Long-Term Debt: (continued)Primary Government – Governmental Activity Indebtedness: (continued)

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

Year Ending June 30,	Lease Purchase Revenue Bond- Courthouse Complex	
	Principal	Interest
2009	\$ 505,000	\$ 371,381
2010	520,000	354,725
2011	535,000	337,581
2012	550,000	319,263
2013	570,000	299,663
2014-2018	1,750,000	1,230,675
2019-2023	1,065,000	1,002,425
2024-2028	1,305,000	754,459
2029-2033	1,610,000	437,344
2034-2037	1,145,000	78,635
Totals	\$ 9,555,000	\$ 5,186,151

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2008.

	Balance July 1, 2007	Issuances	Retirements	Balance June 30, 2008
GO bonds	\$ 22,441,421	\$ -	\$ (1,436,701)	\$ 21,004,720
Unamortized bond premium	750,764	-	(52,061)	698,703
Literary loans	10,206,528	-	(811,167)	9,395,361
Lease purchase revenue bond	10,045,000	-	(490,000)	9,555,000
Landfill closure post- closure liability	558,343	-	(6,399)	551,944
Compensated absences	420,260	310,169	(315,195)	415,234
Total	\$ 44,422,316	\$ 310,169	\$ (3,111,523)	\$ 41,620,962

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$4,505,000 Virginia Public School Authority general obligation bond issued May 18, 2000 maturing annually in principal installments varying from \$225,000 to \$230,000. Interest is payable semi-annually at rates varying from 5.10% to 6.35% through July 15, 2020.	\$ 2,925,000	\$ 225,000
\$2,145,297 Virginia Public School Authority general obligation bond issued November 19, 1999 maturing annually in principal installments varying from \$90,929 to \$143,909. Interest is payable semi-annually at rates varying from 5.10% to 6.10% through July 15, 2019.	1,424,720	99,129
\$21,115,000 Virginia Public School Authority general obligation bond issued November 7, 2002 maturing annually in principal installments varying from \$1,110,000 to \$1,115,000. Interest is payable semi-annually at rates varying from 4.10% to 5.10% through July 15, 2022.	<u>16,655,000</u>	<u>1,115,000</u>
Sub-total General Obligation Bonds	<u>\$ 21,004,720</u>	<u>\$ 1,439,129</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008Note 7-Long-Term Debt: (continued)Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Literary Loans:		
\$519,255 State Literary Loan issued April 15, 1991, due in annual installments of \$26,000 through April 15, 2010 with \$25,255 due April 15, 2011, interest payable annually at 2.0%	\$ 77,255	\$ 26,000
\$637,829 State Literary Loan issued April 15, 1991, due in annual installments of \$33,000 through April 15, 2010 with \$10,829 due April 15, 2011, interest payable annually at 2.0%	76,829	33,000
\$291,945 State Literary Loan issued April 15, 1991, due in annual installments of \$15,000 through April 15, 2010 with \$6,945 due April 15, 2011, interest payable annually at 2.0%	36,945	15,000
\$3,486,763 State Literary Loan issued January 24, 2001, due in annual installments of \$174,338 through February 1, 2021, interest payable annually at 2.0%	2,266,396	174,338
\$2,873,440 State Literary Loan issued October 3, 2001, due in annual installments of \$143,672 through October 15, 2020, interest payable annually at 2.0%	1,867,736	143,672
\$4,167,647 State Literary Loan issued October 2, 2000, due in annual installments of \$208,382 through November 1, 2021, interest payable annually at 2.0%	2,917,353	208,382
\$3,075,495 State Literary Loan issued October 2, 2000, due in annual installments of \$153,775 through November 1, 2021, interest payable annually at 2.0%	2,152,847	153,775
Total Literary Loans	<u>\$ 9,395,361</u>	<u>\$ 754,167</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Lease Purchase Revenue Bonds:		
On July 1, 2005 the County entered into a \$10,510,000 lease purchase agreement with the Carroll County Industrial Development Authority bearing interest between 3.25% and 4.325%. Principal payments ranging from \$175,000 to \$615,000 are due annually. Interest payments are due semi-annually. If not paid sooner, the final installment shall be due and payable 30 years from the issuance date.	\$ 9,555,000	\$ 505,000
Other Long-term Obligations:		
Compensated absences	\$ 415,234	\$ 311,426
Unamortized bond premium	698,703	-
Landfill closure/postclosure care liability	551,944	551,944
Total Other Long-term Obligations	<u>\$ 1,665,881</u>	<u>\$ 863,370</u>
Total Long-term Obligations	<u>\$ 41,620,962</u>	<u>\$ 3,561,666</u>

For financial reporting purposes the lease purchase agreements are treated as revenue bonds of the County as title to the property has passed to the County. The Industrial Development Authority acts as a conduit for these obligations and does not retain the asset or related liability.

Primary Government – Business-type Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 21,183	\$ 50,541
2010	22,071	49,653
2011	22,996	48,728
2012	23,961	47,762
2013	24,968	46,756
2014-2018	141,512	217,108
2019-2023	174,004	184,616
2024-2028	214,124	144,496
2029-2033	263,695	94,925
2034-2038	298,556	33,830
2039-2040	19,279	405
Totals	<u>\$ 1,226,349</u>	<u>\$ 918,820</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**Note 7-Long-Term Debt: (continued)**Primary Government – Business-type Activity Indebtedness: (continued)

The following is a summary of long-term debt transactions of the Gladeville/Cranberry Sewer for the year ended June 30, 2008.

	<u>Balance July 1, 2007</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Revenue bonds	\$ 1,246,798	\$ -	\$ (20,449)	\$ 1,226,349
Total	\$ 1,246,798	\$ -	\$ (20,449)	\$ 1,226,349

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$977,000 Sewer Revenue Bond issued July 10, 1998 bearing interest at 4.50%. Principal and interest payments of \$4,485 are due monthly through 2038	\$ 876,711	\$ 14,572
\$389,300 Sewer Revenue Bond issued December 2, 1999 bearing interest at 3.25%. Principal and interest payments of \$1,492 are due monthly through 2040	349,638	6,611
Sub-Total Revenue Bonds	\$ 1,226,349	\$ 21,183

Note 8-Long-term Debt-Component Unit School Board:Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2008.

	<u>Balance July 1, 2007</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2008</u>
Compensated absences	\$ 936,105	\$ 732,344	\$ (702,079)	\$ 966,370
Total	\$ 936,105	\$ 732,344	\$ (702,079)	\$ 966,370

Details of long-term indebtedness:

	<u>Amount</u>	<u>Within One Year</u>
Other Obligations:		
Compensated absences	\$ 966,370	\$ 724,778

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Note 9-Employee Retirement System and Pension Plans:

A. Plan Description

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

The County contributes to the Virginia Retirement System (VRS). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65.

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 that report may be downloaded from their website at http://www.varetire.org/Pdf/Publications/2007_annurept.pdf or obtained by writing to the System 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 annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the County of Carroll, 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 Carroll, Virginia's contribution rate for the fiscal year ended 2008 was 6.16% 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. The employer may assume this 5% member contribution. In addition, the County of Carroll, 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 Carroll, Virginia's contribution rate for the fiscal year ended 2008 was 9.02% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2008, the County of Carroll, Virginia's annual pension cost of \$346,489 and \$247,999 was equal to the County of Carroll, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008Note 9-Employee Retirement System and Pension Plans: (Continued)

C. Annual Pension Cost (continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2008	\$ 346,489	100.00%	\$ -
	6/30/2007	317,487	100.00%	-
	6/30/2006	282,021	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2008	\$ 247,999	100.00%	\$ -
	6/30/2007	219,401	100.00%	-
	6/30/2006	92,406	100.00%	-

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County of Carroll, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Carroll, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 91.02% funded. The actuarial accrued liability for benefits was \$19,297,642, and the actuarial value of assets was \$17,563,898, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,733,744. The covered payroll (annual payroll of active employees covered by the plan) was \$5,247,608, and ratio of the UAAL to the covered payroll was 33.04%.

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

As of June 30, 2007, the most recent actuarial valuation date, the plan was 89.31% funded. The actuarial accrued liability for benefits was \$7,279,466, and the actuarial value of assets was \$6,501,322, resulting in an unfunded actuarial accrued liability (UAAL) of \$778,144. The covered payroll (annual payroll of active employees covered by the plan) was \$2,477,964, and ratio of the UAAL to the covered payroll was 31.40%.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**Note 9-Employee Retirement System and Pension Plans: (Continued)****E. Discretely Presented Component Unit - School Board (Professional Employees)**Plan Description

The Carroll 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 that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2007annurept.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 \$2,242,405, \$1,680,013, and \$1,117,473 for the fiscal years ended 2008, 2007, and 2006, respectively. Required employer contributions represented 10.30%, 9.20%, and 6.62% of covered payroll for the fiscal years ended 2008, 2007, and 2006, respectively.

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,964,359	\$ -	\$ -	\$ 2,964,359
Total capital assets not being depreciated	\$ 2,964,359	\$ -	\$ -	\$ 2,964,359
Capital assets, being depreciated:				
Buildings	\$ 57,813,633	\$ -	\$ -	\$ 57,813,633
Machinery and equipment	3,951,850	263,430	-	4,215,280
Total capital assets being depreciated	\$ 61,765,483	\$ 263,430	\$ -	\$ 62,028,913
Less: accumulated depreciation for:				
Buildings	\$ (7,955,380)	\$ (1,969,524)	\$ -	\$ (9,924,904)
Machinery and equipment	(3,068,061)	(313,834)	-	(3,381,895)
Total accumulated depreciation	\$ (11,023,441)	\$ (2,283,358)	\$ -	\$ (13,306,799)
Total capital assets being depreciated, net	\$ 50,742,042	\$ (2,019,928)	\$ -	\$ 48,722,114
Governmental activities capital assets, net	\$ 53,706,401	\$ (2,019,928)	\$ -	\$ 51,686,473

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008Note 10-Capital Assets: (continued)

Primary Government – Business-type Activity:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 5,430,839	\$ 23,074	\$ -	\$ 5,453,913
Total capital assets being depreciated	<u>\$ 5,430,839</u>	<u>\$ 23,074</u>	<u>\$ -</u>	<u>\$ 5,453,913</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (1,107,600)	\$ (137,264)	\$ -	\$ (1,244,864)
Total accumulated depreciation	<u>\$ (1,107,600)</u>	<u>\$ (137,264)</u>	<u>\$ -</u>	<u>\$ (1,244,864)</u>
Business-type activities capital assets, net	<u>\$ 4,323,239</u>	<u>\$ (114,190)</u>	<u>\$ -</u>	<u>\$ 4,209,049</u>

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

Governmental activities:	
General government	\$ 27,722
Public safety	261,900
Public works	357,201
Health and welfare	10,436
Education	1,593,839
Parks, recreation, and culture	16,192
Community development	<u>16,068</u>
Total depreciation expense-governmental activities	<u>\$ 2,283,358</u>
Business-type activities:	
Gladeville/Cranberry Sewer	<u>\$ 137,164</u>
Total depreciation expense-primary government	<u>\$ 2,420,522</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Note 10-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2008 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,528,700	\$ -	\$ -	\$ 1,528,700
Total capital assets not being depreciated	<u>\$ 1,528,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,528,700</u>
Capital assets, being depreciated:				
Buildings	\$ 8,385,481	\$ 201,402	\$ -	\$ 8,586,883
Machinery and equipment	4,334,584	243,210	-	4,577,794
Total capital assets being depreciated	<u>\$ 12,720,065</u>	<u>\$ 444,612</u>	<u>\$ -</u>	<u>\$ 13,164,677</u>
Less: accumulated depreciation for:				
Buildings	\$ (5,545,008)	\$ (223,456)	\$ -	\$ (5,768,464)
Machinery and equipment	(2,862,400)	(279,036)	-	(3,141,436)
Total accumulated depreciation	<u>\$ (8,407,408)</u>	<u>\$ (502,492)</u>	<u>\$ -</u>	<u>\$ (8,909,900)</u>
Total capital assets being depreciated, net	<u>\$ 4,312,657</u>	<u>\$ (57,880)</u>	<u>\$ -</u>	<u>\$ 4,254,777</u>
Governmental activities capital assets, net	<u>\$ 5,841,357</u>	<u>\$ (57,880)</u>	<u>\$ -</u>	<u>\$ 5,783,477</u>

Note 11-Risk Management:

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

Note 12-Contingent Liabilities:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Note 13-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

Carolyn H. Honeycutt, Clerk of the Circuit Court	\$	1,525,000
Bonita Williams, Treasurer		400,000
Louise Quesenberry, Commissioner of the Revenue		3,000
H. Warren Manning, Sheriff		30,000

Note 14-Designated and Reserved Fund Balances:

Component Unit - School Board:

Reserved for cafeteria	\$	229,263
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Total School Board reservations	\$	229,263
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Note 15-Payroll Expenses:

All full-time employees of the Component Unit – Public Service Authority are paid through the County and the Authority reimburses the County for these expenses. Part-time employees are paid by the Public Service Authority along with any overtime pay that the Public Service Authority Board approves.

Note 16-Commitments and Contingencies:

The Town of Hillsville, Virginia has filed a motion for judgment against the County for unpaid water and sewer service in the amount of \$71,622. The County has counterclaimed with a claim for overcharges in the amount of \$426,261. The ultimate outcome of these claims can not be reasonably estimated and therefore no amounts have been recorded in the financial statements related to same.

A claim has been filed against the County in the amount of \$197,000 asserting that actions of the County's Building Inspector caused the claimant damages. No amount has been recorded as a liability in the financial statements as no estimate of loss, if any, can be reasonably determined.

The County is a guarantor for several obligations of the IDA. At year end those obligations totaled \$2,233,552.

Note 17—School Board Early Retirement Incentive Program:

SunTrust administers an early retirement incentive program for the Component Unit – School Board employees. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have been employed with Carroll County School System for 10 consecutive years, immediately preceding retirement and must not be eligible for disability retirement benefits from the VRS and/or Social Security. Finally, participants must be approved by the School Board and must have a bonafide separation from service of at least 30 days. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. The School Board reserves the right to amend or terminate the program.

Note 18—Closure/Postclosure Care Costs:

The County has agreed to pay for a portion of the closure/postclosure cost related to the operation of the old County Landfill. The Landfill was transferred to the Carroll/Grayson/Galax Solid Waste (Authority). The landfill was originally operated by Carroll County and prior to the formation of the Authority was known as the Carroll County Landfill. Upon formation of the Authority, assets and liabilities related to the Landfill were transferred to the Authority. Closure and postclosure costs incurred prior to the formation of the Authority will be paid by Carroll County. Carroll County has agreed to pay \$551,944 toward closure/postclosure of the landfill.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Note 18--Closure/Postclosure Care Costs: (continued)

State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The total closure and post closure care liability at June 30, 2008 represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill's constructed cells and amounted to \$3,501,557. This amount is based on what it cost to perform all closure and postclosure care in 2008.

As of June 30, 2008, approximately 83% of the landfill site has been used. As a result, the amount reported as a liability in the Authority's financial statements is \$2,901,082 (approximately 83% of the total liability reported above). The remaining amount (\$600,475) will be recognized as remaining space in the landfill is used. The estimated remaining life of the landfill is 2.5 years. Actual costs for both closure and postclosure monitoring may change due to inflation or deflation, changes in technology, or changes in applicable laws or regulations. The landfill permit is in the County's name and the County uses the State Financial Assurance Mechanism to meet their financial assurance requirements for the landfill.

Note 19 – Unearned Revenue:

Unearned 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. Unearned revenue totaling \$4,085 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2008, but paid in advance by the taxpayers totaled \$4,085 at June 30, 2008.

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Required Supplementary Information

County of Carroll, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 15,942,000	\$ 16,318,223	\$ 16,552,335	\$ 234,112
Other local taxes	3,738,500	3,738,500	5,176,431	1,437,931
Permits, privilege fees, and regulatory licenses	191,500	194,631	210,405	15,774
Fines and forfeitures	5,000	11,320	10,176	(1,144)
Revenue from the use of money and property	454,000	504,000	413,860	(90,140)
Charges for services	825,057	829,460	513,107	(316,353)
Miscellaneous	277,000	571,140	79,683	(491,457)
Recovered costs	1,575,576	1,650,178	1,456,401	(193,777)
Intergovernmental revenues:				
Commonwealth	3,946,672	4,022,365	5,335,382	1,313,017
Federal	1,798,539	1,798,539	1,677,191	(121,348)
Total revenues	28,753,844	29,638,356	31,424,971	1,786,615
EXPENDITURES				
Current:				
General government administration	2,898,810	3,046,289	2,516,169	530,120
Judicial administration	987,766	1,071,968	874,219	197,749
Public safety	5,060,640	5,399,595	4,777,341	622,254
Public works	1,627,165	1,715,924	1,453,133	262,791
Health and welfare	4,266,097	4,313,146	4,284,238	28,908
Education	8,340,377	8,340,377	8,466,477	(126,100)
Parks, recreation, and cultural	945,986	1,181,118	533,165	647,953
Community development	2,312,406	2,361,864	1,657,164	704,700
Debt service:				
Principal retirement	2,737,868	2,737,868	2,737,868	-
Interest and other fiscal charges	1,655,511	1,655,511	1,654,074	1,437
Total expenditures	30,832,626	31,823,660	28,953,848	2,869,812
Excess (deficiency) of revenues over (under) expenditures	(2,078,782)	(2,185,304)	2,471,123	4,656,427
OTHER FINANCING SOURCES (USES)				
Proceeds of general obligation bonds	446,000	446,000	-	(446,000)
Total other financing sources and uses	446,000	446,000	-	(446,000)
Net change in fund balances	(1,632,782)	(1,739,304)	2,471,123	4,210,427
Fund balances - beginning	1,632,782	1,739,304	10,426,375	8,687,071
Fund balances - ending	\$ -	\$ -	\$ 12,897,498	\$ 12,897,498

County of Carroll, Virginia
Schedule of Pension Funding Progress
As of June 30, 2008

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)
6/30/2007	\$ 17,563,898	\$ 19,297,642	\$ 1,733,744	91.02%	\$ 5,247,608	33.04%
6/30/2006	15,620,763	16,937,200	1,316,437	92.23%	4,983,065	26.42%
6/30/2005	14,604,620	15,816,688	1,212,068	92.34%	4,213,139	28.77%
6/30/2004	14,075,513	14,637,833	562,320	96.16%	4,138,063	13.59%
6/30/2003	13,688,124	13,495,787	(192,337)	101.43%	4,274,307	-4.50%
6/30/2002	13,359,115	12,602,262	(756,853)	106.01%	4,151,475	-18.23%

Discretely Presented Component Unit: School Board

Actuarial Date	Actuarial Assets	Actuarial Liability (AAL)	Unfunded AAL (3) - (2)	Funded Ratio of AAL (2) / (3)	Annual Payroll	UAAL as a Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2007	\$ 6,501,322	\$ 7,279,466	\$ 778,144	89.31%	\$ 2,477,964	31.40%
6/30/2006	5,728,746	6,320,868	592,122	90.63%	2,325,347	25.46%
6/30/2005	5,446,733	6,472,244	1,025,511	84.16%	2,204,752	46.51%
6/30/2004	5,341,197	5,904,638	563,441	90.46%	2,145,917	26.26%
6/30/2003	5,301,630	5,044,881	(256,749)	105.09%	1,294,458	-19.83%
6/30/2002	5,317,441	4,803,123	(514,318)	110.71%	1,407,191	-36.55%

Other Supplementary Information

County of Carroll, Virginia
 Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2008

	School Construction			
	Budgeted Amounts			Variance with Final Budget - Positive Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 4,213	\$ 4,213
Total revenues	-	-	4,213	4,213
EXPENDITURES				
Capital projects	-	-	294,645	(294,645)
Total expenditures	-	-	294,645	(294,645)
Excess (deficiency) of revenues over (under) expenditures	-	-	(290,432)	(290,432)
Net change in fund balances	-	-	(290,432)	(290,432)
Fund balances - beginning	-	-	290,432	290,432
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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.

Solid Waste Authority – The Solid Waste Authority fund accounts for those funds belonging to the regional Solid Waste Authority.

Twin County Airport – The Twin County Airport fund accounts for those funds belonging to the regional Twin County Airport.

County of Carroll, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>			
	<u>Special Welfare</u>	<u>Solid Waste Authority</u>	<u>Twin County Airport</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 38,575	\$ 2,728,745	\$ 108,994	\$ 2,876,314
Total assets	<u>\$ 38,575</u>	<u>\$ 2,728,745</u>	<u>\$ 108,994</u>	<u>\$ 2,876,314</u>
LIABILITIES				
Amounts held for social services clients	\$ 38,575	\$ -	\$ -	\$ 38,575
Amounts held for the Solid Waste Authority	-	2,728,745	-	2,728,745
Amounts held for the Twin County Airport	-	-	108,994	108,994
Total liabilities	<u>\$ 38,575</u>	<u>\$ 2,728,745</u>	<u>\$ 108,994</u>	<u>\$ 2,876,314</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 Carroll, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2008

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 1,906,753
Due from other governmental units	1,415,279
Prepaid items	169,512
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	229,263
Total assets	<u>3,720,807</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	101,818
Accrued liabilities	1,005,508
Due to primary government	1,313,461
Total liabilities	<u>2,420,787</u>
Fund balances:	
Reserved for:	
Cafeteria operations	229,263
Unreserved:	
Designated for subsequent expenditure	1,070,757
Total fund balances	<u>1,300,020</u>
Total liabilities and fund balances	<u>\$ 3,720,807</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,300,020
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,783,477
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(966,370)
Net assets of governmental activities	<u>\$ 6,117,127</u>

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2008

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 60,205
Charges for services	830,066
Miscellaneous	227,718
Recovered costs	85,864
Intergovernmental revenues:	
Local government	8,431,477
Commonwealth	25,313,179
Federal	4,674,302
Total revenues	<u>39,622,811</u>
EXPENDITURES	
Current:	
Education	39,340,766
Total expenditures	<u>39,340,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>282,045</u>
Net change in fund balances	282,045
Fund balances - beginning	1,017,975
Fund balances - ending	<u>\$ 1,300,020</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	\$ 282,045
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.	(57,880)
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.	(30,265)
Change in net assets of governmental activities	<u>\$ 193,900</u>

County of Carroll, 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, 2008

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 40,000	\$ 40,000	\$ 60,205	\$ 20,205
Charges for services	37,000	37,000	830,066	793,066
Miscellaneous	238,914	238,914	227,718	(11,196)
Recovered costs	79,000	79,000	85,864	6,864
Intergovernmental revenues:				
Local government	8,305,377	8,305,377	8,431,477	126,100
Commonwealth	25,816,221	25,816,221	25,313,179	(503,042)
Federal	4,731,026	4,731,026	4,674,302	(56,724)
Total revenues	39,247,538	39,247,538	39,622,811	375,273
EXPENDITURES				
Current:				
Education	39,247,538	39,247,538	39,340,766	(93,228)
Total expenditures	39,247,538	39,247,538	39,340,766	(93,228)
Excess (deficiency) of revenues over (under) expenditures	-	-	282,045	282,045
Net change in fund balances	-	-	282,045	282,045
Fund balances - beginning	-	-	1,017,975	1,017,975
Fund balances - ending	\$ -	\$ -	\$ 1,300,020	\$ 1,300,020

Supporting Schedules

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,465,000	\$ 11,833,875	\$ 12,456,829	\$ 622,954
Real and personal public service corporation taxes	500,000	500,000	556,821	56,821
Personal property taxes	2,670,000	2,677,348	1,895,165	(782,183)
Mobile home taxes	98,000	98,000	132,781	34,781
Machinery and tools taxes	895,000	895,000	967,099	72,099
Merchant's capital taxes	174,000	174,000	225,519	51,519
Penalties	60,000	60,000	103,672	43,672
Interest	80,000	80,000	214,449	134,449
Total general property taxes	15,942,000	16,318,223	16,552,335	234,112
Other local taxes:				
Local sales and use taxes	980,000	980,000	1,529,793	549,793
Consumers' utility taxes- electric	600,000	600,000	655,242	55,242
Consumers' utility taxes- telephone	650,000	650,000	-	(650,000)
Consumption taxes	95,000	95,000	106,175	11,175
E-911 telephone taxes	60,000	60,000	-	(60,000)
Telecommunications Taxes	-	-	1,160,677	1,160,677
Franchise license taxes	50,000	50,000	8,715	(41,285)
Utility license tax	35,000	35,000	27,631	(7,369)
Recordation taxes	130,000	130,000	193,332	63,332
Motor vehicle licenses	525,000	525,000	630,894	105,894
Bank stock taxes	6,500	6,500	16,683	10,183
Taxes on deeds	30,000	30,000	51,262	21,262
Hotel and motel room taxes	235,000	235,000	366,158	131,158
Restaurant food taxes	342,000	342,000	429,869	87,869
Total other local taxes	3,738,500	3,738,500	5,176,431	1,437,931
Permits, privilege fees, and regulatory licenses:				
Animal licenses	20,000	20,000	25,640	5,640
Land use application fees	-	-	11,010	11,010
Transfer fees	1,500	1,500	1,775	275
Building permits	170,000	173,131	171,920	(1,211)
Other permits and licenses	-	-	60	60
Total permits, privilege fees, and regulatory licenses	191,500	194,631	210,405	15,774
Fines and forfeitures:				
Court fines and forfeitures	5,000	11,320	10,176	(1,144)
Total fines and forfeitures	5,000	11,320	10,176	(1,144)
Revenue from use of money and property:				
Revenue from use of money	180,000	180,000	329,800	149,800
Revenue from use of property	274,000	324,000	84,060	(239,940)
Total revenue from use of money and property	454,000	504,000	413,860	(90,140)
Charges for services:				
Clerk's interest	20,200	20,200	1,029	(19,171)
Charges for law enforcement and traffic control	100	100	265	165
Charges for courthouse maintenance	14,000	14,000	106,796	92,796
Charges for courthouse security	65,000	65,000	68,617	3,617
Charges for Commonwealth's Attorney	1,000	1,000	2,121	1,121

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 1
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Miscellaneous jail and inmate fees	\$ 1,000	\$ 1,000	\$ 1,955	\$ 955
Charges for cannery	-	-	29,606	29,606
Charges for law library	15,000	15,000	3,593	(11,407)
Charges for sanitation and waste removal	24,000	24,000	34,223	10,223
Charges for parks and recreation	40,000	43,595	49,368	5,773
Charges for EMS	644,757	644,757	202,217	(442,540)
Other charges for services	-	808	13,317	12,509
Total charges for services	825,057	829,460	513,107	(316,353)
Miscellaneous revenue:				
Miscellaneous	277,000	571,140	79,683	(491,457)
Total miscellaneous revenue	277,000	571,140	79,683	(491,457)
Recovered costs:				
Solid Waste Authority	301,450	301,450	393,860	92,410
Virginia Housing Development Authority	53,040	53,040	37,819	(15,221)
Public Service Authority	543,056	543,056	576,905	33,849
Farmers' Market	133,477	133,477	128,452	(5,025)
City of Galax-shared expenses	100,000	100,000	123,696	23,696
Insurance recoveries	50,000	58,302	22,583	(35,719)
School resource officer	32,014	32,014	35,000	2,986
Other recovered costs	362,539	428,839	138,086	(290,753)
Total recovered costs	1,575,576	1,650,178	1,456,401	(193,777)
Total revenue from local sources	23,008,633	23,817,452	24,412,398	594,946
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	15,474	15,474	-	(15,474)
Wine taxes	16,220	16,220	-	(16,220)
Mobile home titling tax	35,000	35,000	48,104	13,104
Motor vehicle rental tax	3,500	3,500	10,349	6,849
Rolling stock tax	1,000	1,000	903	(97)
State recordation tax	35,000	35,000	57,056	22,056
Personal property tax relief funds	-	-	1,042,552	1,042,552
Total noncategorical aid	106,194	106,194	1,158,964	1,052,770
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	420,361	420,361	254,965	(165,396)
Sheriff	1,365,385	1,408,980	1,380,499	(28,481)
Commissioner of revenue	132,804	132,804	139,130	6,326
Treasurer	136,543	136,543	137,797	1,254
Medical examiner	400	400	-	(400)
Registrar/electoral board	43,278	43,278	71,153	27,875
Clerk of the Circuit Court	258,856	258,856	361,331	102,475
Total shared expenses	2,357,627	2,401,222	2,344,875	(56,347)
Other categorical aid:				
Public assistance and welfare administration	794,351	794,351	874,224	79,873
Comprehensive Services Act	549,475	549,475	677,438	127,963

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 1
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Animal friendly plates	\$ -	\$ -	\$ 265	\$ 265
Victim witness	52,425	52,425	52,750	325
Clerk's technology grant	-	-	47,665	47,665
Fire program	60,000	79,582	79,582	-
Litter control grant	8,600	8,600	10,583	1,983
Two-for-life grant	13,000	25,516	25,516	-
Asset forfeiture	-	-	58,520	58,520
Arts grant	5,000	5,000	5,000	-
Total other categorical aid	1,482,851	1,514,949	1,831,543	316,594
Total categorical aid	3,840,478	3,916,171	4,176,418	260,247
Total revenue from the Commonwealth	3,946,672	4,022,365	5,335,382	1,313,017
Revenue from the federal government:				
Payments in lieu of taxes	6,000	6,000	15,630	9,630
Categorical aid:				
Public assistance and welfare administration	1,654,539	1,654,539	1,551,701	(102,838)
Emergency management preparedness grant	-	-	34,088	34,088
Homeland security grant	-	-	25,063	25,063
Local law enforcement grant	-	-	2,249	2,249
Department of Justice grant	-	-	5,608	5,608
Trail Grant	34,000	34,000	19,472	(14,528)
Rural Business Grant	99,000	99,000	-	(99,000)
State and community highway safety	5,000	5,000	23,380	18,380
Total categorical aid	1,792,539	1,792,539	1,661,561	(130,978)
Total revenue from the federal government	1,798,539	1,798,539	1,677,191	(121,348)
Total General Fund	\$ 28,753,844	\$ 29,638,356	\$ 31,424,971	\$ 1,786,615
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 4,213	\$ 4,213
Total revenue from local sources	-	-	4,213	4,213
Total School Construction Fund	-	-	4,213	4,213
Total Primary Government	\$ 28,753,844	\$ 29,638,356	\$ 31,429,184	\$ 1,790,828

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 1
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,898	\$ 3,898
Revenue from the use of property	40,000	40,000	56,307	16,307
Total revenue from use of money and property	40,000	40,000	60,205	20,205
Charges for services:				
Fees from pupils	10,000	10,000	29,209	19,209
Cafeteria sales	-	-	748,591	748,591
Transportation of pupils	4,000	4,000	12,479	8,479
Other payments from other localities	23,000	23,000	39,787	16,787
Total charges for services	37,000	37,000	830,066	793,066
Miscellaneous revenue:				
E-rate	223,714	223,714	215,481	(8,233)
Other miscellaneous	15,200	15,200	12,237	(2,963)
Total miscellaneous revenue	238,914	238,914	227,718	(11,196)
Recovered costs:				
Insurance recoveries and rebates	79,000	79,000	85,864	6,864
Total recovered costs	79,000	79,000	85,864	6,864
Total revenue from local sources	394,914	394,914	1,203,853	808,939
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	8,305,377	8,305,377	8,431,477	126,100
Total revenues from local governments	8,305,377	8,305,377	8,431,477	126,100
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	4,016,378	4,016,378	3,809,238	(207,140)
Basic school aid	12,708,086	12,708,086	12,567,386	(140,700)
Remedial summer education	123,856	123,856	105,321	(18,535)
Regular foster care	47,838	47,838	37,442	(10,396)
Adult education	-	-	8,432	8,432
Gifted and talented	118,272	118,272	116,227	(2,045)
Remedial education	395,200	395,200	388,367	(6,833)
Alternative education	128,313	128,313	128,313	-
Special education	1,254,833	1,254,833	1,233,135	(21,698)
Enrollment loss	-	-	165,040	165,040
Textbook payment	289,275	289,275	284,273	(5,002)
School construction	159,176	159,176	159,463	287
Vocational standards of quality payments	325,968	325,968	320,332	(5,636)
Vocational adult education	-	-	749	749
Vocational education - equipment	27,615	27,615	14,616	(12,999)
Vocational occupational preparedness	-	-	9,722	9,722
Social security fringe benefits	683,668	683,668	671,846	(11,822)
Retirement fringe benefits	1,024,059	1,024,059	1,006,352	(17,707)
Group life insurance instructional	34,616	34,616	34,018	(598)
State lottery payments	637,484	637,484	631,592	(5,892)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

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)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid: (continued)				
Early reading intervention	\$ 53,069	\$ 53,069	\$ 55,034	\$ 1,965
Homebound education	49,113	49,113	41,047	(8,066)
School nutrition	33,485	33,485	34,002	517
Special education - foster children	-	-	49,711	49,711
Special education - regional	73,525	73,525	66,593	(6,932)
Salary supplement	827,901	827,901	822,090	(5,811)
At risk payments	414,423	414,423	407,222	(7,201)
VPSA technology	336,000	336,000	336,000	-
Standards of Learning algebra readiness	48,324	48,324	48,324	-
At risk four-year olds	391,686	391,686	367,205	(24,481)
Primary class size	494,546	494,546	488,489	(6,057)
Mentor teacher program	-	-	5,565	5,565
ISAEF	15,717	15,717	15,717	-
Jobs for VA grads	-	-	25,000	25,000
CTE industry credentials	-	-	9,315	9,315
JROTC	45,000	45,000	60,139	15,139
Americorp	302,400	302,400	180,578	(121,822)
Adult secondary payments	6,282	6,282	-	(6,282)
Race to GED	-	-	27,766	27,766
English as a second language	105,618	105,618	104,422	(1,196)
Other state funds	644,495	644,495	477,096	(167,399)
Total revenue from the Commonwealth	25,816,221	25,816,221	25,313,179	(503,042)
Revenue from the federal government:				
Categorical aid:				
Forest reserve	3,800	3,800	3,778	(22)
Adult literacy	74,430	74,430	85,602	11,172
Title I	1,154,209	1,154,209	1,066,840	(87,369)
Title VI-B, flow-through	1,045,709	1,045,709	1,021,500	(24,209)
Title VI-B, preschool	28,442	28,442	28,442	-
Title III	16,001	16,001	30,408	14,407
Drug free schools	21,751	21,751	17,482	(4,269)
Title II	11,020	11,020	20,888	9,868
Title V Part A	10,551	10,551	9,333	(1,218)
Vocational education	91,188	91,188	91,550	362
Reading First	610,576	610,576	750,117	139,541
Teacher quality	227,663	227,663	188,514	(39,149)
Migrant education	53,323	53,323	65,384	12,061
School Breakfast Program	242,658	242,658	310,284	67,626
National school lunch program	824,516	824,516	695,963	(128,553)
Comprehensive school reform	20,189	20,189	20,189	-
Advanced placement programs	-	-	106	106
Title IV-Part B-21	295,000	295,000	267,922	(27,078)
Total revenue from the federal government	4,731,026	4,731,026	4,674,302	(56,724)
Total School Operating Fund	39,247,538	39,247,538	39,622,811	375,273
Total Discretely Presented Component Unit - School Board	\$ 39,247,538	\$ 39,247,538	\$ 39,622,811	\$ 375,273

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 1 of 4

<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	\$ 1,132,121	\$ 1,215,635	\$ 767,023	\$ 448,612
General and financial administration:				
County administrator	489,428	513,326	489,201	24,125
Central purchasing	89,020	89,020	60,096	28,924
County attorney	40,350	48,851	69,450	(20,599)
Commissioner of revenue	265,670	269,363	269,513	(150)
County assessor	285,664	288,257	288,666	(409)
Treasurer	309,404	309,404	304,976	4,428
Management information systems	120,000	123,098	88,897	34,201
Total general and financial administration	1,599,536	1,641,319	1,570,799	70,520
Board of elections:				
Electoral board and officials	72,261	72,261	61,274	10,987
Registrar	94,892	117,074	117,073	1
Total board of elections	167,153	189,335	178,347	10,988
Total general government administration	2,898,810	3,046,289	2,516,169	530,120
Judicial administration:				
Courts:				
Circuit court	40,442	37,898	36,205	1,693
General district court	4,810	5,618	5,012	606
Juvenile court	4,450	4,450	4,166	284
Special magistrates	500	500	497	3
Victim witness	57,311	57,311	54,267	3,044
Clerk of the circuit court	395,275	481,213	471,713	9,500
Law library	15,000	15,000	2,887	12,113
Total courts	517,788	601,990	574,747	27,243
Commonwealth's attorney:				
Commonwealth's attorney	469,978	469,978	299,472	170,506
Total commonwealth's attorney	469,978	469,978	299,472	170,506
Total judicial administration	987,766	1,071,968	874,219	197,749
Public safety:				
Law enforcement and traffic control:				
Sheriff	1,797,632	1,875,760	1,851,846	23,914
Vehicle maintenance	218,160	219,837	222,670	(2,833)
Total law enforcement and traffic control	2,015,792	2,095,597	2,074,516	21,081
Fire and rescue services:				
Volunteer fire departments	562,379	597,715	292,345	305,370
Rescue squads	182,360	248,696	243,952	4,744
Carroll EMS	774,757	774,757	554,270	220,487
Total fire and rescue services	1,519,496	1,621,168	1,090,567	530,601

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 2 of 4

<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:				
Payments to New River Regional Jail	\$ 726,173	\$ 793,579	\$ 851,671	\$ (58,092)
Juvenile probation and detention	84,581	148,134	142,788	5,346
Total correction and detention	810,754	941,713	994,459	(52,746)
Inspections:				
Building	154,183	157,314	114,145	43,169
Total inspections	154,183	157,314	114,145	43,169
Other protection:				
Animal warden	84,246	88,516	89,357	(841)
Medical examiner	800	800	600	200
Erosion and sediment control	68,369	68,369	52,780	15,589
Emergency services	83,000	83,150	75,017	8,133
E-911	320,000	338,968	285,659	53,309
Garage emergency vehicles	4,000	4,000	241	3,759
Total other protection	560,415	583,803	503,654	80,149
Total public safety	5,060,640	5,399,595	4,777,341	622,254
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	517,790	520,411	350,795	169,616
Litter control	40,940	40,940	11,689	29,251
Total sanitation and waste removal	558,730	561,351	362,484	198,867
Maintenance of general buildings and grounds:				
Governmental complex	367,479	380,464	377,484	2,980
Courthouse	8,600	8,600	2,012	6,588
Carter building	105,000	155,000	148,315	6,685
Cannery	10,000	15,960	9,836	6,124
Child care center	35,000	29,040	29,040	-
Maintenance force	280,180	286,918	285,701	1,217
Maintenance of other properties	212,176	278,591	238,261	40,330
Maintenance of social services building	50,000	-	-	-
Total maintenance of general buildings and grounds	1,068,435	1,154,573	1,090,649	63,924
Total public works	1,627,165	1,715,924	1,453,133	262,791
Health and welfare:				
Health:				
Supplement of local health department	216,000	216,000	216,000	-
Total health	216,000	216,000	216,000	-
Mental health and mental retardation:				
Community services board	114,500	114,500	114,500	-
Total mental health and mental retardation	114,500	114,500	114,500	-

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 3,850,290	\$ 3,897,339	\$ 3,870,931	\$ 26,408
Senior citizens center	85,307	85,307	82,807	2,500
Total welfare	3,935,597	3,982,646	3,953,738	28,908
Total health and welfare	4,266,097	4,313,146	4,284,238	28,908
Education:				
Other instructional costs:				
Contributions to Community College	35,000	35,000	35,000	-
Contribution to County School Board	8,305,377	8,305,377	8,431,477	(126,100)
Total education	8,340,377	8,340,377	8,466,477	(126,100)
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	180,260	188,632	164,575	24,057
Swimming pools	36,000	37,760	38,659	(899)
Farmer's Market	513,395	738,395	142,669	595,726
Total parks and recreation	729,655	964,787	345,903	618,884
Library:				
Contribution to Carroll-Galax Regional Library	216,331	216,331	187,262	29,069
Total library	216,331	216,331	187,262	29,069
Total parks, recreation, and cultural	945,986	1,181,118	533,165	647,953
Community development:				
Planning and community development:				
Planning commission	8,000	8,000	1,175	6,825
Economic development	1,246,500	1,247,191	477,491	769,700
Payments to Town of Hillsville	225,000	225,000	345,240	(120,240)
Contribution to Public Service Authority	509,608	511,786	528,563	(16,777)
Contribution to Twin County Airport	62,789	70,137	32,348	37,789
Tourism	193,751	224,419	207,417	17,002
Total planning and community development	2,245,648	2,286,533	1,592,234	694,299
Environmental management:				
Contribution to soil and water district	8,700	8,700	8,700	-
Total environmental management	8,700	8,700	8,700	-
Cooperative extension program:				
Extension office	58,058	66,631	56,230	10,401
Total cooperative extension program	58,058	66,631	56,230	10,401
Total community development	2,312,406	2,361,864	1,657,164	704,700
Debt service:				
Principal retirement	2,737,868	2,737,868	2,737,868	-
Interest and other fiscal charges	1,655,511	1,655,511	1,654,074	1,437
Total debt service	4,393,379	4,393,379	4,391,942	1,437
Total General Fund	\$ 30,832,626	\$ 31,823,660	\$ 28,953,848	\$ 2,869,812

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2008

Schedule 2
Page 4 of 4

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
School Construction Fund:				
Capital projects expenditures:				
School improvements	\$ -	\$ -	\$ 294,645	\$ (294,645)
Total School Construction Fund	\$ -	\$ -	\$ 294,645	\$ (294,645)
Total Primary Government	\$ 30,832,626	\$ 31,823,660	\$ 29,248,493	\$ 2,575,167
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,738,391	\$ 1,738,391	\$ 1,609,809	\$ 128,582
Instruction costs:				
Instruction	30,216,183	30,216,183	29,279,583	936,600
Operating costs:				
Pupil transportation	2,509,231	2,509,231	2,736,668	(227,437)
Operation and maintenance of school plant	3,683,074	3,683,074	3,859,506	(176,432)
Food services and other non-instructional costs	1,100,659	1,100,659	1,855,200	(754,541)
Total operating costs	7,292,964	7,292,964	8,451,374	(1,158,410)
Total education	39,247,538	39,247,538	39,340,766	(93,228)
Total Discretely Presented Component Unit - School Board	\$ 39,247,538	\$ 39,247,538	\$ 39,340,766	\$ (93,228)

Statistical Section

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Gladeville Cranberry Sewer	Total
2007-08	\$ 2,386,740	\$ 873,323	\$ 4,688,063	\$ 830,990	\$ 4,208,213	\$ 10,319,961	\$ 366,720	\$ 1,734,643	\$ 1,561,537	\$ 467,272	\$ 27,437,462
2006-07	1,820,062	840,164	4,327,693	1,413,001	4,083,737	9,255,667	461,145	1,480,648	1,585,968	328,222	25,596,307
2005-06	1,776,300	766,461	4,098,143	788,065	3,835,853	8,107,291	382,682	975,161	1,501,082	277,051	22,508,089
2004-05	1,190,402	706,038	3,941,388	654,418	3,406,872	8,079,764	584,179	1,574,911	2,028,436	284,247	22,450,655
2003-04	1,810,780	753,635	3,524,570	1,057,661	3,507,187	8,856,826	589,520	1,140,933	2,134,605	304,059	23,679,776
2002-03	1,157,205	664,272	2,395,330	1,372,204	3,073,297	8,164,096	369,988	706,431	1,847,198	352,770	20,102,791

(1) Information has only been available for 6 years.

Table 2

County of Carroll, Virginia
Government-Wide Revenues
Last Six Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2007-08	\$ 984,574	\$ 5,837,979	\$ -	\$ 16,382,540	\$ 4,015,754	\$ 424,501	\$ 83,283	\$ 1,174,594	\$ 28,903,225	
2006-07	868,695	5,120,043	7,172	16,319,668	5,052,300	543,360	276,500	2,001,626	30,189,364	
2005-06	499,634	5,120,043	70,316	14,002,880	4,829,522	361,322	125,327	1,293,822	26,302,866	
2004-05	820,018	5,144,456	2,934	13,835,903	4,013,487	296,457	52,037	1,110,014	25,275,306	
2003-04	814,802	5,254,129	15,914	10,624,841	3,352,928	282,848	15,744	1,360,169	21,721,375	
2002-03	761,843	4,350,455	160,587	10,354,921	3,219,954	299,976	21,581	1,259,217	20,428,534	

(1) Information has only been available for 6 years.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2007-08	\$ 2,516,169	\$ 874,219	\$ 4,777,341	\$ 1,453,133	\$ 4,284,238	\$ 39,375,766	\$ 533,165	\$ 1,657,164	\$ -	\$ 4,391,942	\$ 59,863,137
2006-07	2,036,565	850,387	4,601,974	1,189,285	4,045,618	38,649,619	527,277	1,556,236	-	3,740,680	57,197,641
2005-06	1,849,163	782,601	4,122,737	1,039,243	3,849,577	34,230,491	589,939	1,032,539	-	4,621,819	52,118,109
2004-05	1,532,879	757,000	3,777,944	908,835	3,455,461	33,663,223	555,453	1,693,801	-	4,680,902	51,025,498
2003-04	1,830,501	694,122	3,757,277	912,599	3,549,204	32,052,703	529,406	1,527,389	-	2,689,155	47,542,356
2002-03	1,163,784	664,978	2,812,403	1,745,855	3,088,873	29,853,387	366,566	831,459	-	2,933,019	43,460,324
2001-02	1,245,360	786,523	3,275,881	768,620	3,253,139	28,161,573	488,930	663,542	-	2,535,414	41,178,982
2000-01	1,416,870	686,432	3,206,857	1,220,759	3,031,775	27,774,966	420,433	548,234	-	12,706,758	51,013,084
1999-00	1,049,717	653,843	2,768,222	1,007,461	3,405,344	27,415,755	425,467	265,604	154,646	4,847,449	41,993,508
1998-99	982,556	593,037	2,696,787	750,658	3,393,713	25,140,709	350,952	283,132	140,200	4,176,192	38,507,936

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

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2007-08	\$ 16,552,335	\$ 5,176,431	\$ 210,405	\$ 10,176	\$ 474,065	\$ 1,343,173	\$ 307,401	\$ 1,542,265	\$ 37,000,054	\$ 62,616,305
2006-07	16,210,523	5,052,300	201,149	11,396	522,489	1,279,392	868,571	1,466,666	36,583,313	62,195,799
2005-06	13,845,984	4,829,522	249,930	10,310	293,981	1,021,775	199,390	942,928	32,952,975	54,346,795
2004-05	13,588,256	4,013,487	213,853	5,686	311,851	1,046,653	289,173	1,225,778	30,968,533	51,663,270
2003-04	10,542,845	3,352,928	158,966	1,593	96,759	1,210,851	392,672	1,167,288	29,179,705	46,103,607
2002-03	10,293,925	3,219,954	114,487	2,465	114,260	1,155,599	209,172	1,293,392	27,131,009	43,534,263
2001-02	10,083,609	2,956,172	124,699	2,238	168,455	1,107,192	265,919	289,871	26,651,672	41,649,827
2000-01	9,868,153	2,731,549	124,125	2,869	425,328	1,026,228	343,610	1,200,382	25,222,392	40,944,636
1999-00	9,889,653	2,670,555	137,863	2,327	492,021	1,747,950	268,803	1,181,416	24,244,893	40,635,481
1998-99	9,051,461	2,509,172	124,301	2,816	355,411	166,964	346,256	1,228,022	23,941,962	37,726,365

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2007-08	\$ 17,331,553	\$ 16,409,298	94.68%	\$ 867,468	\$ 17,276,766	99.68%	\$ 2,190,593	12.64%
2006-07	17,225,325	16,710,474	97.01%	592,349	17,302,823	100.45%	2,206,981	12.81%
2005-06	14,931,151	14,180,736	94.97%	573,197	14,753,933	98.81%	1,892,855	12.68%
2004-05	13,754,293	13,010,114	94.59%	416,655	13,426,769	97.62%	1,682,637	12.23%
2003-04	11,741,609	11,095,358	94.50%	380,606	11,475,964	97.74%	1,504,238	12.81%
2002-03	11,542,490	10,846,317	93.97%	338,021	11,184,338	96.90%	1,395,481	12.09%
2001-02	11,243,361	10,768,889	95.78%	192,078	10,960,967	97.49%	1,294,021	11.51%
2000-01	9,813,888	9,380,850	95.59%	345,325	9,726,175	99.11%	1,174,421	11.97%
1999-00	10,233,572	9,878,829	96.53%	216,123	10,094,952	98.65%	1,081,674	10.57%
1998-99	9,194,291	8,679,856	94.40%	246,529	8,926,385	97.09%	932,645	10.14%

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Public Service Corporations (2)	Total
2007-08	\$ 1,751,236,733	\$ 336,105,775	\$ 79,044,406	\$ 2,166,386,914
2006-07	1,722,690,903	339,936,262	85,896,569	2,148,523,734
2005-06	1,766,780,800	348,171,685	95,200,694	2,210,153,179
2004-05	1,734,981,500	346,387,969	96,094,144	2,177,463,613
2003-04	1,082,787,000	352,870,727	51,219,038	1,486,876,765
2002-03	1,061,952,941	344,191,873	54,727,710	1,460,872,524
2001-02	1,035,296,808	332,691,317	56,523,088	1,424,511,213
2000-01	1,006,218,556	306,414,665	63,203,670	1,375,836,891
1999-00	975,122,958	295,582,923	71,913,957	1,342,619,838
1998-99	954,511,574	224,750,891	65,321,349	1,244,583,814

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital
2007-08	\$ 0.71	\$ 1.30	\$ 1.30	\$ 2.30
2006-07	0.71	1.30	1.30	2.30
2005-06	0.59	1.30	1.30	2.30
2004-05	0.59	1.30	1.30	2.30
2003-04	0.64	1.30	1.30	2.30
2002-03	0.64	1.30	1.30	2.30
2001-02	0.64	1.30	1.30	2.30
2000-01	0.62	1.30	1.30	2.30
1999-00	0.62	1.30	1.30	2.30
1998-99	0.62	1.30	1.30	2.30

(1) Per \$100 of assessed value.

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

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2007-08	29,245	\$ 2,166,387	\$ 30,400,081	\$ 30,400,081	1.40%	\$ 1,039
2006-07	29,245	2,148,524	32,647,950	32,647,950	1.52%	1,116
2005-06	29,245	2,210,153	34,893,872	34,893,872	1.58%	1,193
2004-05	29,245	2,177,464	37,137,832	37,137,832	1.71%	1,270
2003-04	29,245	1,486,877	39,379,928	39,379,928	2.65%	1,347
2002-03	29,245	1,460,873	40,540,665	40,540,665	2.78%	1,386
2001-02	29,245	1,424,511	20,593,226	20,593,226	1.45%	704
2000-01	29,245	1,375,837	21,356,312	21,356,312	1.55%	730
1999-00	26,594	1,342,620	8,074,501	8,074,501	0.60%	304
1998-99	26,594	1,244,584	1,625,379	1,625,379	0.13%	61

(1) Bureau of the Census.

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

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

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

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2007-08	\$ 2,737,868	\$ 1,654,074	\$ 4,391,942	\$ 59,863,137	7.34%
2006-07	2,245,922	1,494,758	3,740,680	57,197,641	6.54%
2005-06	2,999,324	1,622,495	4,621,819	52,118,109	8.87%
2004-05	2,567,217	2,113,685	4,680,902	51,025,498	9.17%
2003-04	1,501,172	1,187,983	2,689,155	47,542,356	5.66%
2002-03	1,524,494	1,408,525	2,933,019	43,460,324	6.75%
2001-02	1,223,919	1,311,495	2,535,414	41,178,982	6.16%
2000-01	11,595,962	1,110,796	12,706,758	51,013,084	24.91%
1999-00	3,446,083	1,401,366	4,847,449	41,993,508	11.54%
1998-99	3,224,615	951,577	4,176,192	38,507,936	10.85%

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

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 Carroll, Virginia
Hillsville, Virginia

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia as of and for the year ended June 30, 2008, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated December 8, 2008. 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

In planning and performing our audit, we considered the County of Carroll, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Carroll, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that 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 control. We consider the deficiency described in the accompanying schedule of findings, responses and questioned costs (reference 2008-1) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency identified above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Carroll, 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 Carroll, Virginia in a separate letter dated December 8, 2008.

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

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

Robinson, Turner, Cox Associates

Christiansburg, Virginia
December 8, 2008

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Members of the Board of Supervisors
County of Carroll, Virginia
Hillsville, Virginia

Compliance

We have audited the compliance of the County of Carroll, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County of Carroll, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses 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 County of Carroll, Virginia's management. Our responsibility is to express an opinion on County of Carroll, 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 County of Carroll, 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 County of Carroll, Virginia's compliance with those requirements.

In our opinion, the County of Carroll, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Board of Supervisors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Famer, Cox Associates

Christiansburg, Virginia
December 8, 2008

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 39,332
Temporary Assist to Needy Families (TANF)	93.558	195,545
Refugee and Entrant Assistance - Discretionary Grants	93.566	1,044
Low Income Home Energy Assistance	93.568	5,922
Payments to States for Child Care Assistance	93.575	159,859
Child Care and Development Fund	93.596	114,878
Cafree Education and Training Vouchers Program	93.599	7,923
Child Welfare Services - State Grants	93.645	1,560
Foster Care - Title IV-E	93.658	200,893
Adoption Assistance	93.659	49,399
Social Services Block Grant	93.667	293,102
Independent Living	93.674	3,130
State Children's Insurance Program	93.767	13,680
Medical Assistance Program (Title XIX)	93.778	200,094
Total Department of Health and Human Services		<u>\$ 1,286,361</u>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Services:		
State Homeland Security Grant	97.004	\$ 25,063
Emergency Management Preparedness Grant	97.042	34,088
Total Department of Homeland Security		<u>\$ 59,151</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution (Note B)	10.555	\$ 155,247
Department of Education:		
National school breakfast program	10.553	310,284
National school lunch program	10.555	695,963
Forest reserve payments	10.665	3,778
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	265,340
Total Department of Agriculture		<u>\$ 1,430,612</u>
Department of the Interior:		
Direct payments:		
Bureau of Land Management:		
Payments in Lieu of Taxes	12.112	\$ 15,630
Department of Justice:		
Pass Through Payments:		
Department of Criminal Justice Service:		
Crime victims assistance	16.575	\$ 5,608
Local law enforcement block grant	16.592	2,249
Total Department of Justice		<u>\$ 7,857</u>

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
Alcohol Open Container Requirements	20.607	\$ 23,380
National Recreational Trails Funding Program	20.219	19,472
Total Department of Transportation		\$ 42,852
Department of Education:		
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	\$ 85,602
Title I: Educationally deprived children	84.010	1,066,840
Migrant education	84.011	59,164
Title VI-B: Handicapped state grants	84.027	1,021,500
Vocational Education: Basic grants to states	84.048	91,550
Migrant education Coordination Program	84.144	6,220
Title VI-B: Handicapped preschool incentive grant	84.173	28,442
Drug free schools and communities	84.186	17,482
Title IV - Part B-21	84.287	267,922
Innovative education program strategies	84.298	9,333
Technology literacy challenge funds	84.318	20,888
Comprehensive school reform	84.332	20,189
Advanced Placement Program	84.330	106
Reading first	84.357	750,117
Language acquisition state grant	84.365	30,408
Title II, Part A	84.367	188,514
Total Department of Education		\$ 3,664,277
Total Federal Assistance		\$ 6,506,740

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Carroll County, Virginia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profits Organizations* therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

Note B -- Food Distribution

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

Note C -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:		
General Fund	\$	1,677,191
Total primary government	\$	1,677,191
Component Unit Schools:		
School Operating Fund	\$	4,674,302
Add: Non-cash expenditures - value of donated commodities		155,247
Total Component Unit Schools	\$	4,829,549
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	6,506,740

COUNTY OF CARROLL, VIRGINIA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
84.010	Title I
10.553/10.555	School Nutrition Cluster

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

COUNTY OF CARROLL, VIRGINIA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008

Section II -- Financial Statement Finding

2008-1 **Condition:** The financial statements as presented for the audit, including all component units, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements. **Criteria:** Per Statement on Auditing Standards 112, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls. **Effect:** There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls over financial reporting. **Management's Response:** The County continues to make progress in this area and with the addition of a Finance Director in 2008 expects the number of audit adjustments to decrease.

Section III -- Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior audit findings related to federal awards.