

COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2009

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

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**COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009**

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INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Andrew Jackson	David Hutchins, Chair	Manus McMillian
Sam Dickson		Tom Littrell
	Wesley Hurst, Vice Chair	

COUNTY SCHOOL BOARD

Reginald M. Gardner	Phillip W. Berrier, Chair	Franklin Jett
Harold T. Golding		Robert E. Utz, Vice-chair

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 Larrowe
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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, the County implemented GASB Statement No. 45, Accounting and Financial Reporting for Employers for Post-Employment Benefits other than Pensions, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2009, 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 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.

The budgetary comparison information and the Schedules 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, Cox Associates

Christiansburg, Virginia
December 29, 2009

Basic Financial Statements

County of Carroll, Virginia
Statement of Net Assets
June 30, 2009

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Governmental</u>		<u>Public Service</u>	<u>Industrial Development</u>
	<u>Activities</u>	<u>School Board</u>	<u>Authority</u>	<u>Authority</u>
ASSETS				
Cash and cash equivalents	\$ 11,734,209	\$ 2,385,652	\$ 1,007,185	\$ 419,437
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,031,064	-	-	-
Accounts receivable	249,282	-	174,619	12,688
Other local taxes receivable	106,028	-	-	-
Accrued interest receivable	-	-	-	161,523
Due from component unit	1,320,529	-	-	-
Due from other governmental units	1,212,171	1,333,454	-	-
Prepaid expenses	-	79,703	22,597	-
Deferred charges	-	-	19,450	-
Lease purchase receivable	-	-	-	9,050,000
Assets held for resale:				
Industrial sites	-	-	-	880,976
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	252,691	-	-
Investments	-	-	366,269	-
Other assets:				
Unamortized bond issue costs	-	-	-	212,571
Capital assets (net of accumulated depreciation):				
Land	2,708,759	1,528,700	205,337	274,314
Buildings and system	46,575,038	2,499,038	17,964,020	1,128,327
Machinery and equipment	1,770,027	1,149,686	-	-
Construction in progress	-	-	1,328,078	-
Total assets	<u>\$ 67,707,107</u>	<u>\$ 9,228,924</u>	<u>\$ 21,087,555</u>	<u>\$ 12,139,836</u>
LIABILITIES				
Accounts payable	\$ 410,649	\$ 181,844	\$ 318,843	\$ 13,347
Accrued liabilities	-	1,079,999	-	-
Accrued interest payable	687,476	-	101,320	191,341
Due to primary government	-	1,231,313	89,216	-
Unearned revenue	43	-	-	-
Deposits held in escrow	-	-	32,150	-
Long-term liabilities: (net of unamortized bond premium)				
Due within one year	2,806,520	715,722	186,401	1,063,469
Due in more than one year	35,295,557	830,474	9,799,141	9,973,230
Total liabilities	<u>\$ 39,200,245</u>	<u>\$ 4,039,352</u>	<u>\$ 10,527,071</u>	<u>\$ 11,241,387</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 13,378,780	\$ 5,177,424	\$ 9,669,728	\$ 224,602
Restricted for:				
School cafeterias	-	229,263	-	-
Debt service and bond covenants	-	-	331,665	-
Unrestricted (deficit)	15,128,082	(217,115)	559,091	673,847
Total net assets	<u>\$ 28,506,862</u>	<u>\$ 5,189,572</u>	<u>\$ 10,560,484</u>	<u>\$ 898,449</u>

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, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	School Board	Public Service Authority Industrial Development Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,274,741	\$ 5,182	\$ 278,020	\$ -	\$ (1,991,539)	\$ -	\$ -	\$ -
Judicial administration	917,156	319,362	613,058	-	15,264	-	-	-
Public safety	5,527,643	1,310,300	1,626,176	59,414	(2,531,753)	-	-	-
Public works	1,403,993	53,198	10,170	-	(1,340,625)	-	-	-
Health and welfare	4,560,878	-	3,215,164	-	(1,345,714)	-	-	-
Education	9,318,301	-	-	-	(9,318,301)	-	-	-
Parks, recreation, and cultural	1,090,266	61,261	20,272	-	(1,008,733)	-	-	-
Community development	2,210,516	7,609	250,000	-	(1,952,907)	-	-	-
Interest on long-term debt	1,456,957	-	-	-	(1,456,957)	-	-	-
Total government activities	\$ 28,750,461	\$ 1,756,912	\$ 6,012,860	\$ 59,414	\$ (20,931,275)	\$ -	\$ -	\$ -
Business-type activities:								
Gladeville/Canberry Sewer	\$ 3,128,996	\$ -	\$ -	\$ -	\$ -	(3,128,996)	\$ -	\$ -
Total business-type activities	\$ 3,128,996	\$ -	\$ -	\$ -	\$ -	(3,128,996)	\$ -	\$ -
Total primary government	\$ 31,889,457	\$ 1,756,912	\$ 6,012,860	\$ 59,414	\$ (20,931,275)	\$ (3,128,996)	\$ -	\$ -
COMPONENT UNITS:								
School Board	\$ 43,254,073	\$ 928,692	\$ 31,906,965	-	\$ -	\$ -	\$ (10,418,416)	\$ -
Public Service Authority	2,480,980	1,832,475	-	3,344,741	-	-	-	2,696,236
Industrial Development Authority	1,836,644	919,598	481,334	-	-	-	-	-
Total component units	\$ 47,571,697	\$ 3,680,765	\$ 32,388,299	\$ 3,344,741	\$ -	\$ -	\$ (10,418,416)	\$ (435,712)
General revenues:								
General property taxes					\$ 19,133,533	\$ -	\$ -	\$ -
Local sales and use taxes					1,472,267	-	-	-
Consumer's utility tax					660,615	-	-	-
Telecommunications tax					1,054,580	-	-	-
Motor vehicle taxes					608,511	-	-	-
Restaurant food taxes					433,928	-	-	-
Other local taxes					692,094	-	-	-
Unrestricted revenues from use of money and property					375,242	-	46,250	129,989
Miscellaneous					264,578	-	128,343	26
Payments from Primary Government					-	-	9,316,268	353,250
Grants and contributions not restricted to specific programs					1,204,174	-	-	-
Gain (Loss) on disposal of capital assets					-	-	-	6,579
Total general revenues					\$ 25,899,522	\$ -	\$ 9,490,861	\$ 435,518
Change in net assets					\$ 4,968,247	\$ (3,128,996)	\$ (927,555)	\$ 3,131,764
Net assets - beginning					23,538,615	3,128,996	6,117,127	7,428,730
Net assets - ending					\$ 28,506,862	\$ -	\$ 5,189,572	\$ 10,560,484
Net assets - beginning								\$ 898,449

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 11,734,209
Receivables (net of allowance for uncollectibles):	
Taxes receivable	2,031,064
Accounts receivable	249,282
Other local taxes receivable	106,028
Due from component unit	1,320,529
Due from other governmental units	1,212,171
Total assets	<u>\$ 16,653,283</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 410,649
Deferred revenue	1,779,352
Total liabilities	<u>\$ 2,190,001</u>
Fund balances:	
Unreserved, reported in:	
Unrestricted (deficit)	\$ 14,463,282
Total fund balances	<u>\$ 14,463,282</u>
Total liabilities and fund balances	<u>\$ 16,653,283</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, 2009

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 14,463,282
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,053,824
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,779,309
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(38,789,553)
Net assets of governmental activities	<u>\$ 28,506,862</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, 2009

	<u>General</u>
REVENUES	
General property taxes	\$ 18,689,595
Other local taxes	4,921,995
Permits, privilege fees, and regulatory licenses	140,040
Fines and forfeitures	213,615
Revenue from the use of money and property	375,242
Charges for services	1,403,257
Miscellaneous	264,578
Recovered costs	1,555,014
Intergovernmental revenues:	
Commonwealth	5,679,601
Federal	1,596,847
Total revenues	<u>\$ 34,839,784</u>
EXPENDITURES	
Current:	
General government administration	\$ 2,560,055
Judicial administration	910,971
Public safety	6,500,497
Public works	1,886,658
Health and welfare	4,541,186
Education	8,284,974
Parks, recreation, and cultural	1,106,315
Community development	2,975,348
Debt service:	
Principal retirement	2,923,296
Interest and other fiscal charges	1,584,700
Total expenditures	<u>\$ 33,274,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,565,784</u>
Fund balances - beginning	12,897,498
Fund balances - ending	<u><u>\$ 14,463,282</u></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, 2009

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

Net change in fund balances - total governmental funds	\$ 1,565,784
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.	(632,649)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	443,938
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.	3,530,684
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.	60,490
Change in net assets of governmental activities	<u>\$ 4,968,247</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, 2009

	Enterprise Fund Gladeville/ Cranberry Sewer
ASSETS	
Total assets	\$ -
LIABILITIES	
Total liabilities	\$ -
NET ASSETS	
Total net assets	\$ -

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, 2009

	Enterprise Fund Gladeville/ Cranberry Sewer
OPERATING REVENUES	
Total operating revenues	\$ -
OPERATING EXPENSES	
Total operating expenses	\$ -
Operating income (loss)	\$ -
NONOPERATING REVENUES (EXPENSES)	
Contributions to the Public Service Authority	\$ (3,128,996)
Total nonoperating revenues (expenses)	\$ (3,128,996)
Change in net assets	\$ (3,128,996)
Total net assets - beginning	3,128,996
Total net assets - ending	\$ -

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, 2009

	Enterprise Fund Gladeville/ Cranberry Sewer
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contribution to the Public Service Authority	\$ (165,285)
Net cash provided (used) by noncapital financing activities	<u>\$ (165,285)</u>
Net increase (decrease) in cash and cash equivalents	\$ (165,285)
Cash and cash equivalents - beginning - including restricted	165,285
Cash and cash equivalents - ending - including restricted	<u><u>\$ -</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, 2009

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 39,560
Total assets	<u>\$ 39,560</u>
LIABILITIES	
Amounts held for social services clients	\$ 39,560
Total liabilities	<u>\$ 39,560</u>

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

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009, the County contributed \$124,750 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, 2009, the County contributed \$221,076 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 \$322,103 for the fiscal year ended June 30, 2009.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

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

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

The 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, 2009

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, 2009

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 \$535,842 at June 30, 2009 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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, 2009**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:

Assets	Years
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, 2009**Note 2-Reconciliation of Government-Wide and Fund Financial Statements:**

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$38,789,553) and (\$1,546,196) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General Obligation Bonds	\$ (19,340,591)	\$ -
General Obligation Bond Premium	(643,259)	-
Literary Loans	(8,641,194)	-
Revenue Bond	(9,050,000)	-
Accrued interest payable	(687,476)	-
Other Post employment liability	-	(591,900)
Compensated absences	(427,033)	(954,296)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (38,789,553)</u>	<u>\$ (1,546,196)</u>

- 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 (\$632,649) and (\$606,053) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 1,291,712	\$ 422,478
Depreciation expense	(1,846,874)	(1,028,531)
Loss on the disposal of capital assets	(77,487)	-
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>\$ (632,649)</u>	<u>\$ (606,053)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$3,530,684 difference in the primary government, are as follows:

	Primary Government
Principal Payments or Other Reductions:	
General Obligation Bonds	\$ 1,664,129
Bond Premium (amortization of)	55,444
Lease Purchase (Revenue Bond)	505,000
Literary loans	754,167
Decrease in landfill closure/post-closure liability	<u>551,944</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>\$ 3,530,684</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 \$60,490 and (\$579,826) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Compensated absences	\$ (11,799)	\$ 12,074
Accrued interest	72,289	-
OPEB obligation	<u>-</u>	<u>(591,900)</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>\$ 60,490</u>	<u>\$ (579,826)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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, 2009, there were no funds with deficit fund equity.

C. Appropriations

Appropriations were sufficient to cover expenditures in all funds.

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 (collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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).

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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, 2009 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	\$ 6,964,082
Evergreen Treasury MM	419,437

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	\$ 101,267	\$ -
<u>Commonwealth of Virginia:</u>		
Local sales tax	256,207	-
Other local taxes	153,060	-
State sales tax	-	518,210
Categorical aid-shared expenses	240,836	-
Non-categorical aid	22,104	-
Virginia public assistance funds	60,418	-
Other categorical aid	96,760	-
Comprehensive services act	149,962	-
<u>Federal Government:</u>		
Virginia public assistance funds	72,143	-
Other categorical aid	59,414	-
School grants	-	815,244
Totals	\$ 1,212,171	\$ 1,333,454

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Note 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	\$ -	\$ 1,320,529
Component Unit - School Board:		
School Fund	1,231,313	-
Component Unit - Public Service Authority		
PSA	89,216	-
Totals	<u>\$ 1,320,529</u>	<u>\$ 1,320,529</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>
2010	\$ 1,212,078	\$ 910,739	\$ 754,167	\$ 212,805
2011	1,439,934	872,799	723,196	197,722
2012	1,442,824	809,285	680,167	183,258
2013	1,446,086	744,010	680,167	169,655
2014	1,449,758	672,354	680,167	156,051
2015-2019	7,316,002	2,212,362	3,400,835	576,207
2020-2023	5,033,909	457,494	1,722,495	182,484
Totals	<u>\$ 19,340,591</u>	<u>\$ 6,679,043</u>	<u>\$ 8,641,194</u>	<u>\$ 1,678,182</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Note 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
2010	\$ 520,000	\$ 354,725
2011	535,000	337,581
2012	550,000	319,263
2013	570,000	299,663
2014	590,000	278,625
2014-2018	1,355,000	1,169,313
2019-2023	1,110,000	958,050
2024-2028	1,360,000	696,625
2029-2033	1,680,000	365,375
2034-2037	780,000	35,550
Totals	\$ 9,050,000	\$ 4,814,770

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2009.

	Balance July 1, 2008	Issuances	Retirements	Balance June 30, 2009
GO bonds	\$ 21,004,720	\$ -	\$ (1,664,129)	\$ 19,340,591
Unamortized bond premium	698,703	-	(55,444)	643,259
Literary loans	9,395,361	-	(754,167)	8,641,194
Lease purchase revenue bond	9,555,000	-	(505,000)	9,050,000
Landfill closure post- closure liability	551,944	-	(551,944)	-
Compensated absences	415,234	323,225	(311,426)	427,033
Total	\$ 41,620,962	\$ 323,225	\$ (3,842,110)	\$ 38,102,077

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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.	\$ 2,475,000	\$ -
\$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.	1,325,591	102,078
\$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>15,540,000</u>	<u>1,110,000</u>
Sub-total General Obligation Bonds	<u>\$ 19,340,591</u>	<u>\$ 1,212,078</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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>
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%	\$ 51,255	\$ 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%	43,829	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%	21,945	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%	2,092,059	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%	1,724,064	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%	2,708,970	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%	<u>1,999,072</u>	<u>153,775</u>
Total Literary Loans	<u>\$ 8,641,194</u>	<u>\$ 754,167</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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.	\$ 9,050,000	\$ 520,000
Other Long-term Obligations:		
Compensated absences	\$ 427,033	\$ 320,275
Unamortized bond premium	643,259	-
Total Other Long-term Obligations	\$ 1,070,292	\$ 320,275
Total Long-term Obligations	\$ 38,102,077	\$ 2,806,520

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.

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, 2009.

	<u>Balance July 1, 2008</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
OPEB obligation	\$ -	\$ 914,800	\$ (322,900)	\$ 591,900
Compensated absences	966,370	712,704	(724,778)	954,296
Total	\$ 966,370	\$ 1,627,504	\$ (1,047,678)	\$ 1,546,196

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Other Obligations:		
OPEB obligation	\$ 591,900	\$ -
Compensated absences	954,296	715,722
Total Long-Term Obligations	\$ 1,546,196	\$ 715,722

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. 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/2008 annurept.pdf](http://www.varetire.org/Pdf/Publications/2008%20annurept.pdf) or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% 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 2009 was 7.54% 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 2009 was 8.63% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2009, the County of Carroll, Virginia's annual pension cost of \$453,339 and \$225,275 was equal to the County of Carroll, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

C. Annual Pension Cost (continued)

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2009	\$ 453,339	100.00%	\$ -
	6/30/2008	346,489	100.00%	-
	6/30/2007	317,487	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2009	\$ 225,275	100.00%	\$ -
	6/30/2008	247,999	100.00%	-
	6/30/2007	219,401	100.00%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of 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 projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2008, the most recent actuarial valuation date, the plan was 91.42% funded. The actuarial accrued liability for benefits was \$21,281,798, and the actuarial value of assets was \$19,455,872, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,825,925. The covered payroll (annual payroll of active employees covered by the plan) was \$5,720,290, and ratio of the UAAL to the covered payroll was 31.92%.

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

As of June 30, 2008, the most recent actuarial valuation date, the plan was 94.09% funded. The actuarial accrued liability for benefits was \$7,696,313, and the actuarial value of assets was \$7,241,222, resulting in an unfunded actuarial accrued liability (UAAL) of \$455,091. The covered payroll (annual payroll of active employees covered by the plan) was \$2,544,222, and ratio of the UAAL to the covered payroll was 17.89%.

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.

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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/2008annurept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% 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 \$1,782,901, \$2,242,405, and \$1,680,013 for the fiscal years ended 2009, 2008, and 2007, respectively. Required employer contributions represented 8.81%, 10.30%, and 9.20% of covered payroll for the fiscal years ended 2009, 2008, and 2007, respectively.

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2009 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,708,759	\$ -	\$ -	\$ 2,708,759
Total capital assets not being depreciated	<u>\$ 2,708,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,708,759</u>
Capital assets, being depreciated:				
Buildings	\$ 58,069,233	\$ -	\$ -	\$ 58,069,233
Machinery and equipment	4,215,280	1,291,712	(390,835)	5,116,157
Total capital assets being depreciated	<u>\$ 62,284,513</u>	<u>\$ 1,291,712</u>	<u>\$ (390,835)</u>	<u>\$ 63,185,390</u>
Less: accumulated depreciation for:				
Buildings	\$ (9,924,904)	\$ (1,569,291)	\$ -	\$ (11,494,195)
Machinery and equipment	(3,381,895)	(277,583)	313,348	(3,346,130)
Total accumulated depreciation	<u>\$ (13,306,799)</u>	<u>\$ (1,846,874)</u>	<u>\$ 313,348</u>	<u>\$ (14,840,325)</u>
Total capital assets being depreciated, net	<u>\$ 48,977,714</u>	<u>\$ (555,162)</u>	<u>\$ (77,487)</u>	<u>\$ 48,345,065</u>
Governmental activities capital assets, net	<u>\$ 51,686,473</u>	<u>\$ (555,162)</u>	<u>\$ (77,487)</u>	<u>\$ 51,053,824</u>

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Note 10-Capital Assets: (continued)

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

Governmental activities:		
General government	\$	28,040
Public safety		275,054
Public works		419,975
Health and welfare		18,110
Education		1,067,927
Parks, recreation, and culture		18,156
Community development		19,612
		<u>1,846,874</u>
Total depreciation expense-primary government	\$	<u>1,846,874</u>

Capital asset activity for the School Board for the year ended June 30, 2009 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	\$ 8,586,883	\$ 375,981	\$ -	\$ 8,962,864
Machinery and equipment	4,577,794	46,497	-	4,624,291
Total capital assets being depreciated	<u>\$ 13,164,677</u>	<u>\$ 422,478</u>	<u>\$ -</u>	<u>\$ 13,587,155</u>
Less: accumulated depreciation for:				
Buildings	\$ (5,768,464)	\$ (695,362)	\$ -	\$ (6,463,826)
Machinery and equipment	(3,141,436)	(333,169)	-	(3,474,605)
Total accumulated depreciation	<u>\$ (8,909,900)</u>	<u>\$ (1,028,531)</u>	<u>\$ -</u>	<u>\$ (9,938,431)</u>
Total capital assets being depreciated, net	<u>\$ 4,254,777</u>	<u>\$ (606,053)</u>	<u>\$ -</u>	<u>\$ 3,648,724</u>
Governmental activities capital assets, net	<u>\$ 5,783,477</u>	<u>\$ (606,053)</u>	<u>\$ -</u>	<u>\$ 5,177,424</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**Note 11-Other Postemployment Benefits (OPEB):**

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

Component Unit: School Board**A. Plan Description**

The County of Carroll's Component Unit – School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 781 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows at June 30, 2009:

Participants	Total Premium
Employee	\$490-510
Employee / Spouse	\$907-944

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

C. Annual OPEB Cost and Net OPEB Obligation:

The County's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan (dollar amounts in thousands).

Annual required contribution	\$ 914,800
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	914,800
Contributions made	322,900
Increase in net OPEB obligation	591,900
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	\$ 591,900

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**Note 11-Other Postemployment Benefits (OPEB): (Continued)**Component Unit: School Board (Continued)

C. Annual OPEB Cost (Continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 914,800	35%	\$ 591,900

* Information has only been available for one year.

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 7,586,600
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 7,586,600
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 22,847,617
UAAL as a percentage of covered payroll	33.21%

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

E. Actuarial methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008, actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 7%, and a health care trend rate of 10% decreasing .5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2009, was 29 years.

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2009

Note 12-Risk Management:

The County and its component unit – School Board are exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability, 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 13-Contingent Liabilities:

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

Note 14-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:

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 15-Designated and Reserved Fund Balances:

Component Unit - School Board:	
Reserved for cafeteria	\$ 252,691
 Total School Board reservations	 \$ 252,691

Note 16-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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Note 17-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.

The County was provided grants from two agencies of the Commonwealth of Virginia for Economic Development totaling \$600,000. Carroll County subsequently provided these funds along with a parcel of real estate in Carroll County to an economic development prospect (Amerilink). Amerilink has filed for bankruptcy and the County has filed a claim against Amerilink for the return of funds as well as the return of property. The aforementioned agencies of the Commonwealth have requested that Carroll County refund grants totaling \$600,000. At the present time, no estimate can be made of the amount that will be recovered from Amerilink. As such, the County can not estimate the amount of grant funds that will be returned to the Commonwealth.

The County is a guarantor for several obligations of the IDA. At year end those obligations totaled \$1,986,699.

Note 18—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 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 \$43 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2009, but paid in advance by the taxpayers totaled \$43 at June 30, 2009.

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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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 18,670,700	\$ 18,809,174	\$ 18,689,595	\$ (119,579)
Other local taxes	3,674,000	3,796,757	4,921,995	1,125,238
Permits, privilege fees, and regulatory licenses	171,500	171,500	140,040	(31,460)
Fines and forfeitures	5,000	214,372	213,615	(757)
Revenue from the use of money and property	232,000	430,000	375,242	(54,758)
Charges for services	751,695	1,109,285	1,403,257	293,972
Miscellaneous	114,900	210,205	264,578	54,373
Recovered costs	1,532,832	1,692,830	1,555,014	(137,816)
Intergovernmental revenues:				
Commonwealth	3,690,022	5,942,350	5,679,601	(262,749)
Federal	1,999,041	2,300,704	1,596,847	(703,857)
Total revenues	\$ 30,841,690	\$ 34,677,177	\$ 34,839,784	\$ 162,607
EXPENDITURES				
Current:				
General government administration	\$ 2,574,032	\$ 2,726,314	\$ 2,560,055	\$ 166,259
Judicial administration	1,064,015	1,014,616	910,971	103,645
Public safety	5,499,282	8,145,119	6,500,497	1,644,622
Public works	1,508,273	2,000,838	1,886,658	114,180
Health and welfare	4,441,315	4,540,598	4,541,186	(588)
Education	7,952,826	8,202,826	8,284,974	(82,148)
Parks, recreation, and cultural	726,317	1,365,916	1,106,315	259,601
Community development	2,767,033	3,327,253	2,975,348	351,905
Debt service:				
Principal retirement	2,923,296	2,923,296	2,923,296	-
Interest and other fiscal charges	1,584,701	1,584,701	1,584,700	1
Total expenditures	\$ 31,041,090	\$ 35,831,477	\$ 33,274,000	\$ 2,557,477
Excess (deficiency) of revenues over (under) expenditures	\$ (199,400)	\$ (1,154,300)	\$ 1,565,784	\$ 2,720,084
Net change in fund balances	\$ (199,400)	\$ (1,154,300)	\$ 1,565,784	\$ 2,720,084
Fund balances - beginning	200,000	1,154,300	12,897,498	11,743,198
Fund balances - ending	\$ 600	\$ -	\$ 14,463,282	\$ 14,463,282

County of Carroll, Virginia
Schedules of Pension Funding Progress
As of June 30, 2009

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)
6/30/2008	\$ 19,455,872	\$ 21,281,798	\$ 1,825,926	91.42%	\$ 5,720,290	31.92%
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%

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

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)
6/30/2008	\$ 7,241,222	\$ 7,696,313	\$ 455,091	94.09%	\$ 2,544,222	17.89%
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%

School Board Postemployment Benefit 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)
6/30/2008	\$ -	\$ 7,586,600	\$ 7,586,600	0.00%	\$ 22,847,617	33.21%

Other Supplementary Information

County of Carroll, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

Agency Funds

**Special
Welfare**

ASSETS

Cash and cash equivalents
Total assets

\$ 39,560
\$ 39,560

LIABILITIES

Amounts held for social services clients
Total liabilities

\$ 39,560
\$ 39,560

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, 2009

**School
Operating
Fund**

ASSETS

Cash and cash equivalents	\$ 2,385,652
Due from other governmental units	1,333,454
Prepaid items	79,703
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	252,691
Total assets	<u>\$ 4,051,500</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 181,844
Accrued liabilities	1,079,999
Due to primary government	1,231,313
Total liabilities	<u>\$ 2,493,156</u>

Fund balances:

Unreserved:

Designated for subsequent expenditure	\$ 1,305,653
Designated for cafeteria operations	252,691
Total fund balances	<u>\$ 1,558,344</u>
Total liabilities and fund balances	<u>\$ 4,051,500</u>

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

Total fund balances per above	\$ 1,558,344
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,177,424
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,546,196)
Net assets of governmental activities	<u>\$ 5,189,572</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, 2009

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 46,250
Charges for services	928,692
Miscellaneous	128,343
Recovered costs	225,382
Intergovernmental revenues:	
Local government	8,248,341
Commonwealth	26,670,182
Federal	5,236,783
Total revenues	<u>\$ 41,483,973</u>
EXPENDITURES	
Current:	
Education	\$ 41,225,649
Total expenditures	<u>\$ 41,225,649</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 258,324</u>
Net change in fund balances	\$ 258,324
Fund balances - beginning	1,300,020
Fund balances - ending	<u>\$ 1,558,344</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	\$ 258,324
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.	(606,053)
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.	(579,826)
Change in net assets of governmental activities	<u>\$ (927,555)</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, 2009

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 41,000	\$ 41,000	\$ 46,250	\$ 5,250
Charges for services	807,000	807,000	928,692	121,692
Miscellaneous	70,000	70,000	128,343	58,343
Recovered costs	77,000	77,000	225,382	148,382
Intergovernmental revenues:				
Local government	8,165,492	8,415,492	8,248,341	(167,151)
Commonwealth	27,350,052	27,688,184	26,670,182	(1,018,002)
Federal	4,657,708	5,023,319	5,236,783	213,464
Total revenues	<u>\$ 41,168,252</u>	<u>\$ 42,121,995</u>	<u>\$ 41,483,973</u>	<u>\$ (638,022)</u>
EXPENDITURES				
Current:				
Education	\$ 41,048,130	\$ 42,001,873	\$ 41,225,649	\$ 776,224
Total expenditures	<u>\$ 41,048,130</u>	<u>\$ 42,001,873</u>	<u>\$ 41,225,649</u>	<u>\$ 776,224</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 120,122	\$ 120,122	\$ 258,324	\$ 138,202
Net change in fund balances	\$ 120,122	\$ 120,122	\$ 258,324	\$ 138,202
Fund balances - beginning	820,000	820,000	1,300,020	480,020
Fund balances - ending	<u>\$ 940,122</u>	<u>\$ 940,122</u>	<u>\$ 1,558,344</u>	<u>\$ 618,222</u>

Supporting Schedules

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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	\$ 13,652,500	\$ 13,652,504	\$ 13,762,886	\$ 110,382
Real and personal public service corporation taxes	358,200	358,200	598,660	240,460
Personal property taxes	3,391,000	3,529,470	2,939,378	(590,092)
Mobile home taxes	80,000	80,000	112,623	32,623
Machinery and tools taxes	849,000	849,000	820,382	(28,618)
Merchant's capital taxes	200,000	200,000	182,629	(17,371)
Penalties	60,000	60,000	111,288	51,288
Interest	80,000	80,000	161,749	81,749
Total general property taxes	<u>\$ 18,670,700</u>	<u>\$ 18,809,174</u>	<u>\$ 18,689,595</u>	<u>\$ (119,579)</u>
Other local taxes:				
Local sales and use taxes	\$ 980,000	\$ 1,102,757	\$ 1,472,267	\$ 369,510
Consumers' utility taxes- electric	600,000	600,000	660,615	60,615
Consumption taxes	95,000	95,000	105,559	10,559
E-911 telephone taxes	60,000	60,000	-	(60,000)
Telecommunications Taxes	650,000	650,000	1,054,580	404,580
Franchise license taxes	-	-	8,868	8,868
Utility license tax	30,000	30,000	48,610	18,610
Recordation taxes	129,000	129,000	139,104	10,104
Motor vehicle licenses	525,000	525,000	608,511	83,511
Bank stock taxes	10,000	10,000	18,132	8,132
Taxes on deeds	30,000	30,000	31,453	1,453
Hotel and motel room taxes	235,000	235,000	340,368	105,368
Restaurant food taxes	330,000	330,000	433,928	103,928
Total other local taxes	<u>\$ 3,674,000</u>	<u>\$ 3,796,757</u>	<u>\$ 4,921,995</u>	<u>\$ 1,125,238</u>
Permits, privilege fees, and regulatory licenses				
Animal licenses	\$ 20,000	\$ 20,000	\$ 24,585	\$ 4,585
Land use application fees	-	-	7,609	7,609
Transfer fees	1,500	1,500	1,395	(105)
Building permits	150,000	150,000	106,446	(43,554)
Other permits and licenses	-	-	5	5
Total permits, privilege fees, and regulatory licenses	<u>\$ 171,500</u>	<u>\$ 171,500</u>	<u>\$ 140,040</u>	<u>\$ (31,460)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 5,000	\$ 214,372	\$ 213,615	\$ (757)
Total fines and forfeitures	<u>\$ 5,000</u>	<u>\$ 214,372</u>	<u>\$ 213,615</u>	<u>\$ (757)</u>
Revenue from use of money and property				
Revenue from use of money	\$ 206,000	\$ 206,000	\$ 149,240	\$ (56,760)
Revenue from use of property	26,000	224,000	226,002	2,002
Total revenue from use of money and property	<u>\$ 232,000</u>	<u>\$ 430,000</u>	<u>\$ 375,242</u>	<u>\$ (54,758)</u>
Charges for services:				
Clerk's interest	\$ 200	\$ 200	\$ 1,337	\$ 1,137
Charges for law enforcement and traffic contro	100	205	114	(91)
Charges for courthouse maintenance	14,000	14,000	19,529	5,529
Charges for courthouse security	40,000	40,000	97,612	57,612
Charges for Commonwealth's Attorney	1,000	1,000	1,961	961

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Miscellaneous jail and inmate fees	\$ 1,050	\$ 1,050	\$ 3,126	\$ 2,076
Charges for cannery	10,000	10,000	12,935	2,935
Charges for law library	15,000	15,000	3,442	(11,558)
Charges for sanitation and waste removal	30,000	30,000	33,669	3,669
Charges for parks and recreation	30,000	34,830	48,326	13,496
Charges for EMS	608,345	961,000	1,176,024	215,024
Other charges for services	2,000	2,000	5,182	3,182
Total charges for services	\$ 751,695	\$ 1,109,285	\$ 1,403,257	\$ 293,972
Miscellaneous revenue:				
Miscellaneous	\$ 114,900	\$ 210,205	\$ 264,578	\$ 54,373
Total miscellaneous revenue	\$ 114,900	\$ 210,205	\$ 264,578	\$ 54,373
Recovered costs:				
Solid Waste Authority	\$ 323,013	\$ 323,013	\$ 241,870	\$ (81,143)
Crossroads	-	-	12,814	12,814
Public Service Authority	586,701	617,077	625,936	8,859
Farmers' Market	195,188	195,188	121,650	(73,538)
City of Galax-shared expenses	100,000	100,000	140,907	40,907
Insurance recoveries	20,000	56,652	38,639	(18,013)
School resource officer	34,600	34,600	34,600	-
Other recovered costs	273,330	366,300	338,598	(27,702)
Total recovered costs	\$ 1,532,832	\$ 1,692,830	\$ 1,555,014	\$ (137,816)
Total revenue from local sources	\$ 25,152,627	\$ 26,434,123	\$ 27,563,336	\$ 1,129,213
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 taxes	35,000	35,000	64,752	29,752
Motor vehicle rental taxes	2,800	2,800	5,041	2,241
Rolling stock taxes	1,000	1,000	1,219	219
State recordation taxes	35,000	35,000	49,619	14,619
Personal property tax relief funds	-	-	1,051,552	1,051,552
Total noncategorical aid	\$ 105,494	\$ 105,494	\$ 1,172,183	\$ 1,066,689
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 436,912	\$ 436,912	\$ 335,067	\$ (101,845)
Sheriff	1,399,789	1,399,789	1,354,918	(44,871)
Commissioner of revenue	141,313	141,313	137,842	(3,471)
Treasurer	138,433	138,433	139,698	1,265
Medical examiner	400	400	-	(400)
Registrar/electoral board	43,740	43,740	-	(43,740)
Clerk of the Circuit Court	269,157	269,157	277,991	8,834
Total shared expenses	\$ 2,429,744	\$ 2,429,744	\$ 2,245,516	\$ (184,228)
Other categorical aid:				
Public assistance and welfare administration	\$ 599,203	\$ 698,486	\$ 991,030	\$ 292,544
Comprehensive Services Act	537,475	537,475	752,680	215,205

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Animal friendly plates	\$ -	\$ -	\$ 352	\$ 352
Tobacco settlement funds	-	401,800	100,000	(301,800)
Victim witness	46,485	46,485	48,529	2,044
Fire program	69,582	71,832	71,832	-
Litter control grant	10,300	10,300	10,170	(130)
Emergency and medical services grant	-	-	81,391	81,391
Rents and Royalties	-	-	480	480
Public safety grant	-	1,577,479	-	(1,577,479)
Two-for-life grant	30,000	47,682	47,682	-
Asset forfeiture	-	-	1,173	1,173
Governor's Opportunity Funds	-	150,000	150,000	-
Local law enforcement grant	-	1,155	1,155	-
Department of Justice grant	-	2,679	428	(2,251)
Arts grant	5,000	5,000	5,000	-
Aid to localities	(143,261)	(143,261)	-	143,261
Total other categorical aid	\$ 1,154,784	\$ 3,407,112	\$ 2,261,902	\$ (1,145,210)
Total categorical aid	\$ 3,584,528	\$ 5,836,856	\$ 4,507,418	\$ (1,329,438)
Total revenue from the Commonwealth	\$ 3,690,022	\$ 5,942,350	\$ 5,679,601	\$ (262,749)
Revenue from the federal government				
Payments in lieu of taxes	\$ 6,000	\$ 6,000	\$ 31,991	\$ 25,991
Categorical aid:				
Public assistance and welfare administration	\$ 1,948,041	\$ 1,948,041	\$ 1,471,454	\$ (476,587)
Emergency management preparedness grant	-	86,391	5,000	(81,391)
Community Facilities Grant	-	-	59,414	59,414
Trail Grant	-	15,272	15,272	-
State and community highway safety	20,000	20,000	13,716	(6,284)
Community development block grant	25,000	225,000	-	(225,000)
Total categorical aid	\$ 1,993,041	\$ 2,294,704	\$ 1,564,856	\$ (729,848)
Total revenue from the federal government	\$ 1,999,041	\$ 2,300,704	\$ 1,596,847	\$ (703,857)
Total General Fund	\$ 30,841,690	\$ 34,677,177	\$ 34,839,784	\$ 162,607
Total Primary Government	\$ 30,841,690	\$ 34,677,177	\$ 34,839,784	\$ 162,607

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property				
Revenue from the use of money	\$ 1,000	\$ 1,000	\$ 7,057	\$ 6,057
Revenue from the use of property	40,000	40,000	39,193	(807)
Total revenue from use of money and property	\$ 41,000	\$ 41,000	\$ 46,250	\$ 5,250
Charges for services:				
Fees from pupils	\$ 18,000	\$ 18,000	\$ 22,950	\$ 4,950
Tuition from other localities	10,000	10,000	117,384	107,384
Cafeteria sales	750,000	750,000	775,825	25,825
Transportation of pupils	6,000	6,000	3,156	(2,844)
Other payments from other localities	23,000	23,000	9,377	(13,623)
Total charges for services	\$ 807,000	\$ 807,000	\$ 928,692	\$ 121,692
Miscellaneous revenue:				
E-rate	\$ 50,000	\$ 50,000	\$ 67,945	\$ 17,945
Other miscellaneous	20,000	20,000	60,398	40,398
Total miscellaneous revenue	\$ 70,000	\$ 70,000	\$ 128,343	\$ 58,343
Recovered costs:				
Insurance recoveries and rebates	\$ 77,000	\$ 77,000	\$ 225,382	\$ 148,382
Total recovered costs	\$ 77,000	\$ 77,000	\$ 225,382	\$ 148,382
Total revenue from local sources	\$ 995,000	\$ 995,000	\$ 1,328,667	\$ 333,667
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 8,165,492	\$ 8,415,492	\$ 8,248,341	\$ (167,151)
Total revenues from local governments	\$ 8,165,492	\$ 8,415,492	\$ 8,248,341	\$ (167,151)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,991,342	\$ 3,991,342	\$ 3,587,303	\$ (404,039)
Basic school aid	15,059,524	15,059,524	15,037,511	(22,013)
Remedial summer education	119,841	119,841	164,913	45,072
Regular foster care	43,556	43,556	27,103	(16,453)
Adult education	-	-	8,586	8,586
Gifted and talented	134,523	134,523	132,734	(1,789)
Remedial education	451,401	451,401	445,396	(6,005)
Alternative education	133,487	133,487	133,487	-
Special education	1,252,563	1,252,563	1,235,900	(16,663)
Enrollment loss	-	-	115,908	115,908
Textbook payment	354,305	354,305	349,592	(4,713)
School construction	161,220	161,220	161,439	219
Vocational standards of quality payments	346,772	346,772	342,159	(4,613)
Vocational adult education	-	-	598	598
Vocational education - equipment	24,034	24,034	11,050	(12,984)
Vocational occupational preparedness	-	-	10,467	10,467
Social security fringe benefits	768,278	768,278	758,049	(10,229)
Retirement fringe benefits	992,484	992,484	979,281	(13,203)
Group life insurance instructiona	32,884	32,884	32,446	(438)
State lottery payments	641,031	712,257	585,888	(126,369)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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	\$ 64,688	\$ 64,688	\$ 64,688	\$ -
Homebound education	45,169	45,169	47,061	1,892
School nutrition	34,729	34,729	36,857	2,128
Special education - foster childrer	-	-	46,983	46,983
Special education - regional	84,764	84,764	95,101	10,337
At risk payments	464,795	464,795	458,634	(6,161)
VPSA technology	336,000	336,000	26,000	(310,000)
Standards of Learning algebra readiness	56,634	56,634	56,634	-
At risk four-year olds	329,814	329,814	374,994	45,180
Primary class size	543,473	543,473	548,823	5,350
Mentor teacher program	5,565	5,565	4,848	(717)
ISAEF	15,717	15,717	15,717	-
Jobs for VA grads	-	-	25,000	25,000
CTE industry credentials	-	-	5,101	5,101
JROTC	45,000	45,000	48,767	3,767
Americorp	201,600	201,600	173,528	(28,072)
Adult secondary payments	45,777	45,777	-	(45,777)
Race to GED	-	29,987	29,986	(1)
English as a second language	128,327	128,327	101,868	(26,459)
Other state funds	440,755	677,674	389,782	(287,892)
Total categorical aid	\$ 27,350,052	\$ 27,688,184	\$ 26,670,182	\$ (1,018,002)
Total revenue from the Commonwealth	\$ 27,350,052	\$ 27,688,184	\$ 26,670,182	\$ (1,018,002)
Revenue from the federal government				
Categorical aid:				
Forest reserve	\$ 3,700	\$ 3,700	\$ 15,519	\$ 11,819
Adult literacy	77,197	77,197	85,213	8,016
Title I	963,719	1,040,944	1,066,038	25,094
Title VI-B, flow-through	994,405	994,405	968,251	(26,154)
Title VI-B, preschool	28,442	28,442	27,919	(523)
Title III	16,465	16,465	22,816	6,351
Drug free schools	21,826	21,826	22,481	655
Title II	11,000	11,000	11,492	492
Title V Part A	-	-	140	140
Vocational education	92,020	92,020	91,495	(525)
Reading First	1,028,867	1,028,867	1,090,831	61,964
Teacher quality	221,191	221,191	193,026	(28,165)
Migrant education	37,924	37,924	59,587	21,663
School Breakfast Program	290,146	290,146	482,588	192,442
National school lunch program	870,806	870,806	843,301	(27,505)
Safe and drug free schools national program	-	110,062	91,890	(18,172)
Math and Science Partnerships	-	178,324	-	(178,324)
Title IV-Part B-21	-	-	164,196	164,196
Total categorical aid	\$ 4,657,708	\$ 5,023,319	\$ 5,236,783	\$ 213,464
Total revenue from the federal government:	\$ 4,657,708	\$ 5,023,319	\$ 5,236,783	\$ 213,464
Total School Operating Fund	\$ 41,168,252	\$ 42,121,995	\$ 41,483,973	\$ (638,022)
Total Discretely Presented Component Unit - School Board	\$ 41,168,252	\$ 42,121,995	\$ 41,483,973	\$ (638,022)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 763,426	\$ 747,805	\$ 697,424	\$ 50,381
General and financial administration:				
County administrator	\$ 541,573	\$ 658,502	\$ 592,124	\$ 66,378
Central purchasing	5,000	5,000	4,942	58
County attorney	50,500	118,770	146,635	(27,865)
Commissioner of revenue	285,325	285,325	279,757	5,568
County assessor	187,609	187,609	161,281	26,328
Treasurer	388,390	363,390	337,405	25,985
Management information systems	134,904	134,905	128,602	6,303
Total general and financial administration	\$ 1,593,301	\$ 1,753,501	\$ 1,650,746	\$ 102,755
Board of elections:				
Electoral board and officials	\$ 99,507	\$ 99,507	\$ 94,747	\$ 4,760
Registrar	117,798	125,501	117,138	8,363
Total board of elections	\$ 217,305	\$ 225,008	\$ 211,885	\$ 13,123
Total general government administration	\$ 2,574,032	\$ 2,726,314	\$ 2,560,055	\$ 166,259
Judicial administration:				
Courts:				
Circuit court	\$ 40,705	\$ 40,705	\$ 36,717	\$ 3,988
General district court	5,000	5,000	1,307	3,693
Juvenile court	3,350	3,350	2,899	451
Special magistrates	500	500	75	425
Victim witness	57,882	57,882	52,708	5,174
Clerk of the circuit court	422,338	422,938	410,970	11,968
Law library	15,000	15,000	1,935	13,065
Total courts	\$ 544,775	\$ 545,375	\$ 506,611	\$ 38,764
Commonwealth's attorney:				
Commonwealth's attorney	\$ 519,240	\$ 469,241	\$ 404,360	\$ 64,881
Total commonwealth's attorney	\$ 519,240	\$ 469,241	\$ 404,360	\$ 64,881
Total judicial administration	\$ 1,064,015	\$ 1,014,616	\$ 910,971	\$ 103,645
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,880,548	\$ 2,099,136	\$ 1,901,658	\$ 197,478
Vehicle maintenance	248,765	357,923	316,419	41,504
Total law enforcement and traffic control	\$ 2,129,313	\$ 2,457,059	\$ 2,218,077	\$ 238,982
Fire and rescue services:				
Volunteer fire departments	\$ 603,137	\$ 670,756	\$ 621,957	\$ 48,799
Rescue squads	192,500	674,589	670,965	3,624
Carroll EMS	924,915	1,027,174	972,469	54,705
Total fire and rescue services	\$ 1,720,552	\$ 2,372,519	\$ 2,265,391	\$ 107,128

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Payments to New River Regional Jail	\$ 790,955	\$ 840,248	\$ 845,706	\$ (5,458)
Juvenile probation and detentior	101,581	128,149	120,605	7,544
Total correction and detention	<u>\$ 892,536</u>	<u>\$ 968,397</u>	<u>\$ 966,311</u>	<u>\$ 2,086</u>
Inspections:				
Building	\$ 168,554	\$ 168,554	\$ 150,259	\$ 18,295
Total inspections	<u>\$ 168,554</u>	<u>\$ 168,554</u>	<u>\$ 150,259</u>	<u>\$ 18,295</u>
Other protection:				
Animal warden	\$ 87,967	\$ 107,251	\$ 106,894	\$ 357
Medical examiner	800	800	300	500
Erosion and sediment control	73,728	59,728	43,600	16,128
Emergency services	96,115	1,681,094	426,053	1,255,041
E-911	327,217	327,217	322,103	5,114
Garage emergency vehicles	2,500	2,500	1,509	991
Total other protection	<u>\$ 588,327</u>	<u>\$ 2,178,590</u>	<u>\$ 900,459</u>	<u>\$ 1,278,131</u>
Total public safety	<u>\$ 5,499,282</u>	<u>\$ 8,145,119</u>	<u>\$ 6,500,497</u>	<u>\$ 1,644,622</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 476,573	\$ 948,079	\$ 920,494	\$ 27,585
Litter control	25,851	9,851	2,514	7,337
Total sanitation and waste removal	<u>\$ 502,424</u>	<u>\$ 957,930</u>	<u>\$ 923,008</u>	<u>\$ 34,922</u>
Maintenance of general buildings and grounds				
Governmental complex	\$ 434,599	\$ 425,599	\$ 429,884	\$ (4,285)
Courthouse	8,600	8,600	4,225	4,375
Carter building	5,500	5,500	5,358	142
Cannery	13,000	13,000	8,717	4,283
Maintenance force	303,258	323,739	277,517	46,222
Maintenance of other properties	240,892	266,470	237,949	28,521
Total maintenance of general buildings and grounds	<u>\$ 1,005,849</u>	<u>\$ 1,042,908</u>	<u>\$ 963,650</u>	<u>\$ 79,258</u>
Total public works	<u>\$ 1,508,273</u>	<u>\$ 2,000,838</u>	<u>\$ 1,886,658</u>	<u>\$ 114,180</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 225,146	\$ 225,146	\$ 225,146	\$ -
Total health	<u>\$ 225,146</u>	<u>\$ 225,146</u>	<u>\$ 225,146</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	\$ 124,750	\$ 124,750	\$ 124,750	\$ -
Total mental health and mental retardation	<u>\$ 124,750</u>	<u>\$ 124,750</u>	<u>\$ 124,750</u>	<u>\$ -</u>

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance and welfare administration	\$ 4,025,150	\$ 4,124,433	\$ 4,125,021	\$ (588)
Senior citizens center	66,269	66,269	66,269	-
Total welfare	<u>\$ 4,091,419</u>	<u>\$ 4,190,702</u>	<u>\$ 4,191,290</u>	<u>\$ (588)</u>
Total health and welfare	<u>\$ 4,441,315</u>	<u>\$ 4,540,598</u>	<u>\$ 4,541,186</u>	<u>\$ (588)</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 36,633	\$ 36,633	\$ 36,633	\$ -
Contribution to County School Board	7,916,193	8,166,193	8,248,341	(82,148)
Total education	<u>\$ 7,952,826</u>	<u>\$ 8,202,826</u>	<u>\$ 8,284,974</u>	<u>\$ (82,148)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 225,730	\$ 239,784	\$ 239,481	\$ 303
Swimming pools	66,398	35,615	24,403	11,212
Farmer's Market	203,006	859,334	621,355	237,979
Total parks and recreation	<u>\$ 495,134</u>	<u>\$ 1,134,733</u>	<u>\$ 885,239</u>	<u>\$ 249,494</u>
Library:				
Contribution to Carroll-Galax Regional Library	\$ 231,183	\$ 231,183	\$ 221,076	\$ 10,107
Total library	<u>\$ 231,183</u>	<u>\$ 231,183</u>	<u>\$ 221,076</u>	<u>\$ 10,107</u>
Total parks, recreation, and cultural	<u>\$ 726,317</u>	<u>\$ 1,365,916</u>	<u>\$ 1,106,315</u>	<u>\$ 259,601</u>
Community development:				
Planning and community development:				
Planning commission	\$ 7,500	\$ 7,500	\$ 4,800	\$ 2,700
Economic development	634,625	1,430,363	1,143,421	286,942
Payments to Town of Hillsville	225,000	309,428	308,852	576
Contribution to Public Service Authority	1,584,130	1,236,384	1,229,805	6,579
Contribution to Twin County Airport	37,000	37,000	37,000	-
Tourism	206,770	234,570	197,610	36,960
Total planning and community development	<u>\$ 2,695,025</u>	<u>\$ 3,255,245</u>	<u>\$ 2,921,488</u>	<u>\$ 333,757</u>
Environmental management:				
Contribution to soil and water district	\$ 8,700	\$ 8,700	\$ 7,450	\$ 1,250
Total environmental management	<u>\$ 8,700</u>	<u>\$ 8,700</u>	<u>\$ 7,450</u>	<u>\$ 1,250</u>
Cooperative extension program:				
Extension office	\$ 63,308	\$ 63,308	\$ 46,410	\$ 16,898
Total cooperative extension program	<u>\$ 63,308</u>	<u>\$ 63,308</u>	<u>\$ 46,410</u>	<u>\$ 16,898</u>
Total community development	<u>\$ 2,767,033</u>	<u>\$ 3,327,253</u>	<u>\$ 2,975,348</u>	<u>\$ 351,905</u>

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2009

Schedule 2
Page 4 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)				
Debt service:				
Principal retirement	\$ 2,923,296	\$ 2,923,296	\$ 2,923,296	\$ -
Interest and other fiscal charges	1,584,701	1,584,701	1,584,700	1
Total debt service	<u>\$ 4,507,997</u>	<u>\$ 4,507,997</u>	<u>\$ 4,507,996</u>	<u>\$ 1</u>
 Total General Fund	 \$ 31,041,090	 \$ 35,831,477	 \$ 33,274,000	 \$ 2,557,477
Total Primary Government	<u>\$ 31,041,090</u>	<u>\$ 35,831,477</u>	<u>\$ 33,274,000</u>	<u>\$ 2,557,477</u>
 Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,624,294	\$ 1,924,939	\$ 1,560,177	\$ 364,762
 Instruction costs:				
Instruction	\$ 30,621,060	\$ 31,164,096	\$ 30,818,359	\$ 345,737
 Operating costs:				
Pupil transportation	\$ 2,707,656	\$ 2,707,656	\$ 2,474,545	\$ 233,111
Operation and maintenance of school plant	3,857,613	3,967,675	4,006,353	(38,678)
Food services and other non-instructional costs	2,128,669	2,128,669	2,257,377	(128,708)
Facilities	108,838	108,838	108,838	-
Total operating costs	<u>\$ 8,802,776</u>	<u>\$ 8,912,838</u>	<u>\$ 8,847,113</u>	<u>\$ 65,725</u>
 Total education	 \$ 41,048,130	 \$ 42,001,873	 \$ 41,225,649	 \$ 776,224
Total School Fund	<u>\$ 41,048,130</u>	<u>\$ 42,001,873</u>	<u>\$ 41,225,649</u>	<u>\$ 776,224</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 41,048,130</u>	<u>\$ 42,001,873</u>	<u>\$ 41,225,649</u>	<u>\$ 776,224</u>

Statistical Section

Table 1

County of Carroll, Virginia
Government-Wide Expenses by Function
Last Seven 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
2008-09	\$ 2,274,741	\$ 917,156	\$ 5,527,643	\$ 1,403,993	\$ 4,560,878	\$ 9,318,301	\$ 1,090,266	\$ 2,210,516	\$ 1,456,967	\$ 3,128,996	\$ 31,889,457
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	25,586,307
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 7 years

Table 2

County of Carroll, Virginia
Government-Wide Revenues
Last Seven 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		
2008-09	\$ 1,756,912	\$ 6,012,860	\$ 59,414	\$	19,133,533	\$ 3,867,415	\$ 375,242	\$ 264,578	\$ 1,204,174	\$	32,674,128
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 7 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
2008-09	\$ 2,560,055	\$ 910,971	\$ 6,500,497	\$ 1,886,658	\$ 4,541,186	\$ 41,262,282	\$ 1,106,315	\$ 2,975,348	\$ -	\$ 4,507,996	\$ 66,251,308
2007-08	2,516,169	874,219	4,777,341	1,453,133	4,284,238	39,375,766	533,155	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	-	3,740,880	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

(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
2008-09	\$ 18,689,595	\$ 4,921,995	\$ 140,040	\$ 213,615	\$ 421,492	\$ 2,331,949	\$ 392,921	\$ 1,780,396	\$ 39,183,413	\$ 68,075,416
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	5,886	311,851	1,046,653	289,173	1,225,778	30,988,533	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

(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 Outstanding Delinquent Taxes to Tax Levy
2008-09	\$ 19,904,746	\$ 18,823,904	94.57%	\$ 644,206	\$ 19,468,110	97.81%	\$ 2,566,863	12.90%
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%

(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
2008-09	\$ 2,375,104,457	\$ 350,012,170	\$ 101,292,633	\$ 2,826,409,260
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

(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
2008-09	\$ 0.60	\$ 1.60	\$ 1.30	\$ 2.30
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

(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
2008-09	29,245	\$ 2,826,409	\$ 27,981,785	\$ 27,981,785	0.99%	\$ 957
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

(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
2008-09	\$ 2,923,296	\$ 1,584,700	\$ 4,507,996	\$ 66,251,308	6.80%
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%

(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, 2009, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated December 29, 2009. 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 2009-1) 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 29, 2009.

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, Farmer, Cox Associates

Christiansburg, Virginia
December 29, 2009

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, 2009. 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, 2009.

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, Turner, Cox Associates

Christiansburg, Virginia
December 29, 2009

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Page 1 of 3

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:		
Promoting Safe and Stable Families	93.556	\$ 16,844
Temporary Assistance for Needy Families (TANF)	93.558	266,560
Refugee and Entrant Assistance - State Administered Programs	93.566	449
Low-Income Home Energy Assistance	93.568	14,558
Child Care and Development Block Grant	93.575	162,593
Refugee and Entrant Assistance - Discretionary Grants	93.576	
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	123,826
Chafee Education and Training Vouchers Program	93.599	8,143
Adoption Incentive Payments Program	93.603	778
Child Welfare Services - State Grants	93.645	1,463
Foster Care - Title IV-E	93.658	192,506
Adoption Assistance	93.659	53,694
Adoption Incentive Payments Program	93.603	472
Social Services Block Grant	93.667	142,829
Chafee Foster Care Independence Program	93.674	4,464
Children's Health Insurance Program	93.767	19,451
Medical Assistance Program (Title XIX)	93.778	185,702
		<hr/>
Total Department of Health and Human Services		\$ 1,194,332
		<hr/>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Services:		
Emergency Management Performance Grant	97.042	\$ 5,000
		<hr/>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution (Note B)	10.555	\$ 151,487
Department of Education:		
National school breakfast program	10.553	331,101
National school lunch program	10.555	843,301
Schools and Roads - Grants to States	10.665	15,519
Community Facilities Loans and Grants	10.766	59,414
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	277,122
		<hr/>
Total Department of Agriculture		\$ 1,677,944
		<hr/>

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2009

Page 2 of 3

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 Impaired Driving Countermeasures Incentive Grants I	20.601	\$ 6,746
Alcohol Open Container Requirements	20.607	6,970
Recreational Trails Program	20.219	<u>15,272</u>
Total Department of Transportation		<u>\$ 28,988</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Adult Education - Basic Grants to States	84.002	\$ 85,213
Title I: Grants to Local Educational Agencies	84.010	1,066,038
Migrant education - State Grant Program	84.011	59,587
Special Education - Grants to States	84.027	968,251
Career and Technical Education: Basic Grants to States	84.048	91,495
Special Education - Preschool Grants	84.173	27,919
Safe and Drug-free schools and communities - National Programs	84.184	91,890
Safe and Drug free schools and communities - State Grants	84.186	22,481
Twenty-First Century Community Learning Center	84.287	164,196
State Grants for Innovative Programs	84.298	140
Education Technology State Grants	84.318	11,492
Reading First State Grants	84.357	1,090,831
English Language Acquisition Grants	84.365	22,816
Improving Teacher Quality State Grants	84.367	<u>193,026</u>
Total Department of Education		<u>\$ 3,895,375</u>
Total Federal Assistance		<u><u>\$ 6,801,639</u></u>

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.

County of Carroll, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Page 3 of 3

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	<u>\$ 1,564,856</u>
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Total primary government	<u>\$ 1,564,856</u>
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Component Unit Schools:

School Operating Fund	<u>\$ 5,236,783</u>
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Total Component Unit Schools	<u>\$ 5,236,783</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 6,801,639</u></u>
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COUNTY OF CARROLL, VIRGINIA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2009

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 Grants to Local Educational Agencies
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
84.357	Reading First

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, 2009

Section II -- Financial Statement Finding

2009-1 **Condition:** The financial statements as presented for the audit 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:** To address this condition, the County would have to hire an employee or consultant with expertise in the preparation of governmental financial statements. The additional costs associated with same can not be justified at this time.

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.