

**COUNTY OF CARROLL, VIRGINIA**

**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2010**

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**COUNTY OF CARROLL, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010**

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**COUNTY OF CARROLL, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010**

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## **INTRODUCTORY SECTION**

# COUNTY OF CARROLL, VIRGINIA

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## BOARD OF SUPERVISORS

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

## COUNTY SCHOOL BOARD

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

## OTHER OFFICIALS

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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 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, 2010, 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 discretely presented component units, each major fund and the aggregate remaining fund information of the County of Carroll, Virginia, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2011, 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 should be considered in 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 and OPEB Funding Progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement

and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Carroll, Virginia's basic financial statements. The introductory section and the other supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Carroll, Virginia. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and other supplementary information section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Turner, Co. Associates*

Christiansburg, Virginia

January 14, 2011

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## **Basic Financial Statements**

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County of Carroll, Virginia  
Statement of Net Assets  
June 30, 2010

	Primary Government	Component Units		
	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,358,876	\$ 2,210,114	\$ 1,400,764	\$ 573,464
Investments	2,464,981	-	-	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	2,772,363	-	-	-
Accounts receivable	173,911	-	319,905	2,500
Other local taxes receivable	121,963	-	-	-
Accrued interest receivable	-	-	-	154,006
Due from component unit	1,311,428	-	-	-
Due from other governmental units	1,526,001	1,205,088	-	-
Prepaid expenses	-	184,514	24,822	-
Lease purchase receivable	-	-	-	8,530,000
Assets held for resale:				
Industrial sites	-	-	-	876,270
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	127,623	407,889	-
Other assets:				
Unamortized bond issue costs	-	-	19,450	204,550
Capital assets (net of accumulated depreciation):				
Land	3,022,573	1,489,200	215,337	-
Buildings and system	45,889,415	1,809,205	17,551,098	98,123
Machinery and equipment	3,367,564	1,120,846	-	136,057
Construction in progress	-	54,746	9,928,752	-
Total assets	<u>\$ 70,009,075</u>	<u>\$ 8,201,336</u>	<u>\$ 29,868,017</u>	<u>\$ 10,574,970</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 403,891	\$ 165,214	\$ 1,335,588	\$ 9,957
Accrued liabilities	-	1,044,068	-	-
Accrued interest payable	644,672	-	117,183	154,925
Due to primary government	-	1,224,388	87,040	-
Unearned revenue	7,714	-	-	-
Deposits held in escrow	-	-	39,287	-
Long-term liabilities: (net of unamortized bond premium)				
Due within one year	3,042,136	763,763	232,666	542,937
Due in more than one year	32,538,230	1,437,901	16,444,581	8,048,203
Total liabilities	<u>\$ 36,636,643</u>	<u>\$ 4,635,334</u>	<u>\$ 18,256,345</u>	<u>\$ 8,756,022</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 17,374,343	\$ 4,473,997	\$ 11,075,793	\$ 90,650
Restricted for:				
School cafeterias	-	127,623	-	-
Debt service and bond covenants	-	-	407,889	-
Unrestricted (deficit)	15,998,089	(1,035,618)	127,990	1,728,298
Total net assets	<u>\$ 33,372,432</u>	<u>\$ 3,566,002</u>	<u>\$ 11,611,672</u>	<u>\$ 1,818,948</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, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
					School Board	Public Service Authority	Industrial Development Authority
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,703,677	\$ 2,696	\$ 299,338	\$ -	\$ -	\$ -	\$ -
Judicial administration	925,671	8,032	642,666	(1,401,643)	-	-	-
Public safety	6,984,784	1,703,756	1,609,494	(274,973)	-	-	-
Public works	1,213,242	53,642	8,233	(2,350,879)	-	-	-
Health and welfare	5,237,690	-	3,758,168	(1,151,367)	-	-	-
Education	9,607,514	-	-	(1,479,522)	-	-	-
Parks, recreation, and cultural	1,131,080	65,817	5,000	(9,607,514)	-	-	-
Community development	3,927,237	44,328	-	(861,263)	-	-	-
Interest on long-term debt	1,362,010	-	-	(3,457,303)	-	-	-
Total primary government	\$ 32,102,905	\$ 1,878,271	\$ 6,322,899	\$ (1,362,010)	\$ -	\$ -	\$ -
<b>COMPONENT UNITS:</b>							
School Board	\$ 42,676,068	\$ 866,491	\$ 30,219,002	\$ -	\$ (11,590,575)	\$ -	\$ -
Public Service Authority	2,778,245	2,016,208	-	-	-	508,480	-
Industrial Development Authority	2,121,657	2,355,391	-	-	-	-	233,734
Total component units	\$ 47,575,970	\$ 5,238,090	\$ 30,219,002	\$ -	\$ (11,590,575)	\$ 508,480	\$ 233,734
General revenues:							
General property taxes				\$ 18,930,242	\$ -	\$ -	\$ -
Local sales and use taxes				1,536,470	-	-	-
Consumer's utility tax				660,408	-	-	-
Motor vehicle taxes				567,050	-	-	-
Restaurant food taxes				455,946	-	-	-
Other local taxes				631,959	-	-	-
Unrestricted revenues from use of money and property				66,952	39,929	38,095	129,426
Miscellaneous				1,187,572	355,996	-	10,325
Payments from Primary Government				-	9,571,060	1,000,000	-
Grants and contributions not restricted to specific programs				2,224,997	-	-	-
Gain (Loss) on disposal of capital assets				-	-	-	-
Total general revenues				\$ 26,261,586	\$ 9,967,005	\$ 1,038,095	\$ 193,687
Change in net assets				\$ 4,315,122	\$ (1,623,570)	\$ 1,544,575	\$ 333,438
Net assets - beginning, as restated				29,057,310	5,189,572	10,067,097	567,172
Net assets - ending				\$ 33,372,432	\$ 3,566,002	\$ 11,611,672	\$ 1,818,948

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

County of Carroll, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2010

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		<u>General</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	9,358,876
Investments		2,464,981
Receivables (net of allowance for uncollectibles):		
Taxes receivable		2,772,363
Accounts receivable		173,911
Other local taxes receivable		121,963
Due from component unit		1,311,428
Due from other governmental units		1,526,001
Total assets	\$	<u>17,729,523</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$	403,891
Deferred revenue		2,810,167
Total liabilities	\$	<u>3,214,058</u>
Fund balances:		
Unreserved, reported in:		
Unrestricted (deficit)	\$	14,515,465
Total fund balances	\$	<u>14,515,465</u>
Total liabilities and fund balances	\$	<u>17,729,523</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 14,515,465
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	52,279,552
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,802,453
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(36,225,038)
Net assets of governmental activities	<u>\$ 33,372,432</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, 2010

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	<u>General</u>
<b>REVENUES</b>	
General property taxes	\$ 18,198,583
Other local taxes	3,851,833
Permits, privilege fees, and regulatory licenses	193,447
Fines and forfeitures	323,043
Revenue from the use of money and property	66,952
Charges for services	1,361,781
Miscellaneous	149,960
Recovered costs	1,850,172
Intergovernmental revenues:	
Commonwealth	7,264,129
Federal	2,947,543
Total revenues	<u>\$ 36,207,443</u>
<b>EXPENDITURES</b>	
Current:	
General government administration	\$ 2,412,585
Judicial administration	924,889
Public safety	6,814,501
Public works	2,026,004
Health and welfare	5,258,218
Education	8,539,659
Parks, recreation, and cultural	1,101,482
Community development	3,983,899
Capital projects	919,374
Debt service:	
Principal retirement	2,711,245
Interest and other fiscal charges	1,463,404
Total expenditures	<u>\$ 36,155,260</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 52,183</u>
Fund balances - beginning	14,463,282
Fund balances - ending	<u><u>\$ 14,515,465</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, 2010**

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

Net change in fund balances - total governmental funds	\$	52,183
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.		675,280
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,023,144
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		2,769,835
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.		(205,320)
Change in net assets of governmental activities	\$	<u>4,315,122</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, 2010

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,451,748
Total assets	\$ 2,451,748
<b>LIABILITIES</b>	
Amounts held for social services clients	\$ 33,389
Amounts held for Solid Waste Authority	2,279,668
Amounts held for Twin County Airport	138,691
Total liabilities	\$ 2,451,748

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

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

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**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, 2010, the County contributed \$142,180 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, 2010, the County contributed \$222,208 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 \$319,146 for the fiscal year ended June 30, 2010.

**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, 2010

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

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

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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

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

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 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. 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 \$530,810 at June 30, 2010 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.

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

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

7. Compensated Absences

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



NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$675,280 and \$(703,427) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Capital outlays	\$ 1,692,399	\$ 354,677
Transfer from Carroll County Industrial Development Authority, net	1,037,612	-
Depreciation expense	(2,049,522)	(1,012,206)
Loss on the disposal of capital assets	<u>(5,209)</u>	<u>(45,898)</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>\$ 675,280</u>	<u>\$ (703,427)</u>

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$2,769,835 difference in the primary government, are as follows:

	<u>Primary Government</u>
<b>Principal Payments or Other Reductions:</b>	
General Obligation Bonds	\$ 1,437,078
Bond Premium (amortization of)	58,590
Lease Purchase (Revenue Bond)	520,000
Literary loans	<u>754,167</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,769,835</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(205,320) and \$(655,468) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Compensated absences	\$ (248,124)	\$ (64,054)
Accrued interest	42,804	-
OPEB obligation	<u>-</u>	<u>(591,414)</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>\$ (205,320)</u>	<u>\$ (655,468)</u>

**Note 3-Stewardship, Compliance, and Accountability:**

- A. Budgetary information

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

1. Prior to 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

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**Note 3-Stewardship, Compliance, and Accountability: (continued)**

B. Deficit fund equity

At June 30, 2010, 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).

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, 2010 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	\$ 2,464,981

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.

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**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>
<b><u>Local Authorities:</u></b>		
Carroll-Grayson-Galax Solid Waste Authority	\$ 57,148	\$ -
<b><u>Commonwealth of Virginia:</u></b>		
Local sales tax	287,511	-
Other local taxes	178,748	-
State sales tax	-	553,787
Categorical aid-shared expenses	156,398	-
Non-categorical aid	51,351	-
Virginia public assistance funds	80,217	-
Other categorical aid	13,187	27,297
Comprehensive services act	294,620	-
<b><u>Federal Government:</u></b>		
Virginia public assistance funds	104,506	-
Other categorical aid	302,315	-
School grants	-	624,004
Totals	<u>\$ 1,526,001</u>	<u>\$ 1,205,088</u>

**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>
<b>Primary Government:</b>		
General Fund	\$ -	\$ 1,311,428
<b>Component Unit - School Board:</b>		
School Fund	1,224,388	-
<b>Component Unit - Public Service Authority</b>		
PSA	<u>87,040</u>	<u>-</u>
Totals	<u>\$ 1,311,428</u>	<u>\$ 1,311,428</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 7-Long-Term Debt:**

Primary Government – Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2011	\$ 1,214,934	\$ 847,799	\$ 723,196	\$ 194,646
2012	1,442,824	809,285	680,167	180,182
2013	1,446,086	744,010	680,167	166,579
2014	1,449,758	672,354	680,167	152,976
2015	1,453,799	596,167	680,167	139,372
2016-2020	7,341,112	1,826,519	3,400,835	492,813
2021-2022	3,555,000	247,170	1,042,328	101,902
Totals	\$ 17,903,513	\$ 5,743,304	\$ 7,887,027	\$ 1,428,470

Year Ending June 30,	Lease Purchase Revenue Bond Courthouse Complex	
	Principal	Interest
2011	\$ 535,000	\$ 337,581
2012	550,000	319,263
2013	570,000	299,663
2014	590,000	278,625
2015	615,000	255,263
2016-2020	945,000	1,123,313
2021-2025	1,155,000	911,262
2026-2030	1,420,000	635,969
2031-2035	1,750,000	290,106
2036	400,000	9,000
Totals	\$ 8,530,000	\$ 4,460,045

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 7-Long-Term Debt: (continued)**

Primary Government – Governmental Activity Indebtedness: (continued)

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010:

	<u>Balance July 1, 2009</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
GO bonds	\$ 19,340,591	\$ -	\$ (1,437,078)	\$ 17,903,513
Unamortized bond premium	643,259	-	(58,590)	584,669
Literary loans	8,641,194	-	(754,167)	7,887,027
Lease purchase revenue bond	9,050,000	-	(520,000)	8,530,000
Compensated absences	427,033	568,398	(320,274)	675,157
<b>Total</b>	<b>\$ 38,102,077</b>	<b>\$ 568,398</b>	<b>\$ (3,090,109)</b>	<b>\$ 35,580,366</b>

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>General Obligation Bonds:</b>		
\$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.	\$ 2,250,000	\$ -
\$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.	1,223,513	104,934
\$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.	14,430,000	1,110,000
<b>Sub-total General Obligation Bonds</b>	<b>\$ 17,903,513</b>	<b>\$ 1,214,934</b>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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>
<b>Literary Loans:</b>		
\$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%	\$ 25,255	\$ 25,255
\$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%	10,829	10,829
\$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%	6,945	6,945
\$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%	1,917,721	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%	1,580,392	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%	2,500,588	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%	1,845,297	153,775
Total Literary Loans	<u>\$ 7,887,027</u>	<u>\$ 723,196</u>

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

**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>
<b>Lease Purchase Revenue Bonds:</b>		
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.	\$ 8,530,000	\$ 535,000
<b>Other Long-term Obligations:</b>		
Compensated absences	\$ 675,157	\$ 506,368
Unamortized bond premium	584,669	62,638
Total Other Long-term Obligations	<u>\$ 1,259,826</u>	<u>\$ 569,006</u>
Total Long-term Obligations	<u>\$ 35,580,366</u>	<u>\$ 3,042,136</u>

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

**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, 2010:

	<u>Balance July 1, 2009</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2010</u>
OPEB obligation	\$ 591,900	\$ 914,314	\$ (322,900)	\$ 1,183,314
Compensated absences	954,296	779,776	(715,722)	1,018,350
Total	<u>\$ 1,546,196</u>	<u>\$ 1,694,090</u>	<u>\$ (1,038,622)</u>	<u>\$ 2,201,664</u>

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>Other Obligations:</b>		
OPEB obligation	\$ 1,183,314	\$ -
Compensated absences	1,018,350	763,763
Total Long-Term Obligations	<u>\$ 2,201,664</u>	<u>\$ 763,763</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010

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**Note 9-Employee Retirement System and Pension Plans:**

A. Plan Description

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

All full-time, salaried permanent 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 1.70% 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/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer may assume this 5.00% 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 2010 was 8.05% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer may assume this 5.00% 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 2010 was 8.63% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2010, the County of Carroll, Virginia's annual pension cost of \$491,419 and \$219,832 was equal to the County of Carroll, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

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

C. Annual Pension Cost (continued)

	Three-Year Trend Information			
	Fiscal Year	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
	Ending			
Primary Government:				
County	6/30/2010	\$ 491,419	100.00%	\$ -
	6/30/2009	453,339	100.00%	-
	6/30/2008	346,489	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	\$ 219,832	100.00%	\$ -
	6/30/2009	225,275	100.00%	-
	6/30/2008	247,999	100.00%	-

<sup>1</sup> Employer portion only

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, 2009, the most recent actuarial valuation date, the plan was 88.08% funded. The actuarial accrued liability for benefits was \$22,694,768, and the actuarial value of assets was \$19,989,312, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,705,456. The covered payroll (annual payroll of active employees covered by the plan) was \$6,099,701, and ratio of the UAAL to the covered payroll was 44.35%.

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

As of June 30, 2009, the most recent actuarial valuation date, the plan was 90.55% funded. The actuarial accrued liability for benefits was \$8,137,743, and the actuarial value of assets was \$7,368,606, resulting in an unfunded actuarial accrued liability (UAAL) of \$769,137. The covered payroll (annual payroll of active employees covered by the plan) was \$2,591,483, and ratio of the UAAL to the covered payroll was 29.68%.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**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/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. The employer may assume this 5.00% 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 5.00% member contribution, was \$1,744,737, \$1,782,901, and \$2,242,405 for the fiscal years ended 2010, 2009, and 2008, respectively. Required employer contributions represented 8.81% for July 2009 through March 2010 and 0% for April through June 2010, 8.81%, and 10.30% of covered payroll for the fiscal years ended 2010, 2009, and 2008, respectively.

**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,708,759	\$ 313,814	\$ -	\$ 3,022,573
Capital assets, being depreciated:				
Buildings	\$ 58,069,233	\$ 1,169,107	\$ (39,689)	\$ 59,198,651
Machinery and equipment	6,550,157	1,572,999	(125,708)	7,997,448
Total capital assets being depreciated	<u>\$ 64,619,390</u>	<u>\$ 2,742,106</u>	<u>\$ (165,397)</u>	<u>\$ 67,196,099</u>
Less: accumulated depreciation for:				
Buildings	\$ (11,494,195)	\$ (1,854,221)	\$ 39,179	\$ (13,309,237)
Machinery and equipment	(4,229,682)	(521,211)	121,009	(4,629,884)
Total accumulated depreciation	<u>\$ (15,723,877)</u>	<u>\$ (2,375,432)</u>	<u>\$ 160,188</u>	<u>\$ (17,939,121)</u>
Total capital assets being depreciated, net	<u>\$ 48,895,513</u>	<u>\$ 366,674</u>	<u>\$ (5,209)</u>	<u>\$ 49,256,978</u>
Governmental activities capital assets, net	<u>\$ 51,604,272</u>	<u>\$ 680,488</u>	<u>\$ (5,209)</u>	<u>\$ 52,279,551</u>

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 10-Capital Assets: (continued)**

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

Governmental activities:	
General government	\$ 12,577
Public safety	460,184
Public works	366,455
Health and welfare	14,931
Education	1,147,755
Parks, recreation, and culture	14,399
Community development	33,222
Transfer of depreciation from IDA (see note 22)	<u>325,909</u>
 Total depreciation expense-primary government	 \$ <u>2,375,432</u>

Capital asset activity for the School Board for the year ended June 30, 2010 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	\$ -	\$ (39,500)	\$ 1,489,200
Construction in progress	-	54,746	-	54,746
Total capital assets not being depreciated	<u>\$ 1,528,700</u>	<u>\$ 54,746</u>	<u>\$ (39,500)</u>	<u>\$ 1,543,946</u>
Capital assets, being depreciated:				
Buildings	\$ 8,962,864	\$ 82,260	\$ (79,900)	\$ 8,965,224
Machinery and equipment	4,624,291	217,671	(65,845)	4,776,117
Total capital assets being depreciated	<u>\$ 13,587,155</u>	<u>\$ 299,931</u>	<u>\$ (145,745)</u>	<u>\$ 13,741,341</u>
Less: accumulated depreciation for:				
Buildings	\$ (6,463,826)	\$ (772,093)	\$ 79,900	\$ (7,156,019)
Machinery and equipment	(3,474,605)	(240,113)	59,447	(3,655,271)
Total accumulated depreciation	<u>\$ (9,938,431)</u>	<u>\$ (1,012,206)</u>	<u>\$ 139,347</u>	<u>\$ (10,811,290)</u>
Total capital assets being depreciated, net	<u>\$ 3,648,724</u>	<u>\$ (712,275)</u>	<u>\$ (6,398)</u>	<u>\$ 2,930,051</u>
Governmental activities capital assets, net	<u>\$ 5,177,424</u>	<u>\$ (657,529)</u>	<u>\$ (45,898)</u>	<u>\$ 4,473,997</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**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, 2010:

<u>Participants</u>	<u>Total Premium</u>
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 twenty nine 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	23,676
Adjustment to annual required contribution	<u>(24,162)</u>
Annual OPEB cost (expense)	914,314
Contributions made	<u>322,900</u>
Increase in net OPEB obligation	591,414
Net OPEB obligation - beginning of year	<u>591,900</u>
Net OPEB obligation - ending of year	\$ 1,183,314

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**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 2010 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
6/30/2010	914,314	35%	1,183,314

\* Information has only been available for two years.

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2008, 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, 2010, was 29 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 12-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:**

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2010 was \$146,315 and equaled the required contributions.

**Note 13-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 14-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 15-Surety Bonds:**

Primary Government:

<b>Fidelity &amp; Deposit Company of Maryland-Surety:</b>	
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 16-Designated and Reserved Fund Balances:**

Component Unit - School Board:	
Reserved for cafeteria	<u>\$ 127,623</u>

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

**Note 17-Payroll Expenses:**

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

**Note 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. SunTrust holds a trust account to fund these incentive payments. During fiscal year 2010, the School Board implemented an additional benefit of \$400 in health insurance premiums per month for seven years. Both programs require the employee to work for twenty days of each year to receive the benefit; therefore, there is a commitment and not a liability. Twelve employees agreed to participate in the plan, creating an unfunded commitment of \$403,200. The School Board reserves the right to amend or terminate these programs.

**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 \$7,714 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$7,714 at June 30, 2010.

**Note 20-Subsequent Events:**

On August 12, 2010, the Component Unit School Board entered into a capital lease with the Component Unit Carroll Industrial Development Authority. The Industrial Development Authority purchased six school buses and leased them to the School Board with monthly payments of \$5,966 commencing on September 12, 2010 and ending on September 12, 2017. At this time, upon successful execution of the lease, the Carroll Industrial Development will sign the titles of the buses over to the School Board.

**Note 21- Related Party Transactions:**

During fiscal year 2010, the Carroll County Industrial Development Authority paid off debts with the assistance of the County. As the loans were paid off, the secured assets were transferred to the County. The Industrial Development Authority transferred assets of \$1,363,521 with accumulated depreciation of \$325,909.

**Note 22—Restatement of Fund Balance/Net Assets:**

		Primary Government Governmental Activities Net Assets
Net Assets, as previously stated, June 30, 2009	\$	28,506,862
Capital assets		1,434,000
Depreciation expense		(883,552)
Net Assets/Fund Balance, as restated, July 1, 2009	\$	29,057,310

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**Required Supplementary Information**

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County of Carroll, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 18,048,048	\$ 18,048,048	\$ 18,198,583	\$ 150,535
Other local taxes	3,303,750	3,333,964	3,851,833	517,869
Permits, privilege fees, and regulatory licenses	112,000	112,000	193,447	81,447
Fines and forfeitures	-	149,947	323,043	173,096
Revenue from the use of money and property	119,000	119,000	66,952	(52,048)
Charges for services	976,900	1,230,238	1,361,781	131,543
Miscellaneous	88,550	173,488	149,960	(23,528)
Recovered costs	1,577,261	1,668,383	1,850,172	181,789
Intergovernmental revenues:				
Commonwealth	6,098,359	6,992,474	7,264,129	271,655
Federal	1,628,591	3,168,661	2,947,543	(221,118)
Total revenues	<u>\$ 31,952,459</u>	<u>\$ 34,996,203</u>	<u>\$ 36,207,443</u>	<u>\$ 1,211,240</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,564,010	\$ 2,615,176	\$ 2,412,585	\$ 202,591
Judicial administration	1,022,107	1,013,856	924,889	88,967
Public safety	5,473,797	7,416,423	6,814,501	601,922
Public works	2,070,548	2,052,680	2,026,004	26,676
Health and welfare	4,443,004	5,258,806	5,258,218	588
Education	8,532,034	8,782,034	8,539,659	242,375
Parks, recreation, and cultural	681,904	1,297,319	1,101,482	195,837
Community development	2,746,582	4,234,551	3,983,899	250,652
Capital projects	491,540	994,662	919,374	75,288
Debt service:				
Principal retirement	2,461,245	2,461,245	2,711,245	(250,000)
Interest and other fiscal charges	1,465,688	1,465,688	1,463,404	2,284
Total expenditures	<u>\$ 31,952,459</u>	<u>\$ 37,592,440</u>	<u>\$ 36,155,260</u>	<u>\$ 1,437,180</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (2,596,237)</u>	<u>\$ 52,183</u>	<u>\$ 2,648,420</u>
Net change in fund balances	\$ -	\$ (2,596,237)	\$ 52,183	\$ 2,648,420
Fund balances - beginning	-	2,596,237	14,463,282	11,867,045
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,515,465</u>	<u>\$ 14,515,465</u>

**County of Carroll, Virginia**  
**Schedules of Pension and OPEB Funding Progress**  
**As of June 30, 2010**

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)
6/30/2009	\$ 19,989,312	\$ 22,694,768	\$ 2,705,456	88.08%	\$ 6,099,701	44.35%
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%

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

Actuarial Date	Actuarial Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio of AAL (2) / (3)	Annual Payroll	UAAL as a Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	\$ 7,368,606	\$ 8,137,743	\$ 769,137	90.55%	\$ 2,591,483	29.68%
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%

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%

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## Other Supplementary Information

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#### FIDUCIARY FUNDS

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

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

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

County of Carroll, Virginia  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>			
	<u>Special Welfare</u>	<u>Solid Waste Authority</u>	<u>Twin County Airport</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 33,389	\$ 2,279,668	\$ 138,691	\$ 2,451,748
Total assets	<u>\$ 33,389</u>	<u>\$ 2,279,668</u>	<u>\$ 138,691</u>	<u>\$ 2,451,748</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	\$ 33,389	\$ -	\$ -	\$ 33,389
Amounts held for the Solid Waste Authority	-	2,279,668	-	2,279,668
Amounts held for the Twin County Airport	-	-	138,691	138,691
Total liabilities	<u>\$ 33,389</u>	<u>\$ 2,279,668</u>	<u>\$ 138,691</u>	<u>\$ 2,451,748</u>

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

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**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, 2010

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	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,210,114
Due from other governmental units	1,205,088
Prepaid items	184,514
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	127,623
Total assets	<u>\$ 3,727,339</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 165,214
Accrued liabilities	1,044,068
Due to primary government	1,224,388
Total liabilities	<u>\$ 2,433,670</u>
Fund balances:	
Unreserved:	
Designated for subsequent expenditure	\$ 1,166,046
Designated for cafeteria operations	127,623
Total fund balances	<u>\$ 1,293,669</u>
Total liabilities and fund balances	<u>\$ 3,727,339</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,293,669
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,473,997
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,201,664)
Net assets of governmental activities	<u>\$ 3,566,002</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, 2010

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 39,929
Charges for services	866,491
Miscellaneous	355,996
Recovered costs	277,126
Intergovernmental revenues:	
Local government	8,503,225
Commonwealth	23,700,401
Federal	6,518,601
Total revenues	<u>\$ 40,261,769</u>
<b>EXPENDITURES</b>	
Current:	
Education	\$ 40,526,444
Total expenditures	<u>\$ 40,526,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (264,675)</u>
Net change in fund balances	\$ (264,675)
Fund balances - beginning	1,558,344
Fund balances - ending	<u>\$ 1,293,669</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	\$ (264,675)
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.	(703,427)
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.	(655,468)
Change in net assets of governmental activities	<u>\$ (1,623,570)</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, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 49,000	\$ 49,000	\$ 39,929	\$ (9,071)
Charges for services	805,800	805,800	866,491	60,691
Miscellaneous	72,500	72,500	355,996	283,496
Recovered costs	1,322,316	1,322,316	277,126	(1,045,190)
Intergovernmental revenues:				
Local government	8,495,600	8,695,600	8,503,225	(192,375)
Commonwealth	24,860,901	25,106,352	23,700,401	(1,405,951)
Federal	6,001,563	6,198,651	6,518,601	319,950
Total revenues	<u>\$ 41,607,680</u>	<u>\$ 42,250,219</u>	<u>\$ 40,261,769</u>	<u>\$ (1,988,450)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 41,705,364	\$ 42,347,903	\$ 40,526,444	\$ 1,821,459
Total expenditures	<u>\$ 41,705,364</u>	<u>\$ 42,347,903</u>	<u>\$ 40,526,444</u>	<u>\$ 1,821,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (97,684)</u>	<u>\$ (97,684)</u>	<u>\$ (264,675)</u>	<u>\$ (166,991)</u>
Net change in fund balances	\$ (97,684)	\$ (97,684)	\$ (264,675)	\$ (166,991)
Fund balances - beginning	1,078,972	1,078,972	1,558,344	479,372
Fund balances - ending	<u>\$ 981,288</u>	<u>\$ 981,288</u>	<u>\$ 1,293,669</u>	<u>\$ 312,381</u>

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## Supporting Schedules

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County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

<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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,757,000	\$ 13,757,000	\$ 13,714,708	\$ (42,292)
Real and personal public service corporation taxes	530,000	530,000	595,280	65,280
Personal property taxes	2,598,448	2,598,448	2,516,634	(81,814)
Mobile home taxes	94,000	94,000	89,639	(4,361)
Machinery and tools taxes	700,000	700,000	787,139	87,139
Merchant's capital taxes	203,600	203,600	259,417	55,817
Penalties	75,000	75,000	93,047	18,047
Interest	90,000	90,000	142,719	52,719
Total general property taxes	<u>\$ 18,048,048</u>	<u>\$ 18,048,048</u>	<u>\$ 18,198,583</u>	<u>\$ 150,535</u>
Other local taxes:				
Local sales and use taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,536,470	\$ 261,470
Consumers' utility taxes- electric	617,500	617,500	660,408	42,908
Consumption taxes	85,000	85,000	105,022	20,022
E-911 telephone taxes	65,550	65,550	-	(65,550)
Franchise license taxes	-	-	9,582	9,582
Utility license tax	30,000	30,000	25,302	(4,698)
Recordation taxes	119,700	119,700	121,968	2,268
Motor vehicle licenses	436,500	436,500	567,050	130,550
Bank stock taxes	10,000	10,000	17,760	7,760
Taxes on deeds	27,000	27,000	30,638	3,638
Hotel and motel room taxes	289,000	289,000	321,687	32,687
Restaurant food taxes	348,500	378,714	455,946	77,232
Total other local taxes	<u>\$ 3,303,750</u>	<u>\$ 3,333,964</u>	<u>\$ 3,851,833</u>	<u>\$ 517,869</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 18,000	\$ 18,000	\$ 28,033	\$ 10,033
Land use application fees	7,000	7,000	44,328	37,328
Transfer fees	1,500	1,500	1,253	(247)
Building permits	85,500	85,500	119,813	34,313
Other permits and licenses	-	-	20	20
Total permits, privilege fees, and regulatory licenses	<u>\$ 112,000</u>	<u>\$ 112,000</u>	<u>\$ 193,447</u>	<u>\$ 81,447</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ -	\$ 149,947	\$ 323,043	\$ 173,096
Total fines and forfeitures	<u>\$ -</u>	<u>\$ 149,947</u>	<u>\$ 323,043</u>	<u>\$ 173,096</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 94,000	\$ 94,000	\$ 40,050	\$ (53,950)
Revenue from use of property	25,000	25,000	26,902	1,902
Total revenue from use of money and property	<u>\$ 119,000</u>	<u>\$ 119,000</u>	<u>\$ 66,952</u>	<u>\$ (52,048)</u>
Charges for services:				
Clerk's interest	\$ 1,000	\$ 1,000	\$ 1,087	\$ 87
Charges for law enforcement and traffic control	-	105	2,221	2,116
Charges for courthouse maintenance	19,000	19,000	20,610	1,610
Charges for courthouse security	95,000	95,252	103,203	7,951
Charges for Commonwealth's Attorney	1,800	1,800	1,787	(13)
Miscellaneous jail and inmate fees	2,100	2,100	1,933	(167)

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for cannery	\$ 12,000	\$ 12,000	\$ 10,273	\$ (1,727)
Charges for law library	15,000	15,000	3,905	(11,095)
Charges for sanitation and waste removal	30,400	30,400	33,032	2,632
Charges for parks and recreation	28,800	38,800	55,544	16,744
Charges for EMS	770,000	1,012,981	1,125,510	112,529
Other charges for services	1,800	1,800	2,676	876
Total charges for services	<u>\$ 976,900</u>	<u>\$ 1,230,238</u>	<u>\$ 1,361,781</u>	<u>\$ 131,543</u>
Miscellaneous revenue:				
Miscellaneous	\$ 88,550	\$ 173,488	\$ 149,960	\$ (23,528)
Recovered costs:				
Solid Waste Authority	\$ 338,762	\$ 341,582	\$ 341,582	\$ -
Crossroads	-	-	990	990
Public Service Authority	702,024	702,024	689,095	(12,929)
Farmers' Market	90,000	132,386	143,649	11,263
City of Galax-shared expenses	100,000	100,000	161,913	61,913
Insurance recoveries	-	16,612	38,674	22,062
School resource officer	34,600	34,600	17,300	(17,300)
Other recovered costs	311,875	341,179	456,969	115,790
Total recovered costs	<u>\$ 1,577,261</u>	<u>\$ 1,668,383</u>	<u>\$ 1,850,172</u>	<u>\$ 181,789</u>
Total revenue from local sources	<u>\$ 24,225,509</u>	<u>\$ 24,835,068</u>	<u>\$ 25,995,771</u>	<u>\$ 1,160,703</u>
Intergovernmental Revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 43,200	\$ 43,200	\$ 48,431	\$ 5,231
Motor vehicle rental taxes	15,300	15,300	2,451	(12,849)
Telecommunications Taxes	997,500	997,500	1,058,977	61,477
Rolling stock taxes	900	900	1,096	196
State recordation taxes	45,000	45,000	51,304	6,304
Personal property tax relief funds	1,051,552	1,051,552	1,051,552	-
Total noncategorical aid	<u>\$ 2,153,452</u>	<u>\$ 2,153,452</u>	<u>\$ 2,213,811</u>	<u>\$ 60,359</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 424,024	\$ 397,228	\$ 350,309	\$ (46,919)
Sheriff	1,374,126	1,293,721	1,220,823	(72,898)
Commissioner of revenue	138,033	127,157	125,788	(1,369)
Treasurer	140,421	128,786	126,360	(2,426)
Registrar/electoral board	55,667	55,667	46,143	(9,524)
Clerk of the Circuit Court	272,744	289,040	292,357	3,317
Total shared expenses	<u>\$ 2,405,015</u>	<u>\$ 2,291,599</u>	<u>\$ 2,161,780</u>	<u>\$ (129,819)</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 980,436	\$ 980,436	\$ 963,098	\$ (17,338)
Comprehensive Services Act	510,427	710,427	1,294,923	584,496
Animal friendly plates	-	-	350	350
Tobacco settlement funds	-	505,559	379,730	(125,829)
Victim witness	48,529	48,529	52,749	4,220

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Intergovernmental Revenue: (Continued)				
Categorical aid: (Continued)				
Fire program	\$ -	\$ 75,824	\$ 75,824	\$ -
Litter control grant	-	8,233	8,233	-
Emergency and medical services grant	-	109,962	67,962	(42,000)
Rents and Royalties	500	500	697	197
Two-for-life grant	-	26,875	26,875	-
Asset forfeiture	-	-	3,567	3,567
Local law enforcement grant	-	41,155	-	(41,155)
Department of Justice grant	-	34,923	9,530	(25,393)
Arts grant	-	5,000	5,000	-
Total other categorical aid	<u>\$ 1,539,892</u>	<u>\$ 2,547,423</u>	<u>\$ 2,888,538</u>	<u>\$ 341,115</u>
Total categorical aid	<u>\$ 3,944,907</u>	<u>\$ 4,839,022</u>	<u>\$ 5,050,318</u>	<u>\$ 211,296</u>
Total revenue from the Commonwealth	<u>\$ 6,098,359</u>	<u>\$ 6,992,474</u>	<u>\$ 7,264,129</u>	<u>\$ 271,655</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ -	\$ -	\$ 11,186	\$ 11,186
Categorical aid:				
Public assistance and welfare administration	\$ 1,628,591	\$ 1,628,591	\$ 1,422,635	\$ (205,956)
Public assistance and welfare administration - ARRA	-	-	77,512	77,512
Emergency management preparedness grant	-	67,050	67,050	-
Byrne criminal justice grant	-	17,000	69,234	52,234
Public safety grant	-	1,245,490	1,039,170	(206,320)
Rural business grant	-	-	199,000	199,000
State and community highway safety	-	10,530	15,880	5,350
Community development block grant	-	200,000	45,876	(154,124)
Total categorical aid	<u>\$ 1,628,591</u>	<u>\$ 3,168,661</u>	<u>\$ 2,936,357</u>	<u>\$ (232,304)</u>
Total revenue from the federal government	<u>\$ 1,628,591</u>	<u>\$ 3,168,661</u>	<u>\$ 2,947,543</u>	<u>\$ (221,118)</u>
Total General Fund	<u>\$ 31,952,459</u>	<u>\$ 34,996,203</u>	<u>\$ 36,207,443</u>	<u>\$ 1,211,240</u>
Total Primary Government	<u>\$ 31,952,459</u>	<u>\$ 34,996,203</u>	<u>\$ 36,207,443</u>	<u>\$ 1,211,240</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 9,000	\$ 9,000	\$ 1,869	\$ (7,131)
Revenue from the use of property	40,000	40,000	38,060	(1,940)
Total revenue from use of money and property	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 39,929</u>	<u>\$ (9,071)</u>
Charges for services:				
Fees from pupils	\$ 18,800	\$ 18,800	\$ 51,188	\$ 32,388
Cafeteria sales	758,000	758,000	791,085	33,085
Transportation of pupils	4,000	4,000	6,339	2,339
Other payments from other localities	25,000	25,000	17,879	(7,121)
Total charges for services	<u>\$ 805,800</u>	<u>\$ 805,800</u>	<u>\$ 866,491</u>	<u>\$ 60,691</u>

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
E-rate	\$ 50,000	\$ 50,000	\$ 48,235	\$ (1,765)
Other miscellaneous	22,500	22,500	307,761	285,261
Total miscellaneous revenue	<u>\$ 72,500</u>	<u>\$ 72,500</u>	<u>\$ 355,996</u>	<u>\$ 283,496</u>
Recovered costs:				
Insurance recoveries and rebates	\$ 1,322,316	\$ 1,322,316	\$ 277,126	\$ (1,045,190)
Total revenue from local sources	<u>\$ 2,249,616</u>	<u>\$ 2,249,616</u>	<u>\$ 1,539,542</u>	<u>\$ (710,074)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 8,495,600	\$ 8,695,600	\$ 8,503,225	\$ (192,375)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,301,508	\$ 3,301,508	\$ 3,150,673	\$ (150,835)
Basic school aid	13,895,660	13,895,660	12,890,552	(1,005,108)
Remedial summer education	381,076	381,076	148,079	(232,997)
Regular foster care	77,937	77,937	21,170	(56,767)
Adult education	-	-	10,440	10,440
Gifted and talented	132,490	132,490	134,583	2,093
Remedial education	444,579	444,579	451,601	7,022
Alternative education	144,765	144,765	140,665	(4,100)
Special education	1,230,688	1,230,688	1,250,126	19,438
Enrollment loss	99,512	99,512	-	(99,512)
Textbook payment	348,950	348,950	160,430	(188,520)
School construction	-	-	345,280	345,280
Vocational standards of quality payments	341,531	341,531	346,925	5,394
Vocational adult education	-	-	1,025	1,025
Vocational education - equipment	25,087	25,087	11,126	(13,961)
Vocational occupational preparedness	-	-	9,887	9,887
Social security fringe benefits	756,667	756,667	768,618	11,951
Retirement fringe benefits	974,540	974,540	741,702	(232,838)
Group life insurance instructional	26,498	26,498	20,935	(5,563)
Early reading intervention	64,688	64,688	53,136	(11,552)
Homebound education	48,332	48,332	30,492	(17,840)
School nutrition	40,316	40,316	37,911	(2,405)
Special education - foster children	-	-	12,364	12,364
Special education - regional	82,729	82,729	84,210	1,481
At risk payments	421,430	421,430	420,078	(1,352)
VPSA technology	336,000	336,000	698,000	362,000
Standards of Learning algebra readiness	54,324	54,324	56,634	2,310
At risk four-year olds	325,296	378,760	334,332	(44,428)
Primary class size	545,863	545,863	513,075	(32,788)
Mentor teacher program	5,565	5,565	2,966	(2,599)
ISAEP	15,717	15,717	15,717	-
Jobs for VA grads	-	-	21,000	21,000
CTE industry credentials	-	-	6,233	6,233

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental Revenue: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
JROTC	\$ 45,000	\$ 45,000	\$ 56,058	\$ 11,058
Summer feeding program	-	-	22,318	22,318
Americorp	201,600	201,600	254,652	53,052
Adult secondary payments	6,282	6,282	-	(6,282)
Race to GED	-	-	23,341	23,341
English as a second language	109,279	109,279	83,464	(25,815)
Other state funds	376,992	568,979	370,603	(198,376)
Total revenue from the Commonwealth	<u>\$ 24,860,901</u>	<u>\$ 25,106,352</u>	<u>\$ 23,700,401</u>	<u>\$ (1,405,951)</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 3,700	\$ 3,700	\$ 13,987	\$ 10,287
Adult literacy	72,389	72,389	79,341	6,952
Language acquisition	22,936	22,936	29,217	6,281
Title I	1,120,111	1,137,087	1,104,072	(33,015)
Title I - ARRA	-	-	307,353	307,353
Title VI-B, flow-through	1,413,654	1,413,654	902,412	(511,242)
Title VI-B, flow-through - ARRA	-	-	426,243	426,243
Title VI-B, preschool	27,919	27,919	23,251	(4,668)
Title VI-B, preschool - ARRA	-	-	22,660	22,660
State fiscal stabilization funds - ARRA	1,597,021	1,597,021	1,590,856	(6,165)
Drug free schools	21,826	21,826	24,654	2,828
Title II	9,866	9,866	10,461	595
Vocational education	92,000	92,000	87,044	(4,956)
Educational technology - ARRA	-	-	26,484	26,484
Reading First	-	-	51,833	51,833
Teacher quality	234,202	234,202	179,929	(54,273)
Migrant education	74,987	82,179	44,504	(37,675)
School Breakfast Program	290,146	290,146	423,933	133,787
National school lunch program	870,806	870,806	842,305	(28,501)
Math and Science Partnerships	-	-	104,686	104,686
Title IV-Part B-21	150,000	322,920	223,376	(99,544)
Total revenue from the federal government	<u>\$ 6,001,563</u>	<u>\$ 6,198,651</u>	<u>\$ 6,518,601</u>	<u>\$ 319,950</u>
Total School Operating Fund	<u>\$ 41,607,680</u>	<u>\$ 42,250,219</u>	<u>\$ 40,261,769</u>	<u>\$ (1,988,450)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 41,607,680</u>	<u>\$ 42,250,219</u>	<u>\$ 40,261,769</u>	<u>\$ (1,988,450)</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

<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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 774,072	\$ 605,768	\$ 544,703	\$ 61,065
General and financial administration:				
County administrator	\$ 315,036	\$ 275,536	\$ 291,173	\$ (15,637)
Central purchasing	5,000	5,000	4,849	151
County attorney	75,000	258,342	234,734	23,608
Commissioner of revenue	286,296	280,292	279,613	679
County assessor	157,811	157,811	153,028	4,783
Treasurer	360,943	346,058	334,522	11,536
Finance	201,897	184,897	171,800	13,097
Management information systems	123,523	143,923	144,765	(842)
Resource development	80,993	80,993	77,366	3,627
Total general and financial administration	<u>\$ 1,606,499</u>	<u>\$ 1,732,852</u>	<u>\$ 1,691,850</u>	<u>\$ 41,002</u>
Board of elections:				
Electoral board and officials	\$ 67,292	\$ 160,409	\$ 74,109	\$ 86,300
Registrar	116,147	116,147	101,923	14,224
Total board of elections	<u>\$ 183,439</u>	<u>\$ 276,556</u>	<u>\$ 176,032</u>	<u>\$ 100,524</u>
Total general government administration	<u>\$ 2,564,010</u>	<u>\$ 2,615,176</u>	<u>\$ 2,412,585</u>	<u>\$ 202,591</u>
Judicial administration:				
Courts:				
Circuit court	\$ 39,246	\$ 39,246	\$ 35,297	\$ 3,949
General district court	5,000	5,000	7,376	(2,376)
Juvenile court	3,350	3,350	3,506	(156)
Special magistrates	500	500	495	5
Victim witness	54,277	54,278	52,202	2,076
Clerk of the circuit court	391,401	407,697	404,286	3,411
Law library	15,000	15,000	2,334	12,666
Total courts	<u>\$ 508,774</u>	<u>\$ 525,071</u>	<u>\$ 505,496</u>	<u>\$ 19,575</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 513,333	\$ 488,785	\$ 419,393	\$ 69,392
Total judicial administration	<u>\$ 1,022,107</u>	<u>\$ 1,013,856</u>	<u>\$ 924,889</u>	<u>\$ 88,967</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,792,159	\$ 1,923,751	\$ 1,908,251	\$ 15,500
Vehicle maintenance	163,222	166,287	118,115	48,172
Courtroom Security	73,213	73,465	73,446	19
Total law enforcement and traffic control	<u>\$ 2,028,594</u>	<u>\$ 2,163,503</u>	<u>\$ 2,099,812</u>	<u>\$ 63,691</u>
Fire and rescue services:				
Volunteer fire departments	\$ 287,255	\$ 420,940	\$ 351,995	\$ 68,945
Rescue squads	466,613	698,624	542,090	156,534
Carroll EMS	748,521	843,554	788,793	54,761
Total fire and rescue services	<u>\$ 1,502,389</u>	<u>\$ 1,963,118</u>	<u>\$ 1,682,878</u>	<u>\$ 280,240</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

<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>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Payments to New River Regional Jail	\$ 1,003,778	\$ 1,096,135	\$ 1,138,346	\$ (42,211)
Juvenile probation and detention	115,000	76,100	82,097	(5,997)
Total correction and detention	<u>\$ 1,118,778</u>	<u>\$ 1,172,235</u>	<u>\$ 1,220,443</u>	<u>\$ (48,208)</u>
Inspections:				
Building	\$ 234,357	\$ 234,962	\$ 215,316	\$ 19,646
Other protection:				
Animal warden	\$ 86,745	\$ 86,745	\$ 78,962	\$ 7,783
Medical examiner	600	600	360	240
Emergency services	178,086	1,476,112	1,197,584	278,528
E-911	324,248	319,148	319,146	2
Total other protection	<u>\$ 589,679</u>	<u>\$ 1,882,605</u>	<u>\$ 1,596,052</u>	<u>\$ 286,553</u>
Total public safety	<u>\$ 5,473,797</u>	<u>\$ 7,416,423</u>	<u>\$ 6,814,501</u>	<u>\$ 601,922</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 389,323	\$ 392,143	\$ 388,910	\$ 3,233
Public Service Authority	702,024	702,024	688,763	13,261
Litter control	-	8,233	8,233	-
Total sanitation and waste removal	<u>\$ 1,091,347</u>	<u>\$ 1,102,400</u>	<u>\$ 1,085,906</u>	<u>\$ 16,494</u>
Maintenance of general buildings and grounds:				
Governmental complex	\$ 428,861	\$ 435,340	\$ 430,925	\$ 4,415
Cannery	12,725	15,206	14,817	389
Maintenance force	277,915	248,634	242,858	5,776
Maintenance of other properties	259,700	251,100	251,498	(398)
Total maintenance of general buildings and grounds	<u>\$ 979,201</u>	<u>\$ 950,280</u>	<u>\$ 940,098</u>	<u>\$ 10,182</u>
Total public works	<u>\$ 2,070,548</u>	<u>\$ 2,052,680</u>	<u>\$ 2,026,004</u>	<u>\$ 26,676</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 225,146	\$ 225,146	\$ 225,146	\$ -
Mental health and mental retardation:				
Community services board	\$ 142,180	\$ 142,180	\$ 142,180	\$ -
Welfare:				
Public assistance and welfare administration	\$ 4,008,096	\$ 4,823,898	\$ 4,823,310	\$ 588
Senior citizens center	67,582	67,582	67,582	-
Total welfare	<u>\$ 4,075,678</u>	<u>\$ 4,891,480</u>	<u>\$ 4,890,892</u>	<u>\$ 588</u>
Total health and welfare	<u>\$ 4,443,004</u>	<u>\$ 5,258,806</u>	<u>\$ 5,258,218</u>	<u>\$ 588</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Education:				
Other instructional costs:				
Contributions to Community College	\$ 35,434	\$ 35,434	\$ 35,434	\$ -
Contribution to County School Board	8,495,600	8,745,600	8,503,225	242,375
Total education	<u>\$ 8,532,034</u>	<u>\$ 8,782,034</u>	<u>\$ 8,539,659</u>	<u>\$ 242,375</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 203,396	\$ 247,390	\$ 235,477	\$ 11,913
Farmer's Market	223,423	753,569	582,233	171,336
County Fair	21,550	62,825	61,564	1,261
Total parks and recreation	<u>\$ 448,369</u>	<u>\$ 1,063,784</u>	<u>\$ 879,274</u>	<u>\$ 184,510</u>
Library:				
Contribution to Carroll-Galax Regional Library	\$ 233,535	\$ 233,535	\$ 222,208	\$ 11,327
Total parks, recreation, and cultural	<u>\$ 681,904</u>	<u>\$ 1,297,319</u>	<u>\$ 1,101,482</u>	<u>\$ 195,837</u>
Community development:				
Planning and community development:				
Planning commission	\$ 79,048	\$ 79,048	\$ 71,441	\$ 7,607
Economic development	135,275	275,275	66,213	209,062
Business development	207,073	229,233	218,889	10,344
Tourism	209,277	304,012	245,875	58,137
Geographic information services	66,168	71,051	69,785	1,266
Payments to Town of Hillsville	259,250	289,464	344,592	(55,128)
Contribution to Public Service Authority	1,000,000	1,000,000	1,000,000	-
Contribution to Industrial Development Authority	685,763	1,881,740	1,863,008	18,732
Contribution to Twin County Airport	37,000	37,000	37,000	-
Total planning and community development	<u>\$ 2,678,854</u>	<u>\$ 4,166,823</u>	<u>\$ 3,916,803</u>	<u>\$ 250,020</u>
Environmental management:				
Contribution to soil and water district	\$ 5,200	\$ 5,200	\$ 5,200	\$ -
Cooperative extension program:				
Extension office	\$ 62,528	\$ 62,528	\$ 61,896	\$ 632
Total community development	<u>\$ 2,746,582</u>	<u>\$ 4,234,551</u>	<u>\$ 3,983,899</u>	<u>\$ 250,652</u>
Capital projects:				
Other capital projects	\$ 491,540	\$ 994,662	\$ 919,374	\$ 75,288
Debt service:				
Principal retirement	\$ 2,461,245	\$ 2,461,245	\$ 2,711,245	\$ (250,000)
Interest and other fiscal charges	1,465,688	1,465,688	1,463,404	2,284
Total debt service	<u>\$ 3,926,933</u>	<u>\$ 3,926,933</u>	<u>\$ 4,174,649</u>	<u>\$ (247,716)</u>
Total Primary Government	<u>\$ 31,952,459</u>	<u>\$ 37,592,440</u>	<u>\$ 36,155,260</u>	<u>\$ 1,437,180</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2010

<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>
<b>Discretely Presented Component Unit - School Board</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,587,521	\$ 1,779,508	\$ 1,534,078	\$ 245,430
Instruction costs:				
Instruction	\$ 29,199,445	\$ 29,649,997	\$ 30,011,093	\$ (361,096)
Operating costs:				
Pupil transportation	\$ 2,665,522	\$ 2,665,522	\$ 2,520,237	\$ 145,285
Operation and maintenance of school plant	3,942,546	3,942,546	4,112,954	(170,408)
Food services and other non-instructional costs	3,160,268	3,160,268	2,273,631	886,637
Facilities	1,150,062	1,150,062	74,451	1,075,611
Total operating costs	<u>\$ 10,918,398</u>	<u>\$ 10,918,398</u>	<u>\$ 8,981,273</u>	<u>\$ 1,937,125</u>
Total education	<u>\$ 41,705,364</u>	<u>\$ 42,347,903</u>	<u>\$ 40,526,444</u>	<u>\$ 1,821,459</u>
Total School Fund	<u>\$ 41,705,364</u>	<u>\$ 42,347,903</u>	<u>\$ 40,526,444</u>	<u>\$ 1,821,459</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 41,705,364</u>	<u>\$ 42,347,903</u>	<u>\$ 40,526,444</u>	<u>\$ 1,821,459</u>

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**Other Statistical Section**

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Gladeville Cranberry Sewer	Total
2009-10	\$ 1,703,677	\$ 925,671	\$ 6,994,784	\$ 1,213,242	\$ 5,237,690	\$ 9,607,514	\$ 1,131,080	\$ 3,927,237	\$ 1,362,010	\$ -	\$ 32,102,905
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	25,596,307
2005-06	1,776,300	766,461	4,098,143	789,065	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 8 years.

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous:	Grants and Contributions Not Restricted to Specific Programs (2)			
2009-10	\$ 1,878,271	\$ 6,322,099	\$ 1,955,261	\$ 18,930,242	\$ 3,851,833	\$ 66,952	\$ 1,187,572	\$ 2,224,997	\$ 36,417,227		
2008-09	1,756,912	6,012,860	59,414	19,133,533	4,921,995	375,242	264,578	1,204,174	33,728,708		
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 8 years.

(2) Fiscal Year 2009-10 is the first year State Communications tax is classified as Grants and Contributions Not Restricted to Specific Programs.

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	Debt Service	Total
2009-10	\$ 2,412,585	\$ 924,889	\$ 6,814,501	\$ 2,026,004	\$ 5,258,218	\$ 40,562,878	\$ 1,101,482	\$ 3,983,899	\$ 4,174,649	\$ 67,259,105
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	533,165	1,657,164	4,391,942	59,863,137
2006-07	2,036,565	850,387	4,601,974	1,189,285	4,045,618	38,649,619	527,277	1,556,236	3,740,680	57,197,641
2005-06	1,849,163	782,601	4,122,737	1,039,243	3,849,577	34,230,491	589,939	1,032,539	4,621,819	52,118,109
2004-05	1,532,879	757,000	3,777,944	908,835	3,455,461	33,663,223	555,453	1,693,801	4,680,902	51,025,498
2003-04	1,830,501	694,122	3,757,277	912,599	3,549,204	32,052,703	529,406	1,527,389	2,689,155	47,542,356
2002-03	1,163,784	664,978	2,812,403	1,745,855	3,088,873	29,853,387	366,566	831,459	2,933,019	43,460,324
2001-02	1,245,360	786,523	3,275,881	768,620	3,253,139	28,161,573	488,930	663,542	2,535,414	41,178,982
2000-01	1,416,870	686,432	3,206,857	1,220,759	3,031,775	27,774,966	420,433	548,234	12,706,758	51,013,084

(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 (3)	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
2009-10	\$ 18,198,583	\$ 3,851,833	\$ 193,447	\$ 323,043	\$ 106,881	\$ 2,228,272	\$ 505,956	\$ 2,127,298	\$ 40,430,674	\$ 67,965,987
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	5,686	311,851	1,046,653	289,173	1,225,778	30,968,533	51,663,270
2003-04	10,542,845	3,352,928	158,966	1,593	96,759	1,210,851	392,672	1,167,288	29,179,705	46,103,607
2002-03	10,293,925	3,219,954	114,487	2,465	114,260	1,155,599	209,172	1,293,392	27,131,009	43,534,263
2001-02	10,083,609	2,956,172	124,699	2,238	168,455	1,107,192	265,919	289,871	26,651,672	41,649,827
2000-01	9,868,153	2,731,549	124,125	2,869	425,328	1,026,228	343,610	1,200,382	25,222,392	40,944,636

(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.

(3) Fiscal Year 2009-10 is the first year State Communications Tax is classified as Intergovernmental revenue and not Other Local Taxes.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2009-10	\$ 20,392,754	\$ 18,215,777	89.32%	\$ 798,592	\$ 19,014,369	93.24%	\$ 3,303,172	16.20%
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%	867,488	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%

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

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
2009-10	\$ 2,393,470,955	\$ 328,315,750	\$ 100,657,481	\$ 2,822,444,186
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

(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
2009-10	\$ 0.595	\$ 1.60	\$ 1.30	\$ 2.30
2008-09	0.595	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

(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
2009-10	29,245	\$ 2,822,444	\$ 25,790,540	\$ 25,790,540	0.91%	\$ 882
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

(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
2009-10	\$ 2,711,245	\$ 1,463,404	\$ 4,174,649	\$ 67,259,105	6.21%
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%

(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

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## 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*

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

We have audited the financial statements of the governmental activities, the 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, 2010, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated January 13, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, responses, and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings, responses, and questioned costs to be material weaknesses [2010-1].

### **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 January 13, 2011.

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

January 13, 2011

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 INDEPENDENT AUDITORS' REPORT

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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's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Carroll, Virginia's major federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

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 in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and 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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Robinson, Famer, Co. Associates*

Christiansburg, Virginia

January 13, 2011

County of Carroll, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	90249, 90359, 90361, 90393	\$ 14,080
Temporary Assistance for Needy Families (TANF)	93.558	90109, 90110, 90111, 90112 90127, 90229, 90230, 90231 90232, 90367, 90377, 90409 90410, 90411, 90412, 90603	282,524
Refugee and Entrant Assistance - State Administered Programs	93.566	90113, 90233, 90713	680
Low-Income Home Energy Assistance	93.568	90114, 90115, 90234, 90235	16,693
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	90544, 90545	112,124
ARRA - Child Care and Development Block Grant	93.713	90517, 90521, 90529, 90540 90541, 90545	41,306
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	90116, 90117, 90118, 90119 90236, 90237, 90238, 90239 90378, 90517, 90521, 90529 90540, 90541	113,318
Chafee Education and Training Vouchers Program	93.599	90353	3,047
Child Welfare Services - State Grants	93.645	90251	906
Foster Care - Title IV-E	93.658	90105, 90106, 90107, 90209 90225, 90226, 90227, 90253 90258, 90405, 90406, 90636 90637, 90639, 90641, 90705 90706, 90707, 90733, 90738	174,591
ARRA - Foster Care - Title IV-E	93.658	90636, 90637, 90639, 90641	12,172
Adoption Assistance	93.659	90108, 90214, 90228, 90408 90606, 90607, 90627, 90708	62,753
ARRA - Adoption Assistance	93.659	90606, 90607	6,600
Social Services Block Grant	93.667	90120, 90122, 90123, 90124 90125, 90126, 90240, 90242 90243, 90244, 90245, 90246 90262, 90312, 90313, 90338 90340, 90358, 90379	128,259
Chafee Foster Care Independence Program	93.674	90254, 90356	4,102
Children's Health Insurance Program	93.767	90102, 90222, 90402, 90702	13,385
Medical Assistance Program	93.778	90101, 90146, 90213, 90221 90266, 90401, 90446, 90701 90746	186,643
<b>Total Department of Health and Human Services</b>			<b>\$ 1,173,183</b>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
State Homeland Security Program	97.073	52707	\$ 62,050
Emergency Management Performance Grant	97.042	52749	5,000
<b>Total Department of Homeland Security pass-through</b>			<b>\$ 67,050</b>
Pass Through Payments:			
Department of Emergency Management:			
Public Safety Interoperable Communications Grant Program	11.555	Not applicable	\$ 1,330,655
<b>Total Department of Homeland Security</b>			<b>\$ 1,397,705</b>

County of Carroll, Virginia  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Food Distribution (Note 3)	10.555	Not applicable	\$ 115,687
Food Distribution (Note 3)	10.559	Not applicable	<u>801</u>
Total Department of Agriculture - pass-through payments			<u>\$ 116,488</u>
Department of Education:			
Child Nutrition Cluster:			
National school breakfast program	10.553	40591	\$ 307,445
National school lunch program	10.555	40623	842,305
Schools and Roads - Grants to States	10.665	43841	<u>13,987</u>
Total Department of Education - pass-through payments			<u>\$ 1,163,737</u>
Rural Development:			
Rural Business Enterprise Grant	10.769	Not applicable	\$ 99,000
Appalachian Regional Commission	23.001	Not applicable	<u>100,000</u>
Total Rural Development - pass-through payments			<u>\$ 199,000</u>
Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	\$ 309,530
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	90103, 90104, 90212, 90223 90224, 90403, 90404, 90703 90704	<u>17,434</u>
Total Department of Social Services			<u>326,964</u>
Total Department of Agriculture			<u>\$ 1,806,189</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments to States in Lieu of Real Estate Taxes	12.112	Not applicable	<u>\$ 11,186</u>
Department of Justice:			
Pass Through Payments:			
VA Compensation Board:			
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	09SUB9033	<u>\$ 69,234</u>
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14.228	50798	<u>\$ 45,876</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL-2009 59136 3439	<u>\$ 15,880</u>

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County of Carroll, Virginia  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Cluster or Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 79,341
Title I Cluster:			
Title I: Grants to Local Educational Agencies	84.010	42901, 42999	1,104,072
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	307,353
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	1,590,856
Migrant education - State Grant Program	84.011	42910	44,504
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	902,412
ARRA - Special Education - Grants to States	84.391	61245	426,243
Special Education - Preschool Grants	84.173	62521	23,251
ARRA - Special Education - Preschool Grants	84.392	61247	22,660
Career and Technical Education: Basic Grants to States	84.048	61095	87,044
Safe and Drug-free schools and communities - State Grants	84.186	60511	24,654
Twenty-First Century Community Learning Center	84.287	60565	223,376
Education Technology State Grants	84.318	61600	10,461
Reading First State Grants	84.357	60655	51,833
Mathematics and Science Partnerships	84.366	60730	104,686
English Language Acquisition Grants	84.365	60512	29,217
Improving Teacher Quality State Grants	84.367	61480	179,929
ARRA - Education Technology Grant	84.386	60897	26,484
Total Department of Education			<u>\$ 5,238,376</u>
Total Federal Expenditures of Federal Awards			<u>\$ 9,757,629</u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Carroll County, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Carroll County, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Carroll County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2010 Carroll County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 2,947,543
General Fund-Deferred Revenue	<u>291,485</u>
Total primary government	<u>\$ 3,239,028</u>
Component Unit Schools:	
School Operating Fund	<u>\$ 6,518,601</u>
Total federal expenditures per the basic financial statements	<u>\$ 9,757,629</u>

**COUNTY OF CARROLL, VIRGINIA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	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>
84.027/84.173/84.391/84.392	Special Education Cluster
84.010/84.389	Title I, Part A Cluster
11.555	Public Safety Interoperable Communications Grant
84.394	ARRA - State Fiscal Stabilization Funds - Education State Grants
93.658	ARRA - Foster Care/Foster Care
10.561	SNAP Cluster

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

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## COUNTY OF CARROLL, VIRGINIA

### SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2010

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#### Section II -- Financial Statement Finding

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2010-1 **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 115, 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

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None

#### Section IV - Status of Prior Audit Findings and Questioned Costs

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There were no prior audit findings related to federal awards.