

COUNTY OF ALLEGHANY, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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

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Introductory Section

COUNTY OF ALLEGHANY, VIRGINIA

BOARD OF SUPERVISORS

Stephen A. Bennett, Chairman	
Carolyn T. Barnette, Vice Chairperson	Suzanne T. Adcock
Dave P. Price	Paige R. Morgan
Cletus W. Nicely	Rickey D. May

COUNTY SCHOOL BOARD

Randall S. Tucker, Chairman	
Robert J. Anderson	T. Troy Barbour
Stacey P. Bryant	Robert A. Fridley
Patsy McKinney	David W. Halsey

SOCIAL SERVICES BOARD

Sherry W. Stull, Chairman	
Dave P. Price	David Bryant
Carole T. Gibson	John G. Hudson
William Zimmerman	

OTHER OFFICIALS

Clerk of the Circuit Court.....	Debra N. Byer
Commissioner of the Revenue	Valerie Bruffey
Treasurer	Anna L. Fox
Sheriff.....	Kevin Hall
Superintendent of Schools	Dr. Sarah T. Campbell
Finance Director.....	Susan Myers
Director of Social Services	Barbara B. Driver
County Administrator.....	John Strutner
County Attorney	Jim Guynn

Financial Section

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To the Members of the Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia**

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, the major fund and the aggregate remaining fund information of the County of Alleghany, Virginia as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the County of Alleghany, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement 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 Management's Discussion and Analysis, budgetary comparison information, and Schedules of 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 Alleghany, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical 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 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 Alleghany, Virginia. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Turner, Co. Associates

Christiansburg, Virginia
December 10, 2010

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

The management of the County of Alleghany, Virginia presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. This document should be used in conjunction with the financial statements and notes to the financial statements that are included in this document.

GOVERNMENT-WIDE STATEMENTS

In the past, the primary focus for local government financial statements has been summarized fund type information on a modified accrual basis of accounting. However, with the implementation of Statement No. 34 of the Governmental Accounting Standards Board (GASB) for June 30, 2003, there are now government-wide statements in addition to the fund statements. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way that may help answer this question. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements report the County's net assets and the changes in them. One can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets can be one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors will need to be considered, however, such as changes in the County's property tax base and the condition of the County's infrastructure, to assess the overall health of the County.

For the purposes of the government-wide statements, the County financial records are divided into two types of activities:

Governmental Activities - Most of the County's basic services are reported here: Parks and Recreation, Law Enforcement, General Administration, Judicial Administration, Fire and Rescue, Buildings and Grounds, Health and Welfare, Education, and Community Development. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Business-type Activities - The operation of the County's water and sanitary systems are reported here as the County charges a fee to customers to help cover all or most of the cost of the services it provides. The County adopts county-wide rates for water and sewer customers. Approximately one third of County households have public water and/or sewer.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

FUND FINANCIAL STATEMENTS

The fund financial statements provide more information about the County's most significant funds. The fund financial statements focus on the individual parts of the County government, reporting the County's operations in more detail than the government-wide statements. The Funds are accounting mechanisms that the County uses to keep track of specific sources of funds and spending for a particular purpose. Some funds are required to be established by State and Federal law and by bond covenants. Other funds are established to control and manage money for particular purposes or to demonstrate that the government is properly using certain taxes and grants.

The County has three types of funds:

Governmental Funds - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or less financial resources that can be spent in the near future to finance the County's programs.

Proprietary Funds - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

In fact, the County's Enterprise Fund (one type of proprietary fund) is the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flow. The County's Enterprise Fund accounts for the operation of the County's water and wastewater utility.

Fiduciary Funds - The County is the trustee, or fiduciary, for Agency Funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its own operations.

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

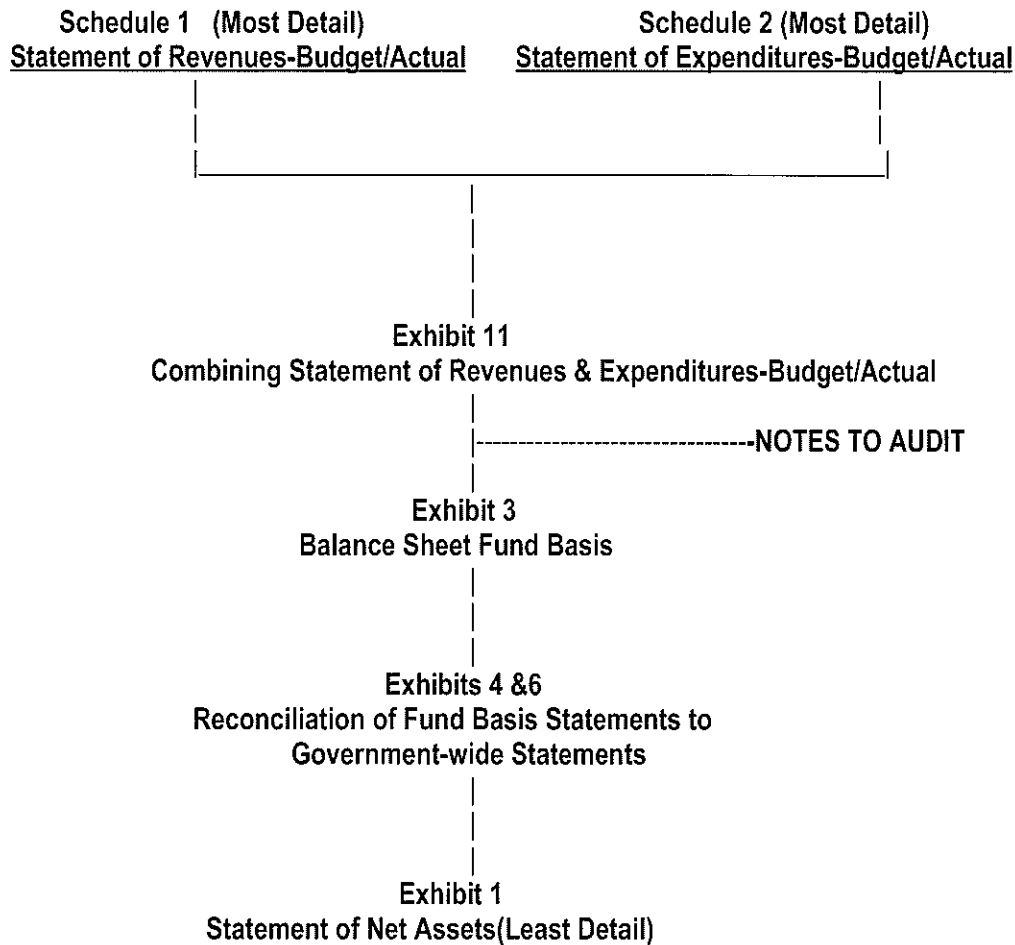
AUDIT STRUCTURE

Reading and interpreting the audit can be a daunting task at times. Hopefully, the following guideline will help first-time users of this document.

- I. Introduction
 - A. Transmittal Letter- A listing of County Officials.
- II. Financial Section
 - A. Management Discussion and Analysis-The document you are currently reading. The purpose of this document is to disclose significant financial information in a more "user friendly" manner.
 - B. Government-wide statements-The new statements required by GASB No. 34. These are the Statements of Net Assets and the Statement of Activities.
 - C. Fund Basis Statements-These are the traditional financial statements included in governmental audits.
 - D. Reconciliation of Fund Basis Statements to Government-wide Statements.
 - E. Proprietary Fund Statements-For Alleghany County, this means the results of the operation of the Water and Sanitary Fund.
- III. Notes to the Financial Statements
 - A. The Notes to the financial statements are perhaps the most informative part of the audit for someone seeking information. The notes include information on accounting methods, detail of debt, amounts due from other governmental units, detail of capital assets, and a number of other schedules that explain where and how certain figures are obtained.
- IV. Required Supplementary Information
 - A. Combining & Individual Fund Statements and Schedules- These are where the detail is kept that rolls forward into the Basic Financial Statements.
 - B. Statistical Sections- Where comparative charts are presented showing the increases and decreases of revenue, expenditures, debt, property assessed values, and tax rates over a ten-year period.
 - C. Compliance- Required under OMB Circular A-133, it basically reports all money received from the Federal Government including State pass through funds and a judgment is passed on whether the County has materially met the requirements of each major grant.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

How to follow Schedules/Exhibits in the Audit:



This means that you can follow money that comes in for Real Estate Taxes all the way through to where it becomes part of net assets or that you can follow where money is spent for the Board of Supervisors through to where it affects net assets.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the seventh year that the County of Alleghany has presented its financial statements under the new reporting model required by GASB Statement No. 34. Therefore, we are including a comparison. This reporting model changes significantly both the recording and presentation of financial data.

Statement of Net Assets

The following table reflects the condensed Net Assets:

	Summary of Net Assets			
	Governmental Activities		Business-Type Activities	
	2009	2010	2009	2010
<u>Assets</u>				
Current and Other Assets	\$22,711,399	\$22,935,719	\$3,513,751	\$2,823,671
Capital Assets	32,602,718	33,325,265	23,395,856	17,310,029
Total Assets	<u>\$55,314,117</u>	<u>\$56,260,984</u>	<u>\$26,909,607</u>	<u>\$20,133,700</u>
<u>Liabilities</u>				
Current Liabilities	\$3,141,415	\$3,333,241	\$3,362,701	\$300,140
Long-term Liabilities	23,816,162	25,155,610	4,093,301	4,015,506
Total Liabilities	<u>\$26,957,577</u>	<u>\$28,488,851</u>	<u>\$7,456,002</u>	<u>\$4,315,646</u>
<u>Net Assets</u>				
Invested in Capital Assets				
Net of Related Debt	\$9,143,456	\$8,545,690	\$17,409,095	\$13,339,272
Restricted Net Assets	975,909	896,065	9,614	9,614
Unrestricted Net Assets	18,237,175	18,330,378	2,034,896	2,469,168
Total Net Assets	<u>\$28,356,540</u>	<u>\$27,772,133</u>	<u>\$19,453,605</u>	<u>\$15,818,054</u>

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Financial Highlights of the Statement of Net Assets

At the close of the fiscal year, the assets of the County exceeded liabilities by \$47,810,145 (Exhibit 1). Of this amount \$20,272,071 may be used to meet the government's ongoing obligations to creditors and citizens within each respective activity.

*Net assets of the County Governmental activities for the government-wide statements were \$28,356,540. Of this amount \$18,237,175 was unrestricted (Exhibit 1). This means that 64.31% of total assets were unrestricted. This is a decrease from FY09.

*Net assets of the County's business-type activities as of June 30, 2010 were \$19,453,605. Of this amount, \$2,034,896 unrestricted (Exhibit 1). This means that 10.46% of the total assets were unrestricted. Basically, this statement shows that Alleghany County has cash reserves in the governmental funds. It also show that the net assets increase for the Governmental Funds. This is mainly due to an increase in assets invested in capital.

Highlights of the Statement of Activities

The Statement of Activities reveals some interesting facts. Probably the most thought provoking is the original schedule that matches revenues and expenditures for a specific activity (Exhibit 2). It shows the specific activity versus how much revenue is generated specifically for or by that activity and how much of the general revenues are used to finance the activity. This is diametrically opposite of how traditional fund accounting has presented revenue. Fund accounting has always presented revenue by source (local, state, federal). The following table presents the program revenue generated by each major activity and the general revenue required to meet operational cost of the respective activities.

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

**Activities - Program Revenue vs. Reliance on General Revenue
as of June 30, 2009 and June 30, 2010**

<u>Activity</u>	<u>Program Revenue</u>		<u>Reliance on General Revenue</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
General Administration	\$378,077	\$465,282	\$1,610,098	\$1,565,481
Judicial Administration	943,711	738,279	402,413	567,912
Public Safety	2,524,968	2,016,284	2,373,872	2,951,822
Public Works	2,177,646	1,095,730	2,792,506	2,256,131
Health & Welfare	2,589,299	2,605,070	778,824	822,701
Education	2,296,572	2,407,609	9,730,229	9,696,556
Parks, Recreation & Cultural	59,558	113,943	572,656	983,033
Community Development	314,010	0	80,475	444,648
Interest on Long-Term Debt	0	0	1,089,090	1,038,864
Business-Type Activities	3,831,585	6,541,258	0	0
Totals	<u>\$15,115,426</u>	<u>\$15,983,455</u>	<u>\$19,430,163</u>	<u>\$20,327,148</u>

As can be expected General Government Administration is 77.09% supported by General Revenues. This category includes general and financial administration, taxing and collection functions, and voting functions. The 22.91% program revenue is mostly from the Commonwealth of Virginia support of the voting function, tax collection and assessment functions.

Judicial Administration is supported 56.52% by either revenue from the Commonwealth of Virginia or fines , forfeitures and fees. Activities included in this category are the court system, serving of legal documents, prosecution, magistrate, and maintaining legal records.

Public Safety is funded by the Commonwealth of Virginia for 40.58% of the total program costs. This leaves the General Fund providing 59.42% of the funding for public safety. This function includes law enforcement, correction and detention, probation, fire and rescue, animal protection, and emergency services.

On the Statement of Activities (Exhibit 2) local education effort is separated from the School Board activities. This chart only represents the amount of General money vs. program money that the General revenues are used to fund the local effort.

Public Works is funded by General Revenue (32.69%). These activities include refuse collection and disposal, general property upkeep, recycling, and general engineering.

Community Development activities were funded by 100% by local sources. Items included in this activity include contributions to the Alleghany Highlands Economic Development Corporation and contributions to a number of organizations that contribute to development of the community as a whole.

Parks, Recreation and Cultural Activities is supported almost entirely by general revenues (89.61%). This include parks and recreation, senior citizens services, and contributions to various organizations that sponsor cultural activities.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Health and Welfare is primarily supported by State and Federal resources (75.99%). This includes support of the Health Department and Department of Social Services.

The financial statements show no revenue was received to help pay the cost of interest on long term debt. This includes interest on school debt, general obligation debt, and revenue debt.

All of the revenue received for the Water and Sanitary activities was entirely generated by the existence of the activity. There were both charges for services and some grants; however, they were all generated due to the existence of the Water & Sanitary System. This chart also clearly shows that revenues increased over the prior year. This increase was largely related to the receipt of significant grant funding.

The Statement of Activities (Exhibit 2) also demonstrates very clearly how the difference between expenditures and revenue leads to either an increase or decrease in net assets between years.

**Statement of Activities (Condensed)
as of June 30, 2009 and June 30, 2010**

	Governmental Activities		Business-Type Activities	
	2009	2010	2009	2010
Program Revenues	\$11,283,841	\$9,442,197	\$3,831,585	\$6,541,258
General Revenues:				
General property taxes	15,222,115	15,715,743		
Other local taxes	2,698,807	2,236,077		
Use of Money & Property	356,129	105,447	29,404	17,686
Miscellaneous	247,159	405,274	23,129	16,731
Unrestricted grants	2,069,500	2,276,650		
Net Transfers	202,970	45,337	-202,970	-45,337
Gain(loss) on disposal Of Assets	117,300	127,027		
Total Revenue	32,197,821	30,353,752	3,681,148	6,530,338
Total Expenditures	30,714,004	29,769,345	3,466,944	2,894,787
Change in Net Assets	1,483,817	584,407	214,204	3,635,551
Beginning Net Assets	26,288,316	27,772,133	15,603,850	15,818,054
Ending Net Assets	\$27,772,133	\$28,356,540	\$15,818,054	\$19,453,605

The above chart shows that for governmental activities net assets increased by \$584,407.

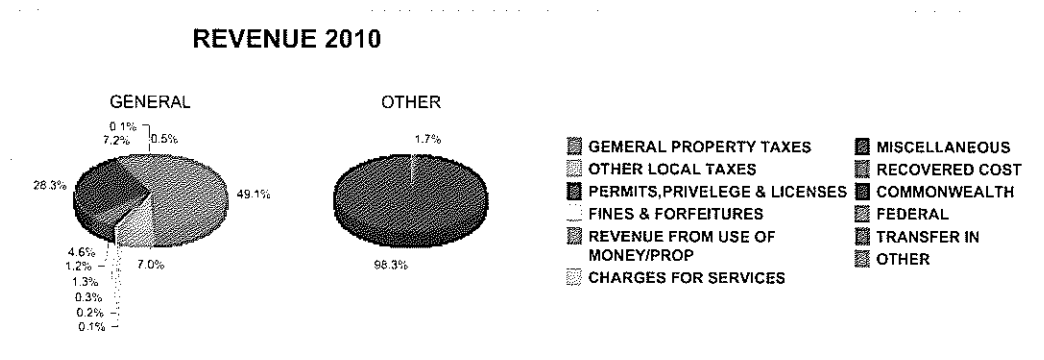
There was a \$3,635,551 increase in net assets of the Water and Sanitary (business-type) activities. This was due to an increase in the rates effective July 1, 2010 and the receipt of grant funds during the fiscal year. In addition the construction of the East End Sewer Plant is considerably increasing capital assets.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Highlights of the Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds. This will be a more familiar view to traditional users of government financial statements. However, there are still significant changes in these statements to meet the requirements of GASB No. 34. Except for major funds as defined by GASB No. 34, all other special funds have been included in the general fund.

**Fund Revenue by Source
for June 30, 2010**



For the General funds, local revenue sources were 63.88% of the total revenue received, while the Commonwealth of Virginia contributed 28.29%, the Federal government contributed 7.23%, and other financing sources contributed .60%.

The Other Funds category was funded entirely by local revenue. These revenue figures are presented on a source basis using modified accrual accounting as opposed to the method that is being used in the government-wide statements.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

Between what was originally budgeted in the General Fund and the actual collections, there is a difference of \$194,247. This means that \$194,427 less was collected in revenue than was budgeted. This is somewhat misleading. There were many variations, some were positive, some were not. The following is a brief list of both the positive and the negative.

- Overall Property Taxes exceeded budget by \$834,294. This was mainly due to an increase in Machinery & Tools Tax.
- One of the bad variations is the \$215,793 under budget on interest income.
- There are a number of deviations in the Shared Expenses with the Commonwealth. Some were caused by the County being mandated to return \$170,854 in revenue to the Commonwealth.
- Once again the expenditure driven line items for Social Services did not reach the anticipated budget level. However, this means that the money was not expended for Social Services; therefore, the effect is negated by the effect on the expenditure side of the budget.
- State Sales Tax did not meet budget by \$115,263.
- Contributions from the Alleghany Foundation were under budget due to the projects that were being funded not moving at the expected pace.
- Charges for gasoline were down due to the County pumps being out of order for an extended period of time.
- Neither Lodging tax or Meals tax reached their revenue estimates.

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

This chart shows a comparison between FY09 and FY10 revenues for the General Operating Fund. There was an overall decrease in revenue of \$1,855,600. This equates to a 5.5% increase in revenues. There are two other percentages that need to be mentioned. The first is the decrease in Revenue from the Use of Money & Property. This is down such a large percentage due to the continuing drop in interest rates offered on investments. The actual funds invested were comparable. The second large percentage change was in the amount of Federal Revenue. This was due to receiving money in FY09 from the Federal Stimulus Program that were not received in FY10.

<u>General Fund Revenue</u>	<u>2009</u>	<u>2010</u>	<u>Difference</u>	<u>% Change</u>
General Property Taxes	\$15,128,836	\$15,629,777	\$500,941	3.31%
Other Local Taxes	2,698,807	2,236,077	-462,730	-17.15%
Permits, Privilege Fees and Licenses	50,661	35,296	-15,365	-30.33%
Fines and Forfeitures	64,653	65,414	761	1.18%
Revenue from the Use of Money and Prop	355,519	104,819	-250,700	-70.52%
Charges for Services	503,944	413,300	-90,644	-17.99%
Miscellaneous	208,286	368,588	160,302	76.96%
Recovered Costs	1,612,870	1,473,856	-139,014	-8.62%
Commonwealth	8,413,280	9,003,162	589,882	7.01%
Federal	4,320,803	2,302,385	-2,018,418	-46.71%
Transfers in	202,970	45,337	-157,633	-77.66%
Other	117,300	144,318	27,018	23.03%
Totals	\$33,677,929	\$31,822,329	-\$1,855,600	

There was a small decrease in the revenue for Other Governmental Funds.

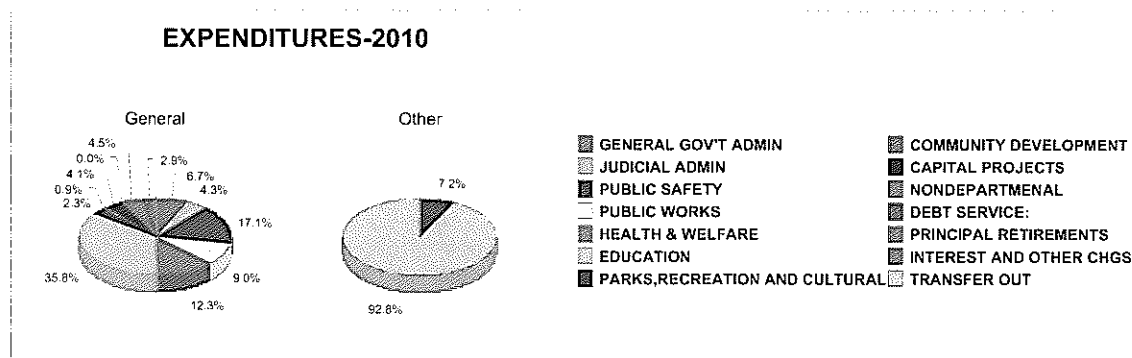
<u>Other Governmental Funds</u>	<u>2009</u>	<u>2010</u>	<u>Difference</u>	<u>% Change</u>
Revenue from the Use of Money and Prop	\$610	\$628	\$18	2.95%
Miscellaneous	38,873	36,686	-2,187	-5.63%
Totals	\$39,483	\$37,314	-\$2,169	

The fund basis statements are presented on a functional basis as opposed to an activity basis as in the government-wide statements. This leads to several differences. For example, principal retirement and transfers out are included in these statements. Also, these statements are still being presented on a modified accrual basis as opposed to full accrual on the government-wide statements.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

**Fund Expenditures by Function
for June 30, 2010
Graphical Representation
Schedule 5**

Fund expenditures were as follows: Public Education (35.8%), Public Safety (17.1%), and Health & Welfare (12.3%) still remain the categories where the most money is expended. General Administration (6.7%), Judicial Administration (4.3%), Public Works (9%), Parks and Recreation (2.3%), Community Development (9%), Capital Projects (4.1%) and Debt Service (7.4%) accounted for the rest of the funds spent.



The General fund spent \$10.2 million less than the amended budget (See Schedule 2). In fact, the overall expenditures for the General Fund decreased over \$1 million from FY09 to FY10. The following are some of the reasons:

- For capital budgeting and cash flow purposes, Alleghany County allows individual functions to "carry forward" unexpended budget funding in order to finance incremental parts of anticipated large purchases. This lessens the impact on tax rates in a single year. The amount for all funds was \$8,958,415 for FY10.
- An additional \$3,329,200 was reappropriated for Purchase Orders outstanding.
- Recognizing the downturn in the overall economic situation the County made a concentrated effort to either defer or eliminate spending whenever possible.
- The School Board returned \$2,255,668 to the County. However, this was reappropriated and returned to the School Board in FY10..
- Total spending on Capital Projects is down this year due to the completion of the Fork Farm Bridge Project and several other smaller projects.

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

In the General Fund, expenditures decreased by \$1,005,670 as noted below:

<u>General Fund Expenditures</u>	<u>2009</u>	<u>2010</u>	<u>Difference</u>	<u>% Change</u>
General Gov't Administration	\$2,101,972	\$2,159,776	\$57,804	2.75%
Judicial Administration	1,403,618	1,381,692	-21,926	-1.56%
Public Safety	5,306,035	5,491,365	185,330	3.49%
Public Works	2,965,524	2,893,008	-72,516	-2.45%
Health and Welfare	4,038,254	3,947,566	-90,688	-2.25%
Education	11,378,841	11,456,205	77,364	0.68%
Parks, Recreation and Cultural	673,801	722,137	48,336	7.17%
Community Development	330,719	283,368	-47,351	-14.32%
Capital Projects	2,439,283	1,321,439	-1,117,844	-45.83%
Nondepartmental	5,899	4,900	-999	-16.94%
Debt Service:				
Principal Retirements	1,408,490	1,441,347	32,857	2.33%
Interest and Other Charges	977,827	921,790	-56,037	-5.73%
Totals	<u>\$33,030,263</u>	<u>\$32,024,593</u>	<u>-\$1,005,670</u>	

Under Other Governmental Funds there was a decrease in the amount spent.

<u>Other Governmental Funds</u>	<u>2009</u>	<u>2010</u>	<u>Difference</u>	<u>% Change</u>
Public Safety	<u>\$18,891</u>	<u>\$18,242</u>	<u>-\$649</u>	<u>-3.44%</u>
Totals	<u>\$18,891</u>	<u>\$18,242</u>	<u>-\$649</u>	

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS AND LONG TERM DEBT

Alleghany County had an investment in capital assets as of June 30, 2010 for its governmental activities of \$32,602,718. Included in the governmental activities are School Board buildings and improvements for which Alleghany County has or will pay the associated debt. In addition, the School Board had assets of \$9,199,862 that are not owned by Alleghany County. The Water and Sanitary Fund had \$23,395,856 in capital assets. These assets are predominately water and sewer lines, pump stations, and other related infrastructure. The assets in the Water and Sanitary Fund increased due to the ongoing work on the new waste water treatment plant and the work on the collection system. The primary government long term debt (excluding Compensated Absences) decreased during fiscal year 2010 (See Note 7) The Water & Sanitary Fund debt increased due to the East End Sewer Project.

<u>Capital Assets</u>			
	<u>Governmental</u>	<u>Business-Type</u>	<u>Component Unit</u>
Land	\$ 3,390,078	\$ -	\$ 1,018,272
Buildings and Systems	37,384,932	-	13,242,384
Machinery and Equipment	4,204,523	119,872	4,293,544
Infrastructure	-	21,640,317	-
Construction in Progress	-	9,354,165	-
Subtotal	<u>44,979,533</u>	<u>31,114,354</u>	<u>18,554,200</u>
Less Accumulated Depreciation	<u>(12,376,815)</u>	<u>(7,718,498)</u>	<u>(9,354,338)</u>
Total	\$ <u>32,602,718</u>	\$ <u>23,395,856</u>	\$ <u>9,199,862</u>

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COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

CAPITAL ASSETS AND LONG TERM DEBT (CONTINUED)

Governmental Debt				
	<u>Balance</u> <u>June 30, 2009</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
GO bonds	\$ 6,761,225	\$ -	\$ (344,529)	\$ 6,416,696
Premium on VPSA	74,215	-	(10,761)	63,454
Literary loans	9,750,000	-	(750,000)	9,000,000
Revenue bonds	171,131	-	(6,818)	164,313
Lease revenue bond	9,050,000	-	(340,000)	8,710,000
Less deferred amounts:				
Refunding	(1,026,996)	-	131,795	(895,201)
Total	\$ 24,779,575	\$ -	\$ (1,320,313)	\$ 23,459,262
Water and Sanitary Debt				
	<u>Balance</u> <u>July 1, 2009</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2010</u>
Revenue Bonds	3,970,758	\$ 421,732	\$ (353,877)	\$ 4,038,613
Total	\$ 3,970,758	\$ 421,732	\$ (353,877)	\$ 4,038,613

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**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A number of factors and trends will need to be evaluated and considered with regard to the FY 10-11 budget. Those are as follows:

The Alleghany County unemployment rate was 5.9% in August 2008, but had risen to 9.0% in January 2009 and then to 10.3 % by April 2009 . Similar increases have occurred with the Virginia and national rates. The local, state and national economies all are expected to continue to decline as the recession persists. The Alleghany Highlands region has had only marginal success in replacing the 706 jobs lost since December 2005. The County and region, in partnership with the Alleghany Highlands Economic Development Corporation and the Roanoke Regional Partnership, must continue in its efforts to improve employment opportunities, both through support of existing employers and the attraction and cultivation of new employers. There is a renewed effort to expand our tourism sector and several initiatives have been launched. A Western Virginia Highlands tourism program is being formed, and the Alleghany Highlands Chamber of Commerce has expressed its interest in administering a tourism and marketing program under an agreement with the County, as well as with the City of Covington and Town of Clifton Forge. Funding for the latter will be generated by an increase in the County's transient occupancy tax. The development of the site for a data security and storage center in Low Moor is being actively pursued by the AHEDC. We also will continue to focus upon those industries that historically have provided the largest number of jobs in the Alleghany Highlands - wood and paper products, household and personal goods manufacturing, and health care. However, until the recession subsides and the economy recovers, we do not realistically expect to be able to generate much in the way of new business prospect activity or the expansion of existing businesses.

Additionally, Alleghany County continues to experience a decline in population. The VEC has projected a decline in population from 2000 (17,171) to 2030 (15,290), and that trend has begun to manifest itself in the County's school enrollments and enrollment projections. The local workforce population is also projected to decline at a faster pace over the next 30 years, while the number of older adults is expected to increase significantly. Income levels in the Alleghany Highlands continue to lag behind both the region and the Commonwealth.

Early, preliminary projections by the Commissioner of Revenue are that the total assessed value for real estate will grow only slightly (about \$4-million) for FY 10-11, while personal property assessed values will increase slightly more than \$2-million over last year's values. Local Sales and Use tax revenues continue to remain relatively flat, and only a nominal increase, at best, can be projected for next year. Interest income is also expected to continue to decline due to the drop in interest rates.

The Commonwealth's continuing fiscal stress is also impacting the local budget picture. The ABC/Wine Profits distribution from the State was eliminated, and another round of reductions in State Aid payments for support of the County's Constitutional Offices, Registrar, and other agencies similar in amounts to those imposed last year is expected again this coming year. Further cuts in State aid for education are also expected.

The Director of Public Works is expected to advocate for an increase in the base rates for water and sewer service, and for the overage rates for each as well. Rationale for these increases is that there are three capital improvement projects that need to be undertaken - painting the interior of the Low Moor water tank, a new retaining wall and steps at a pump station in Selma, and continuation of our I&I program (which is tied to our consent order for the regional sewage treatment plant under construction). The increases are also required to generate revenue for the operations

**COUNTY OF ALLEGHANY, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

and maintenance and debt service for this new plant.

Another difficult budgeting season for FY 10-11, with hard decisions and choices to be made, is anticipated.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Alleghany County Administrator, 9212 Winterberry Avenue, Covington, VA 24426.

Basic Financial Statements

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

	Primary Government			Component Unit
	Governmental	Business-type	Total	School Board
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 17,655,627	\$ 2,206,760	\$ 19,862,387	\$ 3,321,058
Cash in custody of others	-	-	-	337,693
Receivables (net of allowance for uncollectibles)				
Taxes receivable	388,937	-	388,937	-
Accounts receivable	495,340	328,490	823,830	7,592
Due from other funds	1,948,148	-	1,948,148	-
Due from primary government	-	-	-	2,329,746
Due from other governmental units	1,254,291	955,287	2,209,578	139,758
Inventories	6,703	-	6,703	14,845
Prepaid expenses	-	-	-	197,011
Deferred charges	66,288	-	66,288	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	896,065	13,600	909,665	-
Cash and cash equivalents - debt reserve funds	-	9,614	9,614	-
Capital assets (net of accumulated depreciation)				
Land	3,390,078	-	3,390,078	1,018,272
Buildings and system	27,677,920	-	27,677,920	6,288,153
Machinery and equipment	1,534,720	76,389	1,611,109	1,893,437
Infrastructure	-	13,965,302	13,965,302	-
Construction in progress	-	9,354,165	9,354,165	-
Total assets	\$ 55,314,117	\$ 26,909,607	\$ 82,223,724	\$ 15,547,565
LIABILITIES				
Accounts payable	\$ 536,676	\$ 1,389,851	\$ 1,926,527	\$ 178,526
Accrued liabilities	12,542	6,764	19,306	2,362,793
Customers' deposits	-	13,600	13,600	-
Accrued interest payable	246,593	4,338	250,931	-
Due to other funds	-	1,948,148	1,948,148	-
Due to component unit	2,329,746	-	2,329,746	-
Deferred revenue	11,733	-	11,733	-
Amounts held for others	4,125	-	4,125	-
Long-term liabilities:				
Due within one year	1,742,026	373,725	2,115,751	158,999
Due in more than one year	22,074,136	3,719,576	25,793,712	285,573
Total liabilities	\$ 26,957,577	\$ 7,456,002	\$ 34,413,579	\$ 2,985,891
NET ASSETS				
Invested in capital assets, net of related deb	\$ 9,143,456	\$ 17,409,095	\$ 26,552,551	\$ 9,199,862
Restricted for:				
Debt reserves	-	9,614	9,614	-
Jail Operations	91,942	-	91,942	-
Employee health insurance	883,967	-	883,967	-
Unrestricted (deficit)	18,237,175	2,034,896	20,272,071	3,361,812
Total net assets	\$ 28,356,540	\$ 19,453,605	\$ 47,810,145	\$ 12,561,674

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

County of Allegheny, Virginia
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				Component Unit	
	Expenses	Charges for Services	Operating Contributions	Grants and Contributions	Primary Government				School Board	
					Governmental Activities	Business-type Activities	Total	Total		
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 2,030,763	\$ 67,330	\$ 397,952	\$ -	\$ (1,565,481)	\$ -	\$ (1,565,481)	\$ -		
Judicial administration	1,306,191	6,345	731,934	-	(567,912)	-	(567,912)	-		
Public safety	4,968,106	15,601	2,000,683	-	(2,951,822)	-	(2,951,822)	-		
Public works	3,351,861	276,877	24,451	794,402	(2,256,131)	-	(2,256,131)	-		
Health and welfare	3,427,771	-	2,605,070	-	(822,701)	-	(822,701)	-		
Education	12,104,165	-	2,407,609	-	(9,696,556)	-	(9,696,556)	-		
Parks, recreation, and cultural	1,096,976	47,147	66,796	-	(983,033)	-	(983,033)	-		
Community development	444,648	-	-	-	(444,648)	-	(444,648)	-		
Interest on long-term debt	1,038,864	-	-	-	(1,038,864)	-	(1,038,864)	-		
Total governmental activities	\$ 29,769,345	\$ 413,300	\$ 8,234,495	\$ 794,402	\$ (20,327,148)	\$ -	\$ (20,327,148)	\$ -		
Business-type activities:										
Water and Sewer Fund	\$ 2,894,767	\$ 3,048,395	\$ -	\$ 3,492,863	\$ -	\$ 3,646,471	\$ 3,646,471	\$ 3,646,471	\$ -	
Total primary government	\$ 32,664,132	\$ 3,461,695	\$ 8,234,495	\$ 4,287,265	\$ (20,327,148)	\$ 3,646,471	\$ (16,680,677)	\$ -		
COMPONENT UNITS:										
School Board	\$ 29,711,303	\$ 683,879	\$ 18,696,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,330,669)	
Total component units	\$ 29,711,303	\$ 683,879	\$ 18,696,755	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (10,330,669)	
General revenues:										
General property taxes					\$ 15,715,743	\$ -	\$ 15,715,743	\$ -		
Other local taxes										
Local sales and use taxes					641,387	-	641,387	-		
Consumers' utility taxes					274,387	-	274,387	-		
Business license taxes					403,832	-	403,832	-		
Utility consumption taxes					211,341	-	211,341	-		
Motor vehicle licenses					284,638	-	284,638	-		
Restaurant food taxes					309,922	-	309,922	-		
Other local taxes					110,570	-	110,570	-		
Unrestricted revenues from use of money and property					105,447	17,686	123,133	18,906		
Miscellaneous					405,274	16,731	422,005	662,894		
Payments from the County of Allegheny					-	-	-	11,446,975		
Grants and contributions not restricted to specific programs					2,276,650	-	2,276,650	-		
Gain on disposal of capital assets					127,027	-	127,027	-		
Transfers					45,337	(45,337)	-	-		
Total general revenues					\$ 20,911,555	\$ (10,920)	\$ 20,900,635	\$ 12,128,775		
Change in net assets					\$ 584,407	\$ 3,635,551	\$ 4,219,958	\$ 1,798,106		
Net assets - beginning					\$ 27,772,133	\$ 15,818,054	\$ 43,590,187	\$ 10,763,568		
Net assets - ending					\$ 28,356,540	\$ 19,453,605	\$ 47,810,145	\$ 12,561,674		

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

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

	<u>General</u>	<u>Special Law</u> <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 17,296,604	\$ 92,550	\$ 17,389,154
Receivables (net of allowance for uncollectibles):			
Taxes receivable	388,937	-	388,937
Accounts receivable	494,621	719	495,340
Due from other funds	2,048,148	-	2,048,148
Due from other governmental units	1,254,291	-	1,254,291
Inventories	6,703	-	6,703
Total assets	<u>\$ 21,489,304</u>	<u>\$ 93,269</u>	<u>\$ 21,582,573</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 356,778	\$ 1,327	\$ 358,105
Accrued liabilities	12,542	-	12,542
Due to component unit	2,329,746	-	2,329,746
Deferred revenue	339,752	-	339,752
Amounts held for others	4,125	-	4,125
Total liabilities	<u>\$ 3,042,943</u>	<u>\$ 1,327</u>	<u>\$ 3,044,270</u>
Fund balances:			
Reserved for:			
Jail Operations	\$ -	\$ 91,942	\$ 91,942
Unreserved, reported in:			
General fund	18,446,361	-	18,446,361
Total fund balances	<u>\$ 18,446,361</u>	<u>\$ 91,942</u>	<u>\$ 18,538,303</u>
Total liabilities and fund balances	<u>\$ 21,489,304</u>	<u>\$ 93,269</u>	<u>\$ 21,582,573</u>

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

County of Alleghany, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 18,538,303
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,602,718
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	328,019
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	883,967
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This amount is net of any corresponding unamortized bond issuance costs and deferred amounts on refundings.	(23,996,467)
Net assets of governmental activities	<u>\$ 28,356,540</u>

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

County of Alleghany, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General</u>	<u>Special Law Fund</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 15,629,777	\$ -	\$ 15,629,777
Other local taxes	2,236,077	-	2,236,077
Permits, privilege fees, and regulatory licenses	35,296	-	35,296
Fines and forfeitures	65,414	-	65,414
Revenue from the use of money and property	104,819	628	105,447
Charges for services	413,300	-	413,300
Miscellaneous	368,588	36,686	405,274
Recovered costs	1,473,856	-	1,473,856
Intergovernmental revenues:			
Commonwealth	9,003,162	-	9,003,162
Federal	2,302,385	-	2,302,385
Total revenues	<u>\$ 31,632,674</u>	<u>\$ 37,314</u>	<u>\$ 31,669,988</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,159,776	\$ -	\$ 2,159,776
Judicial administration	1,381,692	-	1,381,692
Public safety	5,491,365	18,242	5,509,607
Public works	2,893,008	-	2,893,008
Health and welfare	3,947,566	-	3,947,566
Education	11,456,205	-	11,456,205
Parks, recreation, and cultural	722,137	-	722,137
Community development	283,368	-	283,368
Nondepartmental	4,900	-	4,900
Capital projects	1,321,439	-	1,321,439
Debt service:			
Principal retirement	1,441,347	-	1,441,347
Interest and other fiscal charges	921,790	-	921,790
Total expenditures	<u>\$ 32,024,593</u>	<u>\$ 18,242</u>	<u>\$ 32,042,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (391,919)</u>	<u>\$ 19,072</u>	<u>\$ (372,847)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 45,337	\$ -	\$ 45,337
Sale of capital assets	144,318	-	144,318
Total other financing sources (uses)	<u>\$ 189,655</u>	<u>\$ -</u>	<u>\$ 189,655</u>
Net change in fund balances	\$ (202,264)	\$ 19,072	\$ (183,192)
Fund balances - beginning	18,648,625	72,870	18,721,495
Fund balances - ending	<u>\$ 18,446,361</u>	<u>\$ 91,942</u>	<u>\$ 18,538,303</u>

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

County of Alleghany, Virginia
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds	\$ (183,192)
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.	(722,547)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	85,966
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.	1,441,347
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.	(97,939)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	60,772
Change in net assets of governmental activities	<u>\$ 584,407</u>

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

County of Alleghany, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,206,760	\$ 1,162,538
Accounts receivable, net of allowance for uncollectibles	328,490	-
Due from other governmental units	955,287	-
Total current assets	<u>\$ 3,490,537</u>	<u>\$ 1,162,538</u>
Noncurrent assets:		
Restricted cash and cash equivalents:		
Customers deposits	\$ 13,600	\$ -
Debt service reserves	9,614	-
Total restricted assets	<u>\$ 23,214</u>	<u>\$ -</u>
Capital assets:		
Infrastructure and equipment	\$ 21,640,317	\$ -
Less accumulated depreciation	(7,675,015)	-
Machinery and equipment	119,872	-
Less accumulated depreciation	(43,483)	-
Construction in progress	9,354,165	-
Total capital assets	<u>\$ 23,395,856</u>	<u>\$ -</u>
Total noncurrent assets	<u>\$ 23,419,070</u>	<u>\$ -</u>
Total assets	<u>\$ 26,909,607</u>	<u>\$ 1,162,538</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 1,389,851	\$ 178,571
Payroll liabilities	6,764	-
Customers' deposits	13,600	-
Accrued interest payable	4,338	-
Due to other funds	1,948,148	100,000
Compensated absences - current portion	41,016	-
Bonds payable - current portion	332,709	-
Total current liabilities	<u>\$ 3,736,426</u>	<u>\$ 278,571</u>
Noncurrent liabilities:		
Bonds payable - net of current portion	\$ 3,705,904	\$ -
Compensated absences - net of current portion	13,672	-
Total noncurrent liabilities	<u>\$ 3,719,576</u>	<u>\$ -</u>
Total liabilities	<u>\$ 7,456,002</u>	<u>\$ 278,571</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 17,409,095	\$ -
Restricted for debt service	9,614	-
Restricted for health claims	-	883,967
Unrestricted	2,034,896	-
Total net assets	<u>\$ 19,453,605</u>	<u>\$ 883,967</u>

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

County of Alleghany, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Water revenues	\$ 1,577,331	\$ -
Sewer revenues	1,437,110	-
Penalty	33,954	-
Insurance premiums	-	1,687,216
Miscellaneous	16,731	-
Total operating revenues	<u>\$ 3,065,126</u>	<u>\$ 1,687,216</u>
OPERATING EXPENSES		
Salaries and wages	\$ 460,016	\$ -
Fringe benefits	210,457	1,634,199
Professional services	27,845	-
Utilities	117,233	-
Materials and supplies	192,069	-
Rentals and leases	2,406	-
Repairs and maintenance	33,762	-
Purchased services	1,411,026	-
Depreciation	400,946	-
Total operating expenses	<u>\$ 2,855,760</u>	<u>\$ 1,634,199</u>
Operating income (loss)	<u>\$ 209,366</u>	<u>\$ 53,017</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	\$ 17,686	\$ -
Interest income	-	7,755
Connection fees	13,360	-
Interest expense	(39,027)	-
Total nonoperating revenues (expenses)	<u>\$ (7,981)</u>	<u>\$ 7,755</u>
Income before contributions and transfers	<u>\$ 201,385</u>	<u>\$ 60,772</u>
Capital contributions and construction grants	3,479,503	-
Transfers out	(45,337)	-
Change in net assets	<u>\$ 3,635,551</u>	<u>\$ 60,772</u>
Total net assets - beginning	15,818,054	823,195
Total net assets - ending	<u><u>\$ 19,453,605</u></u>	<u><u>\$ 883,967</u></u>

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

County of Alleghany, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 3,076,664	\$ 1,687,216
Payments to suppliers	(663,747)	-
Payments to and for employees	(665,920)	(1,543,854)
Net cash provided (used) by operating activities	<u>\$ 1,746,997</u>	<u>\$ 143,362</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	\$ (45,337)	\$ -
Transfers from other funds	1,948,148	-
Net cash provided (used) by noncapital financing activities	<u>\$ 1,902,811</u>	<u>\$ -</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	\$ (6,486,773)	\$ -
Principal payments on bonds	(353,876)	-
Connection fees	13,360	-
Contributions in aid of construction	2,581,587	-
Proceeds from indebtedness	421,732	-
Interest payments	(39,093)	-
Net cash provided (used) by capital and related financing activities	<u>\$ (3,863,063)</u>	<u>\$ -</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	\$ 17,686	\$ 7,755
Net increase (decrease) in cash and cash equivalents	<u>\$ (195,569)</u>	<u>\$ 151,117</u>
Cash and cash equivalents - beginning - including restricted	2,425,543	1,011,421
Cash and cash equivalents - ending - including restricted	<u>\$ 2,229,974</u>	<u>\$ 1,162,538</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 209,366	\$ 53,017
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$ 400,946	\$ -
(Increase) decrease in accounts receivable	12,267	-
Increase (decrease) in customer deposits	(729)	-
Increase (decrease) in accounts payable	1,120,594	90,345
Increase (decrease) compensated absences	9,939	-
Increase (decrease) in payroll liabilities	(5,386)	-
Total adjustments	<u>\$ 1,537,631</u>	<u>\$ 90,345</u>
Net cash provided (used) by operating activities	<u>\$ 1,746,997</u>	<u>\$ 143,362</u>

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

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

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 521,620
Total assets	<u>\$ 521,620</u>
LIABILITIES	
Accounts payable	\$ 6,496
Amounts held for Alleghany Highlands Economic Development Corporation	105,602
Amounts held for social services clients	1,744
Amounts held for Friends of Youth	3,362
Amounts held for Human and Leisure Activity	769
Amounts held for Jackson River Vocational Center	357,596
Amounts held for United Fire and Rescue Association	23,495
Amounts held for Humane Society	5,131
Amounts held for City of Covington	17,425
Total liabilities	<u>\$ 521,620</u>

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

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

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

Blended component units – 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. They are reported in a separate column to emphasize that they are legally separate from the County.

The Alleghany County School Board operates the elementary and secondary public schools in the County. School Board members are appointed. 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.

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 – None

B. Government-wide and fund financial statements

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

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

B. Government-wide and fund financial statements (Continued)

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

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

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. The general fund includes the activities of the Law Library, Employee Function, IPR, Emergency Repair, Drug Asset Forfeiture, Kimstan Diversion Ditch, Courthouse Security, Fire and Rescue, CCWD and CDBG Funds. Such funds have been merged for financial reporting purposes.

The *special law fund* accounts for revenues generated by the Jail that are restricted as to use.

The County reports the following major proprietary funds:

The County operates a sewage collection and treatment system and water distribution system. The activities of these systems are accounted for in the Water and Sewer Fund.

Additionally, the County reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Friends of Youth, Humane Society Capital Improvement, Human and Leisure Service, Jackson River Vocational Center, United Fire and Rescue Association, Alleghany Highlands Economic Development Corporation, and the City of Covington Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's 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.

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

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

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

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)

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 \$170,718 at June 30, 2010 and is comprised of \$112,443 in property taxes and \$58,275 in water and sewer billings.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous year.

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

Assets	Years
Buildings	40
Building improvements	20 - 40
Structures, lines, and accessories	20 - 65
Machinery and equipment	5 - 12

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

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

7. Compensated Absences

Vested or accumulated vacation, sick, and holiday pay 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 benefits. All vacation, sick, and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements to the extent of amounts that are paid out to employees upon termination.

8. Long-term Obligations

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

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

9. Fund Equity

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

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these (\$23,996,467) and (\$444,572) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
General obligation bonds payable	\$ (6,416,696)	\$ -
Unamortized premium	(63,454)	-
Accrued interest payable	(246,593)	-
Literary loans payable	(9,000,000)	-
Lease revenue bonds payable	(8,710,000)	-
Less: Unamortized amount on refunding	895,201	-
Less: Issuance costs	66,288	-
Revenue bonds payable	(164,313)	-
Compensated absences	(356,900)	(211,999)
OPEB obligation	-	(232,573)
	<hr/>	<hr/>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (23,996,467)	\$ (444,572)

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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:

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 (\$722,547) and \$1,221,805 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlays	\$ 680,044	\$ 1,844,312
Disposal of assets	(405,328)	(130,870)
Accumulated depreciation on disposed assets	388,037	125,115
Depreciation expenses	<u>(1,385,300)</u>	<u>(616,752)</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>\$ (722,547)</u>	<u>\$ 1,221,805</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 "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 these \$1,441,347 and (\$90,782) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Principal repayments:		
General obligation bond	\$ 344,529	\$ -
Lease revenue bond	340,000	-
Revenue bond	6,818	-
Literary loans	750,000	-
Total principal repayments	<u>1,441,347</u>	<u>-</u>
Other adjustments:		
Increase in OPEB obligation	<u>\$ -</u>	<u>\$ (90,782)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,441,347</u>	<u>\$ (90,782)</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 (\$97,939) and (\$72,404) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
(Increase) Decrease in Compensated absences	\$ 19,135	\$ (72,404)
(Increase) Decrease in Accrued interest	13,720	-
Amortization of deferred amount on refunding	(131,795)	-
Amortization of bond premium	10,761	-
Amortization of bond issuance costs	(9,760)	-
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>\$ (97,939)</u>	<u>\$ (72,404)</u>

Note 3-Stewardship, Compliance, and Accountability:

- A. Budgetary information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. 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 department level. Only the Board of Supervisors can revise the appropriation for each department. 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.

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

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

A. Budgetary information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds (except the School Fund). The School Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. 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 part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2010, appropriations in each fund were sufficient to cover expenditures.

C. Deficit fund equity

At June 30, 2010, there were no funds with deficit fund equity.

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, 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).

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 4-Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2010 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings			
	AAA	AAAm	AAm	Unrated
LGIP	\$ -	\$ 7,493,665	\$ -	\$ -
SNAP	-	240,446	-	-

The fair values of the positions in the external investment pools (Local Government Investment Pool (LGIP) and State Non-Arbitrage Pool (SNAP)) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
State sales tax	\$ 423,179	\$ -
Categorical aid, shared expenses	294,705	-
Other categorical aid	400,838	-
Non-categorical aid	73,624	-
Virginia public assistance funds	56,182	-
<u>Federal government:</u>		
Virginia public assistance funds	99,944	-
Categorical aid	861,106	139,758
	<u>\$ 2,209,578</u>	<u>\$ 139,758</u>

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 6-Interfund/Component-Unit Obligations:

The following balances represent amounts due between the primary government and its component unit as of June 30, 2010:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>
Primary Government:		
General Fund	\$ 2,329,746	\$ -
Component Unit - School Board:		
School Fund	\$ -	\$ 2,329,746
Totals	\$ 2,329,746	\$ 2,329,746

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Fund</u>	<u>Payable</u>	<u>Receivable</u>
General Fund	\$ -	\$ 1,948,148
Water/Sewer Fund	1,948,148	-
Totals	\$ 1,948,148	\$ 1,948,148

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

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

<u>Year Ending June 30,</u>	<u>Literary Fund Loans</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 750,000	\$ 180,000	\$ 357,465	\$ 307,636
2012	750,000	165,000	375,556	287,808
2013	750,000	150,000	388,807	268,034
2014	750,000	135,000	407,228	248,042
2015	750,000	120,000	425,828	226,799
2016-2020	3,750,000	375,000	2,413,719	787,878
2021-2025	1,500,000	45,000	1,658,145	231,126
2026-2030	-	-	389,948	18,052
Totals	\$ 9,000,000	\$ 1,170,000	\$ 6,416,696	\$ 2,375,375

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (Continued)

Primary Government – Governmental Activity Indebtedness: (Continued)

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

Year Ending June 30,	Revenue Bonds		Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 6,886	\$ 1,626	\$ 360,000	\$ 377,660
2012	6,956	1,557	375,000	359,150
2013	7,025	1,487	385,000	342,430
2014	7,096	1,417	410,000	324,940
2015	7,167	1,346	7,180,000	157,960
2016-2020	36,926	5,636	-	-
2021-2025	38,815	3,747	-	-
2026-2030	40,800	1,762	-	-
2031-2035	12,642	127	-	-
Totals	\$ 164,313	\$ 18,705	\$ 8,710,000	\$ 1,562,140

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

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
General obligation bond	\$ 6,761,225	\$ -	\$ (344,529)	\$ 6,416,696
Plus: Premium on issuance	74,215	-	(10,761)	63,454
Literary loans	9,750,000	-	(750,000)	9,000,000
Revenue bond	171,131	-	(6,818)	164,313
Lease revenue bond	9,050,000	-	(340,000)	8,710,000
Less deferred amounts:				
on refunding	(1,026,996)	-	131,795	(895,201)
Compensated absences	376,035	262,891	(282,026)	356,900
Total	\$ 25,155,610	\$ 262,891	\$ (1,602,339)	\$ 23,816,162

COUNTY OF ALLEGHANY, 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:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$5,000,000 General Obligation Bond (Alleghany Highlands School Project) issued March 20, 2001 bearing interest at a rate of 5.60% payable semi-annually on July 15 and January 15 through 2021. Principal payments are due annually in installments varing from \$140,000 to \$405,000.	\$ 3,600,000	\$ 220,000
\$3,205,141 General Obligation Bond bearing interest at a rate between 4.225% and 5.1% payable semi-annually on July 15 and January 15 through 2026. Principal payments are due annually in installments varying from \$122,176 to \$197,459.	2,816,696	137,465
Total General Obligation Bonds	\$ 6,416,696	\$ 357,465
Literary Loans:		
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%	\$ 4,500,000	\$ 375,000
\$7,500,000 State Literary Loan issued January 15, 2002 due in annual principal installments of \$375,000 through December 1, 2022 with interest payable at 2.00%	4,500,000	375,000
Total Literary Loans	\$ 9,000,000	\$ 750,000
Lease Revenue Bonds:		
\$9,455,000 Public Facility Revenue Bond (Alleghany County Public Improvement Project) issued May 3, 2000, bearing interest rates ranging from 5.25% to 7.00%, payable semi-annually on June 15 and December 15 beginning December 15, 2000 until maturity on December 15, 2010. \$7,580,000 of the bond has been advanced refunded by issuance of the 2004 refunding bond.	\$ 260,000	\$ 260,000

COUNTY OF ALLEGHANY, 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>
Lease Revenue Bonds: (Continued)		
\$8,885,000 revenue refunding bond issued November 23, 2004 bearing interest at 4.4% with interest payments due semi-annually on June 15th and December 15th. Annual principal payments are due on December 15th in amounts varying from \$80,000 to \$410,000 through December 15th 2013. On December 15th 2014, the bond holder may demand payment in full on the bond or re-set the interest rate for the balance outstanding. The re-set interest rate will be determined at the discretion of the bondholders and no parameters have been established to determine or limit same. Principal outstanding at December 15, 2014 will be \$7,180,000. This amount is considered due and payable on December 15, 2014 as the bondholder(s) may exercise their option to demand payment.	\$ 8,450,000	\$ 100,000
Total Lease Revenue Bonds	\$ 8,710,000	\$ 360,000
Revenue Bond:		
\$217,000 Virginia Resource Authority bond issued November 28, 2000 for the construction of a water tank at Boiling Springs Elementary School. The bond bears interest at a rate of 1.00% payable in annual principal and interest installments of \$8,367 beginning January 1, 2003 through January 1, 2032.	\$ 164,313	\$ 6,886
Other Obligations		
Compensated Absences	\$ 356,900	\$ 267,675
Plus: Unamortized Premium on Issuance	63,454	-
Less: Unamortized amount on refunding	(895,201)	-
Total Other Obligations	\$ (474,847)	\$ 267,675
Total Long-term Debt	\$ 23,816,162	\$ 1,742,026

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2010

Note 7-Long-Term Debt: (Continued)

Primary Government – Enterprise Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2011	\$ 332,709	\$ 24,472
2012	312,071	23,818
2013	303,096	23,139
2014	294,146	22,435
2015	294,878	21,703
2016-2020	1,486,381	96,524
2021-2025	761,707	73,534
2026-2030	75,871	51,689
2031-2035	94,975	32,585
2036-2040	82,779	8,913
Totals	\$ 4,038,613	\$ 378,812

The following is a summary of long-term debt transactions of the Enterprise Fund for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Revenue bond	\$ 3,970,758	\$ 421,732	\$ (353,877)	\$ 4,038,613
Compensated absences	44,749	43,501	(33,562)	54,688
Total	\$ 4,015,507	\$ 465,233	\$ (387,439)	\$ 4,093,301

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (Continued)

Primary Government – Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$862,100 Virginia Revolving Loan Fund issued October 31, 1989, with payments due on April 1 and October 1 of \$21,292 through October 1, 2010. This is a non-interest bearing loan.	\$ 21,292	\$ 21,292
\$384,563 Virginia Revolving Loan Fund issued June 9, 1992, with payments due on April 1 and October 1 of \$9,654 through October 1, 2012. This is a non-interest bearing loan.	48,271	19,308
\$463,000 Rural Development Bond issued February 13, 2001, bearing interest at 4.50%. Monthly principal and interest payments of \$2,126 begin on August 6, 2002 and continue through 2039.	401,331	7,057
\$2,153,232 Water and Sewer System Revenue Bond issued December 17, 1999 with semi-annual installments on February 1 and August 1 in the amount of \$51,866 through February 1, 2021. This is a non-interest bearing loan.	1,141,050	103,732

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 7-Long-Term Debt: (Continued)

Primary Government – Enterprise Activity Indebtedness: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds (Continued)		
2005 Revenue Bond not to exceed \$250,000 issued February 1, 2005, at an interest rate of 3.00%, with an interest only payment due August 1, 2005 and principal and interest payments of \$8,514 due every February 1 and August 1 beginning February 1, 2006 until February 1, 2032.	203,275	10,911
 \$5,887,182 interest free Virginia Resource Authority bond issued in 2007 with semi-annual principal payments of \$85,204 due until September 1, 2028. The outstanding balance at June 30, 2010 is	<u>2,223,394</u>	<u>170,409</u>
 Total Revenue Bonds	<u>\$ 4,038,613</u>	<u>\$ 332,709</u>
 Other Obligations:		
Compensated Absences	<u>\$ 54,688</u>	<u>\$ 41,016</u>
 Total Long-term Obligations	<u>\$ 4,093,301</u>	<u>\$ 373,725</u>

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
OPEB obligation	\$ 141,791	\$ 162,282	\$ (71,500)	\$ 232,573
Compensated absences	139,595	177,100	(104,696)	211,999
Total	\$ 281,386	\$ 339,382	\$ (176,196)	\$ 444,572

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
Other Obligations:		
OPEB obligation	\$ 232,573	\$ -
Compensated absences	211,999	158,999
Total Long-Term Obligations	\$ 444,572	\$ 158,999

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 to equal 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for 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

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

A. Plan Description (Continued)

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% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County of Alleghany, 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 Alleghany, Virginia's contribution rate for the fiscal year ended 2010 was 10.83% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County of Alleghany, 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 Alleghany, Virginia's contribution rate for the fiscal year ended 2010 was 2.86% of annual covered payroll.

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

C. Annual Pension Cost

For fiscal year 2010, the County of Alleghany, Virginia's annual pension cost of \$680,621 and \$54,792 was equal to the County of Alleghany, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2010	\$ 680,621	100.00%	\$ -
	6/30/2009	682,454	100.00%	-
	6/30/2008	454,000	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	\$ 54,792	100.00%	\$ -
	6/30/2009	54,978	100.00%	-
	6/30/2008	81,061	100.00%	-

¹ Employer portions

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 and School Board 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 and School Board 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 80.88% funded. The actuarial accrued liability for benefits was \$26,339,976, and the actuarial value of assets was \$21,302,574, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,037,402. The covered payroll (annual payroll of active employees covered by the plan) was \$6,250,856, and ratio of the UAAL to the covered payroll was 80.59%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

D. Funded Status and Funding Progress (Continued)

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

As of June 30, 2009, the most recent actuarial valuation date, the plan was 98.66% funded. The actuarial accrued liability for benefits was \$8,517,572, and the actuarial value of assets was \$8,403,848, resulting in an unfunded actuarial accrued liability (UAAL) of \$113,724. The covered payroll (annual payroll of active employees covered by the plan) was \$1,914,831, and ratio of the UAAL to the covered payroll was 5.94%.

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 (AAL) for benefits.

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Alleghany County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. 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% of their annual salary to the VRS. The employer may assume this 5% member contribution.

In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$893,563, \$1,282,735, and \$1,452,951, for the fiscal years ended 2010, 2009, and 2008, respectively. Employer contributions represented 6.24%(annual average), 8.81%, and 10.30% of covered payroll for the fiscal years ended 2010, 2009, and 2008, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-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 Alleghany'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 15 consecutive 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 471 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 expected rates for 2009 were as follows:

<u>Participants</u>	<u>Total Premium</u>
Employee	\$ 457.17
Employee / Spouse	578.85
Employee / Child	525.16
Family	840.59

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Other Postemployment Benefits (OPEB): (Continued)

Component Unit: School Board (Continued)

C. Annual OPEB Cost

The Board's annual other postemployment 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 costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the Board's net OPEB obligation to the plan:

Annual required contribution	\$ 161,500
Interest on net OPEB obligation	5,671
Adjustment to annual required contribution	(4,889)
Annual OPEB cost (expense)	162,282
Contributions made	71,500
Increase in net OPEB obligation	90,782
Net OPEB obligation - beginning of year	141,791
Net OPEB obligation - ending of year	\$ 232,573

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 were as follows:

Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 162,282	44%	\$ 232,573
6/30/2009	211,095	33%	141,791

* Information has only been available for two years.

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 10-Other Postemployment Benefits (OPEB): (Continued)

Component Unit: School Board (Continued)

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2010, was as follows:

Actuarial accrued liability (AAL)	\$ 1,531,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,531,000
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 17,181,200
UAAL as a percentage of covered payroll	8.91%

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 June 30, 2009, 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 3.75%, an investment rate of return at 4.00%, and a health care trend rate of 8.10% graded to 4.50% over 80 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2010, was 29 years.

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 11-Capital Assets:

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

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,402,714	\$ -	\$ (12,636)	\$ 3,390,078
Total capital assets not being depreciated	<u>\$ 3,402,714</u>	<u>\$ -</u>	<u>\$ (12,636)</u>	<u>\$ 3,390,078</u>
Capital assets, being depreciated:				
Buildings	\$ 37,257,398	\$ 199,829	\$ (72,295)	\$ 37,384,932
Machinery and equipment	4,044,705	480,215	(320,397)	4,204,523
Total capital assets being depreciated	<u>\$ 41,302,103</u>	<u>\$ 680,044</u>	<u>\$ (392,692)</u>	<u>\$ 41,589,455</u>
Less: accumulated depreciation for:				
Buildings	\$ (8,666,813)	\$ (1,111,644)	\$ 71,445	\$ (9,707,012)
Machinery and equipment	(2,712,739)	(273,656)	316,592	(2,669,803)
Total accumulated depreciation	<u>\$ (11,379,552)</u>	<u>\$ (1,385,300)</u>	<u>\$ 388,037</u>	<u>\$ (12,376,815)</u>
Total capital assets being depreciated, net	<u>\$ 29,922,551</u>	<u>\$ (705,256)</u>	<u>\$ (4,655)</u>	<u>\$ 29,212,640</u>
Governmental activities capital assets, net	<u>\$ 33,325,265</u>	<u>\$ (705,256)</u>	<u>\$ (17,291)</u>	<u>\$ 32,602,718</u>

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 11-Capital Assets: (Continued)

Primary Government: (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 3,018,562	\$ 6,486,773	\$ (151,170)	\$ 9,354,165
Total capital assets not being depreciated	<u>\$ 3,018,562</u>	<u>\$ 6,486,773</u>	<u>\$ (151,170)</u>	<u>\$ 9,354,165</u>
Capital assets, being depreciated:				
Infrastructure	\$ 21,494,782	\$ 151,170	\$ (5,635)	\$ 21,640,317
Machinery and equipment	119,872	-	-	119,872
Total capital assets being depreciated	<u>\$ 21,614,654</u>	<u>\$ 151,170</u>	<u>\$ (5,635)</u>	<u>\$ 21,760,189</u>
Less:				
Infrastructure	\$ (7,286,658)	\$ (393,992)	\$ 5,635	\$ (7,675,015)
Machinery and equipment	(36,529)	(6,954)	-	(43,483)
Total accumulated depreciation	<u>\$ (7,323,187)</u>	<u>\$ (400,946)</u>	<u>\$ 5,635</u>	<u>\$ (7,718,498)</u>
Total capital assets being depreciated, net	<u>\$ 14,291,467</u>	<u>\$ (249,776)</u>	<u>\$ -</u>	<u>\$ 14,041,691</u>
Business-type activities capital assets, net	<u>\$ 17,310,029</u>	<u>\$ 6,236,997</u>	<u>\$ (151,170)</u>	<u>\$ 23,395,856</u>

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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 11-Capital Assets: (Continued)

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

Governmental activities:

General government	\$ 461,281
Judicial administration	13,194
Public safety	142,578
Public works	94,606
Health and welfare	5,869
Education	647,960
Parks, recreation, and culture	18,022
Community development	<u>1,790</u>

Total depreciation expense-governmental activities	<u>\$ 1,385,300</u>
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Business-type activities:

Water and sewer fund	<u>\$ 400,946</u>
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Total depreciation expense-primary government	<u>\$ 1,786,246</u>
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COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 11-Capital Assets: (Continued)

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	\$ 1,018,272	\$ -	\$ -	\$ 1,018,272
Construction in progress	233,056	1,336,737	(1,569,793)	-
Total capital assets not being depreciated	<u>\$ 1,251,328</u>	<u>\$ 1,336,737</u>	<u>\$ (1,569,793)</u>	<u>\$ 1,018,272</u>
Capital assets, being depreciated:				
Buildings	\$ 11,489,145	\$ 1,753,239	\$ -	\$ 13,242,384
Machinery and equipment	4,100,285	324,129	(130,870)	4,293,544
Total capital assets being depreciated	<u>\$ 15,589,430</u>	<u>\$ 2,077,368</u>	<u>\$ (130,870)</u>	<u>\$ 17,535,928</u>
Less: accumulated depreciation for:				
Buildings	\$ (6,615,988)	\$ (338,243)	\$ -	\$ (6,954,231)
Machinery and equipment	(2,246,713)	(278,509)	125,115	(2,400,107)
Total accumulated depreciation	<u>\$ (8,862,701)</u>	<u>\$ (616,752)</u>	<u>\$ 125,115</u>	<u>\$ (9,354,338)</u>
Total capital assets being depreciated, net	<u>\$ 6,726,729</u>	<u>\$ 1,460,616</u>	<u>\$ (5,755)</u>	<u>\$ 8,181,590</u>
Governmental activities capital assets, net	<u>\$ 7,978,057</u>	<u>\$ 2,797,353</u>	<u>\$ (1,575,548)</u>	<u>\$ 9,199,862</u>

Note 12-Risk Management:

The County and its component unit – School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of general liability and public officials liability with the Virginia Association of Counties group self insurance risk pool and VaCoRP. Each member of each of these risk pools jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board pay VACO and VaCoRP contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the pools, claims and awards are to be paid. In the event of a loss deficit or depletion of all available excess insurance, the pools may assess all members in the proportion to 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.

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 13-Contingent Liabilities:

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

Note 14-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland - Surety:

Debra N. Byer, Clerk of the Circuit Court	\$	103,000
Anna Fox, Treasurer		400,000
Valerie Bruffey, Commissioner of the Revenue		3,000
Kevin Hall, Sheriff		30,000
All Constitutional Office employees: blanket bond		50,000
Additional Treasurer's Office bond		100,000
All Social Services employees: blanket bond		100,000
<u>Virginia Association of Counties Group Self Insurance Risk Pool:</u>		
County Administrator's Employees	\$	250,000

Component Unit – School Board:

VACoRP:

All School Board employees: blanket bond	\$	250,000
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Note 15-Commitments and Contingencies:

The County was involved in major construction projects during the fiscal year as presented below:

<u>Project</u>	<u>Contract Amount</u>	<u>Contract Amount Outstanding at June 30, 2010</u>
Lower Jackson River Regional Wastewater Treatment Plant	\$ 13,857,000	\$ 10,464,127
Lower Jackson River Regional Wastewater Treatment Plant	2,858,490	1,421,382
Jackson River Trail	511,704	287,738

COUNTY OF ALLEGHANY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Note 16-Deferred Revenue:

Deferred (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 \$339,752 is comprised of the following:

Property Taxes – Property tax revenue representing uncollected tax billings not available for funding current expenditures of \$328,019 and prepaid taxes of \$11,733.

Required Supplementary Information

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 14,795,483	\$ 14,795,483	\$ 15,629,777	\$ 834,294
Other local taxes	2,189,700	2,189,700	2,236,077	46,377
Permits, privilege fees, and regulatory licenses	50,296	50,296	35,296	(15,000)
Fines and forfeitures	62,000	62,000	65,414	3,414
Revenue from the use of money and property	321,287	321,287	104,819	(216,468)
Charges for services	525,314	525,314	413,300	(112,014)
Miscellaneous	576,191	576,191	368,588	(207,603)
Recovered costs	1,844,023	1,844,023	1,473,856	(370,167)
Intergovernmental revenues:				
Commonwealth	9,620,017	9,620,017	9,003,162	(616,855)
Federal	1,842,790	1,842,790	2,302,385	459,595
Total revenues	\$ 31,827,101	\$ 31,827,101	\$ 31,632,674	\$ (194,427)
EXPENDITURES				
Current:				
General government administration	\$ 2,331,222	\$ 3,072,498	\$ 2,159,776	\$ 912,722
Judicial administration	1,401,268	1,434,529	1,381,692	52,837
Public safety	5,328,314	6,227,901	5,491,365	736,536
Public works	2,887,489	3,351,151	2,893,008	458,143
Health and welfare	4,741,826	5,002,353	3,947,566	1,054,787
Education	11,598,651	13,182,324	11,456,205	1,726,119
Parks, recreation, and cultural	672,899	1,070,712	722,137	348,575
Community development	267,718	706,302	283,368	422,934
Nondepartmental	383,400	1,777,383	4,900	1,772,483
Capital projects	664,830	4,097,769	1,321,439	2,776,330
Debt service:				
Principal retirement	1,441,847	1,441,347	1,441,347	-
Interest and other fiscal charges	920,790	921,790	921,790	-
Total expenditures	\$ 32,640,254	\$ 42,286,059	\$ 32,024,593	\$ 10,261,466
Excess (deficiency) of revenues over (under) expenditures	\$ (813,153)	\$ (10,458,958)	\$ (391,919)	\$ 10,067,039
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 45,337	\$ 45,337
Sale of capital assets	-	-	144,318	144,318
Total other financing sources and uses	\$ -	\$ -	\$ 189,655	\$ 189,655
Net change in fund balances	\$ (813,153)	\$ (10,458,958)	\$ (202,264)	\$ 10,256,694
Fund balances - beginning	813,153	10,458,958	18,648,625	8,189,667
Fund balances - ending	\$ -	\$ -	\$ 18,446,361	\$ 18,446,361

County of Alleghany, Virginia
Special Law Fund
Schedule of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Special Law Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 700	\$ 700	\$ 628	\$ (72)
Miscellaneous	42,300	42,300	36,686	(5,614)
Total revenues	\$ 43,000	\$ 43,000	\$ 37,314	\$ (5,686)
EXPENDITURES				
Current:				
Public safety	\$ 43,000	\$ 43,000	\$ 18,242	\$ 24,758
Total expenditures	\$ 43,000	\$ 43,000	\$ 18,242	\$ 24,758
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 19,072	\$ 19,072
OTHER FINANCING SOURCES (USES)				
Net change in fund balances	\$ -	\$ -	\$ 19,072	\$ 19,072
Fund balances - beginning	-	-	72,870	72,870
Fund balances - ending	\$ -	\$ -	\$ 91,942	\$ 91,942

County of Alleghany, Virginia
Required Supplementary Information

Schedules of Funding Progress
For the Year Ended June 30, 2010

Primary Government: County Retirement Plan

Valuation as of	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)
June 30, 2009	\$ 21,302,574	\$ 26,339,976	\$ 5,037,402	80.88%	\$ 6,250,856	80.59%
June 30, 2008	20,619,899	24,860,137	4,240,238	82.94%	6,223,180	68.14%
June 30, 2007	18,766,437	21,245,873	2,479,436	88.33%	5,844,701	42.42%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of	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)
June 30, 2009	\$ 8,403,848	\$ 8,517,572	\$ 113,724	98.66%	\$ 1,914,831	5.94%
June 30, 2008	8,708,707	8,193,726	(514,981)	106.29%	2,010,548	-25.61%
June 30, 2007	8,008,395	7,665,276	(343,119)	104.48%	1,882,333	-18.23%

School Board Retirees Medical Plan

Valuation as of	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)
June 30, 2009	\$ -	\$ 1,531,000	\$ 1,531,000	0.00%	\$ 17,181,200	8.91%
June 30, 2008	-	2,402,777	2,402,777	0.00%	16,482,278	14.58%

Other Supplementary Information Section

Other Supplementary Information

FIDUCIARY FUNDS

Friends of Youth – The Friends of Youth fund accounts for those funds belonging to the youth in the area for health and welfare purposes.

Human and Leisure – The Human and Leisure fund accounts for those funds from patrons for prepayments of recreational activities.

Humane Society Capital Improvements – The Humane Society Capital Improvements fund accounts for those funds held in a fiduciary capacity for the Humane Society for capital improvements.

Jackson River Vocational Center – The Jackson River Vocational Center fund accounts for those funds held in a fiduciary capacity for the Jackson River Vocational Center.

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.

United Fire and Rescue Association – The United Fire and Rescue fund accounts for those funds held for local fire and rescue agencies.

Alleghany Highlands Economic Development Corporation – The Alleghany Highlands Economic Development Corporation fund accounts for those funds held in a fiduciary capacity for the Alleghany Highlands Economic Development Corporation.

City of Covington – The City of Covington fund accounts for funds held in a fiduciary capacity for the City of Covington, Virginia.

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

Agency Funds												
	Friends of Youth	Human & Leisure Service	Humane Society Capital Improvements	Jackson River Vocational Center	Special Welfare	United Fire & Rescue Association	Alleghany Highlands Economic Development Corporation	City of Covington	Total			
ASSETS												
Cash and cash equivalents	\$ 3,362	\$ 769	\$ 5,131	\$ 357,596	\$ 1,744	\$ 23,495	\$ 112,098	\$ 17,425	\$ 521,620			
Total assets	\$ 3,362	\$ 769	\$ 5,131	\$ 357,596	\$ 1,744	\$ 23,495	\$ 112,098	\$ 17,425	\$ 521,620			
LIABILITIES												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,496	\$ -	\$ 6,496			
Amounts held for AHEDC	-	-	-	-	-	-	105,602	-	105,602			
Amounts held for social services clients	-	-	-	-	1,744	-	-	-	1,744			
Amounts held for Friends of Youth	3,362	-	-	-	-	-	-	-	3,362			
Amounts held for Human and Leisure Activity	-	769	-	-	-	-	-	-	769			
Amounts held for Jackson River Vocational Center	-	-	-	357,596	-	-	-	-	357,596			
Amounts held for United Fire and Rescue Association	-	-	-	-	-	23,495	-	-	23,495			
Amounts held for Humane Society	-	-	5,131	-	-	-	-	-	5,131			
Amounts held for City of Covington	-	-	-	-	-	-	-	17,425	17,425			
Total liabilities	\$ 3,362	\$ 769	\$ 5,131	\$ 357,596	\$ 1,744	\$ 23,495	\$ 112,098	\$ 17,425	\$ 521,620			

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Alleghany, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2010

	School Operating <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,070,141	\$ 250,917	\$ 3,321,058
Cash in custody of others	337,693	-	337,693
Receivables (net of allowance for uncollectibles):			
Accounts receivable	7,592	-	7,592
Due from primary government	2,329,746	-	2,329,746
Due from other governmental units	139,758	-	139,758
Inventories	14,845	-	14,845
Prepaid items	197,011	-	197,011
Total assets	<u>\$ 6,096,786</u>	<u>\$ 250,917</u>	<u>\$ 6,347,703</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 178,526	\$ -	\$ 178,526
Accrued liabilities	2,334,787	28,006	2,362,793
Total liabilities	<u>\$ 2,513,313</u>	<u>\$ 28,006</u>	<u>\$ 2,541,319</u>
Fund balances:			
Unreserved:			
Undesignated	\$ 3,583,473	\$ 222,911	\$ 3,806,384
Total fund balances	<u>\$ 3,583,473</u>	<u>\$ 222,911</u>	<u>\$ 3,806,384</u>
Total liabilities and fund balances	<u>\$ 6,096,786</u>	<u>\$ 250,917</u>	<u>\$ 6,347,703</u>

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

Total fund balances per above	\$ 3,806,384
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,199,862
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(444,572)
Net assets of governmental activities	<u>\$ 12,561,674</u>

County of Alleghany, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 18,906	\$ -	\$ 18,906
Charges for services	633,189	50,690	683,879
Miscellaneous	231,960	430,934	662,894
Recovered costs	227,180	-	227,180
Intergovernmental revenues:			
Local government	11,446,975	-	11,446,975
Commonwealth	14,033,490	27,324	14,060,814
Federal	4,635,941	-	4,635,941
Total revenues	<u>\$ 31,227,641</u>	<u>\$ 508,948</u>	<u>\$ 31,736,589</u>
EXPENDITURES			
Current:			
Education	\$ 29,177,042	\$ 345,181	\$ 29,522,223
Capital projects	1,474,879	-	1,474,879
Total expenditures	<u>\$ 30,651,921</u>	<u>\$ 345,181</u>	<u>\$ 30,997,102</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 575,720</u>	<u>\$ 163,767</u>	<u>\$ 739,487</u>
Net change in fund balances	\$ 575,720	\$ 163,767	\$ 739,487
Fund balances - beginning	3,007,753	59,144	3,066,897
Fund balances - ending	<u>\$ 3,583,473</u>	<u>\$ 222,911</u>	<u>\$ 3,806,384</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 \$ 739,487

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. 1,221,805

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. (90,782)

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. (72,404)

Change in net assets of governmental activities \$ 1,798,106

County of Alleghany, 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		
REVENUES				
Revenue from the use of money and property	\$ 20,000	\$ 20,000	\$ 18,906	\$ (1,094)
Charges for services	362,000	362,000	633,189	271,189
Miscellaneous	24,102	24,102	231,960	207,858
Recovered costs	181,900	181,900	227,180	45,280
Intergovernmental revenues:				
Local government	11,589,421	11,589,421	11,446,975	(142,446)
Commonwealth	14,994,350	14,994,350	14,033,490	(960,860)
Federal	3,024,584	3,024,584	4,635,941	1,611,357
Total revenues	\$ 30,196,357	\$ 30,196,357	\$ 31,227,641	\$ 1,031,284
EXPENDITURES				
Current:				
Education	\$ 29,399,537	\$ 29,399,537	\$ 29,177,042	\$ 222,495
Capital projects	796,820	796,820	1,474,879	(678,059)
Total expenditures	\$ 30,196,357	\$ 30,196,357	\$ 30,651,921	\$ (455,564)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 575,720	\$ 575,720
Net change in fund balances	\$ -	\$ -	\$ 575,720	\$ 575,720
Fund balances - beginning	-	-	3,007,753	3,007,753
Fund balances - ending	\$ -	\$ -	\$ 3,583,473	\$ 3,583,473

County of Allegheny, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
June 30, 2010

	Allegheny Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 238,970	\$ 11,947	\$ 250,917
Total assets	<u>\$ 238,970</u>	<u>\$ 11,947</u>	<u>\$ 250,917</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 28,006	\$ -	\$ 28,006
Total liabilities	<u>\$ 28,006</u>	<u>\$ -</u>	<u>\$ 28,006</u>
Fund balances:			
Unreserved:			
Undesignated	\$ 210,964	\$ 11,947	\$ 222,911
Total liabilities and fund balances	<u>\$ 238,970</u>	<u>\$ 11,947</u>	<u>\$ 250,917</u>

County of Allegheny, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	Allegheny Highlands <u>Fund</u>	Governor's School <u>Fund</u>	<u>Total</u>
REVENUES			
Charges for services	\$ -	\$ 50,690	\$ 50,690
Miscellaneous	430,934	-	430,934
Intergovernmental revenues:			
Commonwealth	-	27,324	27,324
Total revenues	<u>\$ 430,934</u>	<u>\$ 78,014</u>	<u>\$ 508,948</u>
EXPENDITURES			
Current:			
Education	\$ 265,567	\$ 79,614	\$ 345,181
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 165,367</u>	<u>\$ (1,600)</u>	<u>\$ 163,767</u>
Net change in fund balances	\$ 165,367	\$ (1,600)	\$ 163,767
Fund balances - beginning	45,597	13,547	59,144
Fund balances - ending	<u><u>\$ 210,964</u></u>	<u><u>\$ 11,947</u></u>	<u><u>\$ 222,911</u></u>

Supporting Schedules

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

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,403,744	\$ 6,403,744	\$ 6,503,766	\$ 100,022
Real and personal public service corporation taxes	645,330	645,330	665,893	20,563
Personal property taxes	1,519,472	1,519,472	1,654,322	134,850
Mobile home taxes	29,821	29,821	25,186	(4,635)
Machinery and tools taxes	6,089,416	6,089,416	6,640,444	551,028
Penalties	75,700	75,700	98,504	22,804
Interest	32,000	32,000	41,662	9,662
Total general property taxes	\$ 14,795,483	\$ 14,795,483	\$ 15,629,777	\$ 834,294
Other local taxes:				
Local sales and use taxes	\$ 640,000	\$ 640,000	\$ 641,387	\$ 1,387
Consumers' utility taxes	290,000	290,000	274,387	(15,613)
Probate taxes	2,500	2,500	3,099	599
Business license taxes	350,000	350,000	403,832	53,832
Utility consumption taxes	175,200	175,200	211,341	36,141
Motor vehicle licenses	270,000	270,000	284,638	14,638
Taxes on recordation and wills	66,000	66,000	50,822	(15,178)
Hotel and motel room taxes	86,000	86,000	56,649	(29,351)
Restaurant food taxes	310,000	310,000	309,922	(78)
Total other local taxes	\$ 2,189,700	\$ 2,189,700	\$ 2,236,077	\$ 46,377
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 9,000	\$ 9,000	\$ 9,934	\$ 934
Land use application fees	500	500	699	199
Transfer fees	575	575	483	(92)
Zoning and subdivision fees	2,425	2,425	2,826	401
Erosion and sediment control	260	260	370	110
Permits and other licenses	37,536	37,536	20,984	(16,552)
Total permits, privilege fees, and regulatory licenses	\$ 50,296	\$ 50,296	\$ 35,296	\$ (15,000)
Fines and forfeitures:				
Court fines and forfeitures	\$ 62,000	\$ 62,000	\$ 65,414	\$ 3,414
Dog violation fines			\$ -	-
Total fines and forfeitures	\$ 62,000	\$ 62,000	\$ 65,414	\$ 3,414
Revenue from use of money and property:				
Revenue from use of money	\$ 316,087	\$ 316,087	\$ 100,294	\$ (215,793)
Revenue from use of property	5,200	5,200	4,525	(675)
Total revenue from use of money and property	\$ 321,287	\$ 321,287	\$ 104,819	\$ (216,468)
Charges for services:				
Charges for law enforcement and traffic control	\$ 10,324	\$ 10,324	\$ 10,324	\$ -
Charges for courthouse maintenance	19,700	19,700	17,159	(2,541)
Sale of publications and maps	300	300	220	(80)
Charges for gasoline	123,200	123,200	53,558	(69,642)
Charges for Commonwealth's Attorney	850	850	1,225	375
Miscellaneous jail and inmate fees	5,000	5,000	5,277	277
Charges for sanitation and waste removal	240,840	240,840	182,719	(58,121)
Charges for copies	2,700	2,700	3,952	1,252
Charges for parks and recreation	42,000	42,000	47,147	5,147
Charges for law library	5,000	5,000	5,120	120
Charges for courthouse security	65,000	65,000	76,999	11,999
Charges for other services	10,400	10,400	9,600	(800)
Total charges for services	\$ 525,314	\$ 525,314	\$ 413,300	\$ (112,014)

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Miscellaneous	\$ 66,458	\$ 66,458	\$ 33,238	\$ (33,220)
Donations	11,000	11,000	27,806	16,806
Sale of surplus	18,000	18,000	20,199	2,199
Alleghany Foundation contributions	480,733	480,733	287,345	(193,388)
Total miscellaneous revenue	\$ 576,191	\$ 576,191	\$ 368,588	\$ (207,603)
Recovered costs:				
Care of prisoners	\$ 211,595	\$ 211,595	\$ 224,051	\$ 12,456
Co-payment for medical charges	5,700	5,700	4,656	(1,044)
Circuit court-joint operations	1,692	1,692	1,705	13
Program income IPR	103,772	103,772	2,766	(101,006)
LOA County reimbursement	20,825	20,825	16,858	(3,967)
Health department	1,500	1,500	1,500	-
Bath county-jail	103,000	103,000	67,138	(35,862)
Covington-magistrate, probation	5,837	5,837	5,731	(106)
Covington-welfare	753,882	753,882	484,669	(269,213)
AHSD resource officer	69,088	69,088	73,539	4,451
General government	557,208	557,208	570,175	12,967
General District Court postage	4,900	4,900	6,103	1,203
Title XX	2,000	2,000	1,995	(5)
Other recovered costs	3,024	3,024	12,970	9,946
Total recovered costs	\$ 1,844,023	\$ 1,844,023	\$ 1,473,856	\$ (370,167)
Total revenue from local sources	\$ 20,364,294	\$ 20,364,294	\$ 20,327,127	\$ (37,167)
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 55,000	\$ 55,000	\$ 72,128	\$ 17,128
Mobile home titling tax	10,000	10,000	15,014	5,014
State recordation tax	-	-	23,713	23,713
Communication taxes	448,000	448,000	427,255	(20,745)
Additional tax on deeds	19,665	19,665	9,887	(9,778)
Personal property tax relief funds	1,610,808	1,610,808	1,610,808	-
Total noncategorical aid	\$ 2,143,473	\$ 2,143,473	\$ 2,158,805	\$ 15,332
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 388,079	\$ 388,079	\$ 364,756	\$ (23,323)
Sheriff	2,083,927	2,083,927	1,887,349	(196,578)
Commissioner of revenue	139,121	139,121	160,980	21,859
Treasurer	127,129	127,129	153,411	26,282
Medical examiner	200	200	-	(200)
Registrar/electoral board	48,471	48,471	41,911	(6,560)
Clerk of the Circuit Court	302,372	302,372	333,456	31,084
Reduction in State Aid	-	-	(170,854)	(170,854)
Total shared expenses	\$ 3,089,299	\$ 3,089,299	\$ 2,771,009	\$ (318,290)
Other categorical aid:				
Welfare administration and public assistance	\$ 745,559	\$ 745,559	\$ 683,048	\$ (62,511)
Comprehensive services act	561,612	561,612	732,529	170,917
Wireless E-911 grant	-	-	37,024	37,024
Drug asset forfeiture revenue	5,750	5,750	23,928	18,178
Community development grant	71,000	71,000	-	(71,000)
Emergency medical services	16,800	16,800	16,236	(564)

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
IPR funds	\$ 5,472	\$ 5,472	\$ 5,563	\$ 91
Parks and recreation grant	57,720	57,720	57,720	-
Litter control grant	16,000	16,000	13,130	(2,870)
VJCCA grant	34,460	34,460	33,722	(738)
Fire services grant	35,000	35,000	42,442	7,442
Performing arts grant	5,000	5,000	5,000	-
State sales tax	2,522,872	2,522,872	2,407,609	(115,263)
Library Grant	-	-	4,076	4,076
Hold harmless reversion (actual distributed to shared expenses)	160,000	160,000	-	(160,000)
DEQ Grant	-	-	11,321	11,321
Other state grants	150,000	150,000	-	(150,000)
Total other categorical aid	\$ 4,387,245	\$ 4,387,245	\$ 4,073,348	\$ (313,897)
Total categorical aid	\$ 7,476,544	\$ 7,476,544	\$ 6,844,357	\$ (632,187)
Total revenue from the Commonwealth	\$ 9,620,017	\$ 9,620,017	\$ 9,003,162	\$ (616,855)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 90,000	\$ 90,000	\$ 117,845	\$ 27,845
Categorical aid:				
Welfare administration and public assistance	\$ 1,513,913	\$ 1,513,913	\$ 1,183,930	\$ (329,983)
State and community highway safety (154 funds)	-	-	9,600	9,600
T-21 trail grant	208,877	208,877	171,589	(37,288)
Rural development grant	-	-	41,650	41,650
Justice assistance grant - ARRA	-	-	109,298	109,298
Bulletproof vest grant	-	-	5,510	5,510
Federal Road Funds	-	-	622,813	622,813
State homeland security grant	30,000	30,000	40,150	10,150
Total categorical aid	\$ 1,752,790	\$ 1,752,790	\$ 2,184,540	\$ 431,750
Total revenue from the federal government	\$ 1,842,790	\$ 1,842,790	\$ 2,302,385	\$ 459,595
Total General Fund	\$ 31,827,101	\$ 31,827,101	\$ 31,632,674	\$ (194,427)
Special Revenue Fund:				
Special Law Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 700	\$ 700	\$ 628	\$ (72)
Total revenue from use of money and property	\$ 700	\$ 700	\$ 628	\$ (72)
Miscellaneous revenue:				
Vending machine collections	\$ 30,700	\$ 30,700	\$ 23,779	\$ (6,921)
Jail commissary collections	7,100	7,100	8,681	1,581
Work release collections	4,500	4,500	4,226	(274)
Total miscellaneous revenue	\$ 42,300	\$ 42,300	\$ 36,686	\$ (5,614)
Total revenue from local sources	\$ 43,000	\$ 43,000	\$ 37,314	\$ (5,686)
Total Special Law Fund	\$ 43,000	\$ 43,000	\$ 37,314	\$ (5,686)
Total Primary Government	\$ 31,870,101	\$ 31,870,101	\$ 31,669,988	\$ (200,113)

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 20,000	\$ 20,000	\$ 18,906	\$ (1,094)
Total revenue from use of money and property	\$ 20,000	\$ 20,000	\$ 18,906	\$ (1,094)
Charges for services:				
Charges for education	\$ -	\$ -	\$ 5,670	\$ 5,670
Cafeteria sales	362,000	362,000	617,596	255,596
Use of buses and facilities	-	-	9,923	9,923
Total charges for services	\$ 362,000	\$ 362,000	\$ 633,189	\$ 271,189
Miscellaneous revenue:				
Other miscellaneous	\$ 24,102	\$ 24,102	\$ 229,860	\$ 205,758
Celebration of the arts	-	-	2,100	2,100
Total miscellaneous revenue	\$ 24,102	\$ 24,102	\$ 231,960	\$ 207,858
Recovered costs:				
Erate	\$ 100,000	\$ 100,000	\$ 66,862	\$ (33,138)
Other recovered costs	81,900	81,900	160,318	78,418
Total recovered costs	\$ 181,900	\$ 181,900	\$ 227,180	\$ 45,280
Total revenue from local sources	\$ 588,002	\$ 588,002	\$ 1,111,235	\$ 523,233
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Alleghany, Virginia	\$ 11,589,421	\$ 11,589,421	\$ 11,446,975	\$ (142,446)
Total revenues from local governments	\$ 11,589,421	\$ 11,589,421	\$ 11,446,975	\$ (142,446)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ -	\$ -	\$ -	\$ -
Basic school aid	\$ 10,104,222	\$ 10,104,222	\$ 9,380,567	\$ (723,655)
Remedial summer education	51,185	51,185	50,096	(1,089)
GED prep program	7,859	7,859	7,122	(737)
Gifted and talented	96,436	96,436	97,085	649
Remedial education	229,304	229,304	230,846	1,542
Enrollment loss	159,408	159,408	68,500	(90,908)
Special education	1,191,524	1,191,524	1,199,534	8,010
Textbook payment	253,992	253,992	-	(253,992)
Vocational standards of quality payments	244,305	244,305	245,948	1,643
Vocational adult education	-	-	12,180	12,180
Social security fringe benefits	570,046	570,046	573,878	3,832
Retirement fringe benefits	732,916	732,916	554,461	(178,455)
Governor's school grant	75,917	75,917	27,324	(48,593)
State lottery payments	194,737	194,737	249,033	54,296
Early reading intervention	40,631	40,631	33,461	(7,170)
School food	26,654	26,654	26,596	(58)
Mental health initiative	-	-	72,254	72,254
Special education - foster children	-	-	53,848	53,848
Homebound	30,015	30,015	40,825	10,810
At risk payments	193,353	193,353	191,056	(2,297)
Board certifications	-	-	10,000	10,000

County of Alleghany, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Project graduation	\$ -	\$ -	\$ 3,328	\$ 3,328
Primary class size	277,713	277,713	276,126	(1,587)
Technology	334,000	334,000	282,000	(52,000)
Standards of Learning algebra readiness	34,178	34,178	34,178	-
Group life insurance	19,287	19,287	15,102	(4,185)
At risk four-year olds	-	-	196,308	196,308
Career and Technical Education	51,519	51,519	17,149	(34,370)
Mentor teacher program	1,336	1,336	2,483	1,147
English as a second language	6,382	6,382	14,243	7,861
Other state funds	-	-	9,541	9,541
Total categorical aid	\$ 14,994,350	\$ 14,994,350	\$ 14,033,490	\$ (960,860)
Total revenue from the Commonwealth	\$ 14,994,350	\$ 14,994,350	\$ 14,033,490	\$ (960,860)
Revenue from the federal government:				
Categorical aid:				
Federal land use	\$ 218,362	\$ 218,362	\$ 198,907	\$ (19,455)
Title I	470,264	470,264	523,982	53,718
Title VI-B, special education flow-through	525,525	525,525	581,941	56,416
Title VI-B, special education pre-school	21,153	21,153	23,211	2,058
Vocational education	48,529	48,529	43,471	(5,058)
Drug free schools	-	-	4,216	4,216
Title II - Part A	141,118	141,118	115,436	(25,682)
Title V - Part A, Innovative programs	-	-	161,633	161,633
Class size reduction	-	-	277,671	277,671
School breakfast	1,270,173	1,270,173	1,987,570	717,397
School lunch	329,460	329,460	713,854	384,394
Enhancing education through technology	-	-	3,827	3,827
Other federal funds	-	-	222	222
Total categorical aid	\$ 3,024,584	\$ 3,024,584	\$ 4,635,941	\$ 1,611,357
Total revenue from the federal government	\$ 3,024,584	\$ 3,024,584	\$ 4,635,941	\$ 1,611,357
Total School Operating Fund	\$ 30,196,357	\$ 30,196,357	\$ 31,227,641	\$ 1,031,284
Non major Special Revenue funds:				
Alleghany Highlands Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 430,934	\$ 430,934
Total miscellaneous revenue	\$ -	\$ -	\$ 430,934	\$ 430,934
Total revenue from local sources	\$ -	\$ -	\$ 430,934	\$ 430,934
Total Alleghany Highlands Fund	\$ -	\$ -	\$ 430,934	\$ 430,934

County of Alleghany, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Governor's School Fund:				
Revenue from local sources:				
Charges for services:				
Tuition	\$ -	\$ -	\$ 50,690	\$ 50,690
Total charges for services	\$ -	\$ -	\$ 50,690	\$ 50,690
Total revenue from local sources	\$ -	\$ -	\$ 50,690	\$ 50,690
Intergovernmental revenues:				
Categorical aid:				
Governor's school grant	\$ -	\$ -	\$ 27,324	\$ 27,324
Total categorical aid	\$ -	\$ -	\$ 27,324	\$ 27,324
Total revenue from the Commonwealth	\$ -	\$ -	\$ 27,324	\$ 27,324
Total Governor's School Fund	\$ -	\$ -	\$ 78,014	\$ 78,014
Total Discretely Presented Component Unit - School Board	\$ 30,196,357	\$ 30,196,357	\$ 31,736,589	\$ 1,540,232

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 208,782	\$ 421,933	\$ 179,971	\$ 241,962
General and financial administration:				
County administrator	\$ 816,507	\$ 983,015	\$ 767,156	\$ 215,859
Personnel	23,800	30,800	21,756	9,044
Legal services	30,000	35,000	34,599	401
Special legal services	-	27,600	7,284	20,316
Commissioner of revenue	308,964	320,968	309,684	11,284
Reassessment	50,000	100,000	-	100,000
Automotive motor pool	347,543	372,972	316,177	56,795
Treasurer	383,435	467,006	333,603	133,403
Audit services	45,000	60,000	41,835	18,165
Technology department	12,000	137,895	37,963	99,932
Total general and financial administration	\$ 2,017,249	\$ 2,535,256	\$ 1,870,057	\$ 665,199
Board of elections:				
Registrar	\$ 71,511	\$ 76,313	\$ 75,595	\$ 718
Electoral board and officials	33,680	38,996	34,153	4,843
Total board of elections	\$ 105,191	\$ 115,309	\$ 109,748	\$ 5,561
Total general government administration	\$ 2,331,222	\$ 3,072,498	\$ 2,159,776	\$ 912,722
Judicial administration:				
Courts:				
Circuit court	\$ 93,757	\$ 76,677	\$ 74,016	\$ 2,661
General district court	-	18,470	16,099	2,371
Special magistrates	4,075	4,575	4,328	247
Sheriff	411,142	415,787	398,484	17,303
Law library	5,000	5,000	4,847	153
Clerk of the circuit court	416,092	430,364	407,013	23,351
Total courts	\$ 930,066	\$ 950,873	\$ 904,787	\$ 46,086
Commonwealth's attorney:				
Commonwealth's attorney	\$ 471,202	\$ 483,656	\$ 476,905	\$ 6,751
Total commonwealth's attorney	\$ 471,202	\$ 483,656	\$ 476,905	\$ 6,751
Total judicial administration	\$ 1,401,268	\$ 1,434,529	\$ 1,381,692	\$ 52,837
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,751,106	\$ 1,820,290	\$ 1,673,700	\$ 146,590
Crime prevention	8,000	16,600	14,687	1,913
COPS Technology Grant	-	467,650	-	467,650
National forest patrol	9,151	9,151	8,877	274
DARE program	52,893	52,893	41,593	11,300
School resource officer	87,007	99,678	92,629	7,049
Crime stoppers	3,500	3,500	-	3,500

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Law enforcement and traffic control: (Continued)				
Radar transportation	\$ 15,204	\$ 15,204	\$ 15,204	\$ -
Drug task force	1,000	1,000	-	1,000
Drug asset forfeiture	5,800	5,800	2,690	3,110
Total law enforcement and traffic control	<u>\$ 1,933,661</u>	<u>\$ 2,491,766</u>	<u>\$ 1,849,380</u>	<u>\$ 642,386</u>
Fire and rescue services:				
Fire departments	\$ 72,430	\$ 72,430	\$ 73,987	\$ (1,557)
Volunteer fire departments	293,700	311,200	308,162	3,038
Emergency services	340	340	208	132
Ambulance and rescue services	255,992	255,992	253,845	2,147
Sara III Emergency Council	250	250	174	76
United fire and rescue association	314,100	397,550	371,317	26,233
Total fire and rescue services	<u>\$ 936,812</u>	<u>\$ 1,037,762</u>	<u>\$ 1,007,693</u>	<u>\$ 30,069</u>
Correction and detention:				
Sheriff-correction and detention	\$ 1,754,825	\$ 1,806,015	\$ 1,806,015	\$ -
Probation	5,400	5,400	4,517	883
Juvenile diversion	50,577	47,776	46,026	1,750
Courthouse security	65,900	70,400	69,381	1,019
Total correction and detention	<u>\$ 1,876,702</u>	<u>\$ 1,929,591</u>	<u>\$ 1,925,939</u>	<u>\$ 3,652</u>
Inspections:				
Building	\$ 119,760	\$ 125,547	\$ 110,376	\$ 15,171
Total inspections	<u>\$ 119,760</u>	<u>\$ 125,547</u>	<u>\$ 110,376</u>	<u>\$ 15,171</u>
Other protection:				
Animal control	\$ 53,662	\$ 58,959	\$ 53,934	\$ 5,025
Animal protection	70,754	75,754	73,338	2,416
Medical examiner	400	400	140	260
E-911	336,563	508,122	470,565	37,557
Total other protection	<u>\$ 461,379</u>	<u>\$ 643,235</u>	<u>\$ 597,977</u>	<u>\$ 45,258</u>
Total public safety	<u>\$ 5,328,314</u>	<u>\$ 6,227,901</u>	<u>\$ 5,491,365</u>	<u>\$ 736,536</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 741,121	\$ 909,431	\$ 779,424	\$ 130,007
Refuse disposal	1,233,128	1,251,392	1,072,400	178,992
General engineering	47,215	67,940	60,955	6,985
Multiflora Rose program	11,000	19,300	484	18,816
Recycling program	58,471	58,471	56,485	1,986
Total sanitation and waste removal	<u>\$ 2,090,935</u>	<u>\$ 2,306,534</u>	<u>\$ 1,969,748</u>	<u>\$ 336,786</u>
Maintenance of general buildings and grounds:				
General maintenance	\$ 211,538	\$ 201,538	\$ 186,536	\$ 15,002
General properties	585,016	843,079	736,724	106,355
Total maintenance of general buildings and grounds	<u>\$ 796,554</u>	<u>\$ 1,044,617</u>	<u>\$ 923,260</u>	<u>\$ 121,357</u>
Total public works	<u>\$ 2,887,489</u>	<u>\$ 3,351,151</u>	<u>\$ 2,893,008</u>	<u>\$ 458,143</u>

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 163,917	\$ 163,917	\$ 160,583	\$ 3,334
Total health	\$ 163,917	\$ 163,917	\$ 160,583	\$ 3,334
Mental health and mental retardation:				
Community services board	\$ 70,413	\$ 70,413	\$ 70,413	\$ -
Total mental health and mental retardation	\$ 70,413	\$ 70,413	\$ 70,413	\$ -
Welfare:				
Administration	\$ 1,756,350	\$ 1,746,898	\$ 1,675,258	\$ 71,640
Public assistance	1,590,235	1,590,235	857,887	732,348
Emergency repair fund	11,081	11,081	6,207	4,874
Indoor plumbing rehabilitation fund	174,772	318,700	87,558	231,142
Free clinic	-	10,000	9,000	1,000
TAP	5,775	5,775	5,775	-
Tax relief for the elderly	135,000	135,000	130,610	4,390
Safehomes, Inc.	5,000	5,000	5,000	-
Board of public welfare	3,600	3,600	3,400	200
Comprehensive services	808,043	922,701	922,701	-
Other welfare	12,037	12,037	11,787	250
CDBG-housing boiling springs	5,603	6,996	1,387	5,609
Total welfare	\$ 4,507,496	\$ 4,768,023	\$ 3,716,570	\$ 1,051,453
Total health and welfare	\$ 4,741,826	\$ 5,002,353	\$ 3,947,566	\$ 1,054,787
Education:				
Other instructional costs:				
Contributions to Dabney S. Lancaster Community College	\$ 9,230	\$ 9,230	\$ 9,230	\$ -
Contribution to County School Board	11,589,421	13,173,094	11,446,975	1,726,119
Total education	\$ 11,598,651	\$ 13,182,324	\$ 11,456,205	\$ 1,726,119
Parks, recreation, and cultural:				
Parks and recreation:				
Human and leisure services	\$ 493,379	\$ 630,163	\$ 512,288	\$ 117,875
Scenic trail	16,765	277,794	47,094	230,700
Clifton little league	9,000	9,000	9,000	-
Covington little league	9,000	9,000	9,000	-
Iron gate recreation	2,000	2,000	2,000	-
Total parks and recreation	\$ 530,144	\$ 927,957	\$ 579,382	\$ 348,575
Cultural enrichment:				
Alleghany concert series	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Alleghany crafts	1,800	1,800	1,800	-
Arts grant	5,000	5,000	5,000	-
Total cultural enrichment	\$ 12,500	\$ 12,500	\$ 12,500	\$ -

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Library:				
Contribution to regional library	\$ 112,000	\$ 112,000	\$ 112,000	\$ -
Contribution to Clifton library	18,255	18,255	18,255	-
Total library	<u>\$ 130,255</u>	<u>\$ 130,255</u>	<u>\$ 130,255</u>	<u>\$ -</u>
 Total parks, recreation, and cultural	 \$ 672,899	 \$ 1,070,712	 \$ 722,137	 \$ 348,575
 Community development:				
Planning and community development:				
Community development	\$ 69,139	\$ 72,913	\$ 72,392	\$ 521
Economic development	111,196	549,780	133,833	415,947
Boards and commissions	23,889	20,115	13,989	6,126
Jackson River Enterprises	15,000	15,000	15,000	-
Chamber Indust.	10,700	10,700	10,360	340
Total planning and community development	<u>\$ 229,924</u>	<u>\$ 668,508</u>	<u>\$ 245,574</u>	<u>\$ 422,934</u>
 Environmental management:				
Contribution to soil and water district	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Total environmental management	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ -</u>
 Cooperative extension program:				
Extension office	\$ 35,294	\$ 35,294	\$ 35,294	\$ -
Total cooperative extension program	<u>\$ 35,294</u>	<u>\$ 35,294</u>	<u>\$ 35,294</u>	<u>\$ -</u>
 Total community development	<u>\$ 267,718</u>	<u>\$ 706,302</u>	<u>\$ 283,368</u>	<u>\$ 422,934</u>
 Nondepartmental:				
Contingencies	\$ 383,400	\$ 1,777,383	\$ 4,900	\$ 1,772,483
Total nondepartmental	<u>\$ 383,400</u>	<u>\$ 1,777,383</u>	<u>\$ 4,900</u>	<u>\$ 1,772,483</u>
 Capital projects:				
Other capital projects	\$ -	\$ 446,531	\$ 45,374	\$ 401,157
Bridge Construction	-	1,751,735	713,940	1,037,795
Jackson River Scenic Trail	664,830	1,533,050	394,771	1,138,279
Courthouse Heating/Cooling	-	9,285	7,385	1,900
Gateway Improvements	-	136,872	65,433	71,439
Commerce Center Improvements	-	220,296	94,536	125,760
Total capital projects	<u>\$ 664,830</u>	<u>\$ 4,097,769</u>	<u>\$ 1,321,439</u>	<u>\$ 2,776,330</u>
 Debt service:				
Principal retirement	\$ 1,441,847	\$ 1,441,347	\$ 1,441,347	\$ -
Interest and other fiscal charges	920,790	921,790	921,790	-
Total debt service	<u>\$ 2,362,637</u>	<u>\$ 2,363,137</u>	<u>\$ 2,363,137</u>	<u>\$ -</u>
 Total General Fund	<u>\$ 32,640,254</u>	<u>\$ 42,286,059</u>	<u>\$ 32,024,593</u>	<u>\$ 10,261,466</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Special Law Funds:				
Public safety:				
Correction and detention:				
Sheriff	\$ 43,000	\$ 43,000	\$ 18,242	\$ 24,758
Total public safety	\$ 43,000	\$ 43,000	\$ 18,242	\$ 24,758
Total Special Law Funds	\$ 43,000	\$ 43,000	\$ 18,242	\$ 24,758
Total Primary Government	\$ 32,683,254	\$ 42,329,059	\$ 32,042,835	\$ 10,286,224
Discretely Presented Component Unit - School Board:				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration	\$ 1,245,181	\$ 1,245,181	\$ 1,266,003	\$ (20,822)
Total administration of schools	\$ 1,245,181	\$ 1,245,181	\$ 1,266,003	\$ (20,822)
Instruction costs:				
Instruction costs	\$ 21,781,606	\$ 21,781,606	\$ 21,604,593	\$ 177,013
Total instruction costs	\$ 21,781,606	\$ 21,781,606	\$ 21,604,593	\$ 177,013
Operating costs:				
Attendance and health services				
Pupil transportation	\$ 1,984,580	\$ 1,984,580	\$ 1,777,436	\$ 207,144
Operation and maintenance of school plant	3,568,894	3,568,894	3,238,721	330,173
School food and other non-instructional costs ⁽¹⁾	819,276	819,276	1,290,289	(471,013)
Total operating costs	\$ 6,372,750	\$ 6,372,750	\$ 6,306,446	\$ 66,304
Total education	\$ 29,399,537	\$ 29,399,537	\$ 29,177,042	\$ 222,495
Capital projects:				
School capital projects	\$ 796,820	\$ 796,820	\$ 1,474,879	\$ (678,059)
Total School Operating Fund	\$ 30,196,357	\$ 30,196,357	\$ 30,651,921	\$ (455,564)

⁽¹⁾ Includes Cafeteria Funds held by the School System not subject to appropriation.

Non major Special Revenue funds:

Alleghany Highlands Fund:

Education:

Instruction costs:

Instruction costs	\$ -	\$ -	\$ 265,567	\$ (265,567)
Total instruction costs	\$ -	\$ -	\$ 265,567	\$ (265,567)
Total education	\$ -	\$ -	\$ 265,567	\$ (265,567)
Total Alleghany Highlands Fund	\$ -	\$ -	\$ 265,567	\$ (265,567)

County of Alleghany, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board (Continued)				
Governor's School Fund:				
Education:				
Instruction costs:				
Instruction costs	\$ -	\$ -	\$ 79,614	\$ (79,614)
Total education	\$ -	\$ -	\$ 79,614	\$ (79,614)
Total Governor's School Fund	\$ -	\$ -	\$ 79,614	\$ (79,614)
Total Discretely Presented Component Unit - School Board	\$ 30,196,357	\$ 30,196,357	\$ 30,997,102	\$ (800,745)

Other Statistical Information

Table 1

County of Alleghany, Virginia
Government-Wide Expenses by Function
Last Eight 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	Water and Sewer Fund	Total
2009-10	\$ 2,030,763	\$ 1,306,191	\$ 4,968,106	\$ 3,351,861	\$ 3,427,771	\$ 12,104,165	\$ 1,096,976	\$ 444,648	\$ 1,038,864	\$ 2,894,787	\$ 32,664,132
2008-09	1,998,175	1,346,124	4,898,840	4,970,152	3,368,123	12,026,801	632,214	394,485	1,089,090	3,466,944	34,180,948
2007-08	1,139,917	1,254,663	5,159,785	3,095,922	3,850,210	9,418,334	871,908	398,708	1,127,499	2,753,856	29,070,802
2006-07	2,116,146	1,274,576	5,035,940	2,682,973	3,486,881	12,118,812	815,503	566,417	1,118,940	2,803,885	32,018,073
2005-06	1,906,198	1,148,669	4,291,821	2,608,586	3,708,541	12,138,025	685,254	346,712	1,059,960	2,693,096	30,586,862
2004-05	1,983,684	1,072,819	4,001,622	2,444,495	3,429,803	11,496,939	1,013,934	348,755	1,040,587	2,871,058	29,703,696
2003-04	1,725,097	1,022,758	3,547,689	2,863,864	3,355,734	15,456,561	678,133	237,173	1,144,992	2,760,325	32,792,326
2002-03	1,640,307	987,466	4,016,680	2,639,084	2,904,632	11,232,613	709,358	411,679	1,220,328	2,641,615	28,403,762

(1) Information has only been available for 8 years.

Table 2

County of Alleghany, Virginia
Government-Wide Revenues
Last Eight 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	Permits, Privilege Fees, Regulatory Licenses	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2009-10	\$ 3,461,695	\$ 8,234,495	\$ 4,287,265	\$	15,715,743	\$ 2,236,077	\$ -	\$ 123,133	\$ 549,032	\$ 2,276,650	\$	36,884,090
2008-09	3,563,035	9,514,955	2,037,436		15,222,115	2,698,807	-	385,533	387,588	2,069,500		35,878,969
2007-08	3,418,562	8,768,681	205,853		14,784,476	2,596,051	-	1,016,766	261,246	1,978,185		33,029,820
2006-07	3,430,559	9,510,905	22,000		13,910,364	2,740,541	-	1,083,794	511,837	1,883,621		33,093,621
2005-06	3,337,808	8,455,946	47,887		13,523,707	2,630,493	-	743,785	94,650	2,124,891		30,959,167
2004-05	3,142,449	8,023,711	53,553		13,027,305	2,507,668	-	714,908	135,079	1,808,437		29,413,110
2003-04	2,800,104	5,978,417	44,000		12,867,835	2,358,610	-	617,121	208,111	3,877,280		28,751,478
2002-03	2,618,903	7,824,689	315,048		12,581,390	2,351,651	31,884	788,104	162,732	1,868,853		28,543,254

(1) Information has only been available for 8 years.

Table 3

County of Alleghany, 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	Nondepartmental	Debt Service	Capital Projects	Total
2009-10	\$ 2,159,776	\$ 1,381,692	\$ 5,509,607	\$ 2,893,008	\$ 3,947,566	\$ 29,531,453	\$ 722,137	\$ 283,368	\$ 4,900	\$ 2,363,137	\$ 2,796,318	\$ 51,592,962
2008-09	2,101,972	1,403,618	5,324,926	2,865,524	4,038,254	31,120,417	673,801	330,719	5,899	2,386,317	3,278,167	53,629,614
2007-08	2,040,887	1,372,032	5,292,272	2,726,625	3,948,507	30,648,576	899,577	413,787	3,399	2,413,924	1,603,967	51,363,553
2006-07	2,047,804	1,274,637	5,435,110	2,761,932	4,221,685	29,026,101	792,850	344,520	11,457	2,140,387	1,072,176	49,128,659
2005-06	2,013,519	1,149,383	4,754,993	2,527,065	4,554,268	27,022,943	703,633	346,424	3,400	2,210,765	1,261,348	46,547,741
2004-05	1,939,561	1,089,904	4,307,543	2,584,635	4,162,455	26,366,999	1,017,330	354,098	11,143	2,265,660	518,698	44,618,026
2003-04	2,006,865	1,031,022	4,275,606	2,423,638	4,037,469	24,770,372	656,083	3,274,530	92,913	2,237,340	4,523,850	49,329,688
2002-03	1,923,646	993,440	4,261,820	2,546,543	3,584,122	24,013,390	699,092	475,601	-	2,323,902	151,142	40,972,698
2001-02	1,800,686	1,003,176	3,386,547	2,413,216	3,556,847	24,624,125	504,638	491,020	-	16,390,098	4,770,482	58,940,835
2000-01	2,217,738	830,180	3,052,454	2,574,034	2,409,210	7,379,774	480,308	726,816	-	1,537,580	2,914,433	24,122,527

(1) Includes General, Special Revenue, and Capital Projects funds of the Primary Government for all fiscal years and its Discretely Presented Component Unit-School Board starting in fiscal year 2001-02.

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2009-10	\$ 15,629,777	\$ 2,236,077	\$ 35,296	\$ 65,414	\$ 124,353	\$ 1,097,179	\$ 1,068,168	\$ 1,701,036	\$ 30,002,302	51,959,602
2008-09	15,126,836	2,698,807	50,661	64,653	383,246	1,277,105	822,185	1,856,032	32,209,250	54,490,775
2007-08	14,789,811	2,596,051	45,274	57,561	1,025,818	1,284,749	715,685	1,535,807	29,672,297	51,723,053
2006-07	14,005,628	2,740,541	49,435	91,907	1,143,332	1,188,289	633,081	1,677,282	29,482,016	51,011,511
2005-06	13,523,178	2,630,493	46,829	121,343	805,833	1,096,609	823,290	1,579,547	26,372,308	46,999,430
2004-05	13,055,682	2,507,668	36,171	96,463	737,705	999,256	634,201	1,581,968	25,119,419	44,768,533
2003-04	12,867,601	2,358,610	41,356	72,500	571,592	1,021,491	626,710	1,529,539	22,427,132	41,516,531
2002-03	12,533,054	2,351,651	31,884	52,376	700,758	931,650	565,304	1,453,022	24,589,936	43,209,635
2001-02	12,049,493	2,172,499	45,288	19,219	697,404	862,534	1,353,615	2,786,703	20,842,086	40,828,841
2000-01	11,626,875	2,204,775	50,729	13,127	1,441,044	273,905	66,404	2,107,571	6,550,125	24,334,555

(1) Includes General and Special Revenue funds of the Primary Government for all fiscal years and its Discretely Presented Component Unit-School Board starting in fiscal year 2001-02.

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2009-10	\$ 16,965,119	\$ 16,852,221	99.33%	\$ 248,198	\$ 17,100,419	100.80%	\$ 489,646	2.89%
2008-09	16,607,536	16,365,362	98.54%	225,844	16,591,206	99.90%	476,050	2.87%
2007-08	16,259,572	16,130,783	99.21%	156,974	16,287,757	100.17%	405,837	2.50%
2006-07	15,475,568	15,326,045	99.03%	186,484	15,512,529	100.24%	392,420	2.54%
2005-06	15,100,276	15,029,295	99.53%	128,373	15,157,668	100.38%	313,244	2.07%
2004-05	14,448,057	14,196,169	98.26%	189,244	14,385,413	99.57%	296,513	2.05%
2003-04	14,371,021	14,166,928	98.58%	176,161	14,343,089	99.81%	394,847	2.75%
2002-03	14,065,879	13,933,145	99.06%	95,051	14,028,196	99.73%	333,098	2.37%
2001-02	13,684,499	13,210,939	96.54%	71,086	13,282,025	97.06%	338,764	2.48%
2000-01	12,323,265	12,284,744	99.69%	79,369	12,364,113	100.33%	258,102	2.09%

(1) Exclusive of penalties and interest. Includes PPTRA revenue from the Commonwealth.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
2009-10	\$ 1,173,850,600	\$ 59,061,239	\$ 116,248,580	\$ 100,012,946	\$ 1,449,173,365
2008-09	1,166,472,100	64,321,098	106,864,932	89,128,617	1,426,786,747
2007-08	1,146,371,600	63,346,720	102,823,797	101,263,931	1,413,806,048
2006-07	779,733,400	63,121,433	107,628,289	72,453,464	1,022,936,586
2005-06	800,128,832	62,950,052	107,004,276	77,104,632	1,047,187,792
2004-05	719,997,400	59,102,948	103,481,737	83,253,702	965,835,787
2003-04	760,415,509	58,305,407	102,447,186	93,503,935	1,014,672,037
2002-03	751,356,895	59,634,758	97,573,176	91,201,544	999,766,373
2001-02	742,652,969	57,081,537	97,254,692	75,925,803	972,915,001
2000-01	486,399,300	46,205,152	96,732,338	49,570,025	678,906,815

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission (includes real estate and personal property).

Table 7

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

Fiscal Year	Real Estate	Personal Property	Mobile Home	Machinery and Tools
2009-10	\$ 0.66	\$ 5.95	\$ 0.66	\$ 5.95
2008-09	0.66	5.95	0.66	5.95
2007-08	0.66	5.95	0.66	5.95
2006-07	0.72	5.95	0.72	5.95
2005-06	0.69	5.95	0.69	5.95
2004-05	0.67	5.95	0.67	5.95
2003-04	0.66	5.95	0.66	5.95
2002-03	0.66	5.95	0.66	5.95
2001-02	0.66	5.95	0.66	5.95
2000-01	0.76	5.95	0.76	5.95

(1) Per \$100 of assessed value.

Table 8

County of Alleghany, 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)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2009-10	17,215	\$ 1,449,173	\$ 24,291,009	\$ 24,291,009	1.68%	\$ 1,411
2008-09	17,215	1,426,787	25,732,356	25,732,356	1.80%	1,495
2007-08	17,215	1,413,806	27,140,846	27,140,846	1.92%	1,577
2006-07	17,215	1,022,937	28,504,706	28,504,706	2.79%	1,656
2005-06	17,215	1,047,188	26,526,182	26,335,000	2.51%	1,530
2004-05	17,215	965,836	27,727,733	27,530,000	2.85%	1,599
2003-04	17,215	1,014,672	27,470,000	27,470,000	2.71%	1,596
2002-03	17,215	999,766	28,605,000	28,605,000	2.86%	1,662
2001-02	17,215	972,915	29,455,000	29,455,000	3.03%	1,711
2000-01	12,926	678,907	29,455,000	29,455,000	4.34%	2,279

(1) Population per the Bureau of the Census.

(2) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Also includes lease revenue bonds which will be repaid using taxpayer dollars. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Compliance Section

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Members of the Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Alleghany, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Alleghany, Virginia's basic financial statements and have issued our report thereon dated December 10, 2010. 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 Alleghany, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over financial reporting.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alleghany, 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 Alleghany, Virginia in a separate letter dated December 10, 2010.

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

Robinson, Turner, Co. Associates

Christiansburg, Virginia
December 10, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Members of the Board of Supervisors
County of Alleghany, Virginia
Covington, Virginia

Compliance

We have audited the County of Alleghany, 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 Alleghany, Virginia's major federal programs for the year ended June 30, 2010. The County of Alleghany, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Alleghany, Virginia's management. Our responsibility is to express an opinion on the County of Alleghany, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Alleghany, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Alleghany, Virginia's compliance with those requirements.

In our opinion, the County of Alleghany, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the County of Alleghany, 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 Alleghany, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Alleghany, Virginia's internal control over compliance.

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

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

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

Robinson, Turner, Cox Associates

Christiansburg, Virginia
December 10, 2010

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

Page 1 of 3

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	93556	\$ 16,016
Temporary Assistance for Needy Families (TANF)	93.558	93558	228,259
Refugee and Entrant Assistance - State Administered Programs	93.566	93566	611
Low-Income Home Energy Assistance	93.568	93568	15,797
Child Care and Development Block Grant - (Child Care Cluster)	93.575	93575	42,030
Child Care Mandatory and Matching Funds of the Child Care and Development Fund - (Child Care Cluster)	93.596	93596	57,177
Chafee Education and Training Vouchers	93.599	93599	961
Child Welfare Services - State Grants	93.645	93645	820
Foster Care - Title IV-E (Foster Care Cluster)	93.658	93658	117,774
ARRA - Foster Care - Title IV-E (Foster Care Cluster)	93.658	93658	6,074
Adoption Assistance	93.659	93659	34,378
ARRA - Adoption Assistance	93.659	93659	3,417
Social Services Block Grant	93.667	93667	144,241
ARRA - Child care and Development Block Grant (Child Care Cluster)	93.713	93713	18,136
Children's Health Insurance Program	93.767	93767	12,821
Medical Assistance Program	93.778	93778	176,430
Chafee Foster Care Independence Program	93.674	93674	4,365
Total Department of Health and Human Services			<u>\$ 879,307</u>
Department of Agriculture:			
Direct Payments:			
Rural Community Development Initiative	10.446	NA	<u>\$ 41,650</u>
Pass Through Payments:			
<i>Department of Agriculture:</i>			
Food Distribution (Note C)	10.555	40623	\$ 237
Schools and roads - Grants to States	10.665	43841	198,907
<i>Department of Education:</i>			
National school breakfast program	10.553	40591	169,402
National school lunch program	10.555	40623	544,452
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	297,187
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	7,436
Total Department of Agriculture - pass-through payments			<u>\$ 1,217,621</u>
Total Department of Agriculture			<u>\$ 1,259,271</u>
Department of Homeland Security:			
Pass Through Payments:			
<i>Department of Emergency Management:</i>			
State homeland security program	97.073	52707	<u>\$ 40,150</u>
Total Department of Homeland Security			<u>\$ 40,150</u>

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

Page 2 of 3

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	NA	\$ 5,510
Pass Through Payments:			
State of Virginia Compensation Board:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG)	16.803	09-04794AD07	109,298
Total Department of Justice			\$ 114,808
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20.600	59105	\$ 9,600
Highway planning and construction	20.205	NA	622,813
Department of Conservation and Recreation:			
Recreational Trails Program	20.219	NA	171,589
Total Department of Transportation			\$ 804,002
Environmental Protection Agency:			
Pass Through Payments:			
Virginia Department of Health:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	90301	\$ 2,276,038
Total Environmental Protection Agency			\$ 2,276,038
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Education Agencies (Title 1 Cluster)	84.010	42892	\$ 523,980
ARRA - Title I: Grants to Local Education Agencies (Title 1 Cluster)	84.389	42913	161,633
Special Education - Grants to States (Special Education Cluster)	84.027	60180	581,941
ARRA - Special Education - Grants to States (Special Education Cluster)	84.391	61245	268,840
ARRA - Special Education - Preschool Grants (Special Education Cluster)	84.392	61247	8,831
Career and Technical Education: Basic grants to states	84.048	43401	43,695
Special Education - Preschool Grants (Special Education Cluster)	84.173	61136	23,211
Safe and Drug-free Schools and Communities - State Grants	84.186	60518	4,216
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	1,987,570
Education Technology State Grants	84.318	61600	3,827
Improving Teacher Quality State Grants	84.367	61490	115,436
Total Department of Education			\$ 3,723,180
Total Expenditures of Federal Awards			\$ 9,096,756

Note A -- Basis of Presentation

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

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

Page 3 of 3

Note B -- Summary of Significant Accounting Policies:

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

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

Note C -- Food Distribution

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

Note D -- Relationship to the Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 2,302,385
Less: Payments in Lieu of Taxes	<u>(117,845)</u>
General Fund	\$ 2,184,540

Enterprise Fund	2,276,038
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Component Unit School:

School Operating Fund	\$ 4,635,941
Add: Surplus Commodities	<u>237</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 9,096,756</u></u>
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County of Alleghany, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with 510(a) of OMB Circular A-133?	No
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Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
66.468	Capitalization Grants for Drinking Water State Revolving Funds, Recovery Act
84.010/84.389	Title 1, Part A Cluster
84.027/84.391/84.392/84.173	Special Education Cluster (IDEA)
84.394	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
93.658	Foster Care/ARRA - Foster Care

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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County of Alleghany, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no findings in the prior fiscal year that related to federal programs.