COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2005

COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2005

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

INTRODUCTORY SECTION

		Page
List of Elected and Appointed Officials		1

FINANCIAL SECTION

	Exhibit	Page
Independent Auditors' Report		2-3
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Assets	1	4
Statement of Activities	2	5
Fund Financial Statements:		
Balance Sheet – Governmental Funds	3	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4	7
Statement of Revenues, Expenditures and Change in Fund Balances – Governmental Funds	5	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	9
Statement of Net Assets – Proprietary Fund	7	10
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	8	11
Statement of Cash Flows – Proprietary Fund	9	12
Statement of Fiduciary Net Assets – Fiduciary Funds	10	13
Notes to Financial Statements		14-35
Required Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual:		
General Fund	11	36
Capital Projects Fund – School Construction	12	37
Schedule of Pension Funding Progress	13	38
Other Supplementary Information:		
Combining Statement of Fiduciary Net Assets – Fiduciary Fund	14	39
Discretely Presented Component Unit – School Board:		
Balance Sheet	15	40
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	16	41
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	17	42

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

	Exhibit	Page
Supporting Schedules:	**Schedule**	**Page**
Schedule of Revenues – Budget and Actual Governmental Funds	1	43-47
Schedule of Expenditures – Budget and Actual Governmental Funds	2	48-51

STATISTICAL SECTION

	Table	Page
Government-wide information:		
Government-Wide Expenses by Function	1	52
Government-Wide Revenues	2	53
Fund information:		
General Governmental Expenditures by Function	3	54
General Governmental Revenues by Source	4	55
Property Tax Levies and Collections	5	56
Assessed Value of Taxable Property	6	57
Property Tax Rates	7	58
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	59
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	60

COMPLIANCE SECTION

	Page
Compliance:	
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on and Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	61-62
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	63-64
Schedule of Expenditures of Federal Awards	65-67
Schedule of Findings and Questioned Costs	68-69

INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Brian Spencer, Chair

Glenna Myers, Vice-chair
Joseph H. Early III

L.J. Jones
W. Jeff Evans

Sharon F. Nichols

COUNTY SCHOOL BOARD

Reginald M. Gardner, Chair

Robert E. Utz, Vice-chair
Phillip W. Berrier

Franklin Jett
Harold T. Golding

COUNTY WELFARE BOARD

Jennifer Sowers, Chair

Charles Sumner, Vice-chair
Keith Grubb

Danny Hill
Hurley Vernon

L. J. Jones

OTHER OFFICIALS

Judge of the Circuit Court ..... Hon. R. W. Grubbs
Clerk of the Circuit Court ..... Carolyn H. Honeycutt
Judge of the General District Court ..... Hon. Edward M. Turner III
Clerk of the General District Court ..... Christine C. Beck
Judge of the Juvenile & Domestic Relations Court ..... Hon. Robert C. Viar Jr.
Clerk of the Juvenile & Domestic Relations Court ..... Christine C. Beck
Commonwealth's Attorney ..... Gregory Goad
Commissioner of the Revenue ..... Louise L. Quesenberry
Treasurer ..... Bonita M. Williams
Sheriff ..... H. Warren Manning
Superintendent of Schools ..... Dr. Oliver McBride
Director of Social Services ..... R.S. Coleman Jr.
County Administrator ..... Gary Larrowe
County Attorney ..... Brad Dalton

FINANCIAL SECTION

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and the major funds of the County of Carroll, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the entity's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Carroll, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We were unable to obtain satisfactory evidence that capital asset additions, deletions and resulting balances were properly recorded for governmental activities. In addition, we were unable to apply additional or alternative audit procedures to verify the amounts recorded in the financial statements as capital assets.

In our opinion, except for the effects, if any, as might have been determined to be necessary had we been able to obtain satisfactory evidence in support of the capital asset additions, deletions and resulting balances the financial statements referred to above present fairly, in all material respect the financial position of the governmental activities of the County of Carroll, Virginia as of June 30, 2005 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component units and the major funds of the County of Carroll, Virginia as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The County has elected to omit Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2006, on our consideration of the County of Carroll, Virginia's internal control over financial reporting and 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.

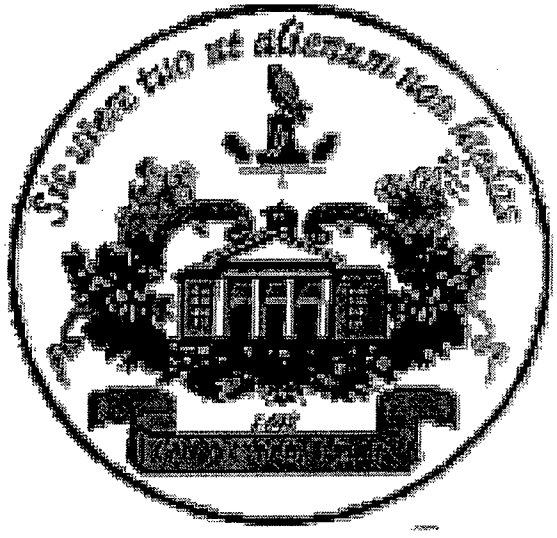
The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 an opinion on the financial statements that collectively comprise the County of Carroll, Virginia's, basic financial statements. The introductory section and the statistical tables 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 Carroll, Virginia. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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, Farmer, Cox Associates

Christiansburg, Virginia
January 9, 2006

BASIC FINANCIAL STATEMENTS



County of Carroll, Virginia
Statement of Net Assets
June 30, 2005

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
ASSETS						
Cash and cash equivalents	$ 3,715,164	$ -	$ 3,715,164	$ 2,720,477	$ 165,800	$ 137,295
Cash in custody of others	-	150,736	150,736	-	-	-
Investments	5,030,252	-	5,030,252	-	-	16,163
Receivables (net of allowance for uncollectibles):						
Taxes receivable	1,349,693	-	1,349,693	-	-	-
Accounts receivable	-	27,742	27,742	-	124,452	-
Other local taxes receivable	223,076	-	223,076	-	-	-
Due from component unit	1,128,785	-	1,128,785	-	-	-
Due from other governmental units	637,152	-	637,152	1,142,763	-	-
Prepaid expenses	34,526	-	34,526	-	-	-
Lease purchase receivable	-	-	-	-	-	10,800,767
Assets held for resale:						
Industrial sites	-	-	-	-	-	253,784
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents (in custody of others)	-	-	-	-	-	885,409
Permanently restricted:						
Cash and cash equivalents (in custody of others)	-	-	-	-	831,272	-
Capital assets (net of accumulated depreciation):						
Land	1,167,781	-	1,167,781	1,528,700	180,337	234,114
Buildings and system	32,171,401	-	32,171,401	2,452,634	-	851,053
Machinery and equipment	1,057,310	-	1,057,310	807,287	-	-
Infrastructure	-	4,586,674	4,586,674	-	11,302,862	-
Construction in progress	16,873,830	-	16,873,830	-	-	-
Total assets	$ 63,388,970	$ 4,765,152	$ 68,154,122	$ 8,651,861	$ 12,604,723	$ 13,178,585
LIABILITIES						
Accounts payable	$ 929,277	$ 1,911	$ 931,188	$ 75,903	$ 177,233	$ -
Accrued liabilities	-	-	-	1,690,501	-	-
Accrued interest payable	735,552	438	735,990	-	1,312	61,145
Due to other governemtnal units	40,743	-	40,743	-	-	-
Due to primary government	-	-	-	1,066,861	61,924	-
Deposits held in escrow	-	-	-	-	12,649	-
Temporary loan payable	2,500,000	-	2,500,000	-	-	-
Long-term liabilities: (net of unamortized bond premium)						
Due within one year	2,623,870	18,733	2,642,603	-	144,598	489,410
Due in more than one year	46,642,093	1,269,122	47,911,215	853,087	4,873,863	11,450,954
Total liabilities	$ 53,471,535	$ 1,290,204	$ 54,761,739	$ 3,686,352	$ 5,271,579	$ 12,001,509
NET ASSETS						
Invested in capital assets, net of related debt	$ 3,332,126	$ 3,298,819	$ 6,630,945	$ 4,788,621	$ 6,464,738	$ -
Restricted for:						
Construction	4,221,972	-	4,221,972	-	622,507	92,376
School cafeterias	-	-	-	400,269	-	-
Debt service and bond covenants	-	-	-	-	208,763	793,033
Unrestricted (deficit)	2,363,337	176,129	2,539,466	(223,381)	37,136	291,667
Total net assets	$ 9,917,435	$ 3,474,948	$ 13,392,383	$ 4,965,509	$ 7,333,144	$ 1,177,076

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

County of Carroll, Virginia
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: School Board	Component Units: Public Service Authority	Component Units: Industrial Development Authority
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	$ 1,190,402	$ 92	$ 279,355	$ -	$ (910,955)	$ -	$ (910,955)	$ -	$ -	$ -
Judicial administration	706,038	31,079	512,677	-	(162,282)	-	(162,282)	-	-	-
Public safety	3,941,388	340,351	1,412,650	-	(2,188,387)	-	(2,188,387)	-	-	-
Public works	654,418	39,602	7,002	-	(607,814)	-	(607,814)	-	-	-
Health and welfare	3,406,872	70,231	2,233,927	-	(1,102,714)	-	(1,102,714)	-	-	-
Education	8,079,764	-	-	-	(8,079,764)	-	(8,079,764)	-	-	-
Parks, recreation, and cultural	584,179	62,543	1,000	-	(520,636)	-	(520,636)	-	-	-
Community development	1,574,911	-	697,845	-	(877,066)	-	(877,066)	-	-	-
Interest on long-term debt	2,028,436	-	-	-	(2,028,436)	-	(2,028,436)	-	-	-
Total government activities	$ 22,166,408	$ 543,898	$ 5,144,456	$ -	$ (16,478,054)	$ -	$ (16,478,054)	$ -	$ -	$ -
Business-type activities:										
Gladeville/Cranberry Sewer	$ 284,247	$ 276,120	$ -	$ 2,934	$ -	$ (5,193)	$ (5,193)	$ -	$ -	$ -
Total primary government	$ 22,450,655	$ 820,018	$ 5,144,456	$ 2,934	$ (16,478,054)	$ (5,193)	$ (16,483,247)	$ -	$ -	$ -
COMPONENT UNITS:										
School Board	$ 34,317,930	$ 722,294	$ 23,888,703	$ 825,360	$ -	$ -	$ -	$ (8,881,573)	$ -	$ -
Public Service Authority	1,634,818	1,316,637	-	212,946	-	-	-	-	(105,235)	-
Industrial Development Authority	866,965	-	-	639,190	-	-	-	-	-	(227,775)
Total component units	$ 36,819,713	$ 2,038,931	$ 23,888,703	$ 1,677,496	$ -	$ -	$ -	$ (8,881,573)	$ (105,235)	$ (227,775)
General revenues:										
General property taxes					$ 13,835,903	$ -	$ 13,835,903	$ -	$ -	$ -
Local sales and use taxes					1,322,944	-	1,322,944	-	-	-
Consumer's utility tax					872,194	-	872,194	-	-	-
Motor vehicle taxes					613,518	-	613,518	-	-	-
Restaurant food taxes					431,513	-	431,513	-	-	-
Other local taxes					773,318	-	773,318	-	-	-
Unrestricted revenues from use of money and property					294,439	2,018	296,457	17,412	18,516	14,485
Miscellaneous					52,037	-	52,037	237,136	-	1,661
Payments from Primary Government					-	-	-	8,047,964	-	80,462
Grants and contributions not restricted to specific programs					1,110,014	-	1,110,014	-	-	-
Gain (Loss) on disposal of capital assets					(187,165)	-	(187,165)	(90,292)	-	72,064
Total general revenues					$ 19,118,715	$ 2,018	$ 19,120,733	$ 8,212,220	$ 18,516	$ 168,672
Change in net assets					$ 2,640,661	$ (3,175)	$ 2,637,486	$ (669,353)	$ (86,719)	$ (59,103)
Net assets - beginning - as adjusted					7,276,774	3,478,123	10,754,897	5,634,862	7,419,863	1,236,179
Net assets - ending					$ 9,917,435	$ 3,474,948	$ 13,392,383	$ 4,965,509	$ 7,333,144	$ 1,177,076

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

Exhibit 3

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2005

	General	School Construction	Total
ASSETS			
Cash and cash equivalents	$ 3,704,655	$ 10,509	$ 3,715,164
Investments	46,747	4,983,505	5,030,252
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,349,693	-	1,349,693
Other local taxes receivable	223,076	-	223,076
Due from component unit	1,128,785	-	1,128,785
Due from other governmental units	637,152	-	637,152
Prepaid items	34,526	-	34,526
Total assets	$ 7,124,634	$ 4,994,014	$ 12,118,648
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 157,235	$ 772,042	$ 929,277
Due to other governmental units	40,743	-	40,743
Deferred revenue	1,239,125	-	1,239,125
Temporary loan payable	2,500,000	-	2,500,000
Total liabilities	$ 3,937,103	$ 772,042	$ 4,709,145
Fund balances:			
Reserved for:			
Construction	$ -	$ 4,221,972	$ 4,221,972
Unreserved, reported in:			
Unrestricted (deficit)	3,187,531	-	3,187,531
Total fund balances	$ 3,187,531	$ 4,221,972	$ 7,409,503
Total liabilities and fund balances	$ 7,124,634	$ 4,994,014	$ 12,118,648

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

County of Carroll, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	$ 7,409,503
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,270,322
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,239,125
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(50,001,515)
Net assets of governmental activities	$ 9,917,435

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

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	School Construction	Total
REVENUES			
General property taxes	$ 13,588,256	$ -	$ 13,588,256
Other local taxes	4,013,487	-	4,013,487
Permits, privilege fees, and regulatory licenses	213,853	-	213,853
Fines and forfeitures	5,686	-	5,686
Revenue from the use of money and property	123,258	171,181	294,439
Charges for services	324,359	-	324,359
Miscellaneous	43,442	8,595	52,037
Recovered costs	1,135,314	-	1,135,314
Intergovernmental revenues:			
Commonwealth	4,733,370	-	4,733,370
Federal	1,521,100	-	1,521,100
Total revenues	$ 25,702,125	$ 179,776	$ 25,881,901
EXPENDITURES			
Current:			
General government administration	$ 1,532,879	$ -	$ 1,532,879
Judicial administration	757,000	-	757,000
Public safety	3,777,944	-	3,777,944
Public works	908,835	-	908,835
Health and welfare	3,455,461	-	3,455,461
Education	7,528,455	-	7,528,455
Parks, recreation, and cultural	555,453	-	555,453
Community development	1,693,801	-	1,693,801
Capital projects	-	9,751,776	9,751,776
Debt service:			
Principal retirement	2,567,217	-	2,567,217
Interest and other fiscal charges	2,113,685	-	2,113,685
Total expenditures	$ 24,890,730	$ 9,751,776	$ 34,642,506
Excess (deficiency) of revenues over (under) expenditures	$ 811,395	$ (9,572,000)	$ (8,760,605)
Net change in fund balances	$ 811,395	$ (9,572,000)	$ (8,760,605)
Fund balances - beginning	2,376,136	13,793,972	16,170,108
Fund balances - ending	$ 3,187,531	$ 4,221,972	$ 7,409,503

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

County of Carroll, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ (8,760,605)
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.	8,454,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	247,647
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,609,925
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.	89,694
Change in net assets of governmental activities	$ 2,640,661

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

Exhibit 7

County of Carroll, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Enterprise Fund Gladeville/ Cranberry Sewer
ASSETS	
Current assets:	
Cash in custody of others	$ 150,736
Accounts receivables, net of allowances for uncollectibles	27,742
Total current assets	$ 178,478
Noncurrent assets:	
Capital assets:	
Infrastructure	$ 5,422,305
Less accumulated depreciation	(835,631)
Total capital assets	$ 4,586,674
Total noncurrent assets	$ 4,586,674
Total assets	$ 4,765,152
LIABILITIES	
Current liabilities:	
Accounts payable	$ 1,911
Accrued interest payable	438
Bonds payable - current portion	18,733
Total current liabilities	$ 21,082
Noncurrent liabilities:	
Bonds payable - net of current portion	$ 1,269,122
Total noncurrent liabilities	$ 1,269,122
Total liabilities	$ 1,290,204
NET ASSETS	
Invested in capital assets, net of related debt	$ 3,298,819
Unrestricted	176,129
Total net assets	$ 3,474,948

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

Exhibit 8

County of Carroll, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Fund Gladeville/ Cranberry Sewer
OPERATING REVENUES	
Charges for services:	
Water/sewer revenues	$ 271,227
Penalties and interest	4,439
Other revenues	454
Total operating revenues	$ 276,120
OPERATING EXPENSES	
Salaries and fringe benefits	$ 13,829
Professional services	600
Utilities	9,417
Maintenance and repairs	201
Office expenses	2,040
Operating supplies	5,493
Uniforms	569
Treatment expenses	55,336
Insurance expense	1,107
Other expenses	6,428
Depreciation	135,558
Total operating expenses	$ 230,578
Operating income (loss)	$ 45,542
NONOPERATING REVENUES (EXPENSES)	
Connection fees	$ 2,934
Interest revenue	2,018
Interest expense	(53,669)
Total nonoperating revenues (expenses)	$ (48,717)
Change in net assets	$ (3,175)
Total net assets - beginning - as adjusted	3,478,123
Total net assets - ending	$ 3,474,948

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

County of Carroll, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Fund Gladeville/ Cranberry Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 258,678
Payments to suppliers	(92,971)
Payments to employees	(13,829)
Net cash provided (used by) operating activities	$ 151,878
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	$ (16,128)
Connection fees	2,934
Interest payments	(55,596)
Net cash provided (used) by capital and related financing activities	$ (68,790)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	$ 2,018
Net cash provided (used) by investing activities	$ 2,018
Net increase (decrease) in cash and cash equivalents	$ 85,106
Cash and cash equivalents - beginning - including restricted	65,630
Cash and cash equivalents - ending - including restricted	$ 150,736
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ 45,542
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	$ 135,558
(Increase) decrease in accounts receivable	(17,442)
Increase (decrease) in accounts payable	(11,780)
Total adjustments	$ 106,336
Net cash provided (used) by operating activities	$ 151,878

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

Exhibit 10

County of Carroll, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

		Agency Funds
ASSETS		
Cash and cash equivalents	$	5,762,199
Total assets	$	5,762,199
LIABILITIES		
Amounts held for social services clients	$	42,356
Amounts held for Solid Waste Authority		5,684,915
Amounts held for Twin County Airport		34,928
Total liabilities	$	5,762,199

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

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Blended component units - None

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

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

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

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

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

Jointly Governed Organizations:

The County along with the Counties of Wythe, Bland, Grayson, Smyth and the City of Galax participate in supporting the Mt. Rogers Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2005, the County contributed $100,463 to the Community Services Board.

The County along with the City of Galax participates in supporting the Galax-Carroll Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2005, the County contributed $181,649 to the Library.

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

The County along with the County of Grayson and the City of Galax participate in supporting the Twin Counties E-911 Program. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. Payments to the program totaled $244,764 for the fiscal year ended June 30, 2005 and consisted of E-911 tax collected by the County.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Vehicle Purchase, Law Library, Criminal Investigation and Voting Machine Funds.

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

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

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

The County reports the following major proprietary fund:

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

Additionally, the County reports the following fund types:

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, as well as for its component unit, 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.

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

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

2. Receivables and payables

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

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

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

3. Property Taxes

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

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $443,511 at June 30, 2005 and is composed solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

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

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

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

6. Capital assets (continued)

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

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

7. Compensated Absences

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

8. Long-term obligations

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

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

9. Fund equity

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

10. Net Assets

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

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 $(50,001,515) and $(853,087) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
General Obligation Bonds	$ 25,308,969	$ -
General Obligation Bond Premium	845,655	-
Literary Loans	11,828,863	-
Revenue Bond	10,800,364	-
Accrued interest payable	735,552	-
Compensated absences	482,112	853,087
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$ 50,001,515	$ 853,087

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 $8,454,000 and $(322,942) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlays	$ 9,835,450	$ 217,043
Depreciation expense	(1,194,285)	(449,693)
Loss on the disposal of capital assets	(187,165)	(90,292)
Net adjustment to increase (decrease) *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 8,454,000	$ (322,942)

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $2,609,925 difference in the primary government, is as follows:

	Primary Government
Principal Payments or Other Reductions:	
General Obligation Bonds	$ 1,430,929
Bond Premium (amortization of)	42,708
Lease Purchase (Revenue Bond)	325,121
Literary loans	811,167
Net adjustment to increase (decrease) *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 2,609,925

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 $89,694 and $6,988 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Compensated absences	$ 47,153	$ 6,988
Accrued interest	42,541	-
Net adjustment to increase (decrease) *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 89,694	$ 6,988

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Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), Debt Service Funds, and the General Capital Projects Funds. The School Fund and School Capital Projects Fund are integrated only at the level of legal adoption.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.

8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the County's accounting system.

B. Deficit fund equity

At June 30, 2005, there were no funds with deficit fund equity.

C. Appropriations

Expenditures exceeded appropriations in several departments within the General Fund.

Note 4-Deposits and Investments:

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

Investments:
Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

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, 2005 were rated by Standard and Poor's 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	$ -	$ 46,747	$ -	$ -
SNAP	-	4,983,504	-	-

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) 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.

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit - School Board
Commonwealth of Virginia:		
Local sales tax	$ 246,587	$ -
State sales tax	-	620,474
Categorical aid-shared expenses	161,947	-
School categorical aid	-	91,251
Non-categorical aid	59,332	-
Other categorical aid	55,225	-
Comprehensive services act	29,694	-
Federal Government:		
Virginia public assistance funds	84,367	-
School grants	-	431,038
Totals	$ 637,152	$ 1,142,763

Note 6-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	$ -	$ 1,128,785
Component Unit - School Board:		
School Fund	1,066,861	-
Component Unit - Public Service Authority		
PSA	61,924	-
Totals	$ 1,128,785	$ 1,128,785

Note 7-Long-Term Debt:

Primary Government – Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds		Literary Loans	
	Principal	Interest	Principal	Interest
2006	$ 1,432,793	$ 1,185,828	$ 811,167	$ 237,066
2007	1,434,755	1,123,740	811,167	220,680
2008	1,436,701	1,061,667	811,167	204,294
2009	1,439,129	999,112	754,167	240,191
2010	1,437,078	936,139	754,167	225,107
2011-2015	7,232,401	3,694,615	3,443,864	910,644
2016-2020	7,341,112	1,826,519	3,400,837	569,700
2021-2025	3,555,000	247,170	1,042,327	132,656
Totals	$ 25,308,969	$ 11,074,790	$ 11,828,863	$ 2,740,338

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Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
General Obligation Bonds:		
$4,505,000 Virginia Public School Authority general obligation bond issued May 18, 2000 maturing annually in principal installments varying from $225,000 to $230,000. Interest is payable semi-annually at rates varying from 5.10% to 6.35% through July 15, 2020.	$ 3,600,000	$ 225,000
$2,145,297 Virginia Public School Authority general obligation bond issued November 19, 1999 maturing annually in principal installments varying from $90,929 to $143,909. Interest is payable semi-annually at rates varying from 5.10% to 6.10% through July 15, 2019.	1,708,969	92,793
$21,115,000 Virginia Public School Authority general obligation bond issued November 7, 2002 maturing annually in principal installments varying from $1,110,000 to $1,115,000. Interest is payable semi-annually at rates varying from 4.10% to 5.10% through July 15, 2022.	20,000,000	1,115,000
Sub-total General Obligation Bonds	$ 25,308,969	$ 1,432,793
Literary Loans:		
$256,527 State Literary Loan issued November 1, 1987, due in annual installments of $13,000 through November 1, 2007, interest payable annually at 3.0%.	$ 39,000	$ 13,000
$98,163 State Literary Loan issued May 15, 1988, due in annual installments of $5,000 through May 15, 2008, interest payable annually at 2.0%.	15,000	5,000
$100,215 State Literary Loan issued May 15, 1988, due in annual installments of $5,100 through May 15, 2008, interest payable annually at 2.0%.	15,300	5,100
$121,377 State Literary Loan issued May 15, 1988, due in annual installments of $6,100 through May 15, 2008, interest payable annually at 2.0%.	18,300	6,100
$43,942 State Literary Loan issued May 15, 1988, due in annual installments of $2,200 through May 15, 2008, interest payable annually at 2.0%	6,600	2,200
$136,850 State Literary Loan issued May 15, 1988, due in annual installments of $6,900 through May 15, 2008, interest payable annually at 2.0%	20,700	6,900
$123,027 State Literary Loan issued May 15, 1988, due in annual installments of $6,200 through May 15, 2008, interest payable annually at 2.0%	18,600	6,200

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	Total Amount	Amount Due Within One Year
Literary Loans: (continued)		
$64,234 State Literary Loan issued May 15, 1988, due in annual installments of $3,300 through May 15, 2008, interest payable annually at 3.0%	9,900	3,300
$126,319 State Literary Loan issued May 15, 1988, due in annual installments of $6,400 through May 15, 2008, interest payable annually at 2.0%	19,200	6,400
$55,279 State Literary Loan issued May 15, 1988, due in annual installments of $2,800 through May 15, 2008, interest payable annually at 2.0%	8,400	2,800
$519,255 State Literary Loan issued April 15, 1991, due in annual installments of $26,000 through April 15, 2010 with $25,255 due April 15, 2011, interest payable annually at 2.0%	155,255	26,000
$637,829 State Literary Loan issued April 15, 1991, due in annual installments of $33,000 through April 15, 2010 with $10,829 due April 15, 2011, interest payable annually at 2.0%	175,829	33,000
$291,945 State Literary Loan issued April 15, 1991, due in annual installments of $15,000 through April 15, 2010 with $6,945 due April 15, 2011, interest payable annually at 2.0%	81,945	15,000
$3,486,763 State Literary Loan issued January 24, 2001, due in annual installments of $174,338 through February 1, 2021, interest payable annually at 2.0%	2,789,411	174,338
$2,873,440 State Literary Loan issued October 3, 2001, due in annual installments of $143,672 through October 15, 2020, interest payable annually at 2.0%	2,298,752	143,672
$4,167,647 State Literary Loan issued October 2, 2000, due in annual installments of $208,382 through November 1, 2021, interest payable annually at 2.0%	3,542,500	208,382
$3,075,495 State Literary Loan issued October 2, 2000, due in annual installments of $153,775 through November 1, 2021, interest payable annually at 2.0%	2,614,171	153,775
Total Literary Loans	$ 11,828,863	$ 811,167

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	Amount	Within One Year
Lease Purchase Revenue Bonds:		
On May 1, 1997 the County entered into a $6,900,000 lease purchase agreement with the Carroll County Industrial Development Authority bearing interest at 4.875%. Combined principal and interest payments of $33,327 are due monthly. If not paid sooner, the final installment shall be due and payable 40 years from the issuance date.	$ 6,436,635	$ 88,089
On October 15, 1999 the County entered into a $648,000 lease purchase agreement with the Carroll County Industrial Development Authority bearing interest at 4.75%. Combined principal and interest payments of $3,078 are due monthly. If not paid sooner, the final installment shall be due and payable 40 years from the issuance date.	614,180	7,934
On February 1, 2001 the County entered into a $4,904,581 lease purchase agreement with the Carroll County Industrial Development Authority bearing interest at 5.89%. Combined principal and interest payments of $250,308 are due semi-annually through May 1, 2014.	3,749,549	283,887
Total Lease Purchase Revenue Bonds	$ 10,800,364	$ 379,910
Other Long-term Obligations:		
Compensated absences	$ 482,112	$ -
Total Other Long-term Obligations	$ 482,112	$ -
Total Long-term Obligations	$ 48,420,308	$ 2,623,870

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

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Note 7-Long-Term Debt: (continued)

Primary Government – Business-type Activity Indebtedness:

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

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2006	$ 18,733	$ 52,991
2007	19,516	52,208
2008	20,332	51,392
2009	21,183	50,541
2010	22,071	49,653
2011-2015	125,055	233,565
2016-2020	153,695	204,926
2021-2025	189,045	169,575
2026-2030	232,702	125,917
2031-2035	286,660	71,960
2036-2040	198,864	12,683
Totals	$ 1,287,856	$ 1,075,411

The following is a summary of long-term debt transactions of the Gladeville/Cranberry Sewer for the year ended June 30, 2005.

	Balance July 1, 2004	Issuances	Retirements	Balance June 30, 2005
Revenue bonds	$ 1,303,983	$ -	$ (16,127)	$ 1,287,856
Total	$ 1,303,983	$ -	$ (16,127)	$ 1,287,856

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
Revenue Bonds:		
$977,000 Sewer Revenue Bond issued July 10, 1998 bearing interest at 4.50%. Principal and interest payments of $4,485 are due monthly through 2038	$ 918,799	$ 12,735
$389,300 Sewer Revenue Bond issued December 2, 1999 bearing interest at 3.25%. Principal and interest payments of $1,492 are due monthly through 2040	369,057	5,998
Sub-Total Revenue Bonds	$ 1,287,856	$ 18,733

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, 2005.

	Balance July 1, 2004	Issuances	Retirements	Balance June 30, 2005
Compensated absences	$ 860,075	$ -	$ (6,988)	$ 853,087
Total	$ 860,075	$ -	$ (6,988)	$ 853,087

Details of long-term indebtedness:

	Amount	Within One Year
Other Obligations:		
Compensated absences	$ 853,087	$ -

Note 9-Employee Retirement System and Pension Plans:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at http://www.varetire.or/Pdf/2004AnnuRept.pdf or obtained by writing to the System at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:
Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the County 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's contribution rate for the fiscal year ended 2005 was 6.00% of annual covered payroll

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

B. Funding Policy (continued)

Discretely Presented Component Unit – School Board (Non-Professional Employees):
Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2005 was 4.00% of the annual covered payroll.

C. Annual Pension Cost

Primary Government:
For fiscal year 2005, the County's annual pension cost of $259,634 (does not include employee share paid by the County, which was $216,362) was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

Discretely Presented Component Unit – School Board (Non-Professional Employees):
For fiscal year 2005, the School Board's annual pension cost of $88,217 (does not include employee share paid by the School Board, which was $110,272) was equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

Three-Year Trend Information

Three - Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)[1]	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2003	$ 166,005	100.00%	$ -
	6/30/2004	168,046	100.00%	-
	6/30/2005	259,634	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2003	$ 42,406	100.00%	$ -
	6/30/2004	59,607	100.00%	-
	6/30/2005	88,217	100.00%	-

[1] Employer portion only

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

D. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Carroll County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. That report may be downloaded from their website at http://www.varetire.org/Pdf/2004AnnuRept.pdf or obtained by writing to the System at P. O. Box 2500, Richmond, Virginia 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 required employer contributions to the statewide cost sharing pool for professional employees were $999,263, $596,714 and $555,867 for the fiscal years ended 2005, 2004 and 2003 respectively. The School Board's required employee contributions to the statewide cost sharing pool for professional employees were $828,576, $791,398, and $737,224 for the fiscal years ended 2005, 2004 and 2003 respectively. Employer contributions represented 6.03%, 3.77%, and 3.77% of covered payroll for the fiscal years ended 2005, 2004, and 2003, respectively.

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2005 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,167,781	$ -	$ -	$ 1,167,781
Construction in progress	7,785,569	9,751,776	(663,515)	16,873,830
Total capital assets not being depreciated	$ 8,953,350	$ 9,751,776	$ (663,515)	$ 18,041,611
Capital assets, being depreciated:				
Buildings	$ 36,208,225	$ 663,515	$ -	$ 36,871,740
Machinery and equipment	4,395,234	83,674	(1,129,338)	3,349,570
Total capital assets being depreciated	$ 40,603,459	$ 747,189	$ (1,129,338)	$ 40,221,310
Less: accumulated depreciation for:				
Buildings	$ (3,850,518)	$ (849,821)	$ -	$ (4,700,339)
Machinery and equipment	(2,889,969)	(344,464)	942,173	(2,292,260)
Total accumulated depreciation	$ (6,740,487)	$ (1,194,285)	$ 942,173	$ (6,992,599)
Total capital assets being depreciated, net	$ 33,862,972	$ (447,096)	$ (187,165)	$ 33,228,711
Governmental activities capital assets, net	$ 42,816,322	$ 9,304,680	$ (850,680)	$ 51,270,322

Note 10-Capital Assets: (continued)

Capital asset activity for the year ended June 30, 2005 was as follows: (continued)

Primary Government – Business-type Activity:

	Beginning Balance (1)	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	$ 5,422,305	$ -	$ -	$ 5,422,305
Total capital assets being depreciated	$ 5,422,305	$ -	$ -	$ 5,422,305
Less: accumulated depreciation for:				
Infrastructure	$ (700,073)	$ (135,558)	$ -	$ (835,631)
Total accumulated depreciation	$ (700,073)	$ (135,558)	$ -	$ (835,631)
Business-type activities capital assets, net	$ 4,722,232	$ (135,558)	$ -	$ 4,586,674

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

Governmental activities:	
General government	$ 10,987
Public safety	254,829
Public works	361,418
Health and welfare	8,562
Education	551,309
Parks, recreation, and culture	7,180
Total depreciation expense-governmental activities	$ 1,194,285
Business-type activities:	
Gladeville/Cranberry Sewer	$ 135,558
Total depreciation expense-primary government	$ 1,329,843

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Note 10-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2005 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,528,700	$ -	$ -	$ 1,528,700
Capital assets, being depreciated:				
Buildings	$ 7,560,466	$ -	$ -	$ 7,560,466
Machinery and equipment	3,945,440	217,043	(582,025)	3,580,458
Total capital assets being depreciated	$ 11,505,906	$ 217,043	$ (582,025)	$ 11,140,924
Less: accumulated depreciation for:				
Buildings	$ (4,892,111)	$ (215,721)	$ -	$ (5,107,832)
Machinery and equipment	(3,030,932)	(233,972)	491,733	(2,773,171)
Total accumulated depreciation	$ (7,923,043)	$ (449,693)	$ 491,733	$ (7,881,003)
Total capital assets being depreciated, net	$ 3,582,863	$ (232,650)	$ (90,292)	$ 3,259,921
Governmental activities capital assets, net	$ 5,111,563	$ (232,650)	$ (90,292)	$ 4,788,621

Note 11-Risk Management:

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

Note 12-Contingent Liabilities:

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

Note 12-Contingent Liabilities: (continued)

Landfill Closure and Post Closure Costs – The County transferred the prior County landfill to the Regional Solid Waste Authority. The agreement to transfer the landfill does not address Carroll County's responsibility for landfill closure and post closure liabilities incurred prior to the date of transition, however Officials at the time of transfer have indicated that the former County administrator of Carroll County agreed to accept responsibility for the aforementioned liabilities incurred prior to the date of transfer. At this time, it is unclear if the County will be liable for any cost related to the closure and post closure care of the Landfill and as such no amount has been recorded as a liability in the financial statements for same.

Note 13-Surety Bonds:

Primary Government:

Fidelity & Deposit Company of Maryland-Surety:	
Carolyn H. Honeycutt, Clerk of the Circuit Court	$ 1,525,000
Bonita Williams, Treasurer	400,000
Darrell G. Jennings, Commissioner of the Revenue	3,000
H. Warren Manning, Sheriff	30,000

Note 14-Designated and Reserved Fund Balances:

Primary Government:	
Reserved for School contruction	$ 4,221,972
Total Primary Government reservations	$ 4,221,972
Component Unit - School Board:	
Reserved for cafeteria	$ 400,269
Total School Board designations	$ 400,269

Note 15-Payroll Expenses:

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

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Note 16-Restatement of Net Assets:

Governmental:		
Net Assets, as previously reported	$	6,565,002
Adjustments:		
Landfill Closure liability removed from books	$	711,772
Net Assets, as restated	$	7,276,774

The former County landfill was transferred to the Regional Solid waste Authority. To this date an amount has been carried as a liability by the County for closure and post-closure cost associated with the landfill prior to transfer. The agreement to transfer the landfill, related assets, and liabilities does not address the County's responsibility for any closure or post-closure costs incurred prior to the transfer of the landfill. As such, the financial statements are being restated to remove this liability.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit 11

County of Carroll, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 13,351,921	$ 13,351,921	$ 13,588,256	$ 236,335
Other local taxes	2,982,100	3,084,843	4,013,487	928,644
Permits, privilege fees, and regulatory licenses	181,500	181,500	213,853	32,353
Fines and forfeitures	1,500	1,500	5,686	4,186
Revenue from the use of money and property	128,050	158,150	123,258	(34,892)
Charges for services	548,820	569,100	324,359	(244,741)
Miscellaneous	143,870	147,687	43,442	(104,245)
Recovered costs	1,388,493	1,513,533	1,135,314	(378,219)
Intergovernmental revenues:				
Commonwealth	4,379,830	5,009,985	4,733,370	(276,615)
Federal	1,710,875	1,852,094	1,521,100	(330,994)
Total revenues	$ 24,816,959	$ 25,870,313	$ 25,702,125	$ (168,188)
EXPENDITURES				
Current:				
General government administration	$ 1,697,459	$ 1,775,767	$ 1,532,879	$ 242,888
Judicial administration	777,369	799,643	757,000	42,643
Public safety	3,236,485	3,495,989	3,777,944	(281,955)
Public works	988,471	976,448	908,835	67,613
Health and welfare	4,090,675	4,090,744	3,455,461	635,283
Education	7,305,811	7,305,811	7,528,455	(222,644)
Parks, recreation, and cultural	557,596	628,345	555,453	72,892
Community development	1,441,318	2,075,791	1,693,801	381,990
Debt service:				
Principal retirement	2,567,217	2,567,217	2,567,217	-
Interest and other fiscal charges	2,154,558	2,154,558	2,113,685	40,873
Total expenditures	$ 24,816,959	$ 25,870,313	$ 24,890,730	$ 979,583
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 811,395	$ 811,395
Net change in fund balances	$ -	$ -	$ 811,395	$ 811,395
Fund balances - beginning	-	-	2,376,136	2,376,136
Fund balances - ending	$ -	$ -	$ 3,187,531	$ 3,187,531

Exhibit 12

County of Carroll, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	School Construction			
	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 171,181	$ 171,181
Miscellaneous	-	-	8,595	8,595
Total revenues	$ -	$ -	$ 179,776	$ 179,776
EXPENDITURES				
Capital projects	$ 16,410,027	$ 16,410,027	$ 9,751,776	$ 6,658,251
Total expenditures	$ 16,410,027	$ 16,410,027	$ 9,751,776	$ 6,658,251
Excess (deficiency) of revenues over (under) expenditures	$ (16,410,027)	$ (16,410,027)	$ (9,572,000)	$ 6,838,027
Net change in fund balances	$ (16,410,027)	$ (16,410,027)	$ (9,572,000)	$ 6,838,027
Fund balances - beginning	16,410,027	16,410,027	13,793,972	(2,616,055)
Fund balances - ending	$ -	$ -	$ 4,221,972	$ 4,221,972

Exhibit 13

County of Carroll, Virginia
Schedule of Pension Funding Progress
As of June 30, 2005

Primary Government:
County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	$ 14,075,513	$ 14,637,833	$ 562,320	96.16%	$ 4,138,063	13.59%
6/30/2003	13,688,124	13,495,787	(192,337)	101.43%	4,274,307	-4.50%
6/30/2002	13,359,115	12,602,262	(756,853)	106.01%	4,151,475	-18.23%
6/30/2001	12,659,972	11,643,151	(1,016,821)	108.73%	4,138,215	-24.57%

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	$ 5,341,197	$ 5,904,638	$ 563,441	90.46%	$ 2,145,917	26.26%
6/30/2003	5,301,630	5,044,881	(256,749)	105.09%	1,294,458	-19.83%
6/30/2002	5,317,441	4,803,123	(514,318)	110.71%	1,407,191	-36.55%
6/30/2001	5,177,815	4,729,193	(448,622)	109.49%	1,419,264	-31.61%

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUND

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

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

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

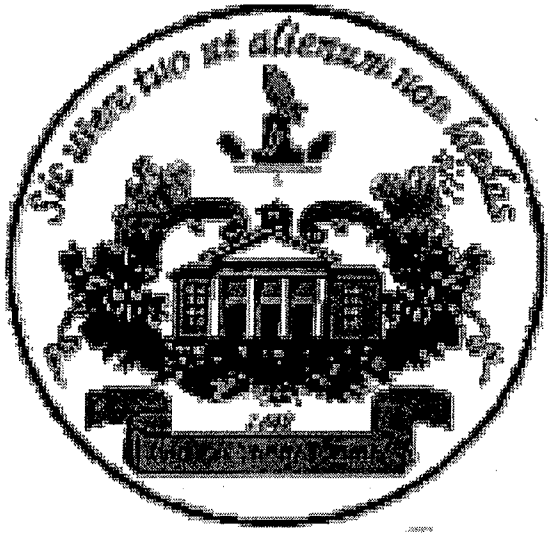
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Exhibit 14

County of Carroll, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Agency Funds			
	Special Welfare	Solid Waste Authority	Twin County Airport	Total
ASSETS				
Cash and cash equivalents	$ 42,356	$ 5,684,915	$ 34,928	$ 5,762,199
Total assets	$ 42,356	$ 5,684,915	$ 34,928	$ 5,762,199
LIABILITIES				
Amounts held for social services clients	$ 42,356	$ -	$ -	$ 42,356
Amounts held for solid waste authority	-	5,684,915	-	5,684,915
Amounts held for twin county airport	-	-	34,928	34,928
Total liabilities	$ 42,356	$ 5,684,915	$ 34,928	$ 5,762,199

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Carroll, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2005

		School Operating Fund
ASSETS		
Cash and cash equivalents	$	2,720,477
Due from other governmental units		1,142,763
Total assets	$	3,863,240
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	75,903
Accrued liabilities		1,690,501
Due to primary government		1,066,861
Total liabilities	$	2,833,265
Fund balances:		
Unreserved:		
Designated for subsequent expenditure	$	1,029,975
Total fund balances	$	1,029,975
Total liabilities and fund balances	$	3,863,240
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:		
Total fund balances per above	$	1,029,975
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,788,621
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(853,087)
Net assets of governmental activities	$	4,965,509

Exhibit 16

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

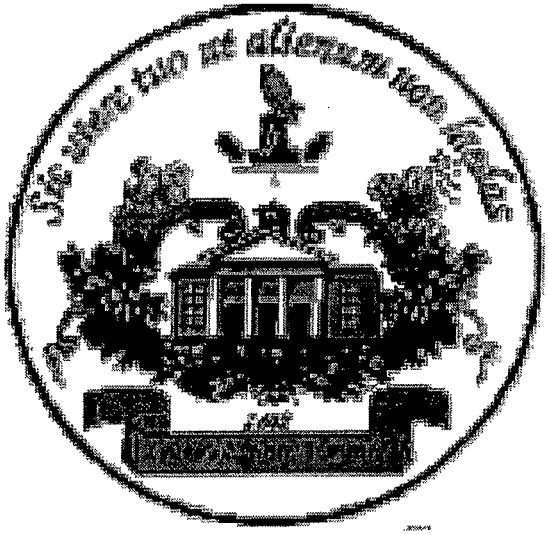
		School Operating Fund
REVENUES		
Revenue from the use of money and property	$	17,412
Charges for services		722,294
Miscellaneous		237,136
Recovered costs		90,464
Intergovernmental revenues:		
Local government		7,496,655
Commonwealth		20,101,266
Federal		4,612,797
Total revenues	$	33,278,024
EXPENDITURES		
Current:		
Education	$	33,631,423
Total expenditures	$	33,631,423
Excess (deficiency) of revenues over (under) expenditures	$	(353,399)
Net change in fund balances	$	(353,399)
Fund balances - beginning		1,383,374
Fund balances - ending	$	1,029,975

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	$	(353,399)
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.		(322,942)
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.		6,988
Change in net assets of governmental activities	$	(669,353)

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 20,000	$ 20,000	$ 17,412	$ (2,588)
Charges for services	23,000	23,000	722,294	699,294
Miscellaneous	36,250	159,250	237,136	77,886
Recovered costs	68,000	68,000	90,464	22,464
Intergovernmental revenues:				
Local government	7,272,193	7,272,193	7,496,655	224,462
Commonwealth	20,394,957	20,663,081	20,101,266	(561,815)
Federal	4,476,251	5,325,564	4,612,797	(712,767)
Total revenues	$ 32,290,651	$ 33,531,088	$ 33,278,024	$ (253,064)
EXPENDITURES				
Current:				
Education	$ 34,830,164	$ 36,070,601	$ 33,631,423	$ 2,439,178
Total expenditures	$ 34,830,164	$ 36,070,601	$ 33,631,423	$ 2,439,178
Excess (deficiency) of revenues over (under) expenditures	$ (2,539,513)	$ (2,539,513)	$ (353,399)	$ 2,186,114
Net change in fund balances	$ (2,539,513)	$ (2,539,513)	$ (353,399)	$ 2,186,114
Fund balances - beginning	2,539,513	2,539,513	1,383,374	(1,156,139)
Fund balances - ending	$ -	$ -	$ 1,029,975	$ 1,029,975



SUPPORTING SCHEDULES

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 9,650,604	$ 9,650,604	$ 9,626,766	$ (23,838)
Real and personal public service corporation taxes	314,500	314,500	565,396	250,896
Personal property taxes	1,654,495	1,654,495	1,582,265	(72,230)
Mobile home taxes	117,222	117,222	123,273	6,051
Machinery and tools taxes	1,329,900	1,329,900	1,344,017	14,117
Merchant's capital taxes	170,200	170,200	185,186	14,986
Penalties	45,000	45,000	67,703	22,703
Interest	70,000	70,000	93,650	23,650
Total general property taxes	$ 13,351,921	$ 13,351,921	$ 13,588,256	$ 236,335
Other local taxes:				
Local sales and use taxes	$ 1,332,000	$ 1,332,000	$ 1,322,944	$ (9,056)
Consumers' utility taxes- electric	350,000	423,860	517,573	93,713
Consumers' utility taxes- telephone	-	-	354,621	354,621
Consumption taxes	110,000	110,000	104,731	(5,269)
E-911 telephone taxes	38,200	38,200	244,726	206,526
Franchise license taxes	50,000	50,000	52,760	2,760
Utility license tax	-	-	35,707	35,707
Recordation taxes	53,000	72,287	155,004	82,717
Motor vehicle licenses	550,000	559,596	613,518	53,922
Bank stock taxes	8,900	8,900	12,581	3,681
Taxes on deeds	25,000	25,000	40,055	15,055
Hotel and motel room taxes	105,000	105,000	127,754	22,754
Restaurant food taxes	360,000	360,000	431,513	71,513
Total other local taxes	$ 2,982,100	$ 3,084,843	$ 4,013,487	$ 928,644
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 18,000	$ 18,000	$ 25,361	$ 7,361
Land use application fees	-	-	11,217	11,217
Transfer fees	1,500	1,500	1,849	349
Building permits	162,000	162,000	175,411	13,411
Other permits and licenses	-	-	15	15
Total permits, privilege fees, and regulatory licenses	$ 181,500	$ 181,500	$ 213,853	$ 32,353
Fines and forfeitures:				
Court fines and forfeitures	$ 1,500	$ 1,500	$ 5,686	$ 4,186
Revenue from use of money and property:				
Revenue from use of money	$ 27,500	$ 57,600	$ 52,426	$ (5,174)
Revenue from use of property	100,550	100,550	70,832	(29,718)
Total revenue from use of money and property	$ 128,050	$ 158,150	$ 123,258	$ (34,892)
Charges for services:				
Clerk's interest	$ 20,200	$ 40,480	$ 20,918	$ (19,562)
Charges for law enforcement and traffic control	200	200	98	(102)
Charges for courthouse maintenance	50,000	50,000	90,944	40,944
Charges for courthouse security	34,000	34,000	36,465	2,465
Charges for child care	323,620	323,620	67,892	(255,728)
VPA garage charges	7,500	7,500	2,339	(5,161)
Charges for Commonwealth's Attorney	1,000	1,000	1,500	500
Miscellaneous jail and inmate fees	600	600	2,370	1,770

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for cannery	$ 8,000	$ 8,000	$ 9,702	$ 1,702
Charges for law library	5,000	5,000	2,975	(2,025)
Charges for sanitation and waste removal	20,000	20,000	26,536	6,536
Charges for parks and recreation	78,500	78,500	62,543	(15,957)
Other charges for services	200	200	77	(123)
Total charges for services	$ 548,820	$ 569,100	$ 324,359	$ (244,741)
Miscellaneous revenue:				
Miscellaneous	$ 143,870	$ 147,687	$ 43,442	$ (104,245)
Recovered costs:				
Solid Waste Authority	$ 270,054	$ 270,054	$ 249,652	$ (20,402)
Rooftop of Virginia	2,500	2,500	1,176	(1,324)
Virginia Housing Development Authority	36,000	36,000	42,934	6,934
Public Service Authority	526,802	526,802	366,702	(160,100)
Farmers' Market	130,000	130,000	118,890	(11,110)
City of Galax-shared expenses	80,000	80,000	208,654	128,654
Insurance recoveries	50,000	175,040	136,336	(38,704)
Other recovered costs	293,137	293,137	10,970	(282,167)
Total recovered costs	$ 1,388,493	$ 1,513,533	$ 1,135,314	$ (378,219)
Total revenue from local sources	$ 18,726,254	$ 19,008,234	$ 19,447,655	$ 439,421
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	40,000	40,000	15,474	$ (24,526)
Wine taxes	30,000	30,000	22,666	(7,334)
Mobile home titling tax	100,000	100,000	88,232	(11,768)
Motor vehicle rental tax	6,000	6,000	9,169	3,169
Rolling stock tax	2,000	2,000	1,587	(413)
State recordation tax	70,000	70,000	35,694	(34,306)
Personal property tax relief funds	1,000,000	1,000,000	919,525	(80,475)
Total noncategorical aid	$ 1,248,000	$ 1,248,000	$ 1,092,347	$ (155,653)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 300,841	$ 300,841	$ 241,942	$ (58,899)
Sheriff	1,190,695	1,190,695	1,190,091	(604)
Commissioner of revenue	110,288	110,288	109,821	(467)
Treasurer	113,590	113,590	111,840	(1,750)
Medical examiner	400	400	570	170
Registrar/electoral board	42,500	42,500	57,694	15,194
Clerk of the Circuit Court	211,465	211,465	219,281	7,816
Total shared expenses	$ 1,969,779	$ 1,969,779	$ 1,931,239	$ (38,540)
Other categorical aid:				
Public assistance and welfare administration	$ 766,337	$ 766,337	$ 536,438	$ (229,899)
Comprehensive Services Act	218,107	247,207	314,230	67,023
Animal friendly plates	-	-	372	372
Tobacco settlement funds	50,000	650,000	645,684	(4,316)
Victim witness	49,607	49,607	51,454	1,847

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire program	$ 35,000	$ 35,000	$ 52,603	$ 17,603
Litter control grant	8,000	8,000	7,002	(998)
Emergency and medical services grant	-	-	53,723	53,723
Two-for-life grant	13,000	13,000	28,072	15,072
Asset forfeiture	-	-	533	533
Records preservation	-	1,055	-	(1,055)
Arts grant	-	-	1,000	1,000
School resource officer	22,000	22,000	18,673	(3,327)
Total other categorical aid	$ 1,162,051	$ 1,792,206	$ 1,709,784	$ (82,422)
Total categorical aid	$ 3,131,830	$ 3,761,985	$ 3,641,023	$ (120,962)
Total revenue from the Commonwealth	$ 4,379,830	$ 5,009,985	$ 4,733,370	$ (276,615)
Revenue from the federal government:				
Payments in lieu of taxes	$ 10,000	$ 10,000	$ 17,667	$ 7,667
Categorical aid:				
Public assistance and welfare administration	$ 1,628,190	$ 1,628,190	$ 1,377,562	$ (250,628)
Child and adult care food program	-	-	5,697	5,697
Emergency management preparedness grant	2,000	42,391	3,664	(38,727)
Drug control and system improvement	70,685	79,085	6,331	(72,754)
Homeland security grant	-	4,690	39,671	34,981
Local law enforcement grant	-	-	2,975	2,975
Department of Justice grant	-	-	4,162	4,162
State and community highway safety	-	12,000	11,210	(790)
Community development block grant	-	75,738	52,161	(23,577)
Total categorical aid	$ 1,700,875	$ 1,842,094	$ 1,503,433	$ (338,661)
Total revenue from the federal government	$ 1,710,875	$ 1,852,094	$ 1,521,100	$ (330,994)
Total General Fund	$ 24,816,959	$ 25,870,313	$ 25,702,125	$ (168,188)
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 171,181	$ 171,181
Miscellaneous revenue:				
Miscellaneous	$ -	$ -	$ 8,595	$ 8,595
Total revenue from local sources	$ -	$ -	$ 179,776	$ 179,776
Total School Construction Fund	$ -	$ -	$ 179,776	$ 179,776
Total Primary Government	$ 24,816,959	$ 25,870,313	$ 25,881,901	$ 11,588

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 1,794	$ 1,794
Revenue from the use of property	20,000	20,000	15,618	(4,382)
Total revenue from use of money and property	$ 20,000	$ 20,000	$ 17,412	$ (2,588)
Charges for services:				
Fees from pupils	$ 8,000	$ 8,000	$ 8,707	$ 707
Cafeteria sales	-	-	684,073	684,073
Transportation of pupils	3,000	3,000	3,482	482
Other payments from other localities	12,000	12,000	26,032	14,032
Total charges for services	$ 23,000	$ 23,000	$ 722,294	$ 699,294
Miscellaneous revenue:				
Other miscellaneous	$ 36,250	$ 159,250	$ 237,136	$ 77,886
Recovered costs:				
Insurance recoveries and rebates	$ 68,000	$ 68,000	$ 90,464	$ 22,464
Total revenue from local sources	$ 147,250	$ 270,250	$ 1,067,306	$ 797,056
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	$ 7,272,193	$ 7,272,193	$ 7,496,655	$ 224,462
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 3,407,617	$ 3,407,617	$ 3,468,258	$ 60,641
Basic school aid	11,021,699	11,021,699	10,882,402	(139,297)
Remedial summer education	133,247	133,247	106,651	(26,596)
Regular foster care	21,421	21,421	23,359	1,938
Adult education	6,282	6,282	-	(6,282)
Gifted and talented	110,658	110,658	109,645	(1,013)
Remedial education	346,162	346,162	342,993	(3,169)
Alternative education	93,916	93,916	93,916	-
Special education	1,259,803	1,259,803	1,248,269	(11,534)
Enrollment loss	13,323	13,323	12,703	(620)
Textbook payment	179,096	179,096	177,457	(1,639)
School construction	159,554	159,554	159,195	(359)
Vocational standards of quality payments	303,601	303,601	300,822	(2,779)
Vocational adult education	-	-	1,293	1,293
Vocational education - equipment	27,693	27,693	4,986	(22,707)
Vocational occupational preparedness	-	-	8,996	8,996
Social security fringe benefits	562,272	562,272	559,472	(2,800)
Retirement fringe benefits	470,595	470,595	480,753	10,158
State lottery payments	620,510	620,510	666,165	45,655
Early reading intervention	58,173	58,173	56,356	(1,817)
Homebound education	34,570	34,570	27,870	(6,700)
School nutrition	28,646	28,646	29,027	381
Special education - foster children	-	-	13,434	13,434
Special education - regional	106,598	106,598	88,744	(17,854)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (continued)				
At risk payments	$ 315,235	$ 315,235	$ 302,463	$ (12,772)
VPSA technology	336,000	336,000	94,069	(241,931)
Standards of Learning algebra readiness	50,615	103,315	44,957	(58,358)
At risk four-year olds	207,870	207,870	207,870	-
Primary class size	282,631	282,631	263,584	(19,047)
Mentor teacher program	-	-	31,944	31,944
ISAEP	15,717	15,717	15,717	-
English as a second language	36,453	36,453	46,726	10,273
Other state funds	185,000	400,424	231,170	(169,254)
Total categorical aid	$ 20,394,957	$ 20,663,081	$ 20,101,266	$ (561,815)
Total revenue from the Commonwealth	$ 20,394,957	$ 20,663,081	$ 20,101,266	$ (561,815)
Revenue from the federal government:				
Categorical aid:				
Forest reserve	$ 3,600	$ 3,600	$ 3,664	$ 64
Adult basic education	82,893	82,893	119,516	36,623
Title I	847,802	1,092,324	716,057	(376,267)
Title VI-B, special education flow-through	849,683	1,144,683	848,922	(295,761)
Vocational education	87,347	90,205	92,020	1,815
Title VI-B, special education pre-school	60,000	60,000	48,796	(11,204)
Drug free schools	28,499	28,499	20,207	(8,292)
Title II	24,200	24,200	25,836	1,636
Title III	-	34,349	31,282	(3,067)
Title V Part A	31,672	31,672	24,458	(7,214)
Teacher quality	225,103	276,728	246,154	(30,574)
Migrant education	97,800	97,800	65,907	(31,893)
Comprehensive school reform	50,000	132,000	118,299	(13,701)
National school lunch program	687,000	687,000	738,874	51,874
Reading first	674,098	674,098	912,613	238,515
Calculator grants	-	-	15,342	15,342
School breakfast program	201,354	201,354	253,385	52,031
Title II Part A	-	138,959	-	(138,959)
Other federal programs	525,200	525,200	331,465	(193,735)
Total categorical aid	$ 4,476,251	$ 5,325,564	$ 4,612,797	$ (712,767)
Total revenue from the federal government	$ 4,476,251	$ 5,325,564	$ 4,612,797	$ (712,767)
Total Discretely Presented Component Unit - School Board	$ 32,290,651	$ 33,531,088	$ 33,278,024	$ (253,064)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 209,516	$ 510,344	$ 303,793	$ 206,551
General and financial administration:				
County administrator	$ 409,338	$ 439,713	$ 413,089	$ 26,624
County attorney	40,000	40,000	35,368	4,632
Commissioner of revenue	218,672	219,249	218,392	857
County assessor	138,013	133,804	120,779	13,025
Treasurer	282,320	282,020	270,000	12,020
Reassessment	-	-	14,562	(14,562)
Total general and financial administration	$ 1,088,343	$ 1,114,786	$ 1,072,190	$ 42,596
Board of elections:				
Electoral board and officials	$ 302,940	$ 54,645	$ 60,283	$ (5,638)
Registrar	96,660	95,992	96,613	(621)
Total board of elections	$ 399,600	$ 150,637	$ 156,896	$ (6,259)
Total general government administration	$ 1,697,459	$ 1,775,767	$ 1,532,879	$ 242,888
Judicial administration:				
Courts:				
Circuit court	$ 65,168	$ 62,188	$ 53,022	$ 9,166
Special magistrates	3,975	3,986	2,703	1,283
Victim witness	50,492	50,282	51,606	(1,324)
Clerk of the circuit court	311,457	336,168	352,828	(16,660)
Law library	5,000	5,000	9,496	(4,496)
Total courts	$ 436,092	$ 457,624	$ 469,655	$ (12,031)
Commonwealth's attorney:				
Commonwealth's attorney	$ 341,277	$ 342,019	$ 287,345	$ 54,674
Total judicial administration	$ 777,369	$ 799,643	$ 757,000	$ 42,643
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 1,578,235	$ 1,600,860	$ 1,550,426	$ 50,434
Vehicle maintenance	175,000	184,115	156,511	27,604
Total law enforcement and traffic control	$ 1,753,235	$ 1,784,975	$ 1,706,937	$ 78,038
Fire and rescue services:				
Volunteer fire departments	$ 490,588	$ 606,513	$ 559,126	$ 47,387
Rescue squads	290,101	393,999	522,646	(128,647)
Total fire and rescue services	$ 780,689	$ 1,000,512	$ 1,081,772	$ (81,260)
Correction and detention:				
Payments to New River Regional Jail	$ 420,000.00	$ 420,000.00	$ 518,329.00	$ (98,329)
Inspections:				
Building	$ 119,795	$ 123,311	$ 123,862	$ (551)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal warden	$ 79,883	$ 74,381	$ 64,002	$ 10,379
Medical examiner	1,000	1,000	1,050	(50)
E-911	38,200	38,200	244,764	(206,564)
Emergency services	43,683	44,014	27,421	16,593
Garage emergency vehicles	-	9,596	9,807	(211)
Total other protection	$ 162,766	$ 167,191	$ 347,044	$ (179,853)
Total public safety	$ 3,236,485	$ 3,495,989	$ 3,777,944	$ (281,955)
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	$ 325,677	$ 325,480	$ 296,140	$ 29,340
Maintenance of general buildings and grounds:				
Governmental complex	$ 359,223	$ 267,097	$ 212,118	$ 54,979
Courthouse	11,600	5,000	6,815	(1,815)
Carter building	3,650	350	376	(26)
Cannery	12,700	5,950	5,471	479
Child care center	18,226	18,226	3,772	14,454
Maintenance force	237,451	217,001	245,254	(28,253)
Maintenance of other properties	17,444	137,344	138,749	(1,405)
Maintenance of social services building	2,500	-	140	(140)
Total maintenance of general buildings and grounds	$ 662,794	$ 650,968	$ 612,695	$ 38,273
Total public works	$ 988,471	$ 976,448	$ 908,835	$ 67,613
Health and welfare:				
Health:				
Supplement of local health department	$ 192,519	$ 192,519	$ 192,519	$ -
Mental health and mental retardation:				
Community services board	$ 100,463	$ 100,463	$ 100,463	$ -
Welfare:				
Public assistance and welfare administration	$ 3,260,364	$ 3,259,464	$ 2,789,382	$ 470,082
Office on youth	160,761	160,761	216,680	(55,919)
Child care center	323,620	324,589	103,469	221,120
Senior citizens center	52,948	52,948	52,948	-
Total welfare	$ 3,797,693	$ 3,797,762	$ 3,162,479	$ 635,283
Total health and welfare	$ 4,090,675	$ 4,090,744	$ 3,455,461	$ 635,283
Education:				
Other instructional costs:				
Contributions to Community College	$ 31,800	$ 31,800	$ 31,800	$ -
Contribution to County School Board	7,274,011	7,274,011	7,496,655	(222,644)
Total education	$ 7,305,811	$ 7,305,811	$ 7,528,455	$ (222,644)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	$ 158,174	$ 168,666	$ 149,055	$ 19,611
Swimming pools	42,030	42,030	29,690	12,340
Farmer's Market	178,367	237,289	187,642	49,647
Other parks and recreation	8,000	8,000	7,417	583
Total parks and recreation	$ 386,571	$ 455,985	$ 373,804	$ 82,181
Library:				
Contribution to Carroll-Galax Regional Library	$ 171,025	$ 172,360	$ 181,649	$ (9,289)
Total parks, recreation, and cultural	$ 557,596	$ 628,345	$ 555,453	$ 72,892
Community development:				
Planning and community development:				
Planning commission	$ 2,400	$ 2,400	$ 2,070	$ 330
Economic development	406,171	926,331	824,202	102,129
Payments to Town of Hillsville	175,000	175,000	199,831	(24,831)
Contribution to Public Service Authority	742,302	818,040	424,855	393,185
Contribution to Industrial Development Authority	-	-	39,993	(39,993)
Contribution to Twin County Airport	49,750	49,750	48,450	1,300
Tourism	-	40,208	58,740	(18,532)
Total planning and community development	$ 1,375,623	$ 2,011,729	$ 1,598,141	$ 413,588
Environmental management:				
Contribution to soil and water district	$ 8,200	$ 8,200	$ 8,200	$ -
Cooperative extension program:				
Extension office	$ 57,495	$ 55,862	$ 87,460	$ (31,598)
Total community development	$ 1,441,318	$ 2,075,791	$ 1,693,801	$ 381,990
Debt service:				
Principal retirement	$ 2,567,217	$ 2,567,217	$ 2,567,217	$ -
Interest and other fiscal charges	2,154,558	2,154,558	2,113,685	40,873
Total debt service	$ 4,721,775	$ 4,721,775	$ 4,680,902	$ 40,873
Total General Fund	$ 24,816,959	$ 25,870,313	$ 24,890,730	$ 979,583
Capital Projects Fund:				
School Construction Fund:				
Capital projects expenditures:				
School improvements	$ 16,410,027	$ 16,410,027	$ 9,751,776	$ 6,658,251
Total School Construction Fund	$ 16,410,027	$ 16,410,027	$ 9,751,776	$ 6,658,251
Total Primary Government	$ 41,226,986	$ 42,280,340	$ 34,642,506	$ 7,637,834

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration, attendance and health	$ 1,190,518	$ 1,405,942	$ 1,207,985	$ 197,957
Instruction costs:				
Instruction	$ 25,867,546	$ 26,859,932	$ 25,483,487	$ 1,376,445
Operating costs:				
Pupil transportation	$ 2,156,846	$ 2,189,472	$ 2,253,353	$ (63,881)
Operation and maintenance of school plant	2,857,407	2,857,408	2,926,613	(69,205)
Food services and other non-instructional costs	2,674,000	2,674,000	1,676,138	997,862
Facilities	83,847	83,847	83,847	-
Total operating costs	$ 7,772,100	$ 7,804,727	$ 6,939,951	$ 864,776
Total education	$ 34,830,164	$ 36,070,601	$ 33,631,423	$ 2,439,178
Total Discretely Presented Component Unit - School Board	$ 34,830,164	$ 36,070,601	$ 33,631,423	$ 2,439,178

STATISTICAL SCHEDULES

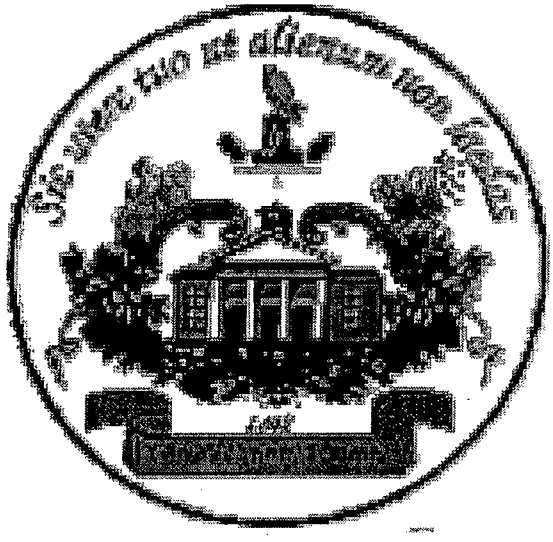


Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Gladeville Cranberry Sewer	Total
2002-03	$ 1,157,205	$ 664,272	$ 2,395,330	$ 1,372,204	$ 3,073,297	$ 8,164,096	$ 369,988	$ 706,431	$ 1,847,198	$ 352,770	$ 20,102,791
2003-04	1,810,780	753,635	3,524,570	1,057,661	3,507,187	8,856,826	589,520	1,140,933	2,134,605	304,059	23,679,776
2004-05	1,190,402	706,038	3,941,388	654,418	3,406,872	8,079,764	584,179	1,574,911	2,028,436	284,247	22,450,655

(1) Information has only been available for 3 years.

Table 2

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

	PROGRAM REVENUES			GENERAL REVENUES					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2002-03	$ 761,843	$ 4,350,455	$ 160,587	$ 10,354,921	$ 3,219,954	$ 299,976	$ 21,581	$ 1,259,217	$ 20,428,534
2003-04	814,802	5,254,129	15,914	10,624,841	3,352,928	282,848	15,744	1,360,169	21,721,375
2004-05	820,018	5,144,456	2,934	13,835,903	4,013,487	296,457	52,037	1,110,014	25,275,306

(1) Information has only been available for 3 years.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
1995-96	$ 865,957	$ 420,441	$ 2,358,630	$ 436,530	$ 1,988,067	$ 21,204,443	$ 206,017	$ 3,708,262	$ -	$ 450,235	$ 31,638,582
1996-97	1,126,886	464,522	2,416,488	500,910	2,470,374	23,593,534	242,699	298,734	-	432,538	31,546,685
1997-98	1,210,579	538,143	2,656,674	612,455	3,066,698	23,702,727	274,050	1,409,691	-	846,937	34,317,954
1998-99	982,556	593,037	2,696,787	750,658	3,393,713	25,140,709	350,952	283,132	140,200	4,176,192	38,507,936
1999-00	1,049,717	653,843	2,768,222	1,007,461	3,405,344	27,415,755	425,467	265,604	154,646	4,847,449	41,993,508
2000-01	1,416,870	686,432	3,206,857	1,220,759	3,031,775	27,774,966	420,433	548,234	-	12,706,758	51,013,084
2001-02	1,245,360	786,523	3,275,881	768,620	3,253,139	28,161,573	488,930	663,542	-	2,535,414	41,178,982
2002-03	1,163,784	664,978	2,812,403	1,745,855	3,088,873	29,853,387	366,566	831,459	-	2,933,019	43,460,324
2003-04	1,830,501	694,122	3,757,277	912,599	3,549,204	32,052,703	529,406	1,527,389	-	2,689,155	47,542,356
2004-05	1,532,879	757,000	3,777,944	908,835	3,455,461	33,663,223	555,453	1,693,801	-	4,680,902	51,025,498

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

Table 4

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
1995-96	$ 5,617,940	$ 2,038,843	$ 105,482	$ 3,168	$ 275,468	$ 682,858	$ 166,270	$ 724,469	$ 19,899,105	$ 29,513,603
1996-97	6,885,487	2,136,736	111,104	3,093	335,981	732,139	111,902	712,889	21,402,242	32,431,573
1997-98	7,103,360	2,384,387	106,553	3,479	392,940	1,083,891	215,066	751,724	22,131,099	34,172,499
1998-99	9,051,461	2,509,172	124,301	2,816	355,411	166,964	346,256	1,228,022	23,941,962	37,726,365
1999-00	9,889,653	2,670,555	137,863	2,327	492,021	1,747,950	268,803	1,181,416	24,244,893	40,635,481
2000-01	9,868,153	2,731,549	124,125	2,869	425,328	1,026,228	343,610	1,200,382	25,222,392	40,944,636
2001-02	10,083,609	2,956,172	124,699	2,238	168,455	1,107,192	265,919	289,871	26,651,672	41,649,827
2002-03	10,293,925	3,219,954	114,487	2,465	114,260	1,155,599	209,172	1,293,392	27,131,009	43,534,263
2003-04	10,542,845	3,352,928	158,966	1,593	96,759	1,210,851	392,672	1,167,288	29,179,705	46,103,607
2004-05	13,588,256	4,013,487	213,853	5,686	311,851	1,046,653	289,173	1,225,778	30,968,533	51,663,270

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

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
1995-96	$ 5,510,695	$ 5,253,120	95.33%	$ 188,251	$ 5,441,371	98.74%	$ 807,830	14.66%
1996-97	6,842,258	6,579,598	96.16%	180,729	6,760,327	98.80%	812,724	11.88%
1997-98	7,036,572	6,720,121	95.50%	304,249	7,024,370	99.83%	850,068	12.08%
1998-99	9,194,291	8,679,856	94.40%	246,529	8,926,385	97.09%	932,645	10.14%
1999-00	10,233,572	9,878,829	96.53%	216,123	10,094,952	98.65%	1,081,674	10.57%
2000-01	9,813,888	9,380,850	95.59%	345,325	9,726,175	99.11%	1,174,421	11.97%
2001-02	11,243,361	10,768,889	95.78%	192,078	10,960,967	97.49%	1,294,021	11.51%
2002-03	11,542,490	10,846,317	93.97%	338,021	11,184,338	96.90%	1,395,481	12.09%
2003-04	11,741,609	11,095,358	94.50%	380,606	11,475,964	97.74%	1,504,238	12.81%
2004-05	13,754,293	13,010,114	94.59%	416,655	13,426,769	97.62%	1,682,637	12.23%

(1) Exclusive of penalties and interest.
(2) Does not include land redemption.
(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property (3)	Public Service Corporations (2)	Total
1995-96	$ 725,949,720	$ 72,883,628	$ 51,255,996	$ 850,089,344
1996-97	751,575,350	203,950,445	52,216,977	1,007,742,772
1997-98	768,104,392	216,055,740	47,399,426	1,031,559,558
1998-99	954,511,574	224,750,891	65,321,349	1,244,583,814
1999-00	975,122,958	295,582,923	71,913,957	1,342,619,838
2000-01	1,006,218,556	306,414,665	63,203,670	1,375,836,891
2001-02	1,035,296,808	332,691,317	56,523,088	1,424,511,213
2002-03	1,061,952,941	344,191,873	54,727,710	1,460,872,524
2003-04	1,082,787,000	352,870,727	51,219,038	1,486,876,765
2004-05	1,734,981,500	346,387,969	96,094,144	2,177,463,613

(1) Real estate is assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.
(3) Personal property is assessed at 100% of fair market value as of January 1, 1995.

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital
1995-96	$ 0.46	$ 3.25	$ 3.25	$ 2.30
1996-97	0.53	1.30	1.30	2.30
1997-98	0.53	1.30	1.30	2.30
1998-99	0.62	1.30	1.30	2.30
1999-00	0.62	1.30	1.30	2.30
2000-01	0.62	1.30	1.30	2.30
2001-02	0.64	1.30	1.30	2.30
2002-03	0.64	1.30	1.30	2.30
2003-04	0.64	1.30	1.30	2.30
2004-05	0.59	1.30	1.30	2.30

(1) Per $100 of assessed value.
(2) Personal property is assessed at 100% of fair market value as of January 1, 1995.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1995-96	26,594	$ 850,089	$ 2,501,424	$ 2,501,424	0.29%	$ 94
1996-97	26,594	1,007,743	2,191,739	2,191,739	0.22%	82
1997-98	26,594	1,031,560	1,836,404	1,836,404	0.18%	69
1998-99	26,594	1,244,584	1,625,379	1,625,379	0.13%	61
1999-00	26,594	1,342,620	8,074,501	8,074,501	0.60%	304
2000-01	29,245	1,375,837	21,356,312	21,356,312	1.55%	730
2001-02	29,245	1,424,511	20,593,226	20,593,226	1.45%	704
2002-03	29,245	1,460,873	40,540,665	40,540,665	2.78%	1,386
2003-04	29,245	1,486,877	39,379,928	39,379,928	2.65%	1,347
2004-05	29,245	2,177,464	37,137,832	37,137,832	1.71%	1,270

(1) Bureau of the Census.
(2) Real property assessed at 100% of fair market value.
(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

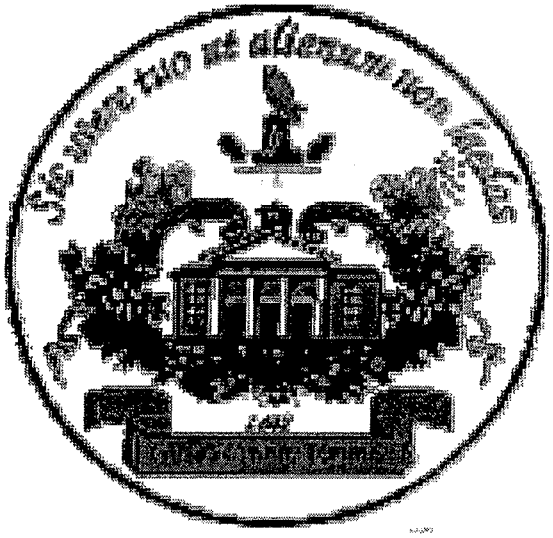
Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995-96	$ 309,685	$ 140,550	$ 450,235	$ 31,638,582	1.42%
1996-97	309,685	122,853	432,538	31,546,685	1.37%
1997-98	309,685	537,252	846,937	34,317,954	2.47%
1998-99	3,224,615	951,577	4,176,192	38,507,936	10.85%
1999-00	3,446,083	1,401,366	4,847,449	41,993,508	11.54%
2000-01	11,595,962	1,110,796	12,706,758	51,013,084	24.91%
2001-02	1,223,919	1,311,495	2,535,414	41,178,982	6.16%
2002-03	1,524,494	1,408,525	2,933,019	43,460,324	6.75%
2003-04	1,501,172	1,187,983	2,689,155	47,542,356	5.66%
2004-05	2,567,217	2,113,685	4,680,902	51,025,498	9.17%

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

COMPLIANCE SECTION



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit and the major funds of the County of Carroll, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated January 9, 2006. The report on the governmental activities was qualified as we were unable to verify capital asset additions, deletions and resulting balances. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County of Carroll, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Carroll County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1, 2005-2, 2005-3, 2005-4, 2005-5, 2005-6 and 2005-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider 2005-1, 2005-2, 2003-3, 2005-4, 2005.5 and 2005-6 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County of Carroll, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the Carroll County in a separate letter.

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

Robinson, Farmer, Cox Associates

Christiansburg, Virginia
January 9, 2006

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

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

Compliance

We have audited the compliance of the County of Carroll, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. The County of Carroll, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 Carroll, Virginia's management. Our responsibility is to express an opinion on the County of Carroll, Virginia's compliance based on our audit.

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

In our opinion, the County of Carroll, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the County of Carroll, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Carroll, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Robinson, Farmer, Cox Associates

Christiansburg, Virginia
January 9, 2006

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:		
Direct Payments:		
Child and Adult Care Food Program	10.558	$ 5,697
Pass Through Payments:		
State Department of Agriculture:		
Food Distribution-Schools (Note 2)	10.555	150,500
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	228,972
Department of Education:		
School Breakfast Program	10.553	253,385
National School Lunch Program	10.555	738,874
Forest Reserve Funds	10.665	3,664
Total Department of Agriculture		$ 1,381,092
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass Through Payments:		
Department of Social Services:		
Family Support Services	93.556	$ 8,391
Temporary Assistance to Needy Families	93.558	224,813
Refugee and Entrant Assistance	93.566	299
Low Income Energy Assistance	93.568	25,585
Payments to States for Child Care Assistance	93.575	176,745
Child Care and Development Fund	93.596	71,663
Foster Care	93.658	163,185
Adoption Assistance	93.659	70,671
Social Services Block Grant	93.667	228,833
Independent Living	93.674	480
Medical Assistance Program	93.778	177,923
Total Department of Health and Human Services		$ 1,148,588
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:		
Pass Through Payments:		
State Department of Housing and Community Development:		
Community Development Block Grant/State's Programs	14.228	$ 52,161

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
U. S. DEPARTMENT OF HOMELAND SECURITY:		
Pass Through Payments:		
Department of Emergency Management:		
State Homeland Security Grant Program	97.004	$ 39,671
Emergency Management Preparedness Grant	97.042	3,664
Total U. S. Department of Homeland Security		$ 43,335
DEPARTMENT OF JUSTICE:		
Pass Through Payments:		
Department of Criminal Justice Services:		
Drug Control and System Improvement	16.579	$ 6,331
Local Law Enforcement Block Grant	16.592	2,975
Total Department of Justice		$ 9,306
DEPARTMENT OF TRANSPORTATION:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety	20.600	$ 11,210
ENVIRONMENTAL PROTECTION AGENCY:		
Pass Through Payments:		
Virginia Resources Authority:		
Capitalization Grants for State Revolving Funds	66.458	$ 389,055
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	$ 119,516
Title I Grants to Local Educational Agencies	84.010	716,057
Special Education-Grants to States (Title VI-B)	84.027	739,603
Vocational Education-Basic Grants to States	84.048	92,020
Special Education-Preschool Grant to States	84.173	48,796
Drug-Free Schools and Communities-State Grants	84.186	20,207
Innovative Education Program Strategies	84.298	24,458
Technology Literacy Challenge Fund Grants	84.318	25,836

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
DEPARTMENT OF EDUCATION: (Continued)		
Pass Through Payments: (Continued)		
Department of Education: (Continued)		
Reading First	84.357	$ 817,204
Rural and Low Income Schools	84.358	4,293
Title II - Part A	84.367	246,154
Migrant Education	84.011	65,907
Twenty First Century Community Learning Centers	84.287	105,026
Comprehensive School Reform	84.332	118,299
State Assessment and Related Activities NCLB	84.369	15,342
English Language Acquisition Grant	84.365	31,282
Total Department of Education		$ 3,190,000
Total Federal Financial Assistance		$ 6,224,747

NOTE 1--BASIS OF PRESENTATION:

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

Note 2 -- Food Distribution

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

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*qualified*	
Internal control over financial reporting:		
Material weakness(es) identified?	✓ yes	___ no
Reportable condition(s) identified that are not considered to be material weakness(es)?	✓ yes	___ none reported
Noncompliance material to financial statements noted?	___ yes	✓ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	___ yes	✓ no
Reportable condition(s) identified that are not considered to be material weakness(es)?	___ yes	✓ none reported
Type of auditor's report issued on compliance for major programs:	*unqualified*	
Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	___ yes	✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water
84.357	Reading First
10.553/10.555	School Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programts:	$300,000	
Auditee qualified as low-risk auditee?	✓ yes	___ no

Section II -- Financial Statement Finding

2005-1 **Condition:** The Industrial Development Authority (IDA) issued two debts in December, 2003. Pursuant to the terms of these obligations, accounts were established at Suntrust to hold debt proceeds. The IDA requisitioned funds from these accounts and checks were issued on these accounts directly to vendors. The IDA did not provide these accounts or documentation in support of account activity to the IDA's fiscal agent(Carroll County Treasurer). **Criteria:** Financial information should be provided to the IDA's fiscal agent so the financial statements of the IDA are correct. **Effect:** None of the transactions relating to these accounts were reflected in the IDA's books for the fiscal year and same had to be recreated after the fiscal year end. **Recommendation:** No accounts should be established without the Treasurer's knowledge and all statements should be delivered to the Treasurer directly from the financial institution.

2005-2 **Condition:** The IDA could not locate bank statements related to the December 2003 debt obligations. In addition, the IDA could not provide terms of the debt issuances. Suntrust provided these statements and loan documentation for the audit. The records of the IDA were incomplete and documentation for these material transactions was not maintained. **Criteria:** A retention policy should be in place to ensure records are maintained in accordance with State requirements. **Effect:** Material transactions were not recorded in the IDA's financial records. **Recommendation:** The IDA should maintain records as required by the Library of Virginia Records Management Division.

2005-3 **Condition:** The IDA did not produce all Board minutes for the period under audit. **Criteria:** Actions of the IDA can not be supported by Board minutes documenting the approval for such actions. **Recommendation:** The IDA should maintain records as required by the Library of Virginia Records Management Division.

2005-4 **Condition:** The IDA's asset listing was recreated during the audit using assessments, land transactions and related records. **Criteria:** Controls and processes should be in place to ensure capital asset activity is properly recorded in the financial statements. **Recommendation:** The IDA should maintain such list for audit purposes in the future, making note of all property transfers, acquisitions and sales.

2005-5 **Condition:** The IDA's records show receipt of $14,000 from a land sale, however a closing statement supporting such amount could not be located in the IDA's files. **Criteria:** A retention policy should be in place to ensure records are maintained in accordance with State requirements. **Recommendation:** Documentation for transactions should be maintained as required by the Library of Virginia Records Management Division.

2005-6 **Condition:** The County was unable to find invoices supporting capital asset purchases and the County's fixed asset listing and insurance listings could not be reconciled to one another. **Criteria:** Internal controls should be in place that provide reasonable assurance that capital asset activity will be properly recorded in the financial records of the County. **Effect:** The financial statements may contain errors and omissions that would be material in relation to the governmental activities of Carroll County. **Recommendation:** The County should complete an inventory of all capital assets to develop a listing of depreciable assets. In addition, the County should audit the insurance schedules against this asset listing to determine if assets are adequately insured.

2005-7 **Condition:** The County's outstanding check list(s) did not agree with amounts recorded on the bank reconciliation for same. **Criteria:** Controls should be in place to ensure that amounts recorded as outstanding checks on the bank reconciliations are supported by outstanding check list(s). **Effect:** The financial statements may contain errors that are not corrected in a timely period by employees of the County. **Recommendation:** The County should establish a process of closing and reconciling the books each month that includes routine verification of reconciling items on the bank statements.

Section III – Federal Award Findings and Questioned Costs

None