
COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2007



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COUNTY OF CARROLL, VIRGINIA
 FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2007

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FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007**

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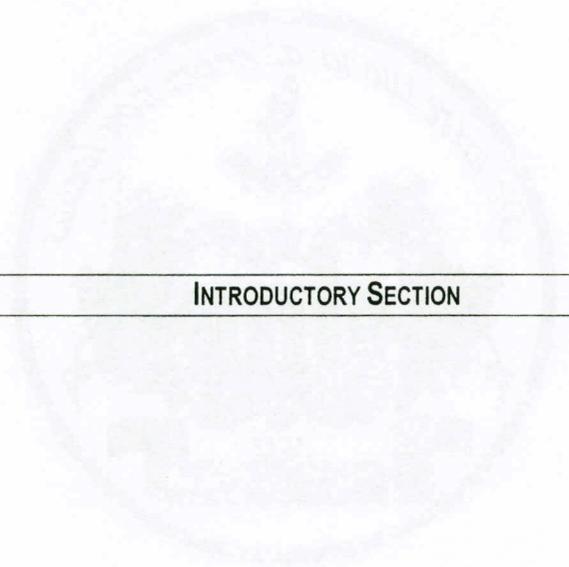
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INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Glenna Myers, Vice-chair
Joseph H. Early III

David Hutchins, Chair

Ralph J. Martin, Jr., Vice-chair

L.J. Jones
W. Jeff Evans

COUNTY SCHOOL BOARD

Harold T. Golding, Vice-chair
Reginald M. Gardner

Phillip W. Berrier, Chair

Franklin Jett
Robert E. Utz

OTHER OFFICIALS

Clerk of the Circuit Court Carolyn H. Honeycutt
Commonwealth's Attorney.....Gregory Goad
Commissioner of the Revenue Louise L. Quesenberry
Treasurer..... Bonita M. Williams
Sheriff..... H. Warren Manning
Superintendent of SchoolsJames Smith
County AdministratorGary 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, 2007, 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, 2007 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, 2007, 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 February 13, 2008, 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 agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information and schedule of pension funding progress 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 inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Robison, Fanny Coe Associates

Christiansburg, Virginia
February 13, 2008

BASIC FINANCIAL STATEMENTS

County of Carroll, Virginia
Statement of Net Assets
June 30, 2007

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
ASSETS						
Cash and cash equivalents	\$ 7,383,161	\$ -	\$ 7,383,161	\$ 2,449,505	\$ 695,964	\$ 241,567
Cash in custody of others	-	204,011	204,011	-	-	-
Investments	724,449	-	724,449	-	-	24,976
Receivables (net of allowance for uncollectibles):						
Taxes receivable	1,709,036	-	1,709,036	-	-	-
Accounts receivable	-	63,278	63,278	-	141,548	-
Other local taxes receivable	136,900	-	136,900	-	-	-
Loan receivable	-	-	-	-	-	128,212
Due from component unit	1,485,141	-	1,485,141	-	-	-
Due from other governmental units	959,812	-	959,812	1,448,118	-	-
Prepaid expenses	-	1,672	1,672	153,551	29,457	-
Deferred charges	-	-	-	-	-	228,614
Lease purchase receivable	-	-	-	-	-	10,220,905
Assets held for resale:						
Industrial sites	-	-	-	-	-	1,128,008
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	285,464	289,781	6,244
Capital assets (net of accumulated depreciation):						
Land	1,167,781	-	1,167,781	1,528,700	180,337	234,114
Buildings and system	49,509,276	-	49,509,276	2,840,471	-	1,531,053
Machinery and equipment	560,418	-	560,418	1,472,186	-	-
Infrastructure	-	4,323,240	4,323,240	-	11,013,982	-
Construction in progress	-	-	-	-	2,402,484	-
Total assets	\$ 63,635,974	\$ 4,592,201	\$ 68,228,175	\$ 10,177,995	\$ 14,753,553	\$ 13,743,693
LIABILITIES						
Accounts payable	\$ 166,723	\$ 7,028	\$ 173,751	\$ 9,257	\$ 416,138	\$ 11,812
Accrued liabilities	-	-	-	1,870,545	-	-
Accrued interest payable	800,241	3,021	803,262	-	20,335	218,902
Due to primary government	-	-	-	1,438,861	46,280	-
Unearned revenue	9,803	-	9,803	-	-	-
Deposits held in escrow	-	-	-	-	27,455	-
Long-term liabilities: (net of unamortized bond premium)						
Due within one year	3,105,124	20,332	3,125,456	702,079	1,775,088	1,086,435
Due in more than one year	41,317,192	1,226,466	42,543,658	234,026	4,812,577	11,227,945
Total liabilities	\$ 45,399,083	\$ 1,256,847	\$ 46,655,930	\$ 4,254,768	\$ 7,097,873	\$ 12,545,094
NET ASSETS						
Invested in capital assets, net of related debt	\$ 7,793,762	\$ 3,076,442	\$ 10,870,204	\$ 5,841,357	\$ 7,018,009	\$ -
Restricted for:						
Construction	290,432	-	290,432	-	-	6,244
School cafeterias	-	-	-	285,464	-	-
Debt service and bond covenants	-	-	-	-	289,781	-
Unrestricted (deficit)	10,152,697	258,912	10,411,609	(203,594)	347,890	1,192,355
Total net assets	\$ 18,236,891	\$ 3,335,354	\$ 21,572,245	\$ 5,923,227	\$ 7,655,680	\$ 1,198,599

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, 2007

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board	Public Service Authority	Industrial Development Authority
					Governmental Activities	Business-type Activities	Total			
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	\$ 1,820,062	\$ -	\$ 304,929	\$ -	\$ (1,515,133)	\$ -	\$ (1,515,133)	\$ -	\$ -	\$ -
Judicial administration	840,164	84,625	565,485	-	(190,054)	-	(190,054)	-	-	-
Public safety	4,327,693	6,658	1,465,781	-	(2,855,254)	-	(2,855,254)	-	-	-
Public works	1,413,001	46,622	-	-	(1,366,379)	-	(1,366,379)	-	-	-
Health and welfare	4,083,737	340,746	2,778,848	-	(964,143)	-	(964,143)	-	-	-
Education	9,255,667	-	-	-	(9,255,667)	-	(9,255,667)	-	-	-
Parks, recreation, and cultural	461,145	70,908	5,000	-	(385,237)	-	(385,237)	-	-	-
Community development	1,480,648	-	-	-	(1,480,648)	-	(1,480,648)	-	-	-
Interest on long-term debt	1,585,968	-	-	-	(1,585,968)	-	(1,585,968)	-	-	-
Total government activities	\$ 25,268,085	\$ 549,559	\$ 5,120,043	\$ -	\$ (19,598,483)	\$ -	\$ (19,598,483)	\$ -	\$ -	\$ -
Gladeville/Cranberry Sewer	\$ 328,222	\$ 319,136	\$ -	\$ 7,172	\$ -	\$ (1,914)	\$ (1,914)	\$ -	\$ -	\$ -
Total primary government	\$ 25,596,307	\$ 868,695	\$ 5,120,043	\$ 7,172	\$ (19,598,483)	\$ (1,914)	\$ (19,600,397)	\$ -	\$ -	\$ -
COMPONENT UNITS:										
School Board	\$ 38,313,967	\$ 729,833	\$ 28,624,827	\$ 836,817	\$ -	\$ -	\$ -	\$ (8,122,490)	\$ -	\$ -
Public Service Authority	1,842,245	1,603,071	-	428,570	-	-	-	-	189,396	-
Industrial Development Authority	706,578	-	-	304,500	-	-	-	-	-	(402,078)
Total component units	\$ 40,862,790	\$ 2,332,904	\$ 28,624,827	\$ 1,569,887	\$ -	\$ -	\$ -	\$ (8,122,490)	\$ 189,396	\$ (402,078)
General revenues:										
General property taxes					\$ 16,319,668	\$ -	\$ 16,319,668	\$ -	\$ -	\$ -
Local sales and use taxes					1,489,394	-	1,489,394	-	-	-
Consumer's utility tax					1,036,609	-	1,036,609	-	-	-
Motor vehicle taxes					621,528	-	621,528	-	-	-
Restaurant food taxes					444,688	-	444,688	-	-	-
Other local taxes					1,460,081	-	1,460,081	-	-	-
Unrestricted revenues from use of money and property					538,065	5,295	543,360	42,934	25,461	37,138
Miscellaneous					266,914	9,586	276,500	601,657	-	35,667
Payments from Primary Government					-	-	-	8,132,929	11,545	896,253
Grants and contributions not restricted to specific programs					2,001,626	-	2,001,626	-	-	-
Lease purchase revenue					-	-	-	-	-	373,661
Transfers					-	(218,324)	(218,324)	-	218,324	-
Total general revenues					\$ 24,178,573	\$ (203,443)	\$ 23,975,130	\$ 8,777,520	\$ 255,330	\$ 1,342,719
Change in net assets					\$ 4,580,090	\$ (205,357)	\$ 4,374,733	\$ 655,030	\$ 444,726	\$ 940,641
Net assets - beginning					13,656,801	3,540,711	17,197,512	5,268,197	7,210,954	257,958
Net assets - ending					\$ 18,236,891	\$ 3,335,354	\$ 21,572,245	\$ 5,923,227	\$ 7,655,680	\$ 1,198,599

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,383,161	\$ -	\$ 7,383,161
Investments	434,017	290,432	724,449
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,709,036	-	1,709,036
Other local taxes receivable	136,900	-	136,900
Due from component unit	1,485,141	-	1,485,141
Due from other governmental units	959,812	-	959,812
Total assets	<u>\$ 12,108,067</u>	<u>\$ 290,432</u>	<u>\$ 12,398,499</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 166,723	\$ -	\$ 166,723
Deferred revenue	1,514,969	-	1,514,969
Total liabilities	<u>\$ 1,681,692</u>	<u>\$ -</u>	<u>\$ 1,681,692</u>
Reserved for:			
Construction	\$ -	\$ 290,432	\$ 290,432
Unreserved, reported in:			
Unrestricted (deficit)	10,426,375	-	10,426,375
Total fund balances	<u>\$ 10,426,375</u>	<u>\$ 290,432</u>	<u>\$ 10,716,807</u>
Total liabilities and fund balances	<u>\$ 12,108,067</u>	<u>\$ 290,432</u>	<u>\$ 12,398,499</u>

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

County of Carroll, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 10,716,807
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	51,237,475
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,505,166
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(45,222,557)
Net assets of governmental activities	<u>\$ 18,236,891</u>

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

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General	School Construction	Total
REVENUES			
General property taxes	\$ 16,210,523	\$ -	\$ 16,210,523
Other local taxes	5,052,300	-	5,052,300
Permits, privilege fees, and regulatory licenses	201,149	-	201,149
Fines and forfeitures	11,396	-	11,396
Revenue from the use of money and property	479,555	58,510	538,065
Charges for services	549,559	-	549,559
Miscellaneous	266,914	-	266,914
Recovered costs	1,383,448	-	1,383,448
Intergovernmental revenues:			
Commonwealth	5,292,727	-	5,292,727
Federal	1,828,942	-	1,828,942
Total revenues	<u>\$ 31,276,513</u>	<u>\$ 58,510</u>	<u>\$ 31,335,023</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,036,565	\$ -	\$ 2,036,565
Judicial administration	850,387	-	850,387
Public safety	4,601,974	-	4,601,974
Public works	1,189,285	-	1,189,285
Health and welfare	4,045,618	-	4,045,618
Education	7,704,221	-	7,704,221
Parks, recreation, and cultural	527,277	-	527,277
Community development	1,556,236	-	1,556,236
Capital projects	-	1,088,738	1,088,738
Debt service:			
Principal retirement	2,245,922	-	2,245,922
Interest and other fiscal charges	1,494,758	-	1,494,758
Total expenditures	<u>\$ 26,252,243</u>	<u>\$ 1,088,738</u>	<u>\$ 27,340,981</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 5,024,270</u>	<u>\$ (1,030,228)</u>	<u>\$ 3,994,042</u>
Fund balances - beginning	5,402,105	1,320,660	6,722,765
Fund balances - ending	<u>\$ 10,426,375</u>	<u>\$ 290,432</u>	<u>\$ 10,716,807</u>

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

County of Carroll, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds	\$	3,994,042
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		(1,059,412)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		109,145
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 of these differences in the treatment of long-term debt and related items.		1,736,772
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.		(200,457)
Change in net assets of governmental activities	<u>\$</u>	<u>4,580,090</u>

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

County of Carroll, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Enterprise Fund Gladeville/ Cranberry Sewer
ASSETS	
Current assets:	
Cash in custody of others	\$ 204,011
Accounts receivables, net of allowances for uncollectibles	63,278
Prepaid expenses	1,672
Total current assets	\$ 268,961
Capital assets:	
Infrastructure	\$ 5,430,839
Less accumulated depreciation	(1,107,599)
Total capital assets	\$ 4,323,240
Total noncurrent assets	\$ 4,323,240
Total assets	\$ 4,592,201
LIABILITIES	
Accounts payable	\$ 7,028
Accrued interest payable	3,021
Bonds payable - current portion	20,332
Total current liabilities	\$ 30,381
Current liabilities payable from restricted assets:	
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 1,226,466
Total noncurrent liabilities	\$ 1,226,466
Total liabilities	\$ 1,256,847
NET ASSETS	
Invested in capital assets, net of related debt	\$ 3,076,442
Unrestricted	258,912
Total net assets	\$ 3,335,354

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

County of Carroll, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Enterprise Fund
	Gladeville/ Cranberry Sewer
OPERATING REVENUES	
Charges for services:	
Water/sewer revenues	\$ 303,855
Penalties and interest	9,738
Other revenues	5,543
Total operating revenues	\$ 319,136
OPERATING EXPENSES	
Salaries and fringe benefits	\$ 37,679
Professional services	917
Utilities	10,354
Maintenance and repairs	675
Office expenses	1,058
Operating supplies	12,551
Uniforms	596
Treatment expenses	61,889
Insurance expense	8,849
Other expenses	5,186
Depreciation	136,411
Total operating expenses	\$ 276,165
Operating income (loss)	\$ 42,971
NONOPERATING REVENUES (EXPENSES)	
Contributions to the Public Service Authority	\$ (218,324)
Contributions in aid of construction	7,172
Connection fees	9,586
Interest revenue	5,295
Interest expense	(52,057)
Total nonoperating revenues (expenses)	\$ (248,328)
Change in net assets	\$ (205,357)
Total net assets - beginning	3,540,711
Total net assets - ending	\$ 3,335,354

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, 2007

	Enterprise Fund Gladeville/ Cranberry Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 283,751
Payments to suppliers	(101,270)
Payments to employees	(37,679)
Net cash provided (used by) operating activities	\$ 144,802
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contribution to the Public Service Authority	\$ (218,324)
Net cash provided (used) by noncapital financing activities	\$ (218,324)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (8,534)
Principal payments on bonds	(21,105)
Contributions in aid of construction	7,172
Connection fees	9,586
Interest payments	(50,619)
Net cash provided (used) by capital and related financing activities	\$ (63,500)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 5,295
Net cash provided (used) by investing activities	\$ 5,295
Net increase (decrease) in cash and cash equivalents	\$ (131,727)
Cash and cash equivalents - beginning - including restricted	335,738
Cash and cash equivalents - ending - including restricted	\$ 204,011
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 42,971
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 136,411
(Increase) decrease in accounts receivable	(35,385)
(Increase) decrease in prepaid expenses	(1,672)
Increase (decrease) in accounts payable	2,477
Total adjustments	\$ 101,831
Net cash provided (used) by operating activities	\$ 144,802

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

**County of Carroll, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 3,739,089
Total assets	\$ 3,739,089
LIABILITIES	
Amounts held for social services clients	\$ 30,922
Amounts held for Solid Waste Authority	3,634,339
Amounts held for Twin County Airport	73,828
Total liabilities	\$ 3,739,089

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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, 2007, the County contributed \$112,266 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, 2007, the County contributed \$182,256 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 \$270,259 for the fiscal year ended June 30, 2007 and consisted of E-911 tax collected by the County.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

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

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

2. Receivables and Payables

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

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

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

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 6th. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$532,488 at June 30, 2007 and is composed solely of property taxes.

5. Use of Estimates

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

6. Capital Assets

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

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

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

6. Capital Assets (continued)

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

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

7. Compensated Absences

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

8. Long-term Obligations

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

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

9. Fund Equity

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

10. Net Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

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 \$(45,222,557) and \$(936,105) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
General Obligation Bonds	\$ (22,441,421)	\$ -
General Obligation Bond Premium	(750,763)	-
Literary Loans	(10,206,529)	-
Revenue Bond	(10,045,000)	-
Accrued interest payable	(800,241)	-
Landfill accrued postclosure monitoring costs	(558,343)	-
Compensated absences	<u>(420,260)</u>	<u>936,105</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (45,222,557)</u>	<u>\$ 936,105</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$(1,059,412) and \$692,956 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Capital outlays	\$ 1,088,739	\$ 1,194,390
Depreciation expense	(2,148,151)	(498,925)
Loss on the disposal of capital assets	<u>-</u>	<u>(2,509)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,059,412)</u>	<u>\$ 692,956</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

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 \$1,736,772 difference in the primary government, is as follows:

	<u>Primary Government</u>
Principal Payments or Other Reductions:	
General Obligation Bonds	\$ 1,434,755
Bond Premium (amortization of)	49,193
Literary loans	811,167
Increase in landfill closure/post-closure liability	<u>(558,343)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,736,772</u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$(200,457) and \$(11,814) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Compensated absences	\$ (60,054)	\$ (11,814)
Accrued interest	<u>(140,403)</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (200,457)</u>	<u>\$ (11,814)</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

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, 2007, there were no funds with deficit fund equity.

C. Appropriations

Expenditures exceeded appropriations in the School Construction Fund and the Law Library Department.

Note 4-Deposits and Investments:

Deposits:

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

Investments:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

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, 2007 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	\$ -	\$ 535,830	\$ -	\$ -
SNAP	-	280,185	-	-

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
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 283,267	\$ -
Other local taxes	175,786	
State sales tax	-	627,606
Categorical aid-shared expenses	191,667	-
Non-categorical aid	58,179	-
Virginia public assistance funds	50,883	-
Other categorical aid	13,187	-
Comprehensive services act	107,156	-
<u>Federal Government:</u>		
Virginia public assistance funds	79,687	-
School grants	-	820,512
Totals	\$ 959,812	\$ 1,448,118

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 6-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ -	\$ 1,485,141
Component Unit - School Board:		
School Fund	1,438,861	-
Component Unit - Public Service Authority		
PSA	46,280	-
Totals	\$ 1,485,141	\$ 1,485,141

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
2008	\$ 1,436,701	\$ 1,061,667	\$ 811,167	\$ 204,294
2009	1,439,129	999,112	754,167	234,040
2010	1,437,078	936,139	754,167	218,956
2011	1,439,934	872,799	723,196	203,873
2012	1,442,824	809,285	680,167	189,409
2013-2017	7,270,700	2,974,966	3,400,835	742,995
2018-2022	6,865,055	1,084,337	3,082,830	402,911
2023	1,110,000	26,918	-	-
Totals	\$ 22,441,421	\$ 8,765,223	\$ 10,206,529	\$ 2,196,478

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 7-Long-Term Debt: (continued)

Primary Government – Governmental Activity Indebtedness: (continued)

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

Year Ending June 30,	Lease Purchase Revenue Bond- Courthouse Complex	
	Principal	Interest
2008	\$ 490,000	\$ 387,550
2009	505,000	371,381
2010	520,000	354,725
2011	535,000	337,581
2012	550,000	319,263
2013-2017	2,130,000	1,305,375
2018-2022	1,025,000	1,044,513
2023-2027	1,250,000	809,594
2028-2032	1,545,000	506,359
2033-2036	1,495,000	137,359
Totals	\$ 10,045,000	\$ 5,573,700

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2007.

	Balance July 1, 2006	Issuances	Retirements	Balance June 30, 2007
GO bonds	\$ 23,876,176	\$ -	\$ (1,434,755)	\$ 22,441,421
Unamortized bond premium	799,956	-	(49,193)	750,763
Literary loans	11,017,696	-	(811,167)	10,206,529
Lease purchase revenue bond	10,045,000	-	-	10,045,000
Landfill closure post-closure liability	-	558,343	-	558,343
Compensated absences	360,206	421,638	(361,584)	420,260
Total	\$ 46,099,034	\$ 979,981	\$ (2,656,699)	\$ 44,422,316

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COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:		
\$4,505,000 Virginia Public School Authority general obligation bond issued May 18, 2000 maturing annually in principal installments varying from \$225,000 to \$230,000. Interest is payable semi-annually at rates varying from 5.10% to 6.35% through July 15, 2020.	\$ 3,150,000	\$ 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.	1,521,421	96,701
\$21,115,000 Virginia Public School Authority general obligation bond issued November 7, 2002 maturing annually in principal installments varying from \$1,110,000 to \$1,115,000. Interest is payable semi-annually at rates varying from 4.10% to 5.10% through July 15, 2022.	<u>17,770,000</u>	<u>1,115,000</u>
Sub-total General Obligation Bonds	<u>\$ 22,441,421</u>	<u>\$ 1,436,701</u>
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%.	\$ 13,000	\$ 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%.	5,000	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%.	5,100	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%.	6,100	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%	2,200	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%	6,900	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%	6,200	6,200

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Literary Loans: (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%	3,300	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%	6,400	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%	2,800	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%	103,255	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%	109,830	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%	51,945	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%	2,440,735	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%	2,011,408	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%	3,125,736	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%	2,306,620	153,775
Total Literary Loans	<u>\$ 10,206,529</u>	<u>\$ 811,167</u>

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Lease Purchase Revenue Bonds:		
On July 1, 2005 the County entered into a \$10,510,000 lease purchase agreement with the Carroll County Industrial Development Authority bearing interest between 3.25% and 4.325%. Principal payments ranging from \$175,000 to \$615,000 are due annually. Interest payments are due semi-annually. If not paid sooner, the final installment shall be due and payable 30 years from the issuance date.	\$ 10,045,000	\$ 490,000
Other Long-term Obligations:		
Compensated absences	\$ 420,260	\$ 315,195
Unamortized bond premium	750,763	52,061
Landfill closure/postclosure care liability	558,343	-
Total Other Long-term Obligations	<u>\$ 1,729,366</u>	<u>\$ 367,256</u>
Total Long-term Obligations	<u>\$ 44,422,316</u>	<u>\$ 3,105,124</u>

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

Primary Government – Business-type Activity Indebtedness:

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

<u>Year Ending June 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 20,332	\$ 51,392
2009	21,183	50,541
2010	22,071	49,653
2011	22,996	48,728
2012	23,961	47,762
2013-2017	135,791	222,826
2018-2022	166,945	191,672
2023-2027	205,405	153,210
2028-2032	252,919	105,698
2033-2037	311,657	46,958
2038-2040	63,538	1,771
Totals	<u>\$ 1,246,798</u>	<u>\$ 970,211</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 7-Long-Term Debt: (continued)

The following is a summary of long-term debt transactions of the Gladeville/Cranberry Sewer for the year ended June 30, 2007.

	<u>Balance July 1, 2006</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>
Revenue bonds	\$ 1,267,903	\$ -	\$ (21,105)	\$ 1,246,798
Total	<u>\$ 1,267,903</u>	<u>\$ -</u>	<u>\$ (21,105)</u>	<u>\$ 1,246,798</u>

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:		
\$977,000 Sewer Revenue Bond issued July 10, 1998 bearing interest at 4.50%. Principal and interest payments of \$4,485 are due monthly through 2038	\$ 890,758	\$ 13,932
\$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	<u>356,040</u>	<u>6,400</u>
Sub-Total Revenue Bonds	<u>\$ 1,246,798</u>	<u>\$ 20,332</u>

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, 2007.

	<u>Balance July 1, 2006</u>	<u>Issuances</u>	<u>Retirements</u>	<u>Balance June 30, 2007</u>
Compensated absences	\$ 924,291	\$ 702,079	\$ (690,265)	\$ 936,105
Total	<u>\$ 924,291</u>	<u>\$ 702,079</u>	<u>\$ (690,265)</u>	<u>\$ 936,105</u>

Details of long-term indebtedness:

	<u>Amount</u>	<u>Within One Year</u>
Other Obligations:		
Compensated absences	\$ 936,105	\$ 702,079

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

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/2006AnnuRept.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 2007 was 6.16% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer may assume this 5% member contribution. In addition, the 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 2007 was 9.02% of the annual covered payroll.

C. Annual Pension Cost

Primary Government:

For fiscal year 2007, the County's annual pension cost of \$317,487 (does not include employee share of \$257,701) paid by the County was equal to the County's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 6.20% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County'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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

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

C. Annual Pension cost (continued)

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

For fiscal year 2007, the School Board's annual pension cost of \$219,401 was equal to the School Board's required and actual contributions. The employee portion of the contribution was \$121,619. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 6.20% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the 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			
	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2005	259,634	100.00%	-
	6/30/2006	282,021	100.00%	-
	6/30/2007	317,487	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2005	88,217	100.00%	-
	6/30/2006	92,406	100.00%	-
	6/30/2007	219,401	100.00%	-

¹Employer portion only

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/2006AnnuRept.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 \$1,680,013, \$1,117,473, and \$999,263 for the fiscal years ended 2007, 2006, and 2005 respectively. The School Board's required employee contributions to the statewide cost sharing pool for professional employees were \$913,051, \$844,013, and \$828,576 for the fiscal years ended 2007, 2006, and 2005 respectively. Employer contributions represented 9.20%, 6.62%, and 6.03% of covered payroll for the fiscal years ended 2007, 2006, and 2005, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 10-Capital Assets:

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

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,167,781	\$ -	\$ -	\$ 1,167,781
Construction in progress	19,064,649	-	(19,064,649)	-
Total capital assets not being depreciated	<u>\$ 20,232,430</u>	<u>\$ -</u>	<u>\$ (19,064,649)</u>	<u>\$ 1,167,781</u>
Capital assets, being depreciated:				
Buildings	\$ 36,871,740	\$ 20,153,388	\$ -	\$ 57,025,128
Machinery and equipment	3,349,570	-	-	3,349,570
Total capital assets being depreciated	<u>\$ 40,221,310</u>	<u>\$ 20,153,388</u>	<u>\$ -</u>	<u>\$ 60,374,698</u>
Less: accumulated depreciation for:				
Buildings	\$ (5,608,100)	\$ (1,907,752)	\$ -	\$ (7,515,852)
Machinery and equipment	(2,548,753)	(240,399)	-	(2,789,152)
Total accumulated depreciation	<u>\$ (8,156,853)</u>	<u>\$ (2,148,151)</u>	<u>\$ -</u>	<u>\$ (10,305,004)</u>
Total capital assets being depreciated, net	<u>\$ 32,064,457</u>	<u>\$ 18,005,237</u>	<u>\$ -</u>	<u>\$ 50,069,694</u>
Governmental activities capital assets, net	<u>\$ 52,296,887</u>	<u>\$ 18,005,237</u>	<u>\$ (19,064,649)</u>	<u>\$ 51,237,475</u>

Primary Government – Business-type Activity:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	\$ 5,422,305	\$ 8,534	\$ -	\$ 5,430,839
Total capital assets being depreciated	<u>\$ 5,422,305</u>	<u>\$ 8,534</u>	<u>\$ -</u>	<u>\$ 5,430,839</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (971,188)	\$ (136,411)	\$ -	\$ (1,107,599)
Total accumulated depreciation	<u>\$ (971,188)</u>	<u>\$ (136,411)</u>	<u>\$ -</u>	<u>\$ (1,107,599)</u>
Business-type activities capital assets, net	<u>\$ 4,586,674</u>	<u>\$ (127,877)</u>	<u>\$ -</u>	<u>\$ 4,323,240</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 10-Capital Assets: (continued)

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

Governmental activities:	
General government	\$ 2,400
Public safety	220,703
Public works	359,720
Health and welfare	6,702
Education	1,551,446
Parks, recreation, and culture	<u>7,180</u>
Total depreciation expense-governmental activities	\$ <u>2,148,151</u>
Business-type activities:	
Gladeville/Cranberry Sewer	\$ <u>136,411</u>
Total depreciation expense-primary government	\$ <u>2,284,562</u>

Capital asset activity for the School Board for the year ended June 30, 2007 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,528,700	\$ -	\$ -	\$ 1,528,700
Construction in progress	508,430		(508,430)	-
Total capital assets not being depreciated	<u>\$ 2,037,130</u>	<u>\$ -</u>	<u>\$ (508,430)</u>	<u>\$ 1,528,700</u>
Capital assets, being depreciated:				
Buildings	\$ 7,585,192	\$ 800,290	\$ -	\$ 8,385,482
Machinery and equipment	3,513,715	902,530	(81,660)	4,334,585
Total capital assets being depreciated	<u>\$ 11,098,907</u>	<u>\$ 1,702,820</u>	<u>\$ (81,660)</u>	<u>\$ 12,720,067</u>
Less: accumulated depreciation for:				
Buildings	\$ (5,323,770)	\$ (221,240)	\$ -	\$ (5,545,010)
Machinery and equipment	(2,663,866)	(277,685)	79,151	(2,862,400)
Total accumulated depreciation	<u>\$ (7,987,636)</u>	<u>\$ (498,925)</u>	<u>\$ 79,151</u>	<u>\$ (8,407,410)</u>
Total capital assets being depreciated, net	<u>\$ 3,111,271</u>	<u>\$ 1,203,895</u>	<u>\$ (2,509)</u>	<u>\$ 4,312,657</u>
Governmental activities capital assets, net	<u>\$ 5,148,401</u>	<u>\$ 1,203,895</u>	<u>\$ (510,939)</u>	<u>\$ 5,841,357</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2007

Note 11-Risk Management:

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

Note 12-Contingent Liabilities:

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

Note 13-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
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 construction	<u>\$ 290,432</u>
Total Primary Government reservations	<u>\$ 290,432</u>
Component Unit - School Board:	
Reserved for cafeteria	<u>\$ 285,464</u>
Total School Board reservations	<u>\$ 285,464</u>

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

Note 16-Commitments and Contingencies:

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

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

Note 17—School Board Early Retirement Incentive Program:

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

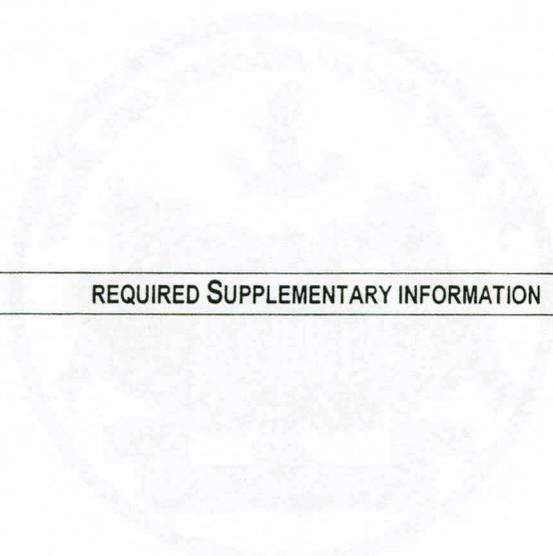
Note 18—Closure/Postclosure Care Costs:

The County has agreed to pay for a portion of the closure/postclosure cost related to the operation of the old County Landfill. The Landfill was transferred to the Carroll/Grayson/Galax Solid Waste (Authority). The landfill was originally operated by Carroll County and prior to the formation of the Authority was known as the Carroll County Landfill. Upon formation of the Authority, assets and liabilities related to the Landfill were transferred to the Authority. Closure and postclosure costs incurred prior to the formation of the Authority will be paid by Carroll County. It is established that 21.5% of the landfill space was used prior to creation of the Authority and Carroll County is therefore responsible for 21.5% of total closure and postclosure costs or \$558,343 at year end. This amount has been recorded as a liability in the County's books as of June 30, 2007.

State and federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The total closure and post closure care liability at June 30, 2007 represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill's constructed cells and amounted to \$3,585,594. This amount is based on what it cost to perform all closure and postclosure care in 2007.

As of June 30, 2007, approximately 72.43% of the landfill site has been used. As a result, the amount reported as a liability in the Authority's financial statements is \$2,596,945 (approximately 72.43% of the total liability reported above). The remaining amount (\$986,649) will be recognized as remaining space in the landfill is used. The estimated remaining life of the landfill is 2.5 years. Actual costs for both closure and postclosure monitoring may change due to inflation or deflation, changes in technology, or changes in applicable laws or regulations. The Authority uses the State Financial Assurance Mechanism to meet their financial assurance requirements for the landfill.

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REQUIRED SUPPLEMENTARY INFORMATION

County of Carroll, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 15,820,500	\$ 16,015,585	\$ 16,210,523	\$ 194,938
Other local taxes	4,039,500	4,272,273	5,052,300	780,027
Permits, privilege fees, and regulatory licenses	196,500	196,500	201,149	4,649
Fines and forfeitures	5,000	5,000	11,396	6,396
Revenue from the use of money and property	417,900	499,960	479,555	(20,405)
Charges for services	141,300	595,354	549,559	(45,795)
Miscellaneous	534,000	721,720	266,914	(454,806)
Recovered costs	1,227,727	1,449,716	1,383,448	(66,268)
Intergovernmental revenues:				
Commonwealth	3,443,625	4,037,263	5,292,727	1,255,464
Federal	1,575,620	1,802,612	1,828,942	26,330
Total revenues	<u>\$ 27,401,672</u>	<u>\$ 29,595,983</u>	<u>\$ 31,276,513</u>	<u>\$ 1,680,530</u>
Current:				
General government administration	\$ 2,288,169	\$ 2,421,311	\$ 2,036,565	\$ 384,746
Judicial administration	817,797	912,931	850,387	62,544
Public safety	3,999,581	5,006,858	4,601,974	404,884
Public works	1,548,932	1,618,586	1,189,285	429,301
Health and welfare	4,148,609	4,719,218	4,045,618	673,600
Education	7,917,310	7,917,310	7,704,221	213,089
Parks, recreation, and cultural	811,114	923,150	527,277	395,873
Community development	2,184,171	2,439,521	1,556,236	883,285
Debt service:				
Principal retirement	2,245,922	2,245,922	2,245,922	-
Interest and other fiscal charges	1,510,067	1,498,659	1,494,758	3,901
Total expenditures	<u>\$ 27,471,672</u>	<u>\$ 29,703,466</u>	<u>\$ 26,252,243</u>	<u>\$ 3,451,223</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (70,000)</u>	<u>\$ (107,483)</u>	<u>\$ 5,024,270</u>	<u>\$ 5,131,753</u>
Net change in fund balances	\$ (70,000)	\$ (107,483)	\$ 5,024,270	\$ 5,131,753
Fund balances - beginning	70,000	107,483	5,402,105	5,294,622
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,426,375</u>	<u>\$ 10,426,375</u>

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, 2007

	School Construction			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 58,510	\$ 58,510
Total revenues	\$ -	\$ -	\$ 58,510	\$ 58,510
EXPENDITURES				
Capital projects	\$ -	\$ -	\$ 1,088,738	\$ (1,088,738)
Total expenditures	\$ -	\$ -	\$ 1,088,738	\$ (1,088,738)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (1,030,228)	\$ (1,030,228)
Net change in fund balances	\$ -	\$ -	\$ (1,030,228)	\$ (1,030,228)
Fund balances - beginning	-	-	1,320,660	1,320,660
Fund balances - ending	\$ -	\$ -	\$ 290,432	\$ 290,432

County of Carroll, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2007

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

Discretely Presented Component Unit:

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

SUPPLEMENTARY FINANCIAL STATEMENTS

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.

County of Carroll, Virginia
 Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2007

	Agency Funds			
	<u>Special Welfare</u>	<u>Solid Waste Authority</u>	<u>Twin County Airport</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 30,922	\$ 3,634,339	\$ 73,828	\$ 3,739,089
Total assets	\$ 30,922	\$ 3,634,339	\$ 73,828	\$ 3,739,089
Amounts held for social services clients	\$ 30,922	\$ -	\$ -	\$ 30,922
Amounts held for the Solid Waste Authority	-	3,634,339	-	3,634,339
Amounts held for the Twin County Airport	-	-	73,828	73,828
Total liabilities	\$ 30,922	\$ 3,634,339	\$ 73,828	\$ 3,739,089

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, 2007

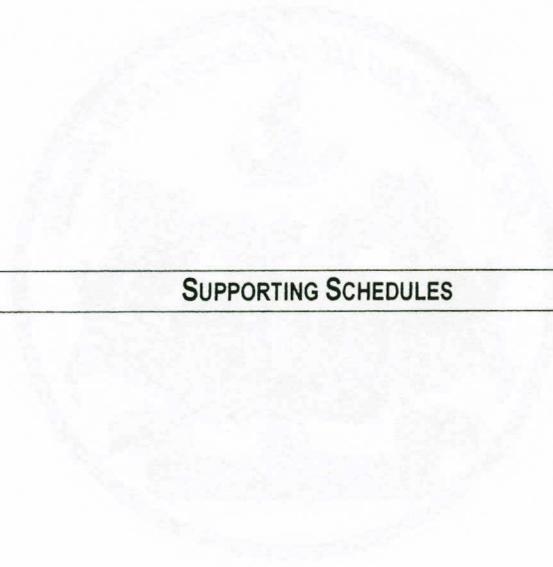
	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,449,505
Due from other governmental units	1,448,118
Prepaid items	153,551
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	285,464
Total assets	<u>\$ 4,336,638</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 9,257
Accrued liabilities	1,870,545
Due to primary government	1,438,861
Total liabilities	<u>\$ 3,318,663</u>
Fund balances:	
Unreserved:	
Designated for subsequent expenditure	\$ 732,511
Designated for cafeteria operations	285,464
Total fund balances	<u>\$ 1,017,975</u>
Total liabilities and fund balances	<u>\$ 4,336,638</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 1,017,975
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,841,357
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(936,105)
Net assets of governmental activities	<u>\$ 5,923,227</u>

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2007

	<u>School Operating Fund</u>
REVENUES	
Revenue from the use of money and property	\$ 42,934
Charges for services	729,833
Miscellaneous	601,657
Recovered costs	83,218
Intergovernmental revenues:	
Local government	7,670,221
Commonwealth	24,531,054
Federal	4,930,590
Total revenues	<u>\$ 38,589,507</u>
EXPENDITURES	
Current:	
Education	<u>\$ 38,615,619</u>
Total expenditures	<u>\$ 38,615,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (26,112)</u>
Net change in fund balances	\$ (26,112)
Fund balances - beginning	1,044,087
Fund balances - ending	<u>\$ 1,017,975</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Net change in fund balances - total governmental funds - per above	\$ (26,112)
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.	692,956
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.	(11,814)
Change in net assets of governmental activities	<u>\$ 655,030</u>

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, 2007

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 25,000	\$ 25,000	\$ 42,934	\$ 17,934
Charges for services	34,520	34,520	729,833	695,313
Miscellaneous	615,842	615,842	601,657	(14,185)
Recovered costs	89,500	89,500	83,218	(6,282)
Intergovernmental revenues:				
Local government	8,103,483	8,103,483	7,670,221	(433,262)
Commonwealth	24,663,887	24,663,887	24,531,054	(132,833)
Federal	5,203,942	5,203,942	4,930,590	(273,352)
Total revenues	\$ 38,736,174	\$ 38,736,174	\$ 38,589,507	\$ (146,667)
EXPENDITURES				
Current:				
Education	\$ 38,736,174	\$ 38,736,174	\$ 38,615,619	\$ 120,555
Total expenditures	\$ 38,736,174	\$ 38,736,174	\$ 38,615,619	\$ 120,555
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (26,112)	\$ (26,112)
Net change in fund balances	\$ -	\$ -	\$ (26,112)	\$ (26,112)
Fund balances - beginning	-	-	1,044,087	1,044,087
Fund balances - ending	\$ -	\$ -	\$ 1,017,975	\$ 1,017,975



SUPPORTING SCHEDULES

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 11,293,000	\$ 11,457,067	\$ 12,076,935	\$ 619,868
Real and personal public service corporation taxes	500,000	505,500	581,908	76,408
Personal property taxes	2,650,000	2,675,518	1,925,314	(750,204)
Mobile home taxes	98,000	98,000	131,635	33,635
Machinery and tools taxes	990,000	990,000	1,048,233	58,233
Merchant's capital taxes	174,500	174,500	201,601	27,101
Penalties	50,000	50,000	96,502	46,502
Interest	65,000	65,000	148,395	83,395
Total general property taxes	<u>\$ 15,820,500</u>	<u>\$ 16,015,585</u>	<u>\$ 16,210,523</u>	<u>\$ 194,938</u>
Other local taxes:				
Local sales and use taxes	\$ 980,000	\$ 1,111,341	\$ 1,489,394	\$ 378,053
Consumers' utility taxes- electric	600,000	600,000	586,717	(13,283)
Consumers' utility taxes- telephone	650,000	650,000	449,892	(200,108)
Consumption taxes	105,000	105,000	107,783	2,783
E-911 telephone taxes	320,000	320,000	157,635	(162,365)
Telecommunications Taxes	-	-	497,714	497,714
Franchise license taxes	50,000	50,000	39,266	(10,734)
Utility license tax	35,000	35,000	55,026	20,026
Recordation taxes	130,000	130,000	189,565	59,565
Motor vehicle licenses	525,000	536,633	621,528	84,895
Bank stock taxes	6,500	6,500	15,508	9,008
Taxes on deeds	30,000	30,000	45,941	15,941
Hotel and motel room taxes	260,000	299,799	351,643	51,844
Restaurant food taxes	348,000	398,000	444,688	46,688
Total other local taxes	<u>\$ 4,039,500</u>	<u>\$ 4,272,273</u>	<u>\$ 5,052,300</u>	<u>\$ 780,027</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 20,000	\$ 20,000	\$ 23,979	\$ 3,979
Land use application fees	-	-	4,503	4,503
Transfer fees	1,500	1,500	1,867	367
Building permits	175,000	175,000	170,740	(4,260)
Other permits and licenses	-	-	60	60
Total permits, privilege fees, and regulatory licenses	<u>\$ 196,500</u>	<u>\$ 196,500</u>	<u>\$ 201,149</u>	<u>\$ 4,649</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 5,000	\$ 5,000	\$ 11,396	\$ 6,396
Dog violation fines	-	-	-	-
Total fines and forfeitures	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 11,396</u>	<u>\$ 6,396</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 150,000	\$ 221,160	\$ 438,591	\$ 217,431
Revenue from use of property	267,900	278,800	40,964	(237,836)
Total revenue from use of money and property	<u>\$ 417,900</u>	<u>\$ 499,960</u>	<u>\$ 479,555</u>	<u>\$ (20,405)</u>
Charges for services:				
Clerk's interest	\$ 20,200	\$ 24,907	\$ 43,338	\$ 18,431
Charges for law enforcement and traffic control	100	100	4,084	3,984
Charges for courthouse maintenance	14,000	14,000	15,881	1,881
Charges for courthouse security	30,000	137,127	36,240	(100,887)
Charges for Commonwealth's Attorney	1,000	1,000	1,930	930

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Miscellaneous jail and inmate fees	\$ 1,000	\$ 1,000	\$ 2,574	\$ 1,574
Charges for cannery	-	20	11,613	11,593
Charges for law library	1,000	1,000	3,117	2,117
Charges for sanitation and waste removal	24,000	24,000	30,741	6,741
Charges for parks and recreation	50,000	54,777	54,081	(696)
Charges for EMS	-	337,423	340,746	3,323
Other charges for services	-	-	5,214	5,214
Total charges for services	<u>\$ 141,300</u>	<u>\$ 595,354</u>	<u>\$ 549,559</u>	<u>\$ (45,795)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 534,000	\$ 721,720	\$ 266,914	\$ (454,806)
Total miscellaneous revenue	<u>\$ 534,000</u>	<u>\$ 721,720</u>	<u>\$ 266,914</u>	<u>\$ (454,806)</u>
Recovered costs:				
Solid Waste Authority	\$ 289,609	\$ 289,609	\$ 270,390	\$ (19,219)
Virginia Housing Development Authority	45,658	45,658	71,085	25,427
Public Service Authority	457,235	457,235	430,142	(27,093)
Farmers' Market	147,000	147,000	88,848	(58,152)
City of Galax-shared expenses	80,000	162,204	274,546	112,342
Insurance recoveries	50,000	150,638	97,906	(52,732)
School resource officer	32,014	32,014	38,318	6,304
Other recovered costs	126,211	165,358	112,213	(53,145)
Total recovered costs	<u>\$ 1,227,727</u>	<u>\$ 1,449,716</u>	<u>\$ 1,383,448</u>	<u>\$ (66,268)</u>
Total revenue from local sources	<u>\$ 22,382,427</u>	<u>\$ 23,756,108</u>	<u>\$ 24,154,844</u>	<u>\$ 398,736</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 20,000	\$ 20,000	\$ 15,474	\$ (4,526)
Wine taxes	20,000	20,000	16,220	(3,780)
Mobile home titling tax	27,000	27,000	80,217	53,217
Motor vehicle rental tax	7,000	7,000	5,959	(1,041)
Rolling stock tax	2,000	2,000	1,245	(755)
State recordation tax	40,000	40,000	57,671	17,671
Personal property tax relief funds	-	-	1,337,197	1,337,197
Total noncategorical aid	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 1,513,983</u>	<u>\$ 1,397,983</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 321,470	\$ 321,470	\$ 262,400	\$ (59,070)
Sheriff	1,216,906	1,216,906	1,332,940	116,034
Commissioner of revenue	115,870	115,870	122,393	6,523
Treasurer	118,716	118,716	125,125	6,409
Medical examiner	400	400	120	(280)
Registrar/electoral board	43,278	43,278	74,729	31,451
Clerk of the Circuit Court	237,213	237,213	253,370	16,157
Total shared expenses	<u>\$ 2,053,853</u>	<u>\$ 2,053,853</u>	<u>\$ 2,171,077</u>	<u>\$ 117,224</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 770,798	\$ 770,798	\$ 737,028	\$ (33,770)
Comprehensive Services Act	378,500	929,015	645,079	(283,936)

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Animal friendly plates	\$ -	\$ -	\$ 366	\$ 366
Tobacco settlement funds	-	-	9,731	9,731
Victim witness	47,474	47,474	52,749	5,275
Fire program	60,000	79,025	75,005	(4,020)
Litter control grant	-	8,629	8,629	-
Two-for-life grant	13,000	28,469	23,092	(5,377)
Asset forfeiture	-	-	45,988	45,988
Arts grant	4,000	4,000	10,000	6,000
Total other categorical aid	<u>\$ 1,273,772</u>	<u>\$ 1,867,410</u>	<u>\$ 1,607,667</u>	<u>\$ (259,743)</u>
Total categorical aid	<u>\$ 3,327,625</u>	<u>\$ 3,921,263</u>	<u>\$ 3,778,744</u>	<u>\$ (142,519)</u>
Total revenue from the Commonwealth	<u>\$ 3,443,625</u>	<u>\$ 4,037,263</u>	<u>\$ 5,292,727</u>	<u>\$ 1,255,464</u>
Revenue from the federal government:				
Payments in lieu of taxes				
	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 15,682</u>	<u>\$ 9,682</u>
Categorical aid:				
Public assistance and welfare administration	\$ 1,564,620	\$ 1,564,620	\$ 1,585,637	\$ 21,017
Emergency management preparedness grant	-	138,580	3,328	(135,252)
Homeland security grant	-	2,567	136,185	133,618
Department of Justice grant	-	13,360	9,557	(3,803)
Trail Grant	-	56,006	22,693	(33,313)
Rural Business Grant	-	-	48,000	48,000
State and community highway safety	5,000	21,479	7,860	(13,619)
Total categorical aid	<u>\$ 1,569,620</u>	<u>\$ 1,796,612</u>	<u>\$ 1,813,260</u>	<u>\$ 16,648</u>
Total revenue from the federal government	<u>\$ 1,575,620</u>	<u>\$ 1,802,612</u>	<u>\$ 1,828,942</u>	<u>\$ 26,330</u>
Total General Fund	<u>\$ 27,401,672</u>	<u>\$ 29,595,983</u>	<u>\$ 31,276,513</u>	<u>\$ 1,680,530</u>
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 58,510	\$ 58,510
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,510</u>	<u>\$ 58,510</u>
Total Primary Government	<u>\$ 27,401,672</u>	<u>\$ 29,595,983</u>	<u>\$ 31,335,023</u>	<u>\$ 1,739,040</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25,000	\$ 25,000	\$ 42,802	\$ 17,802
Revenue from the use of property	-	-	132	132
Total revenue from use of money and property	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 42,934</u>	<u>\$ 17,934</u>

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from local sources: (Continued)				
Fees from pupils	\$ 10,000	\$ 10,000	\$ 17,853	\$ 7,853
Cafeteria sales	-	-	702,980	702,980
Transportation of pupils	3,200	3,200	5,281	2,081
Other payments from other localities	21,320	21,320	3,719	(17,601)
Total charges for services	<u>\$ 34,520</u>	<u>\$ 34,520</u>	<u>\$ 729,833</u>	<u>\$ 695,313</u>
Miscellaneous revenue:				
Other miscellaneous	<u>\$ 615,842</u>	<u>\$ 615,842</u>	<u>\$ 601,657</u>	<u>\$ (14,185)</u>
Recovered costs:				
Insurance recoveries and rebates	<u>\$ 89,500</u>	<u>\$ 89,500</u>	<u>\$ 83,218</u>	<u>\$ (6,282)</u>
Total revenue from local sources	<u>\$ 764,862</u>	<u>\$ 764,862</u>	<u>\$ 1,457,642</u>	<u>\$ 692,780</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	<u>\$ 8,103,483</u>	<u>\$ 8,103,483</u>	<u>\$ 7,670,221</u>	<u>\$ (433,262)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,231,063	\$ 4,231,063	\$ 3,903,495	\$ (327,568)
Basic school aid	12,569,654	12,569,654	12,840,060	270,406
Remedial summer education	110,104	110,104	120,028	9,924
Regular foster care	44,204	44,204	23,474	(20,730)
Adult education	6,282	6,282	-	(6,282)
Gifted and talented	118,125	118,125	118,407	282
Remedial education	394,710	394,710	395,653	943
Alternative education	106,930	106,930	117,984	11,054
Special education	1,256,157	1,256,157	1,259,160	3,003
Textbook payment	293,324	293,324	289,607	(3,717)
School construction	159,093	159,093	159,427	334
Vocational standards of quality payments	325,564	325,564	326,342	778
Vocational adult education	-	-	571	571
Vocational education - equipment	33,552	33,552	13,215	(20,337)
Vocational occupational preparedness	-	-	13,610	13,610
Social security fringe benefits	682,820	682,820	684,452	1,632
Retirement fringe benefits	872,972	872,972	869,282	(3,690)
Group life insurance instructional	43,216	43,216	40,432	(2,784)
State lottery payments	670,805	670,805	667,112	(3,693)
Early reading intervention	51,103	51,103	43,241	(7,862)
Homebound education	23,589	23,589	42,573	18,984
Rural health outreach	-	-	374	374
School nutrition	34,981	34,981	32,900	(2,081)
Special education - foster children	-	-	12,765	12,765
Special education - regional	86,020	86,020	91,770	5,750
Salary supplement	262,180	262,180	323,454	61,274
At risk payments	425,004	425,004	424,446	(558)
VPSA technology	336,000	336,000	336,000	-
Standards of Learning algebra readiness	62,783	62,783	48,324	(14,459)
At risk four-year olds	359,475	359,475	367,205	7,730

County of Carroll, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

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)				
Primary class size	\$ 485,662	\$ 485,662	\$ 486,636	\$ 974
Mentor teacher program	-	-	9,439	9,439
ISAEF	15,717	15,717	15,717	-
Americorp	302,400	302,400	157,745	(144,655)
Adult secondary payments	-	-	8,397	8,397
Race to GED	-	-	24,964	24,964
English as a second language	139,398	139,398	89,987	(49,411)
Other state funds	161,000	161,000	172,806	11,806
Total categorical aid	<u>\$ 24,663,887</u>	<u>\$ 24,663,887</u>	<u>\$ 24,531,054</u>	<u>\$ (132,833)</u>
Total revenue from the Commonwealth	<u>\$ 24,663,887</u>	<u>\$ 24,663,887</u>	<u>\$ 24,531,054</u>	<u>\$ (132,833)</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 3,600	\$ 3,600	\$ 3,786	\$ 186
Adult literacy	87,400	87,400	83,435	(3,965)
Title I	1,358,780	1,358,780	1,165,765	(193,015)
Title VI-B, flow-through	1,091,223	1,091,223	1,047,880	(43,343)
Title VI-B, preschool	28,771	28,771	28,449	(322)
Title III	10,287	10,287	43,453	33,166
Drug free schools	21,733	21,733	27,436	5,703
Title II	25,836	25,836	-	(25,836)
Title V Part A	25,065	25,065	11,759	(13,306)
Vocational education	96,101	96,101	95,514	(587)
Reading First	649,750	649,750	492,731	(157,019)
Teacher quality	233,410	233,410	307,218	73,808
Migrant education	124,421	124,421	110,894	(13,527)
School Breakfast Program	259,300	259,300	267,518	8,218
National school lunch program	811,265	811,265	813,819	2,554
Comprehensive school reform	82,000	82,000	113,557	31,557
Emergency Impact Aid	-	-	495	495
Title IV-Part B-21	295,000	295,000	316,881	21,881
Total categorical aid	<u>\$ 5,203,942</u>	<u>\$ 5,203,942</u>	<u>\$ 4,930,590</u>	<u>\$ (273,352)</u>
Total revenue from the federal government	<u>\$ 5,203,942</u>	<u>\$ 5,203,942</u>	<u>\$ 4,930,590</u>	<u>\$ (273,352)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 38,736,174</u>	<u>\$ 38,736,174</u>	<u>\$ 38,589,507</u>	<u>\$ (146,667)</u>

County of Carroll, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 694,148	\$ 740,663	\$ 452,794	\$ 287,869
General and financial administration:				
County administrator	\$ 380,249	\$ 466,939	\$ 455,507	\$ 11,432
County attorney	39,850	40,349	36,354	3,995
Commissioner of revenue	237,292	251,728	243,417	8,311
County assessor	305,875	305,738	297,298	8,440
Treasurer	303,032	304,023	299,839	4,184
Management information systems	152,886	113,356	94,335	19,021
Total general and financial administration	<u>\$ 1,419,184</u>	<u>\$ 1,482,133</u>	<u>\$ 1,426,750</u>	<u>\$ 55,383</u>
Board of elections:				
Electoral board and officials	\$ 72,390	\$ 73,923	\$ 48,914	\$ 25,009
Registrar	102,447	124,592	108,107	16,485
Total board of elections	<u>\$ 174,837</u>	<u>\$ 198,515</u>	<u>\$ 157,021</u>	<u>\$ 41,494</u>
Total general government administration	<u>\$ 2,288,169</u>	<u>\$ 2,421,311</u>	<u>\$ 2,036,565</u>	<u>\$ 384,746</u>
Judicial administration:				
Courts:				
Circuit court	\$ 40,572	\$ 40,753	\$ 35,074	\$ 5,679
Juvenile court	1,656	2,344	2,192	152
Special magistrates	-	3,000	75	2,925
Victim witness	52,749	54,092	50,766	3,326
Clerk of the circuit court	357,114	445,162	444,588	574
Law library	1,000	1,000	7,684	(6,684)
Total courts	<u>\$ 453,091</u>	<u>\$ 546,351</u>	<u>\$ 540,379</u>	<u>\$ 5,972</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 364,706	\$ 366,580	\$ 310,008	\$ 56,572
Total commonwealth's attorney	<u>\$ 364,706</u>	<u>\$ 366,580</u>	<u>\$ 310,008</u>	<u>\$ 56,572</u>
Total judicial administration	<u>\$ 817,797</u>	<u>\$ 912,931</u>	<u>\$ 850,387</u>	<u>\$ 62,544</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,651,539	\$ 1,842,611	\$ 1,746,368	\$ 96,243
Vehicle maintenance	196,000	215,798	205,706	10,092
Total law enforcement and traffic control	<u>\$ 1,847,539</u>	<u>\$ 2,058,409</u>	<u>\$ 1,952,074</u>	<u>\$ 106,335</u>
Fire and rescue services:				
Volunteer fire departments	\$ 551,105	\$ 725,201	\$ 627,927	\$ 97,274
Rescue squads	373,936	343,736	337,467	6,269
Total fire and rescue services	<u>\$ 925,041</u>	<u>\$ 1,068,937</u>	<u>\$ 965,394</u>	<u>\$ 103,543</u>
Correction and detention:				
Payments to New River Regional Jail	\$ 500,000	\$ 584,890	\$ 533,476	\$ 51,414
Juvenile probation and detention	74,581	125,921	126,255	(334)
Total correction and detention	<u>\$ 574,581</u>	<u>\$ 710,811</u>	<u>\$ 659,731</u>	<u>\$ 51,080</u>

County of Carroll, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 134,189	\$ 151,790	\$ 128,545	\$ 23,245
Total inspections	<u>\$ 134,189</u>	<u>\$ 151,790</u>	<u>\$ 128,545</u>	<u>\$ 23,245</u>
Other protection:				
Animal warden	\$ 110,689	\$ 120,513	\$ 77,804	\$ 42,709
Medical examiner	800	800	310	490
Emergency services	82,742	564,073	547,682	16,391
E-911	320,000	327,525	270,259	57,266
Garage emergency vehicles	4,000	4,000	175	3,825
Total other protection	<u>\$ 518,231</u>	<u>\$ 1,016,911</u>	<u>\$ 896,230</u>	<u>\$ 120,681</u>
Total public safety	<u>\$ 3,999,581</u>	<u>\$ 5,006,858</u>	<u>\$ 4,601,974</u>	<u>\$ 404,884</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 497,374	\$ 497,943	\$ 321,451	\$ 176,492
Total sanitation and waste removal	<u>\$ 497,374</u>	<u>\$ 497,943</u>	<u>\$ 321,451</u>	<u>\$ 176,492</u>
Maintenance of general buildings and grounds:				
Governmental complex	\$ 351,662	\$ 319,791	\$ 287,529	\$ 32,262
Courthouse	8,600	8,600	5,678	2,922
Carter building	255,000	255,741	103,224	152,517
Cannery	-	11,043	7,803	3,240
Maintenance force	237,086	316,732	299,361	17,371
Maintenance of other properties	199,210	208,736	164,239	44,497
Total maintenance of general buildings and grounds	<u>\$ 1,051,558</u>	<u>\$ 1,120,643</u>	<u>\$ 867,834</u>	<u>\$ 252,809</u>
Total public works	<u>\$ 1,548,932</u>	<u>\$ 1,618,586</u>	<u>\$ 1,189,285</u>	<u>\$ 429,301</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 207,402	\$ 207,402	\$ 207,402	\$ -
Mental health and mental retardation:				
Community services board	\$ 112,266	\$ 112,266	\$ 112,266	\$ -
Welfare:				
Public assistance and welfare administration	\$ 3,771,384	\$ 4,339,463	\$ 3,667,617	\$ 671,846
Office on youth	-	2,530	776	1,754
Senior citizens center	57,557	57,557	57,557	-
Total welfare	<u>\$ 3,828,941</u>	<u>\$ 4,399,550</u>	<u>\$ 3,725,950</u>	<u>\$ 673,600</u>
Total health and welfare	<u>\$ 4,148,609</u>	<u>\$ 4,719,218</u>	<u>\$ 4,045,618</u>	<u>\$ 673,600</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Contribution to County School Board	7,883,310	7,883,310	7,670,221	213,089
Total education	<u>\$ 7,917,310</u>	<u>\$ 7,917,310</u>	<u>\$ 7,704,221</u>	<u>\$ 213,089</u>

County of Carroll, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 149,490	\$ 170,084	\$ 149,229	\$ 20,855
Swimming pools	34,193	35,202	31,093	4,109
Farmer's Market	441,850	488,335	164,699	323,636
Total parks and recreation	<u>\$ 625,533</u>	<u>\$ 693,621</u>	<u>\$ 345,021</u>	<u>\$ 348,600</u>
Library:				
Contribution to Carroll-Galax Regional Library	\$ 185,581	\$ 229,529	\$ 182,256	\$ 47,273
Total parks, recreation, and cultural	<u>\$ 811,114</u>	<u>\$ 923,150</u>	<u>\$ 527,277</u>	<u>\$ 395,873</u>
Community development:				
Planning and community development:				
Planning commission	\$ 4,900	\$ 4,900	\$ 2,401	\$ 2,499
Economic development	502,783	691,751	610,201	81,550
Payments to Town of Hillsville	237,500	289,098	289,098	-
Contribution to Public Service Authority	507,603	501,160	435,176	65,984
Contribution to Industrial Development Authority	671,319	671,319	1,006	670,313
Contribution to Twin County Airport	62,311	62,311	36,566	25,745
Tourism	139,185	160,412	140,761	19,651
Total planning and community development	<u>\$ 2,125,601</u>	<u>\$ 2,380,951</u>	<u>\$ 1,515,209</u>	<u>\$ 865,742</u>
Environmental management:				
Contribution to soil and water district	\$ 8,700	\$ 8,700	\$ 8,700	-
Cooperative extension program:				
Extension office	\$ 49,870	\$ 49,870	\$ 32,327	\$ 17,543
Total community development	<u>\$ 2,184,171</u>	<u>\$ 2,439,521</u>	<u>\$ 1,556,236</u>	<u>\$ 883,285</u>
Debt service:				
Principal retirement	\$ 2,245,922	\$ 2,245,922	\$ 2,245,922	-
Interest and other fiscal charges	1,510,067	1,498,659	1,494,758	3,901
Total debt service	<u>\$ 3,755,989</u>	<u>\$ 3,744,581</u>	<u>\$ 3,740,680</u>	<u>\$ 3,901</u>
Total General Fund	<u><u>\$ 27,471,672</u></u>	<u><u>\$ 29,703,466</u></u>	<u><u>\$ 26,252,243</u></u>	<u><u>\$ 3,451,223</u></u>
Capital Projects Fund:				
School Construction Fund:				
Capital projects expenditures:				
School improvements	\$ -	\$ -	\$ 1,088,738	\$ (1,088,738)
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,088,738</u>	<u>\$ (1,088,738)</u>
Total Primary Government	<u><u>\$ 27,471,672</u></u>	<u><u>\$ 29,703,466</u></u>	<u><u>\$ 27,340,981</u></u>	<u><u>\$ 2,362,485</u></u>

County of Carroll, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2007

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	\$ 1,811,608	\$ 1,811,608	\$ 1,300,636	\$ 510,972
Instruction costs:				
Instruction	\$ 29,461,216	\$ 29,461,216	\$ 28,698,533	\$ 762,683
Operating costs:				
Pupil transportation	\$ 2,929,611	\$ 2,929,611	\$ 2,978,958	\$ (49,347)
Operation and maintenance of school plant	3,428,193	3,428,193	3,722,979	(294,786)
Food services and other non-instructional costs	1,105,546	1,105,546	1,914,513	(808,967)
Total operating costs	\$ 7,463,350	\$ 7,463,350	\$ 8,616,450	\$ (1,153,100)
Total education	\$ 38,736,174	\$ 38,736,174	\$ 38,615,619	\$ 120,555
Total Discretely Presented Component Unit - School Board	\$ 38,736,174	\$ 38,736,174	\$ 38,615,619	\$ 120,555

OTHER STATISTICAL INFORMATION

**County of Carroll, Virginia
Government-Wide Expenses by Function
Last Five 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
2006-07	\$ 1,820,062	\$ 840,164	\$ 4,327,693	\$ 1,413,001	\$ 4,083,737	\$ 9,255,667	\$ 461,145	\$ 1,480,648	\$ 1,585,968	\$ 328,222	\$ 25,596,307
2005-06	1,776,300	766,461	4,098,143	788,065	3,835,853	8,107,291	382,682	975,161	1,501,082	277,051	22,508,089
2004-05	1,190,402	706,038	3,941,388	654,418	3,406,872	8,079,764	584,179	1,574,911	2,028,436	284,247	22,450,655
2003-04	1,810,780	753,635	3,524,570	1,057,661	3,507,187	8,856,826	589,520	1,140,933	2,134,605	304,059	23,679,776
2002-03	1,157,205	664,272	2,395,330	1,372,204	3,073,297	8,164,096	369,988	706,431	1,847,198	352,770	20,102,791

(1) Information has only been available for 5 years.

Table 2

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

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

(1) Information has only been available for 5 years.

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

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

(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
2006-07	\$ 17,225,325	\$ 16,710,474	97.01%	\$ 592,349	\$ 17,302,823	100.45%	\$ 2,206,981	12.81%
2005-06	14,931,151	14,180,736	94.97%	573,197	14,753,933	98.81%	1,892,855	12.68%
2004-05	13,754,293	13,010,114	94.59%	416,655	13,426,769	97.62%	1,682,637	12.23%
2003-04	11,741,609	11,095,358	94.50%	380,606	11,475,964	97.74%	1,504,238	12.81%
2002-03	11,542,490	10,846,317	93.97%	338,021	11,184,338	96.90%	1,395,481	12.09%
2001-02	11,243,361	10,768,889	95.78%	192,078	10,960,967	97.49%	1,294,021	11.51%
2000-01	9,813,888	9,380,850	95.59%	345,325	9,726,175	99.11%	1,174,421	11.97%
1999-00	10,233,572	9,878,829	96.53%	216,123	10,094,952	98.65%	1,081,674	10.57%
1998-99	9,194,291	8,679,856	94.40%	246,529	8,926,385	97.09%	932,645	10.14%
1997-98	7,036,572	6,720,121	95.50%	304,249	7,024,370	99.83%	850,068	12.08%

(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
2006-07	\$ 1,722,690,903	\$ 339,936,262	\$ 85,896,569	\$ 2,148,523,734
2005-06	1,766,780,800	348,171,685	95,200,694	2,210,153,179
2004-05	1,734,981,500	346,387,969	96,094,144	2,177,463,613
2003-04	1,082,787,000	352,870,727	51,219,038	1,486,876,765
2002-03	1,061,952,941	344,191,873	54,727,710	1,460,872,524
2001-02	1,035,296,808	332,691,317	56,523,088	1,424,511,213
2000-01	1,006,218,556	306,414,665	63,203,670	1,375,836,891
1999-00	975,122,958	295,582,923	71,913,957	1,342,619,838
1998-99	954,511,574	224,750,891	65,321,349	1,244,583,814
1997-98	768,104,392	216,055,740	47,399,426	1,031,559,558

(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.

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
2006-07	\$ 0.71	\$ 1.30	\$ 1.30	\$ 2.30
2005-06	0.59	1.30	1.30	2.30
2004-05	0.59	1.30	1.30	2.30
2003-04	0.64	1.30	1.30	2.30
2002-03	0.64	1.30	1.30	2.30
2001-02	0.64	1.30	1.30	2.30
2000-01	0.62	1.30	1.30	2.30
1999-00	0.62	1.30	1.30	2.30
1998-99	0.62	1.30	1.30	2.30
1997-98	0.53	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
2006-07	29,245	\$ 2,148,524	\$ 32,647,950	\$ 32,647,950	1.52%	\$ 1,116
2005-06	29,245	2,210,153	34,893,872	34,893,872	1.58%	1,193
2004-05	29,245	2,177,464	37,137,832	37,137,832	1.71%	1,270
2003-04	29,245	1,486,877	39,379,928	39,379,928	2.65%	1,347
2002-03	29,245	1,460,873	40,540,665	40,540,665	2.78%	1,386
2001-02	29,245	1,424,511	20,593,226	20,593,226	1.45%	704
2000-01	29,245	1,375,837	21,356,312	21,356,312	1.55%	730
1999-00	26,594	1,342,620	8,074,501	8,074,501	0.60%	304
1998-99	26,594	1,244,584	1,625,379	1,625,379	0.13%	61
1997-98	26,594	1,031,560	1,836,404	1,836,404	0.18%	69

(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.

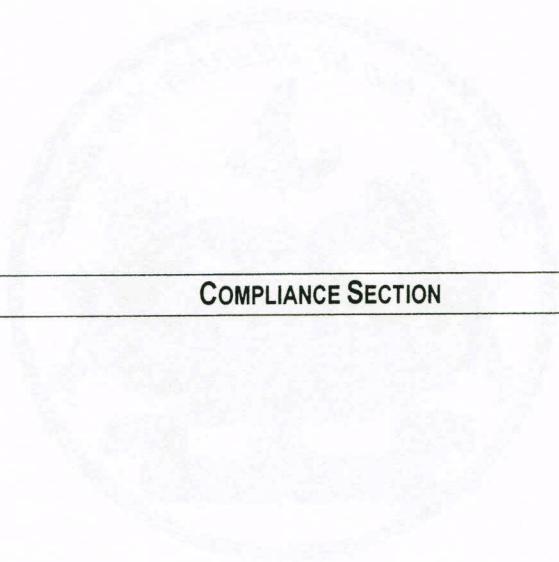
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

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
2006-07	\$ 2,245,922	\$ 1,494,758	\$ 3,740,680	\$ 57,351,192	6.52%
2005-06	2,999,324	1,622,495	4,621,819	52,118,109	8.87%
2004-05	2,567,217	2,113,685	4,680,902	51,025,498	9.17%
2003-04	1,501,172	1,187,983	2,689,155	47,542,356	5.66%
2002-03	1,524,494	1,408,525	2,933,019	43,460,324	6.75%
2001-02	1,223,919	1,311,495	2,535,414	41,178,982	6.16%
2000-01	11,595,962	1,110,796	12,706,758	51,013,084	24.91%
1999-00	3,446,083	1,401,366	4,847,449	41,993,508	11.54%
1998-99	3,224,615	951,577	4,176,192	38,507,936	10.85%
1997-98	309,685	537,252	846,937	34,317,954	2.47%

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



COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

Certified Public Accountants

A Professional limited liability company

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

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

We have audited the 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, 2007, and have issued our report thereon dated February 13, 2008, which was qualified because we were unable to verify amounts reported as capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Carroll, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Carroll, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, Virginia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings, responses and questioned costs (reference 2007-1, 2007-2, 2007-3) to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 2007-2 and 2007-3 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*.

We noted certain matters that we reported to management of the County of Carroll, Virginia in a separate letter dated February 13, 2008.

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

Robison, Fane, Cox Associates

Christiansburg, Virginia

February 13, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the 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, 2007. 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 County of Carroll, Virginia's management. Our responsibility is to express an opinion on County of Carroll, Virginia's compliance based on our audit.

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

In our opinion, the County of Carroll, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of the Board of Directors, 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.

Robison, Fain, Cox Associates
Christiansburg, Virginia
February 13, 2008

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:		
Pass Through Payments:		
<i>State Department of Agriculture:</i>		
Food Distribution-Schools (Note 2)	10.555	\$ 112,755
<i>Department of Social Services:</i>		
State Administrative Matching Grants for Food Stamp Program	10.561	230,227
<i>Department of Education:</i>		
School Breakfast Program	10.553	813,819
National School Lunch Program	10.555	267,518
Schools and Roads	10.665	3,786
Rural Business Enterprise Grant	10.769	48,000
Total Department of Agriculture		<u>\$ 1,476,105</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Support Services	93.556	\$ 24,384
Temporary Assistance to Needy Families	93.558	237,812
Refugee and Entrant Assistance	93.566	210
Low Income Energy Assistance	93.568	32,902
Payments to States for Child Care Assistance	93.575	150,834
Child Care and Development Fund	93.596	143,555
Cafree Education and Training Vouchers Program	93.599	246
Child Welfare Services - State Grant	93.645	58
Foster Care	93.658	246,905
Adoption Assistance	93.659	67,468
Social Services Block Grant	93.667	262,358
Independent Living	93.674	1,232
State Children's Insurance Program	93.767	376
Medical Assistance Program	93.778	187,070
Total Department of Health and Human Services		<u>\$ 1,355,410</u>

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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:		
<i>Department of Emergency Management:</i>		
State Homeland Security Grant Program	97.004	\$ 136,185
Emergency Management Preparedness Grant	97.042	3,328
Total U. S. Department of Homeland Security		<u>\$ 139,513</u>
DEPARTMENT OF JUSTICE:		
Pass Through Payments:		
<i>Department of Criminal Justice Services:</i>		
Crime victims assistance	16.575	<u>\$ 9,557</u>
DEPARTMENT OF TRANSPORTATION:		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
Alcohol Open Container Requirements	20.607	\$ 7,860
National Recreational Trails Funding Program	20.219	22,693
Total Department of Transportation		<u>\$ 30,553</u>
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
<i>Department of Education:</i>		
Adult Basic Education	84.002	\$ 83,435
Title I Grants to Local Educational Agencies	84.010	1,165,765
Special Education-Grants to States (Title VI-B)	84.027	1,047,880
Vocational Education-Basic Grants to States	84.048	95,514
Special Education-Preschool Grant to States	84.173	28,449
Drug-Free Schools and Communities-State Grants	84.186	27,436
Migrant Education Coordination Program	84.144	56,281
Title V Part A	84.298	11,759

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
<i>DEPARTMENT OF EDUCATION: (Continued)</i>		
Pass Through Payments: (Continued)		
<i>Department of Education: (Continued)</i>		
Reading First	84.357	\$ 492,731
Title II - Part A	84.367	255,753
Migrant Education	84.011	54,613
Title IV - Part B-21	84.287	294,860
Comprehensive School Reform	84.332	113,557
English Language Acquisition Grant	84.365	43,453
Emergency Impact Aid	84.938	495
Total Department of Education		<u>\$ 3,771,981</u>
Total Federal Financial Assistance		<u>\$ 6,783,119</u>

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.

COUNTY OF CARROLL, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

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

Significant deficiencies identified 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

Significant deficiencies identified 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:

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

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes ✓ no

Section II -- Financial Statement Finding

2007-1 **Condition:** The County did not update their fixed asset listing for the year ended June 30, 2007. **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. **Management's Response:** The County will complete an inventory of all capital assets and develop a listing of depreciable assets. In addition, the County will audit the insurance schedules against this asset listing to determine if assets are adequately insured. **This is a repeat comment.**

2007-2 **Condition:** The financial statements as presented for the audit, including all component units, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements. **Criteria:** Per Statement on Auditing Standards 112, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls. **Effect:** There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls over financial reporting. **Management's Response:** The County hired a consultant to assist in closing the books at year-end and as the consultant becomes more familiar with the County's financial records it is anticipated that the number of audit adjustments will decrease and therefore this finding will be addressed.

2007-3 **Condition:** The School Board's fixed asset listing as presented for audit contained material errors. **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 School Board. **Effect:** The financial statements may contain errors and omissions that would be material in relation to the School Board financial statements. **Management's Response:** The School Board will provide additional oversight to ensure the fixed asset listing as presented for audit is correct in future periods.

Section III – Federal Award Findings and Questioned Costs

None