COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2006

COUNTY OF CARROLL, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2006

COUNTY OF CARROLL, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006

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INTRODUCTORY SECTION

COUNTY OF CARROLL, VIRGINIA

BOARD OF SUPERVISORS

Sharon F. Nichols, Chair

Glenna Myers, Vice-chair
Joseph H. Early III

L.J. Jones
W. Jeff Evans

Ralph J. Martin, Jr.

COUNTY SCHOOL BOARD

Reginald M. Gardner, Chair

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

Franklin Jett
Harold T. Golding

OTHER OFFICIALS

Clerk of the Circuit Court ..... Carolyn H. Honeycutt
Commonwealth's Attorney ..... Gregory Goad
Commissioner of the Revenue ..... Louise L. Quesenberry
Treasurer ..... Bonita M. Williams
Sheriff ..... H. Warren Manning
Superintendent of Schools ..... Dr. Oliver McBride
County Administrator ..... Gary Larrowe
County Attorney ..... Brad Dalton

FINANCIAL SECTION

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and the major funds of the County of Carroll, Virginia, as of and for the year ended June 30, 2006, 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, 2006 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 unit, and the major funds of the County of Carroll, Virginia as of June 30, 2006, 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 November 10, 2006, on our consideration of the County of Carroll, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

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

The budgetary comparison information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Robinson, Farmer, Cox Associates

Christiansburg, Virginia
November 10, 2006

BASIC FINANCIAL STATEMENTS

County of Carroll, Virginia
Statement of Net Assets
June 30, 2006

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Public Service Authority	Industrial Development Authority
ASSETS						
Cash and cash equivalents	$ 5,049,586	$ -	$ 5,049,586	$ 2,776,237	$ 206,388	$ 7,825
Cash in custody of others	-	335,738	335,738	-	-	-
Investments	1,992,774	-	1,992,774	-	-	3,949
Receivables (net of allowance for uncollectibles):						
Taxes receivable	1,549,997	-	1,549,997	-	-	-
Accounts receivable	-	27,893	27,893	-	168,567	-
Other local taxes receivable	246,925	-	246,925	-	-	-
Due from component unit	1,279,874	-	1,279,874	-	-	-
Due from other governmental units	783,272	-	783,272	1,370,306	-	-
Deferred charges	-	-	-	-	-	236,636
Lease purchase receivable	-	-	-	-	-	10,045,000
Assets held for resale:						
Industrial sites	-	-	-	-	-	889,467
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents (in custody of others)	-	-	-	-	-	5,955
Permanently restricted:						
Cash and cash equivalents (in custody of others)	-	-	-	-	426,176	-
Capital assets (net of accumulated depreciation):						
Land	1,167,781	-	1,167,781	1,528,700	180,337	234,114
Buildings and system	31,263,640	-	31,263,640	2,261,423	-	806,998
Machinery and equipment	800,817	-	800,817	849,848	-	-
Infrastructure	-	4,451,117	4,451,117	-	11,374,569	-
Construction in progress	19,064,649	-	19,064,649	508,430	-	-
Total assets	$ 63,199,315	$ 4,814,748	$ 68,014,063	$ 9,294,944	$ 12,356,037	$ 12,229,944
LIABILITIES						
Accounts payable	$ 733,813	$ 4,551	$ 738,364	$ 144,533	$ 65,147	$ -
Accrued liabilities	-	-	-	1,732,151	-	-
Accrued interest payable	659,837	1,583	661,420	-	4,727	42,175
Due to primary government	-	-	-	1,225,772	54,102	-
Deferred revenue	49,829	-	49,829	-		
Deposits held in escrow	-	-	-	-	21,855	-
Temporary loan payable	2,000,000	-	2,000,000	-	-	-
Long-term liabilities: (net of unamortized bond premium)						
Due within one year	2,500,441	18,296	2,518,737	693,218	94,239	287,875
Due in more than one year	43,598,594	1,249,607	44,848,201	231,073	4,905,013	11,641,936
Total liabilities	$ 49,542,514	$ 1,274,037	$ 50,816,551	$ 4,026,747	$ 5,145,083	$ 11,971,986
NET ASSETS						
Invested in capital assets, net of related debt	$ 7,358,015	$ 3,183,214	$ 10,541,229	$ 5,148,401	$ 6,494,774	$ -
Restricted for:						
Construction	1,320,660	-	1,320,660	-	179,249	5,955
School cafeterias	-	-	-	400,269	-	-
Debt service and bond covenants	-	-	-	-	246,937	-
Unrestricted (deficit)	4,978,126	357,497	5,335,623	(280,473)	289,994	252,003
Total net assets	$ 13,656,801	$ 3,540,711	$ 17,197,512	$ 5,268,197	$ 7,210,954	$ 257,958

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

Exhibit 2

County of Carroll, Virginia
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: School Board	Component Units: Public Service Authority	Component Units: Industrial Development Authority
PRIMARY GOVERNMENT:										
Governmental activities:										
General government administration	$ 1,776,300	$ -	$ 304,929	$ -	$ (1,471,371)	$ -	$ (1,471,371)	$ -	$ -	$ -
Judicial administration	766,461	59,249	565,485	-	(141,727)	-	(141,727)	-	-	-
Public safety	4,098,143	1,583	1,465,781	-	(2,630,779)	-	(2,630,779)	-	-	-
Public works	788,065	120,889	-	-	(667,176)	-	(667,176)	-	-	-
Health and welfare	3,835,853	5,811	2,778,848	-	(1,051,194)	-	(1,051,194)	-	-	-
Education	8,107,291	-	-	-	(8,107,291)	-	(8,107,291)	-	-	-
Parks, recreation, and cultural	382,682	49,956	5,000	-	(327,726)	-	(327,726)	-	-	-
Community development	975,161	-	-	-	(975,161)	-	(975,161)	-	-	-
Interest on long-term debt	1,501,082	-	-	-	(1,501,082)	-	(1,501,082)	-	-	-
Total government activities	$ 22,231,038	$ 237,488	$ 5,120,043	$ -	$ (16,873,507)	$ -	$ (16,873,507)	$ -	$ -	$ -
Business-type activities:										
Gladeville/Cranberry Sewer	$ 277,051	$ 262,146	$ -	$ 70,316	$ -	$ 55,411	$ 55,411	$ -	$ -	$ -
Total primary government	$ 22,508,089	$ 499,634	$ 5,120,043	$ 70,316	$ (16,873,507)	$ 55,411	$ (16,818,096)	$ -	$ -	$ -
COMPONENT UNITS:										
School Board	$ 32,202,475	$ 784,287	$ 25,702,293	$ 836,817	$ -	$ -	$ -	$ (4,879,078)	$ -	$ -
Public Service Authority	1,823,489	1,679,373	-	-	-	-	-	-	(144,116)	-
Industrial Development Authority	1,287,359	-	-	154,077	-	-	-	-	-	(1,133,282)
Total component units	$ 35,313,323	$ 2,463,660	$ 25,702,293	$ 990,894	$ -	$ -	$ -	$ (4,879,078)	$ (144,116)	$ (1,133,282)
General revenues:										
General property taxes					$ 14,002,880	$ -	$ 14,002,880	$ -	$ -	$ -
Local sales and use taxes					1,366,513	-	1,366,513	-	-	-
Consumer's utility tax					1,410,747	-	1,410,747	-	-	-
Motor vehicle taxes					618,666	-	618,666	-	-	-
Restaurant food taxes					402,414	-	402,414	-	-	-
Other local taxes					1,031,182	-	1,031,182	-	-	-
Unrestricted revenues from use of money and property					361,322	3,988	365,310	48,050	21,926	39,334
Miscellaneous					125,327	6,364	131,691	74,063	-	30,964
Payments from Primary Government					-	-	-	5,059,653	-	143,866
Grants and contributions not restricted to specific programs					1,293,822	-	1,293,822	-	-	-
Total general revenues					$ 20,612,873	$ 10,352	$ 20,623,225	$ 5,181,766	$ 21,926	$ 214,164
Change in net assets					$ 3,739,366	$ 65,763	$ 3,805,129	$ 302,688	$ (122,190)	$ (919,118)
Net assets - beginning					9,917,435	3,474,948	13,392,383	4,965,509	7,333,144	1,177,076
Net assets - ending					$ 13,656,801	$ 3,540,711	$ 17,197,512	$ 5,268,197	$ 7,210,954	$ 257,958

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

Exhibit 3

County of Carroll, Virginia
Balance Sheet
Governmental Funds
June 30, 2006

	General	School Construction	Total
ASSETS			
Cash and cash equivalents	$ 5,049,586	$ -	$ 5,049,586
Investments	235,011	1,757,763	1,992,774
Receivables (net of allowance for uncollectibles):			
Taxes receivable	1,549,997	-	1,549,997
Other local taxes receivable	246,925	-	246,925
Due from component unit	1,279,874	-	1,279,874
Due from other governmental units	783,272	-	783,272
Total assets	$ 9,144,665	$ 1,757,763	$ 10,902,428
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 296,710	$ 437,103	$ 733,813
Deferred revenue	1,445,850	-	1,445,850
Temporary loan payable	2,000,000	-	2,000,000
Total liabilities	$ 3,742,560	$ 437,103	$ 4,179,663
Fund balances:			
Reserved for:			
Construction	$ -	$ 1,320,660	$ 1,320,660
Unreserved, reported in:			
Unrestricted (deficit)	5,402,105	-	5,402,105
Total fund balances	$ 5,402,105	$ 1,320,660	$ 6,722,765
Total liabilities and fund balances	$ 9,144,665	$ 1,757,763	$ 10,902,428

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

Exhibit 4

County of Carroll, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:	
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	$ 6,722,765
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	52,296,887
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,396,021
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(46,758,872)
Net assets of governmental activities	$ 13,656,801

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

Exhibit 5

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	School Construction	Total
REVENUES			
General property taxes	$ 13,845,984	$ -	$ 13,845,984
Other local taxes	4,829,522	-	4,829,522
Permits, privilege fees, and regulatory licenses	249,930	-	249,930
Fines and forfeitures	10,310	-	10,310
Revenue from the use of money and property	245,931	115,391	361,322
Charges for services	237,488	-	237,488
Miscellaneous	125,327	-	125,327
Recovered costs	873,933	-	873,933
Intergovernmental revenues:			
Commonwealth	4,662,325	-	4,662,325
Federal	1,751,540	-	1,751,540
Total revenues	$ 26,832,290	$ 115,391	$ 26,947,681
EXPENDITURES			
Current:			
General government administration	$ 1,849,163	$ -	$ 1,849,163
Judicial administration	782,601	-	782,601
Public safety	4,122,737	-	4,122,737
Public works	1,039,243	-	1,039,243
Health and welfare	3,849,577	-	3,849,577
Education	6,730,098	-	6,730,098
Parks, recreation, and cultural	589,939	-	589,939
Community development	1,032,539	-	1,032,539
Capital projects	-	3,016,703	3,016,703
Debt service:			
Principal retirement	2,999,324	-	2,999,324
Interest and other fiscal charges	1,622,495	-	1,622,495
Total expenditures	$ 24,617,716	$ 3,016,703	$ 27,634,419
Excess (deficiency) of revenues over (under) expenditures	$ 2,214,574	$ (2,901,312)	$ (686,738)
Net change in fund balances	$ 2,214,574	$ (2,901,312)	$ (686,738)
Fund balances - beginning	3,187,531	4,221,972	7,409,503
Fund balances - ending	$ 5,402,105	$ 1,320,660	$ 6,722,765

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

Exhibit 6

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, 2006

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ (686,738)
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.	1,026,565
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	156,896
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,045,022
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.	197,621
Change in net assets of governmental activities	$ 3,739,366

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

Exhibit 7

County of Carroll, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Enterprise Fund Gladeville/ Cranberry Sewer
ASSETS	
Current assets:	
Cash in custody of others	$ 335,738
Accounts receivables, net of allowances for uncollectibles	27,893
Total current assets	$ 363,631
Noncurrent assets:	
Capital assets:	
Infrastructure	$ 5,422,305
Less accumulated depreciation	(971,188)
Total capital assets	$ 4,451,117
Total noncurrent assets	$ 4,451,117
Total assets	$ 4,814,748
LIABILITIES	
Current liabilities:	
Accounts payable	$ 4,551
Accrued interest payable	1,583
Bonds payable - current portion	18,296
Total current liabilities	$ 24,430
Noncurrent liabilities:	
Bonds payable - net of current portion	$ 1,249,607
Total noncurrent liabilities	$ 1,249,607
Total liabilities	$ 1,274,037
NET ASSETS	
Invested in capital assets, net of related debt	$ 3,183,214
Unrestricted	357,497
Total net assets	$ 3,540,711

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

Exhibit 8

County of Carroll, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Enterprise Fund Gladeville/ Cranberry Sewer
OPERATING REVENUES	
Charges for services:	
Water/sewer revenues	$ 257,184
Penalties and interest	3,775
Other revenues	1,187
Total operating revenues	$ 262,146
OPERATING EXPENSES	
Salaries and fringe benefits	$ 11,794
Professional services	600
Utilities	6,951
Maintenance and repairs	2,758
Office expenses	1,740
Operating supplies	6,541
Uniforms	637
Treatment expenses	51,445
Insurance expense	1,173
Other expenses	4,938
Depreciation	135,558
Total operating expenses	$ 224,135
Operating income (loss)	$ 38,011
NONOPERATING REVENUES (EXPENSES)	
Contributions from the Public Service Authority	$ 70,316
Connection fees	6,364
Interest revenue	3,988
Interest expense	(52,916)
Total nonoperating revenues (expenses)	$ 27,752
Change in net assets	$ 65,763
Total net assets - beginning	3,474,948
Total net assets - ending	$ 3,540,711

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, 2006

	Enterprise Fund Gladeville/ Cranberry Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 261,995
Payments to suppliers	(74,143)
Payments to employees	(11,794)
Net cash provided (used by) operating activities	$ 176,058
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contribution from the Public Service Authority	$ 70,316
Net cash provided (used) by noncapital financing activities	$ 70,316
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds	$ (19,952)
Connection fees	6,364
Interest payments	(51,772)
Net cash provided (used) by capital and related financing activities	$ (65,360)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	$ 3,988
Net cash provided (used) by investing activities	$ 3,988
Net increase (decrease) in cash and cash equivalents	$ 185,002
Cash and cash equivalents - beginning - including restricted	150,736
Cash and cash equivalents - ending - including restricted	$ 335,738
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ 38,011
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	$ 135,558
(Increase) decrease in accounts receivable	(151)
Increase (decrease) in accounts payable	2,640
Total adjustments	$ 138,047
Net cash provided (used) by operating activities	$ 176,058

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

Exhibit 10

County of Carroll, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

		Agency Funds
ASSETS		
Cash and cash equivalents	$	3,235,882
Total assets	$	3,235,882
LIABILITIES		
Amounts held for social services clients	$	33,485
Amounts held for Solid Waste Authority		3,182,314
Amounts held for Twin County Airport		20,083
Total liabilities	$	3,235,882

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

Note 1-Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

Blended component units - None

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

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

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

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

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

Jointly Governed Organizations:

The County along with the Counties of Wythe, Bland, Grayson, Smyth and the City of Galax participate in supporting the Mt. Rogers Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2006, the County contributed $102,472 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, 2006, the County contributed $185,063 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 $281,232 for the fiscal year ended June 30, 2006 and consisted of E-911 tax collected by the County.

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

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. 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.

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 $392,732 at June 30, 2006 and is composed solely of property taxes.

5. Use of Estimates

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

6. Capital assets

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

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

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

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

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

6. Capital assets (continued)

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

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

7. Compensated Absences

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

8. Long-term obligations

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

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

9. Fund equity

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

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these $(46,758,872) and $(924,291) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
General Obligation Bonds	$ 23,876,176	$ -
General Obligation Bond Premium	799,957	-
Literary Loans	11,017,696	-
Revenue Bond	10,045,000	-
Accrued interest payable	659,837	-
Compensated absences	360,206	924,291
Net adjustment to reduce *fund balance-total governmental funds* to arrive at *net assets-governmental activities*	$ 46,758,872	$ 924,291

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 $1,026,565 and $359,780 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Capital outlays	$ 2,190,819	$ 798,537
Depreciation expense	(1,164,254)	(438,757)
Net adjustment to increase (decrease) *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 1,026,565	$ 359,780

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

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

Another element of that reconciliation states "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $3,045,022 difference in the primary government, is as follows:

	Primary Government
Principal Payments or Other Reductions:	
General Obligation Bonds	$ 1,432,793
Bond Premium (amortization of)	45,698
Lease Purchase (Revenue Bond)	755,364
Literary loans	811,167
Net adjustment to increase (decrease) *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 3,045,022

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 $197,621 and $(71,204) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit
Compensated absences	$ 121,907	$ (71,204)
Accrued interest	75,714	-
Net adjustment to increase (decrease) *net changes in fund balances-total governmental funds* to arrive at *changes in net assets of governmental activities*	$ 197,621	$ (71,204)

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Note 3-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

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

2. Public hearings are conducted to obtain citizen comments.

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

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

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

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

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

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

B. Deficit fund equity

At June 30, 2006, there were no funds with deficit fund equity.

C. Appropriations

Expenditures exceeded appropriations in the School Construction Fund.

Note 4-Deposits and Investments:

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

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

Note 4-Deposits and Investments: (continued)

Credit Risk of Debt Securities:
The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2006 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	$ -	$ 235,011	$ -	$ -
SNAP	-	1,748,406	-	-

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

Note 5-Due from Other Governmental Units:

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

	Primary Government	Component Unit - School Board
Commonwealth of Virginia:		
Local sales tax	$ 248,188	$ -
State sales tax	-	651,076
Categorical aid-shared expenses	165,012	-
School categorical aid	-	4,358
Non-categorical aid	67,545	-
Virginia public assistance funds	38,475	-
Other categorical aid	13,187	-
Comprehensive services act	178,507	-
Federal Government:		
Virginia public assistance funds	72,358	-
School grants	-	714,872
Totals	$ 783,272	$ 1,370,306

Note 6-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	$ -	$ 1,279,874
Component Unit - School Board:		
School Fund	1,225,772	-
Component Unit - Public Service Authority		
PSA	54,102	-
Totals	$ 1,279,874	$ 1,279,874

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
2007	1,434,755	$ 1,123,740	$ 811,167	$ 220,680
2008	1,436,701	1,061,667	811,167	204,294
2009	1,439,129	999,112	754,167	237,115
2010	1,437,078	936,139	754,167	222,032
2011	1,439,934	872,799	723,196	206,948
2012-2016	7,250,635	3,341,467	3,400,835	826,390
2017-2021	7,217,944	1,446,368	3,400,838	486,305
2022-2023	2,220,000	107,670	362,159	56,451
Totals	$ 23,876,176	$ 9,888,962	$ 11,017,696	$ 2,460,215

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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
2007	$ -	$ 197,756
2008	490,000	387,550
2009	505,000	370,381
2010	520,000	354,725
2011	535,000	337,581
2012-2016	2,500,000	1,392,276
2017-2021	985,000	1,084,713
2022-2026	1,200,000	861,875
2027-2031	1,480,000	572,532
2032-2036	1,830,000	211,067
Totals	$ 10,045,000	$ 5,770,456

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2006.

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2006
GO bonds	$ 25,308,969	$ -	$ (1,432,793)	$ 23,876,176
Unamortized bond premium	845,655	-	(45,698)	799,957
Literary loans	11,828,863	-	(811,167)	11,017,696
Lease purchase revenue bond	10,800,364	10,510,000	(11,265,364)	10,045,000
Compensated absences	482,112	361,584	(483,490)	360,206
Total	$ 49,265,963	$ 10,871,584	$ (14,038,512)	$ 46,099,035

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Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
General Obligation Bonds:		
$4,505,000 Virginia Public School Authority general obligation bond issued May 18, 2000 maturing annually in principal installments varying from $225,000 to $230,000. Interest is payable semi-annually at rates varying from 5.10% to 6.35% through July 15, 2020.	$ 3,375,000	$ 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.	1,616,176	94,755
$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.	18,885,000	1,115,000
Sub-total General Obligation Bonds	$ 23,876,176	$ 1,434,755
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%.	$ 26,000	$ 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%.	10,000	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%.	10,200	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%.	12,200	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%	4,400	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%	13,800	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%	12,400	6,200

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	Total Amount	Amount Due Within One Year
Literary Loans: (continued)		
$64,234 State Literary Loan issued May 15, 1988, due in annual installments of $3,300 through May 15, 2008, interest payable annually at 3.0%	6,600	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%	12,800	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%	5,600	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%	129,255	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%	142,829	33,000
$291,945 State Literary Loan issued April 15, 1991, due in annual installments of $15,000 through April 15, 2010 with $6,945 due April 15, 2011, interest payable annually at 2.0%	66,945	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%	2,615,073	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%	2,155,080	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%	3,334,118	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%	2,460,396	153,775
Total Literary Loans	$ 11,017,696	$ 811,167

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	Amount	Within One Year
Lease Purchase Revenue Bonds:		
On 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%. Combined principal and 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	$ -
Other Long-term Obligations:		
Compensated absences	$ 360,206	$ 254,519
Unamortized bond premium	799,957	-
Total Other Long-term Obligations	$ 1,160,163	$ 254,519
Total Long-term Obligations	$ 46,099,035	$ 2,500,441

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:

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest
2007	$ 18,296	$ 53,428
2008	20,332	51,392
2009	21,183	50,541
2010	22,071	49,653
2011	22,996	48,728
2012-2016	130,312	228,308
2017-2021	160,182	198,438
2022-2026	197,055	161,565
2027-2031	242,599	116,021
2032-2036	298,895	59,725
2037-2040	133,982	5,840
Totals	$ 1,267,903	$ 1,023,639

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, 2006.

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2006
Revenue bonds	$ 1,287,856	$ -	$ (19,953)	$ 1,267,903
Total	$ 1,287,856	$ -	$ (19,953)	$ 1,267,903

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
Revenue Bonds:		
$977,000 Sewer Revenue Bond issued July 10, 1998 bearing interest at 4.50%. Principal and interest payments of $4,485 are due monthly through 2038	$ 905,176	$ 12,432
$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	362,727	5,864
Sub-Total Revenue Bonds	$ 1,267,903	$ 18,296

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, 2006.

	Balance July 1, 2005	Issuances	Retirements	Balance June 30, 2006
Compensated absences	$ 853,087	$ 639,815	$ (568,611)	$ 924,291
Total	$ 853,087	$ 639,815	$ (568,611)	$ 924,291

Details of long-term indebtedness:

	Amount	Within One Year
Other Obligations:		
Compensated absences	$ 924,291	$ 693,218

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/2005AnnuRept.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 2006 was 6.00% 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 2006 was 4.00% of the annual covered payroll.

C. Annual Pension Cost

Primary Government:
For fiscal year 2006, the County's annual pension cost of $282,021 (does not include employee share paid by the County, which was $141,010) 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 5.73% 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.

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 2006, the School Board's annual pension cost of $92,406 (does not include employee share paid by the School Board, which was $115,508) was equal to the School Board'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 5.73% 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	6/30/2004	$ 168,046	100.00%	$ -
	6/30/2005	259,634	100.00%	-
	6/30/2006	282,021	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2004	$ 59,607	100.00%	$ -
	6/30/2005	88,217	100.00%	-
	6/30/2006	92,406	100.00%	-

[1] Employer 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/2005AnnuRept.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 $1,117,473, $999,263, and $596,714 for the fiscal years ended 2006, 2005, and 2004 respectively. The School Board's required employee contributions to the statewide cost sharing pool for professional employees were $844,013, $828,576, and $791,398 for the fiscal years ended 2006, 2005, and 2004 respectively. Employer contributions represented 6.62%, 6.03%, and 3.77% of covered payroll for the fiscal years ended 2006, 2005, and 2004, respectively.

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,167,781	$ -	$ -	$ 1,167,781
Construction in progress	16,873,830	2,190,819	-	19,064,649
Total capital assets not being depreciated	$ 18,041,611	$ 2,190,819	$ -	$ 20,232,430
Capital assets, being depreciated:				
Buildings	$ 36,871,740	$ -	$ -	$ 36,871,740
Machinery and equipment	3,349,570	-	-	3,349,570
Total capital assets being depreciated	$ 40,221,310	$ -	$ -	$ 40,221,310
Less: accumulated depreciation for:				
Buildings	$ (4,700,339)	$ (907,761)	$ -	$ (5,608,100)
Machinery and equipment	(2,292,260)	(256,493)	-	(2,548,753)
Total accumulated depreciation	$ (6,992,599)	$ (1,164,254)	$ -	$ (8,156,853)
Total capital assets being depreciated, net	$ 33,228,711	$ (1,164,254)	$ -	$ 32,064,457
Governmental activities capital assets, net	$ 51,270,322	$ 1,026,565	$ -	$ 52,296,887

Primary Government – Business-type Activity:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, being depreciated:				
Infrastructure	$ 5,422,305	$ -	$ -	$ 5,422,305
Total capital assets being depreciated	$ 5,422,305	$ -	$ -	$ 5,422,305
Less: accumulated depreciation for:				
Infrastructure	$ (835,631)	$ (135,557)	$ -	$ (971,188)
Total accumulated depreciation	$ (835,631)	$ (135,557)	$ -	$ (971,188)
Business-type activities capital assets, net	$ 4,586,674	$ (135,557)	$ -	$ 4,451,117

Note 10-Capital Assets: (continued)

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

Governmental activities:	
General government	$ 2,847
Public safety	234,490
Public works	359,866
Health and welfare	8,562
Education	551,309
Parks, recreation, and culture	7,180
Total depreciation expense-governmental activities	$ 1,164,254
Business-type activities:	
Gladeville/Cranberry Sewer	$ 135,557
Total depreciation expense-primary government	$ 1,299,811

Capital asset activity for the School Board for the year ended June 30, 2006 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 1,528,700	$ -	$ -	$ 1,528,700
Construction in progress	-	508,430		508,430
Total capital assets not being depreciated	$ 1,528,700	$ 508,430	$ -	$ 2,037,130
Capital assets, being depreciated:				
Buildings	$ 7,560,466	$ 24,726	$ -	$ 7,585,192
Machinery and equipment	3,580,458	265,381	(371,192)	3,474,647
Total capital assets being depreciated	$ 11,140,924	$ 290,107	$ (371,192)	$ 11,059,839
Less: accumulated depreciation for:				
Buildings	$ (5,107,832)	$ (215,938)	$ -	$ (5,323,770)
Machinery and equipment	(2,773,171)	(222,819)	371,192	(2,624,798)
Total accumulated depreciation	$ (7,881,003)	$ (438,757)	$ 371,192	$ (7,948,568)
Total capital assets being depreciated, net	$ 3,259,921	$ (148,650)	$ -	$ 3,111,271
Governmental activities capital assets, net	$ 4,788,621	$ 359,780	$ -	$ 5,148,401

Note 11-Risk Management:

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

Note 12-Contingent Liabilities:

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

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

Note 13-Surety Bonds:

Primary Government:

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

Note 14-Designated and Reserved Fund Balances:

Primary Government:	
Reserved for School contruction	$ 1,320,660
Total Primary Government reservations	$ 1,320,660
Component Unit - School Board:	
Reserved for cafeteria	$ 400,269
Total School Board designations	$ 400,269

Note 15-Payroll Expenses:

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

Note 16-Commitments and Contingencies:

Two manufacturing facilities in Carroll County are in the process of contesting their real estate tax assessments. It is anticipated that they will ask for a partial refund of already paid real estate taxes. At this time, the monetary amount of a potential refund can not be determined and therefore no liability has been included in the financial statements for same.

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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, 2006

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 13,011,600	$ 13,348,314	$ 13,845,984	$ 497,670
Other local taxes	4,054,400	4,089,972	4,829,522	739,550
Permits, privilege fees, and regulatory licenses	186,500	186,500	249,930	63,430
Fines and forfeitures	4,800	4,800	10,310	5,510
Revenue from the use of money and property	55,000	55,000	245,931	190,931
Charges for services	142,300	147,624	237,488	89,864
Miscellaneous	15,500	313,109	125,327	(187,782)
Recovered costs	1,042,173	1,104,982	873,933	(231,049)
Intergovernmental revenues:				
Commonwealth	4,600,580	4,692,845	4,662,325	(30,520)
Federal	1,797,387	1,937,992	1,751,540	(186,452)
Total revenues	$ 24,910,240	$ 25,881,138	$ 26,832,290	$ 951,152
				3.7%
EXPENDITURES				
Current:				
General government administration	$ 2,181,144	$ 2,159,123	$ 1,849,163	$ 309,960
Judicial administration	828,990	912,462	782,601	129,861
Public safety	3,569,026	4,247,153	4,122,737	124,416
Public works	1,184,316	1,272,730	1,039,243	233,487
Health and welfare	4,118,155	4,118,155	3,849,577	268,578
Education	6,889,009	6,889,009	6,730,098	158,911
Parks, recreation, and cultural	549,678	586,243	589,939	(3,696)
Community development	988,918	1,078,345	1,032,539	45,806
Debt service:				
Principal retirement	2,999,324	2,999,324	2,999,324	-
Interest and other fiscal charges	1,601,680	1,618,594	1,622,495	(3,901)
Total expenditures	$ 24,910,240	$ 25,881,138	$ 24,617,716	$ 1,263,422
				4.9%
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 2,214,574	$ 2,214,574
Net change in fund balances	$ -	$ -	$ 2,214,574	$ 2,214,574
Fund balances - beginning	-	-	3,187,531	3,187,531
Fund balances - ending	$ -	$ -	$ 5,402,105	$ 5,402,105

Exhibit 12

County of Carroll, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2006

	School Construction			
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 115,391	$ 115,391
Total revenues	$ -	$ -	$ 115,391	$ 115,391
EXPENDITURES				
Capital projects	$ -	$ -	$ 3,016,703	$ (3,016,703)
Total expenditures	$ -	$ -	$ 3,016,703	$ (3,016,703)
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ (2,901,312)	$ (2,901,312)
Net change in fund balances	$ -	$ -	$ (2,901,312)	$ (2,901,312)
Fund balances - beginning	-	-	4,221,972	4,221,972
Fund balances - ending	$ -	$ -	$ 1,320,660	$ 1,320,660

Exhibit 13

County of Carroll, Virginia
Schedule of Pension Funding Progress
As of June 30, 2006

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)
6/30/2005	$ 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:
School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2005	$ 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%

OTHER SUPPLEMENTARY INFORMATION

FIDUCIARY FUND

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

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

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

Exhibit 14

County of Carroll, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Agency Funds			
	Special Welfare	Solid Waste Authority	Twin County Airport	Total
ASSETS				
Cash and cash equivalents	$ 33,485	$ 3,182,314	$ 20,083	$ 3,235,882
Total assets	$ 33,485	$ 3,182,314	$ 20,083	$ 3,235,882
LIABILITIES				
Amounts held for social services clients	$ 33,485	$ -	$ -	$ 33,485
Amounts held for the Solid Waste Authority	-	3,182,314	-	3,182,314
Amounts held for the Twin County Airport	-	-	20,083	20,083
Total liabilities	$ 33,485	$ 3,182,314	$ 20,083	$ 3,235,882

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.

Exhibit 15

County of Carroll, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2006

		School Operating Fund
ASSETS		
Cash and cash equivalents	$	2,776,237
Due from other governmental units		1,370,306
Total assets	$	4,146,543
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	144,533
Accrued liabilities		1,732,151
Due to primary government		1,225,772
Total liabilities	$	3,102,456
Fund balances:		
Unreserved:		
Designated for subsequent expenditure	$	1,044,087
Total fund balances	$	1,044,087
Total liabilities and fund balances	$	4,146,543

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

Total fund balances per above	$	1,044,087
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,148,401
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(924,291)
Net assets of governmental activities	$	5,268,197

Exhibit 16

County of Carroll, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2006

		School Operating Fund
REVENUES		
Revenue from the use of money and property	$	48,050
Charges for services		784,287
Miscellaneous		74,063
Recovered costs		68,995
Intergovernmental revenues:		
Local government		6,699,163
Commonwealth		21,625,179
Federal		4,913,931
Total revenues	$	34,213,668
EXPENDITURES		
Current:		
Education	$	34,199,556
Total expenditures	$	34,199,556
Excess (deficiency) of revenues over (under) expenditures	$	14,112
Net change in fund balances	$	14,112
Fund balances - beginning		1,029,975
Fund balances - ending	$	1,044,087

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	$	14,112
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.		359,780
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.		(71,204)
Change in net assets of governmental activities	$	302,688

Exhibit 17

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, 2006

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 20,000	$ 28,595	$ 48,050	$ 19,455
Charges for services	1,854,027	1,871,027	784,287	(1,086,740)
Miscellaneous	36,250	55,310	74,063	18,753
Recovered costs	79,500	79,500	68,995	(10,505)
Intergovernmental revenues:				
Local government	6,856,073	6,856,073	6,699,163	(156,910)
Commonwealth	21,841,115	22,130,384	21,625,179	(505,205)
Federal	4,701,688	5,118,376	4,913,931	(204,445)
Total revenues	$ 35,388,653	$ 36,139,265	$ 34,213,668	$ (1,925,597)
EXPENDITURES				
Current:				
Education	$ 35,238,653	$ 35,989,268	$ 34,199,556	$ 1,789,712
Total expenditures	$ 35,238,653	$ 35,989,268	$ 34,199,556	$ 1,789,712
Excess (deficiency) of revenues over (under) expenditures	$ 150,000	$ 149,997	$ 14,112	$ (135,885)
Net change in fund balances	$ 150,000	$ 149,997	$ 14,112	$ (135,885)
Fund balances - beginning	-	-	1,029,975	1,029,975
Fund balances - ending	$ 150,000	$ 149,997	$ 1,044,087	$ 894,090

SUPPORTING SCHEDULES

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 9,510,000	$ 9,711,154	$ 9,746,222	$ 35,068
Real and personal public service corporation taxes	535,000	535,000	654,672	119,672
Personal property taxes	1,335,000	1,470,560	1,650,049	179,489
Mobile home taxes	87,100	87,100	121,839	34,739
Machinery and tools taxes	1,269,000	1,269,000	1,260,729	(8,271)
Merchant's capital taxes	178,500	178,500	195,579	17,079
Penalties	40,000	40,000	77,215	37,215
Interest	57,000	57,000	139,679	82,679
Total general property taxes	$ 13,011,600	$ 13,348,314	$ 13,845,984	$ 497,670
Other local taxes:				
Local sales and use taxes	$ 1,100,000	$ 1,100,000	$ 1,366,513	$ 266,513
Consumers' utility taxes- electric	600,000	600,000	640,264	40,264
Consumers' utility taxes- telephone	600,000	600,000	770,483	170,483
Consumption taxes	110,000	110,000	106,852	(3,148)
E-911 telephone taxes	287,400	287,400	281,290	(6,110)
Franchise license taxes	50,000	50,000	41,115	(8,885)
Utility license tax	35,000	35,000	20,059	(14,941)
Recordation taxes	63,000	63,000	204,230	141,230
Motor vehicle licenses	550,000	550,000	618,666	68,666
Bank stock taxes	6,500	6,500	16,257	9,757
Taxes on deeds	30,000	30,000	51,545	21,545
Hotel and motel room taxes	262,500	262,500	309,834	47,334
Restaurant food taxes	360,000	395,572	402,414	6,842
Total other local taxes	$ 4,054,400	$ 4,089,972	$ 4,829,522	$ 739,550
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 20,000	$ 20,000	$ 23,563	$ 3,563
Land use application fees	10,000	10,000	6,104	(3,896)
Transfer fees	1,500	1,500	1,899	399
Building permits	155,000	155,000	218,334	63,334
Other permits and licenses	-	-	30	30
Total permits, privilege fees, and regulatory licenses	$ 186,500	$ 186,500	$ 249,930	$ 63,430
Fines and forfeitures:				
Court fines and forfeitures	$ 4,800	$ 4,800	$ 10,310	$ 5,510
Revenue from use of money and property:				
Revenue from use of money	$ 45,000	$ 45,000	$ 216,129	$ 171,129
Revenue from use of property	10,000	10,000	29,802	19,802
Total revenue from use of money and property	$ 55,000	$ 55,000	$ 245,931	$ 190,931
Charges for services:				
Clerk's interest	$ 20,200	$ 20,200	$ 17,649	$ (2,551)
Charges for law enforcement and traffic control	100	124	126	2
Charges for courthouse maintenance	14,000	14,000	94,759	80,759
Charges for courthouse security	30,000	30,000	36,672	6,672
VPA garage charges	-	-	5,811	5,811
Charges for Commonwealth's Attorney	1,000	1,000	1,681	681
Miscellaneous jail and inmate fees	1,000	1,000	1,457	457

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for cannery	$ -	$ -	$ 812	$ 812
Charges for law library	5,000	5,000	3,247	(1,753)
Charges for sanitation and waste removal	20,000	20,000	26,130	6,130
Charges for parks and recreation	51,000	56,300	49,144	(7,156)
Total charges for services	$ 142,300	$ 147,624	$ 237,488	$ 89,864
Miscellaneous revenue:				
Miscellaneous	$ 15,500	$ 313,109	$ 125,327	$ (187,782)
Recovered costs:				
Solid Waste Authority	$ 283,437	$ 283,437	$ 214,254	$ (69,183)
Virginia Housing Development Authority	38,511	38,511	51,274	12,763
Public Service Authority	370,125	370,125	379,509	9,384
Farmers' Market	142,600	142,600	124,264	(18,336)
City of Galax-shared expenses	80,000	80,000	-	(80,000)
Insurance recoveries	50,000	77,762	39,804	(37,958)
Beaver dam trail	-	-	33,313	33,313
School resource officer	-	32,014	10,671	(21,343)
Other recovered costs	77,500	80,533	20,844	(59,689)
Total recovered costs	$ 1,042,173	$ 1,104,982	$ 873,933	$ (231,049)
Total revenue from local sources	$ 18,512,273	$ 19,250,301	$ 20,418,425	$ 1,168,124
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	100,000	100,000	67,104	(32,896)
Motor vehicle rental tax	6,000	6,000	4,144	(1,856)
Rolling stock tax	2,000	2,000	1,053	(947)
State recordation tax	45,000	45,000	42,000	(3,000)
Personal property tax relief funds	1,100,000	1,100,000	1,124,843	24,843
Total noncategorical aid	$ 1,293,000	$ 1,293,000	$ 1,270,838	$ (22,162)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 321,470	$ 321,470	$ 254,301	$ (67,169)
Sheriff	1,216,906	1,249,366	1,247,140	(2,226)
Commissioner of revenue	115,870	115,870	114,601	(1,269)
Treasurer	118,716	118,716	117,928	(788)
Medical examiner	400	400	510	110
Registrar/electoral board	43,278	43,278	51,145	7,867
Clerk of the Circuit Court	237,213	237,213	245,215	8,002
Total shared expenses	$ 2,053,853	$ 2,086,313	$ 2,030,840	$ (55,473)
Other categorical aid:				
Public assistance and welfare administration	$ 802,665	$ 802,665	$ 687,169	$ (115,496)
Comprehensive Services Act	301,883	301,883	455,593	153,710
Animal friendly plates	-	-	277	277
Tobacco settlement funds	47,430	47,430	43,441	(3,989)
Victim witness	52,749	54,682	52,749	(1,933)

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire program	$ 36,000	$ 72,617	$ 72,617	$ -
Two-for-life grant	13,000	13,000	22,245	9,245
Asset forfeiture	-	-	79	79
Records preservation	-	21,255	21,255	-
Arts grant	-	-	5,000	5,000
Department of Environmental Quality	-	-	222	222
Total other categorical aid	$ 1,253,727	$ 1,313,532	$ 1,360,647	$ 47,115
Total categorical aid	$ 3,307,580	$ 3,399,845	$ 3,391,487	$ (8,358)
Total revenue from the Commonwealth	$ 4,600,580	$ 4,692,845	$ 4,662,325	$ (30,520)
Revenue from the federal government:				
Payments in lieu of taxes	$ 10,000	$ 10,000	$ 22,984	$ 12,984
Categorical aid:				
Public assistance and welfare administration	$ 1,787,387	$ 1,787,387	$ 1,592,423	$ (194,964)
Emergency management preparedness grant	-	-	3,328	3,328
Homeland security grant	-	108,065	108,065	-
Department of Justice grant	-	12,989	13,220	231
State and community highway safety	-	19,551	11,520	(8,031)
Total categorical aid	$ 1,787,387	$ 1,927,992	$ 1,728,556	$ (199,436)
Total revenue from the federal government	$ 1,797,387	$ 1,937,992	$ 1,751,540	$ (186,452)
Total General Fund	$ 24,910,240	$ 25,881,138	$ 26,832,290	$ 951,152
Capital Projects Fund:				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 115,391	$ 115,391
Total revenue from local sources	$ -	$ -	$ 115,391	$ 115,391
Total School Construction Fund	$ -	$ -	$ 115,391	$ 115,391
Total Primary Government	$ 24,910,240	$ 25,881,138	$ 26,947,681	$ 1,066,543
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 932	$ 932
Revenue from the use of property	20,000	28,595	47,118	18,523
Total revenue from use of money and property	$ 20,000	$ 28,595	$ 48,050	$ 19,455

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

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 local sources: (Continued)				
Charges for services:				
Fees from pupils	$ 18,000	$ 33,000	$ 19,290	$ (13,710)
Cafeteria sales	1,801,027	1,801,027	720,715	(1,080,312)
Transportation of pupils	3,000	3,000	5,954	2,954
Other payments from other localities	32,000	34,000	38,328	4,328
Total charges for services	$ 1,854,027	$ 1,871,027	$ 784,287	$ (1,086,740)
Miscellaneous revenue:				
Other miscellaneous	$ 36,250	$ 55,310	$ 74,063	$ 18,753
Recovered costs:				
Insurance recoveries and rebates	$ 79,500	$ 79,500	$ 68,995	$ (10,505)
Total revenue from local sources	$ 1,989,777	$ 2,034,432	$ 975,395	$ (1,059,037)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	$ 6,856,073	$ 6,856,073	$ 6,699,163	$ (156,910)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 3,734,422	$ 3,734,422	$ 3,708,950	$ (25,472)
Basic school aid	10,984,303	10,984,303	10,867,354	(116,949)
Remedial summer education	106,119	106,119	104,523	(1,596)
Regular foster care	23,448	23,448	22,006	(1,442)
Adult education	6,282	6,282	-	(6,282)
Gifted and talented	110,140	110,140	109,772	(368)
Remedial education	338,892	338,892	337,760	(1,132)
Alternative education	95,974	95,974	95,974	-
Special education	1,316,029	1,316,029	1,311,636	(4,393)
Textbook payment	178,257	178,257	177,662	(595)
School construction	158,476	158,476	158,707	231
Vocational standards of quality payments	319,123	319,123	318,058	(1,065)
Vocational adult education	-	-	594	594
Vocational education - equipment	33,552	33,552	10,896	(22,656)
Vocational occupational preparedness	-	-	14,682	14,682
Social security fringe benefits	625,599	625,599	577,007	(48,592)
Retirement fringe benefits	585,145	585,145	543,231	(41,914)
State lottery payments	692,581	692,581	678,110	(14,471)
Early reading intervention	54,538	54,538	47,266	(7,272)
Homebound education	25,503	25,503	36,904	11,401
Rural health outreach	113,080	113,080	113,080	-
School nutrition	29,027	29,027	31,856	2,829
Special education - foster children	-	-	12,036	12,036
Special education - regional	142,881	142,881	80,346	(62,535)
Salary supplement	223,104	223,104	222,359	(745)
At risk payments	323,043	323,043	321,862	(1,181)
VPSA technology	336,000	336,000	310,608	(25,392)
Standards of Learning algebra readiness	44,957	79,163	44,957	(34,206)
At risk four-year olds	241,885	241,885	241,885	-

County of Carroll, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

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	$ 263,488	$ 263,488	$ 267,961	$ 4,473
Mentor teacher program	-	-	20,251	20,251
ISAEP	15,717	15,717	15,717	-
Americorp	299,222	299,222	307,801	8,579
English as a second language	66,328	66,328	77,157	10,829
Other state funds	354,000	609,063	436,211	(172,852)
Total categorical aid	$ 21,841,115	$ 22,130,384	$ 21,625,179	$ (505,205)
Total revenue from the Commonwealth	$ 21,841,115	$ 22,130,384	$ 21,625,179	$ (505,205)
Revenue from the federal government:				
Categorical aid:				
Forest reserve	$ 3,600	$ 3,600	$ 3,748	$ 148
Title I Part D	-	29,204	-	(29,204)
Adult basic education	82,893	82,893	91,621	8,728
Title I	933,115	1,255,705	1,221,876	(33,829)
Title VI-B, special education flow-through	1,262,986	1,262,986	1,325,636	62,650
Vocational education	88,594	96,098	98,323	2,225
Title VI-B, special education pre-school	28,999	28,999	38,397	9,398
Drug free schools	26,425	26,425	27,034	609
Title II	25,836	25,836	21,622	(4,214)
Title III	5,500	10,287	70,792	60,505
Title V Part A	25,318	25,318	22,239	(3,079)
Teacher quality	228,156	228,156	173,764	(54,392)
Migrant education	78,900	131,503	108,330	(23,173)
Comprehensive school reform	82,000	82,000	94,593	12,593
National school lunch program	720,000	720,000	777,812	57,812
Reading first	899,366	899,366	577,067	(322,299)
Calculator grants	-	-	3,757	3,757
School breakfast program	210,000	210,000	257,320	47,320
Other federal programs	-	-	-	-
Total categorical aid	$ 4,701,688	$ 5,118,376	$ 4,913,931	$ (204,445)
Total revenue from the federal government	$ 4,701,688	$ 5,118,376	$ 4,913,931	$ (204,445)
Total Discretely Presented Component Unit - School Board	$ 35,388,653	$ 36,139,265	$ 34,213,668	$ (1,925,597)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 922,473	$ 890,080	$ 663,217	$ 226,863
General and financial administration:				
County administrator	$ 373,237	$ 382,030	$ 369,655	$ 12,375
County attorney	37,500	39,079	43,044	(3,965)
Commissioner of revenue	234,884	234,884	221,934	12,950
County assessor	144,169	144,169	139,678	4,491
Treasurer	288,753	288,753	272,511	16,242
Total general and financial administration	$ 1,078,543	$ 1,088,915	$ 1,046,822	$ 42,093
Board of elections:				
Electoral board and officials	$ 74,788	$ 74,788	$ 45,541	$ 29,247
Registrar	105,340	105,340	93,583	11,757
Total board of elections	$ 180,128	$ 180,128	$ 139,124	$ 41,004
Total general government administration	$ 2,181,144	$ 2,159,123	$ 1,849,163	$ 309,960
Judicial administration:				
Courts:				
Circuit court	$ 56,832	$ 59,847	$ 50,400	$ 9,447
Special magistrates	3,100	3,100	105	2,995
Victim witness	50,756	52,689	47,410	5,279
Clerk of the circuit court	352,014	422,145	386,582	35,563
Law library	5,000	13,393	7,662	5,731
Total courts	$ 467,702	$ 551,174	$ 492,159	$ 59,015
Commonwealth's attorney:				
Commonwealth's attorney	$ 361,288	$ 361,288	$ 290,442	$ 70,846
Total judicial administration	$ 828,990	$ 912,462	$ 782,601	$ 129,861
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 1,526,732	$ 1,628,436	$ 1,587,979	$ 40,457
Vehicle maintenance	175,960	187,882	180,650	7,232
Total law enforcement and traffic control	$ 1,702,692	$ 1,816,318	$ 1,768,629	$ 47,689
Fire and rescue services:				
Volunteer fire departments	$ 463,544	$ 731,016	$ 712,277	$ 18,739
Rescue squads	211,144	340,752	330,352	10,400
Total fire and rescue services	$ 674,688	$ 1,071,768	$ 1,042,629	$ 29,139
Correction and detention:				
Payments to New River Regional Jail	$ 535,000	$ 535,000	$ 534,353	$ 647
Juvenile probation and detention	84,581	84,581	57,635	26,946
Total correction and detention	619,581	619,581	591,988	27,593
Inspections:				
Building	$ 126,313	$ 128,347	$ 123,701	$ 4,646

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal warden	$ 73,859	$ 73,859	$ 76,054	$ (2,195)
Medical examiner	800	900	900	-
E-911	287,400	287,400	281,232	6,168
Emergency services	52,312	214,534	221,440	(6,906)
Garage emergency vehicles	31,381	34,446	16,164	18,282
Total other protection	$ 445,752	$ 611,139	$ 595,790	$ 15,349
Total public safety	$ 3,569,026	$ 4,247,153	$ 4,122,737	$ 124,416
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	$ 490,360	$ 497,860	$ 287,143	$ 210,717
Maintenance of general buildings and grounds:				
Governmental complex	$ 333,700	$ 206,080	$ 192,745	$ 13,335
Courthouse	6,300	6,300	6,210	90
Carter building	500	28,323	28,088	235
Cannery	-	558	558	-
Maintenance force	209,672	281,610	278,169	3,441
Maintenance of other properties	143,784	251,863	246,194	5,669
Maintenance of social services building	-	136	136	-
Total maintenance of general buildings and grounds	$ 693,956	$ 774,870	$ 752,100	$ 22,770
Total public works	$ 1,184,316	$ 1,272,730	$ 1,039,243	$ 233,487
Health and welfare:				
Health:				
Supplement of local health department	$ 201,338	$ 201,338	$ 201,338	$ -
Mental health and mental retardation:				
Community services board	$ 102,472	$ 102,472	$ 102,472	$ -
Welfare:				
Public assistance and welfare administration	$ 3,678,325	$ 3,678,325	$ 3,446,970	$ 231,355
Office on youth	79,919	79,919	42,696	37,223
Senior citizens center	56,101	56,101	56,101	-
Total welfare	$ 3,814,345	$ 3,814,345	$ 3,545,767	$ 268,578
Total health and welfare	$ 4,118,155	$ 4,118,155	$ 3,849,577	$ 268,578
Education:				
Other instructional costs:				
Contributions to Community College	$ 30,935	$ 30,935	$ 30,935	$ -
Contribution to County School Board	6,858,074	6,858,074	6,699,163	158,911
Total education	$ 6,889,009	$ 6,889,009	$ 6,730,098	$ 158,911

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	$ 150,737	$ 167,302	$ 174,161	$ (6,859)
Swimming pools	34,853	34,853	35,537	(684)
Farmer's Market	185,586	205,586	195,178	10,408
Total parks and recreation	$ 371,176	$ 407,741	$ 404,876	$ 2,865
Library:				
Contribution to Carroll-Galax Regional Library	$ 178,502	$ 178,502	$ 185,063	$ (6,561)
Total parks, recreation, and cultural	$ 549,678	$ 586,243	$ 589,939	$ (3,696)
Community development:				
Planning and community development:				
Planning commission	$ 2,400	$ 2,400	$ 2,325	$ 75
Economic development	86,321	85,502	95,182	(9,680)
Payments to Town of Hillsville	237,500	273,072	273,072	-
Contribution to Public Service Authority	373,725	381,232	379,020	2,212
Contribution to Industrial Development Authority	24,625	55,422	83,204	(27,782)
Contribution to Twin County Airport	45,000	45,000	28,950	16,050
Tourism	152,570	168,940	126,061	42,879
Total planning and community development	$ 922,141	$ 1,011,568	$ 987,814	$ 23,754
Environmental management:				
Contribution to soil and water district	$ 8,700	$ 8,700	$ 8,700	$ -
Cooperative extension program:				
Extension office	$ 58,077	$ 58,077	$ 36,025	$ 22,052
Total community development	$ 988,918	$ 1,078,345	$ 1,032,539	$ 45,806
Debt service:				
Principal retirement	$ 2,999,324	$ 2,999,324	$ 2,999,324	$ -
Interest and other fiscal charges	1,601,680	1,618,594	1,622,495	(3,901)
Total debt service	$ 4,601,004	$ 4,617,918	$ 4,621,819	$ (3,901)
Total General Fund	$ 24,910,240	$ 25,881,138	$ 24,617,716	$ 1,263,422
Capital Projects Fund:				
School Construction Fund:				
Capital projects expenditures:				
School improvements	$ -	$ -	$ 3,016,703	$ (3,016,703)
Total School Construction Fund	$ -	$ -	$ 3,016,703	$ (3,016,703)
Total Primary Government	$ 24,910,240	$ 25,881,138	$ 27,634,419	$ (1,753,281)

County of Carroll, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2006

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	$ 1,309,525	$ 1,516,436	$ 1,246,470	$ 269,966
Instruction costs:				
Instruction	$ 25,966,637	$ 26,508,032	$ 25,912,807	$ 595,225
Operating costs:				
Pupil transportation	$ 2,254,125	$ 2,254,124	$ 2,231,837	$ 22,287
Operation and maintenance of school plant	3,098,312	3,100,622	2,966,927	133,695
Food services and other non-instructional costs	2,610,054	2,610,054	1,841,515	768,539
Total operating costs	$ 7,962,491	$ 7,964,800	$ 7,040,279	$ 924,521
Total education	$ 35,238,653	$ 35,989,268	$ 34,199,556	$ 1,789,712
Total Discretely Presented Component Unit - School Board	$ 35,238,653	$ 35,989,268	$ 34,199,556	$ 1,789,712

OTHER SUPPLEMENTARY INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Gladeville Cranberry Sewer	Total	
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	.37
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	-5.2
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	17.8
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 4 years.

Table 2

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

	PROGRAM REVENUES			GENERAL REVENUES					
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
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 4 years.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
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
1996-97	1,126,886	464,522	2,416,488	500,910	2,470,374	23,593,534	242,699	298,734	-	432,538	31,546,685

(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
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
1996-97	6,885,487	2,136,736	111,104	3,093	335,981	732,139	111,902	712,889	21,402,242	32,431,573

101.1

(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
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%
1996-97	6,842,258	6,579,598	96.16%	180,729	6,760,327	98.80%	812,724	11.88%

(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
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
1996-97	751,575,350	203,950,445	52,216,977	1,007,742,772

135.1%

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

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital
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
1996-97	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
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
1996-97	26,594	1,007,743	2,191,739	2,191,739	0.22%	82

(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
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%
1996-97	309,685	122,853	432,538	31,546,685	1.37%

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

COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units and the major funds of the County of Carroll, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated November 10, 2006. The report on the governmental activities was qualified as we were unable to verify capital asset additions, deletions and resulting balances. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the County of Carroll, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Carroll County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1, and 2006-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider 2006-1, and 2006-2 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

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

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

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

Robinson, Farmer, Cox Associates

Christiansburg, Virginia
November 10, 2006

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

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

Compliance

We have audited the compliance of the County of Carroll, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The County of Carroll, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Carroll, Virginia's management. Our responsibility is to express an opinion on the County of Carroll, Virginia's compliance based on our audit.

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

In our opinion, the County of Carroll, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

Robinson, Farmer, Cox Associates

Christiansburg, Virginia
November 10, 2006

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:		
Pass Through Payments:		
State Department of Agriculture:		
Food Distribution-Schools (Note 2)	10.555	130,704
Department of Social Services:		
State Administrative Matching Grants for Food Stamp Program	10.561	238,012
Department of Education:		
School Breakfast Program	10.553	777,812
National School Lunch Program	10.555	257,320
Schools and Roads	10.665	3,748
Total Department of Agriculture		$ 1,407,596
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Pass Through Payments:		
Department of Social Services:		
Family Support Services	93.556	$ 13,715
Temporary Assistance to Needy Families	93.558	246,590
Refugee and Entrant Assistance	93.566	243
Payments to States for Child Care Assistance	93.575	183,831
Child Care and Development Fund	93.596	111,503
Foster Care	93.658	242,996
Adoption Assistance	93.659	103,272
Social Services Block Grant	93.667	244,764
Independent Living	93.674	-
State Children's Insurance Program	93.767	194
Medical Assistance Program	93.778	190,532
Low Income Home Energy Assistance	96.568	16,771
Total Department of Health and Human Services		$ 1,354,411

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
U. S. DEPARTMENT OF HOMELAND SECURITY:		
Pass Through Payments:		
Department of Emergency Management:		
State Homeland Security Grant Program	97.004	$ 108,065
Emergency Management Preparedness Grant	97.042	3,328
Total U. S. Department of Homeland Security		$ 111,393
DEPARTMENT OF JUSTICE:		
Pass Through Payments:		
Department of Criminal Justice Services:		
Drug Control and System Improvement	16.579	$ 13,220
DEPARTMENT OF TRANSPORTATION:		
Pass Through Payments:		
Department of Motor Vehicles:		
Alcohol Open Container Requirements	20.607	$ 11,520
ENVIRONMENTAL PROTECTION AGENCY:		
Pass Through Payments:		
Virginia Resources Authority:		
Capitalization Grants for Drinking Water	66.468	$ 77,768
DEPARTMENT OF EDUCATION:		
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	$ 91,621
Title I Grants to Local Educational Agencies	84.010	1,221,876
Special Education-Grants to States (Title VI-B)	84.027	1,204,762
Vocational Education-Basic Grants to States	84.048	98,323
Special Education-Preschool Grant to States	84.173	38,397
Drug-Free Schools and Communities-State Grants	84.186	27,034
Migrant Education Coordination Program	84.144	52,603
Title V Part A	84.298	22,239

County of Carroll, Virginia

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/ State Pass-Through Grantor/ Program Title/Pass Through Grantor's Number	Federal Catalogue Number	Federal Awards
DEPARTMENT OF EDUCATION: (Continued)		
Pass Through Payments: (Continued)		
Department of Education: (Continued)		
Technology Literacy Challenge Fund Grants	84.318	$ 21,622
Reading First	84.357	577,067
Rural and Low Income Schools	84.358	-
Title II - Part A	84.367	173,764
Migrant Education	84.011	55,727
Title IV - Part B-21	84.287	120,874
Comprehensive School Reform	84.332	94,593
State Assessment and Related Activities NCLB	84.369	3,757
English Language Acquisition Grant	84.365	70,792
Total Department of Education		$ 3,875,051
Total Federal Financial Assistance		$ 6,850,959

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, 2006

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster
84.010	Title I
10.553/10.555	School Nutrition Cluster
84.357	Reading First

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

Section II -- Financial Statement Finding

2006-1 **Condition:** The County did not update their fixed asset listings for the year ended June 30, 2006. **Criteria:** Internal controls should be in place that provide reasonable assurance that capital asset activity will be properly recorded in the financial records of the County. **Effect:** The financial statements may contain errors and omissions that would be material in relation to the governmental activities of Carroll County. **Recommendation:** The County should complete an inventory of all capital assets to develop a listing of depreciable assets. In addition, the County should audit the insurance schedules against this asset listing to determine if assets are adequately insured.

2006-2 **Condition:** The County's books contained an accounts payable clearing account and a payroll clearing account that should have cleared out prior to year end. Both accounts carried material balances at year end with no explanation for same. **Criteria:** Controls should be in place to ensure that clearing accounts are cleared out prior to year end. **Effect:** The financial statements may have contained material errors. **Recommendation:** The County should establish a process of closing and reconciling the books each month that includes making sure all clearing accounts carry zero balances.

Section III – Federal Award Findings and Questioned Costs

None