

COUNTY OF CARROLL, VIRGINIA  
FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 2012

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COUNTY OF CARROLL, VIRGINIA  
 FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2012

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COUNTY OF CARROLL, VIRGINIA  
 FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2012

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## INTRODUCTORY SECTION

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# COUNTY OF CARROLL, VIRGINIA

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## BOARD OF SUPERVISORS

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Thomas W. Littrell	W. S. Sam Dickson, Chair	Joshua A. Hendrick
Ralph J. Bob Martin, Jr.	David V. Hutchins, Vice Chair	Phil D. McGraw

## COUNTY SCHOOL BOARD

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Reginald M. Gardner, Vice-chair	Brian Spencer, Chair	Olen L. Gallimore
Joey D. Haynes		Sanford G. Hendrick

## OTHER OFFICIALS

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Clerk of the Circuit Court.....	Carolyn H. Honeycutt
Commonwealth's Attorney .....	Nathan H. Lyons
Commissioner of the Revenue .....	Fran A. McPherson
Treasurer .....	Bonita M. Williams
Sheriff.....	John B. Gardner
Superintendent of Schools .....	Dr. James Smith
County Administrator.....	Gary Larrowe
County Attorney .....	James E. Cornwell, Jr

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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

### TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF CARROLL, VIRGINIA HILLSVILLE, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Carroll, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Carroll, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Carroll, Virginia, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of the County of Carroll, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Carroll, Virginia's, basic financial statements as a whole. The other supplementary information, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The other statistical information has not been subjected to the auditing procedures applied by in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

*Robinson, Faimer, Co. Associates*

Blacksburg, Virginia  
December 10, 2012

## Basic Financial Statements

County of Carroll, Virginia  
Statement of Net Assets  
June 30, 2012

	Primary Government		Component Units		
	Governmental Activities	School Board	Public Service Authority	Industrial Development Authority	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,311,352	\$ 1,232,765	\$ 1,964,504	\$	308,453
Investments	1,987,511	117,242	-	-	-
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,542,752	-	-	-	-
Interest receivable	-	-	-	-	8,085
Accounts receivable	386,209	-	233,918	-	97,385
Other local taxes receivable	182,773	-	-	-	-
Note receivable	-	-	397,063	-	-
Grants receivable	-	-	431,031	-	-
Due from component unit	2,104,431	-	-	-	-
Due from other governmental units	1,258,203	1,709,967	-	-	-
Prepaid expenses	6,545	402,384	33,353	-	23,958
Lease purchase receivable	-	-	-	-	7,292,271
Assets held for resale:					
Industrial sites	-	-	-	-	876,270
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	-	180,188	555,988	-	-
Investments	7,784,568	58,517	-	-	71,280
Other assets:					
Unamortized bond issue costs	60,663	-	-	-	184,496
Capital assets (net of accumulated depreciation):					
Land	3,022,573	1,489,200	264,837	-	-
Easements	-	-	-	-	42,059
Buildings and system	42,207,661	1,538,916	31,689,281	-	-
Machinery and equipment	3,213,711	851,327	-	-	115,901
Construction in progress	9,439,622	54,746	4,989,219	-	51,826
Total assets	<u>\$ 87,508,574</u>	<u>\$ 7,635,252</u>	<u>\$ 40,559,194</u>	<u>\$</u>	<u>9,071,984</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,695,232	\$ 102,080	\$ 795,846	\$	5,853
Accrued liabilities	277,550	-	-	-	20,176
Salaries payable	-	1,072,815	-	-	-
Accrued interest payable	437,791	-	39,292	-	1,469
Due to primary government	-	2,071,929	32,502	-	-
Unearned revenue	-	-	70,677	-	-
Long-term liabilities: (net of unamortized bond premium)					
Due within one year	2,743,403	666,522	1,232,543	-	67,641
Due in more than one year	42,194,829	2,012,988	21,205,193	-	7,229,546
Total liabilities	<u>\$ 48,348,805</u>	<u>\$ 5,926,334</u>	<u>\$ 23,376,053</u>	<u>\$</u>	<u>7,324,685</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 19,114,628	\$ 3,934,189	\$ 14,968,475	\$	82,718
Restricted for:					
Law library	20,301	-	-	-	-
Asset forfeiture	2,919	-	-	-	-
School cafeterias	-	201,375	-	-	-
Debt service and bond covenants	-	-	555,988	-	71,280
Unrestricted (deficit)	20,021,921	(2,426,646)	1,658,678	-	1,593,305
Total net assets	<u>\$ 39,159,769</u>	<u>\$ 1,708,918</u>	<u>\$ 17,183,141</u>	<u>\$</u>	<u>1,747,303</u>

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

County of Carroll, Virginia  
 Statement of Activities  
 For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Primary Government Total	Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Component Units		
						School Board	Public Service Authority	Industrial Development Authority
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 2,149,650	\$ 2,581	\$ 272,268	\$ -	\$ (1,874,801)			
Judicial administration	927,275	9,436	649,310	-	(268,529)			
Public safety	7,051,156	2,591,466	1,505,610	-	(2,954,080)			
Public works	1,430,936	72,685	8,012	-	(1,350,239)			
Health and welfare	5,563,512	-	4,029,349	-	(1,534,163)			
Education	10,059,750	-	-	-	(10,059,750)			
Parks, recreation, and cultural	987,821	281,103	40,515	20,867	(645,336)			
Community development	2,535,682	9,037	-	93,519	(2,433,126)			
Interest on long-term debt	1,445,238	-	-	-	(1,445,238)			
<b>Total primary government</b>	<b>\$ 32,151,020</b>	<b>\$ 2,966,308</b>	<b>\$ 6,505,064</b>	<b>\$ 114,386</b>	<b>\$ (22,565,262)</b>			
<b>COMPONENT UNITS:</b>								
School Board	\$ 41,008,639	\$ 1,097,615	\$ 30,023,709	\$ -		\$ (9,887,315)	\$ -	\$ -
Public Service Authority	3,745,599	2,278,977	-	2,861,699		-	1,395,077	-
Industrial Development Authority	538,207	351,498	-	93,885		-	-	(92,824)
<b>Total component units</b>	<b>\$ 45,292,445</b>	<b>\$ 3,728,090</b>	<b>\$ 30,023,709</b>	<b>\$ 2,955,584</b>		<b>\$ (9,887,315)</b>	<b>\$ 1,395,077</b>	<b>\$ (92,824)</b>
General revenues:								
General property taxes				\$ 19,268,656	\$ -	\$ -	\$ -	\$ -
Local sales and use taxes				1,657,110	-	-	-	-
Consumer's utility tax				658,432	-	-	-	-
Motor vehicle taxes				627,347	-	-	-	-
Restaurant food taxes				409,359	-	-	-	-
Other local taxes				529,173	-	-	-	-
Unrestricted revenues from use of money and property				64,812	35,514	54,704		189,471
Miscellaneous				218,570	173,640	38,896		458
Payments from Primary Government				-	8,887,820	1,702,019		-
Grants and contributions not restricted to specific programs				2,178,196	-	-		-
Gain on disposal of capital assets				103,505	-	-		-
<b>Total general revenues</b>				<b>\$ 25,715,160</b>	<b>\$ 9,096,974</b>	<b>\$ 1,795,619</b>	<b>\$ 189,929</b>	
Change in net assets				\$ 3,149,898	\$ (790,341)	\$ 3,190,696	\$ 97,105	
Net assets - beginning, as restated				36,009,871	2,499,259	13,992,445	1,650,198	
<b>Net assets - ending</b>				<b>\$ 39,159,769</b>	<b>\$ 1,708,918</b>	<b>\$ 17,183,141</b>	<b>\$ 1,747,303</b>	

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

County of Carroll, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>School Construction</u>	<u>General</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,207,917	\$ 103,435	\$ 12,311,352
Investments	1,987,511	-	1,987,511
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,542,752	-	3,542,752
Accounts receivable	386,209	-	386,209
Other local taxes receivable	182,773	-	182,773
Due from component unit	2,104,431	-	2,104,431
Due from other governmental units	1,258,203	-	1,258,203
Prepaid items	6,545	-	6,545
Restricted assets:			
Temporarily restricted:			
Investments	-	7,784,568	7,784,568
Total assets	<u>\$ 21,676,341</u>	<u>\$ 7,888,003</u>	<u>\$ 29,564,344</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 419,970	2,275,262	\$ 2,695,232
Accrued liabilities	277,550	-	277,550
Deferred revenue	3,220,477	-	3,220,477
Total liabilities	<u>\$ 3,917,997</u>	<u>\$ 2,275,262</u>	<u>\$ 6,193,259</u>
Fund balances:			
Nonspendable:			
Prepaid items	\$ 6,545	\$ -	\$ 6,545
Restricted:			
Construction	-	5,509,306	5,509,306
Law Library	20,301	-	20,301
Asset forfeiture	2,919	-	2,919
Committed:			
Farmer's market funds	8,628	-	8,628
Narcotics funds	60,156	-	60,156
HVAC repair funds	48,452	-	48,452
AS400 replacement funds	5,127	-	5,127
Construction	-	103,435	103,435
Assigned:			
Sheriff funds	54,996	-	54,996
Unassigned:			
Total fund balances	<u>\$ 17,758,344</u>	<u>\$ 5,612,741</u>	<u>\$ 23,371,085</u>
Total liabilities and fund balances	<u>\$ 21,676,341</u>	<u>\$ 7,888,003</u>	<u>\$ 29,564,344</u>

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

County of Carroll, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 23,371,085
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	57,883,567
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,220,477
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	60,663
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(45,376,023)
Net assets of governmental activities	<u>\$ 39,159,769</u>

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

County of Carroll, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	<u>General</u>	<u>School Construction</u>	<u>Total</u>
<b>REVENUES</b>			
General property taxes	\$ 19,016,267	\$ -	\$ 19,016,267
Other local taxes	3,881,421	-	3,881,421
Permits, privilege fees, and regulatory licenses	109,925	-	109,925
Fines and forfeitures	1,136,326	-	1,136,326
Revenue from the use of money and property	34,078	30,734	64,812
Charges for services	1,720,057	-	1,720,057
Miscellaneous	218,570	-	218,570
Recovered costs	2,133,954	-	2,133,954
Intergovernmental revenues:			
Commonwealth	7,059,210	-	7,059,210
Federal	1,738,436	-	1,738,436
Total revenues	<u>\$ 37,048,244</u>	<u>\$ 30,734</u>	<u>\$ 37,078,978</u>
<b>EXPENDITURES</b>			
Current:			
General government administration	\$ 2,540,222	\$ -	\$ 2,540,222
Judicial administration	927,380	-	927,380
Public safety	6,436,744	-	6,436,744
Public works	2,388,506	-	2,388,506
Health and welfare	5,689,210	-	5,689,210
Education	8,241,541	-	8,241,541
Parks, recreation, and cultural	986,813	-	986,813
Community development	2,654,658	-	2,654,658
Nondepartmental	574	-	574
Capital projects	861,584	7,581,423	8,443,007
Debt service:			
Principal retirement	3,299,432	-	3,299,432
Interest and other fiscal charges	1,587,938	-	1,587,938
Total expenditures	<u>\$ 35,614,602</u>	<u>\$ 7,581,423</u>	<u>\$ 43,196,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,433,642</u>	<u>\$ (7,550,689)</u>	<u>\$ (6,117,047)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	<u>\$ -</u>	<u>\$ 103,505</u>	<u>\$ 103,505</u>
Net change in fund balances	\$ 1,433,642	\$ (7,447,184)	\$ (6,013,542)
Fund balances - beginning, as restated	16,324,702	13,059,925	29,384,627
Fund balances - ending	<u>\$ 17,758,344</u>	<u>\$ 5,612,741</u>	<u>\$ 23,371,085</u>

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

County of Carroll, Virginia  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$ (6,013,542)
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.	5,333,838
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(6,995)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	252,389
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 obligations and related items.	3,365,893
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.	218,315
Change in net assets of governmental activities	<u>\$ 3,149,898</u>

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

County of Carroll, Virginia  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2012

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 578,446
Investments	2,995,647
Total assets	\$ 3,574,093
 <b>LIABILITIES</b>	
Amounts held for social services clients	\$ 25,881
Amounts held for performance bonds	7,500
Amounts held for Solid Waste Authority	3,353,283
Amounts held for School Board employees	13,053
Amounts held for Twin County Airport	174,376
Total liabilities	\$ 3,574,093

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

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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**Note 1-Summary of Significant Accounting Policies:**

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

A. Financial 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, 2012, the County contributed \$142,180 to the Community Services Board.

The County along with the City of Galax participates in supporting the Galax-Carroll Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2012, the County contributed \$260,100 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 \$327,035 for the fiscal year ended June 30, 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**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 net assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net assets and will report depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports 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.

The *School Construction Fund* is the County's only major capital projects fund. It accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities of the school board.

Additionally, the County reports the following fund types:

*Fiduciary funds* (Trust and Agency 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, Twin County Airport, Performance Bonds Escrow and School Board Flexible Spending Arrangement Funds are reported as agency funds.

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**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 \$450,503 at June 30, 2012 and is comprised solely of property taxes.

5. Use of Estimates

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

6. Capital Assets

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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

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

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 GASB 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 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

Beginning with fiscal year 2011, the County implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaid expenditures) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

The Board of Supervisors is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is an action by the Board of Supervisors.

The County has not delegated authority to assign fund balance to anyone other than itself as of June 30, 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

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

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

9. Fund Equity (continued)

The County has designated unassigned fund balance into three categories. Unassigned for fiscal stability fund balance represents the funds designated for fiscal cash liquidity purposes (i.e. fiscal reserve) that will provide for sufficient cash flow to minimize the potential of short term tax anticipation borrowing. This amount shall be equal to but not less than 12% of the combined budgeted expenditures of the County General fund and the Carroll County School Board Operating Fund, net of the County's local share contribution to the School Board. The County must approve and adopt a plan to restore the fiscal stability fund balance to the target level within 24 months of falling below the threshold of 12%. Unassigned for grants fund balance represents the funds designated for grant matching and cash flow. This amount shall be equal to but not less than 2.5% of the budgeted expenditures of the County General Fund. Unassigned fund balance-no specification represents the funds available for increasing committed fund balances, assigning fund balances, increasing the unassigned for fiscal stability or unassigned for grants fund balances, purchase of capital items, or for use as beginning cash balance in support of the annual budget.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

10. Net Assets

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

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(45,376,023) and \$(2,679,510) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
General obligation bonds	\$ (30,245,755)	\$ -
General obligation bond premium	(455,570)	-
General obligation bond discount	109,688	-
Literary loans	(6,483,664)	-
Capital leases	(327,944)	-
Lease purchase revenue bond	(6,875,000)	-
Accrued interest payable	(437,791)	-
OPEB obligation	-	(1,790,814)
Compensated absences	(659,987)	(888,696)
	<u>                    </u>	<u>                    </u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ (45,376,023)</u>	<u>\$ (2,679,510)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of these \$5,326,843 and \$(215,559) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Capital outlays	\$ 8,186,603	\$ 101,578
Reversion of capital assets back to School Board (net)	(685,130)	685,130
Depreciation expense	(2,167,635)	(1,002,267)
Loss on the disposal of capital assets	<u>(6,995)</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 5,326,843</u>	<u>\$ (215,559)</u>

Another element of that reconciliation states "the issuance of long-term obligations (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations 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 \$3,365,893 difference in the primary government are as follows:

	<u>Primary Government</u>
<b>Principal Payments or Other Reductions:</b>	
General Obligation Bonds	\$ 1,442,824
Bond Premium (amortization of)	66,461
Lease Purchase (Revenue Bond)	1,120,000
Literary Loans	680,167
Capital Lease	<u>56,441</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 3,365,893</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

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

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

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of these \$218,315 and \$(122,320) differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
OPEB obligation	\$ -	\$ (285,100)
Compensated absences	142,076	162,780
Accrued interest	87,595	-
Amortization of bond discount	(7,312)	-
Amortization of issuance costs	<u>(4,044)</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 218,315</u>	<u>\$ (122,320)</u>

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

- A. Budgetary information

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

1. Prior to April 1st, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund), and the General Capital Projects Funds. The School Fund and School Construction 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 commit that portion of the applicable appropriations, is not part of the County's accounting system.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

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

B. Deficit fund equity

At June 30, 2012, there were no funds with deficit fund equity.

C. Appropriations

Appropriations were sufficient to cover expenditures in all funds.

**Note 4-Deposits and Investments:**

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporations (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

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

Credit Risk of Debt Securities:

The County has not adopted an investment policy for credit risk. The County's rated debt investments as of June 30, 2012 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

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 2,183,333
SNAP	7,784,567
	<u>\$ 9,967,900</u>

Concentration of Credit Risk:

At June 30, 2012, the County did not have any investments meeting the GASB 40 definition requiring concentration of credit risk disclosures that exceeded 5% of total investments.

External Investment Pools:

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC).

The fair value of the position in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC rule 2a-7.

Interest Rate Risk:

There are no interest rate risk disclosures required for the year ended June 30, 2012.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 5-Due from Other Governmental Units:**

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

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<b><u>Local Authorities:</u></b>		
Carroll-Grayson-Galax Solid Waste Authority	\$ 38,406	\$ -
<b><u>Commonwealth of Virginia:</u></b>		
Local sales tax	310,618	-
State sales tax	-	693,072
Categorical aid-shared expenses	186,917	-
Non-categorical aid	197,494	-
Virginia public assistance funds	105,816	-
Other categorical aid	103,395	372,620
Comprehensive services act	183,382	-
<b><u>Federal Government:</u></b>		
Virginia public assistance funds	132,175	-
School grants	-	644,275
Totals	<u>\$ 1,258,203</u>	<u>\$ 1,709,967</u>

**Note 6-Interfund/Component-Unit Obligations:**

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<b>Primary Government:</b>		
General Fund	\$ -	\$ 2,104,431
<b>Component Unit - School Board:</b>		
School Operating Fund	2,071,929	-
<b>Component Unit - Public Service Authority</b>		
PSA	<u>32,502</u>	<u>-</u>
Totals	<u>\$ 2,104,431</u>	<u>\$ 2,104,431</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 7-Long-Term Obligations:**

Primary Government – Governmental Activity Indebtedness:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2012:

	Balance July 1, 2011	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2012
General obligation bonds	\$ 31,688,579	\$ -	\$ (1,442,824)	\$ 30,245,755
Unamortized bond premium	522,031	-	(66,461)	455,570
Unamortized bond discount	(117,000)	-	7,312	(109,688)
Literary loans	7,163,831	-	(680,167)	6,483,664
Lease purchase revenue bond	7,995,000	-	(1,120,000)	6,875,000
Capital lease	384,385	-	(56,441)	327,944
Compensated absences	802,063	459,471	(601,547)	659,987
<b>Total</b>	<b>\$ 48,438,889</b>	<b>\$ 459,471</b>	<b>\$ (3,960,128)</b>	<b>\$ 44,938,232</b>

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
2013	\$ 1,446,086	\$ 1,419,010	\$ 680,167	\$ 129,673
2014	1,449,758	1,347,354	680,167	116,070
2015	1,453,799	1,271,167	680,167	102,467
2016	2,958,168	1,194,651	680,167	88,863
2017	2,662,889	1,117,784	680,167	75,260
2018-2022	12,915,055	4,459,336	3,082,829	172,249
2023-2027	7,360,000	3,401,918	-	-
<b>Totals</b>	<b>\$ 30,245,755</b>	<b>\$ 14,211,220</b>	<b>\$ 6,483,664</b>	<b>\$ 684,582</b>

Year Ending June 30,	Lease Purchase Revenue Bond Courthouse Complex	
	Principal	Interest
2013	\$ -	\$ -
2014	590,000	278,625
2015	615,000	255,263
2016	175,000	239,462
2017	180,000	232,363
2018-2022	1,025,000	1,044,512
2023-2027	1,250,000	809,594
2028-2032	1,545,000	506,359
2033-2037	1,495,000	137,359
<b>Totals</b>	<b>\$ 6,875,000</b>	<b>\$ 3,503,537</b>

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

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

Primary Government – Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
<u>General Obligation Bonds*</u>						
VPSA general obligation bond	5.10%-6.35%	2000	2021	\$ 4,505,000	\$ 2,025,000	\$ 225,000
VPSA general obligation bond	5.10%-6.10%	2000	2020	2,145,297	1,010,755	111,086
VPSA general obligation bond	4.10%-5.10%	2003	2023	21,115,000	12,210,000	1,110,000
VPSA (QSCB) general obligation bond	4.50%	2011	2027	15,000,000	15,000,000	-
Total General Obligation Bonds				42,765,297	30,245,755	1,446,086
<u>Lease Revenue Bonds</u>						
County Complex Revenue Bond	3.25%-4.33%	2006	2036	\$ 10,510,000	\$ 6,875,000	\$ -
<u>Literary Loans</u>						
Gladesboro Elementary	2.00%	2001	2021	\$ 2,873,440	\$ 1,293,048	\$ 143,672
Oakland Elementary	2.00%	2002	2022	3,075,495	1,537,748	153,775
Gladesville Elementary	2.00%	2002	2022	4,167,647	2,083,823	208,382
Laurel Elementary	2.00%	2001	2021	3,486,763	1,569,045	174,338
Total Literary Loans				\$ 13,603,345	\$ 6,483,664	\$ 680,167
Subtotal Bonds and Loans					\$ 43,604,419	\$ 2,126,253
Plus:						
Unamortized Premium					\$ 455,570	\$ 70,444
Unamortized Discount					(109,688)	(7,312)
Total Bonds and Loans					\$ 43,950,301	\$ 2,189,385
<u>Other Long-term Obligations</u>						
Compensated absences					\$ 659,987	\$ 494,990
Capital leases (Note 8)					327,944	59,028
Total Other Long-term Obligations					\$ 987,931	\$ 554,018
Total Long-term Obligations					\$ 44,938,232	\$ 2,743,403

\*VPSA (Virginia Public School Authority), QSCB (ARRA-Qualified School Construction Bond)

The 2011 issuance of the ARRA funded Qualified School Construction Bond contains a face interest rate of 4.50%. However, it contains a federal tax credit resulting in federal revenue to offset the entire interest payment. Therefore, the effective interest rate is 0.00%.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 8-Capital Leases:**

Primary Government:

The County has entered into a lease agreement with Carroll County Industrial Development Authority to finance the acquisition of school buses for the School Board. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of minimum lease payments at the date of inception.

The assets acquired through capital lease are as follows:

	<u>Machinery &amp; Equipment</u>
Machinery and equipment	\$ 434,900
Less: Accumulated depreciation	<u>(117,108)</u>
Net Asset	<u>\$ 317,792</u>

The future minimum lease obligation and the net present value of minimum lease payments as of June 30, 2012, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Lease</u>
2013	\$ 65,626
2014	71,592
2015	71,592
2016	71,592
2017	71,592
2018	<u>11,932</u>
Subtotal	\$ 363,926
Less, amount representing interest	<u>(35,982)</u>
Present Value of Lease Agreement	<u>\$ 327,944</u>

**Note 9-Long-term Obligations-Component Unit School Board:**

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
OPEB obligation	\$ 1,505,714	\$ 592,500	\$ (307,400)	\$ 1,790,814
Compensated absences	<u>1,051,476</u>	<u>625,827</u>	<u>(788,607)</u>	<u>888,696</u>
Total	<u>\$ 2,557,190</u>	<u>\$ 1,218,327</u>	<u>\$ (1,096,007)</u>	<u>\$ 2,679,510</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 9-Long-term Obligations-Component Unit School Board: (continued)**

Discretely Presented Component Unit-School Board-Indebtedness: (continued)

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<b>Other Obligations:</b>		
OPEB obligation	\$ 1,790,814	\$ -
Compensated absences	888,696	666,522
Total Long-Term Obligations	\$ 2,679,510	\$ 666,522

**Note 10-Employee Retirement System and Defined Benefit 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 (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave, and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 10-Employee Retirement System and Defined Benefit Pension Plans: (continued)**

A. Plan Description (continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Carroll, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Carroll, Virginia's contribution rate for the fiscal year ended 2012 was 9.06% of annual covered payroll.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County of Carroll, Virginia is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Carroll, Virginia's contribution rate for the fiscal year ended 2012 was 7.80% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2012, the County of Carroll, Virginia's annual pension cost of \$562,870 and \$198,487 was equal to the County of Carroll, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 562,870	100.00%	\$ -
	6/30/2011	561,315	100.00%	-
	6/30/2010	491,419	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 198,487	100.00%	\$ -
	6/30/2011	187,319	100.00%	-
	6/30/2010	219,832	100.00%	-

<sup>1</sup> Employer portion only

**Note 10-Employee Retirement System and Defined Benefit Pension Plans: (continued)**

C. Annual Pension Cost (continued)

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County of Carroll, Virginia's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County of Carroll, Virginia's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 76.31% funded. The actuarial accrued liability for benefits was \$27,224,178, and the actuarial value of assets was \$20,774,479, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,449,699. The covered payroll (annual payroll of active employees covered by the plan) was \$6,347,244, and ratio of the UAAL to the covered payroll was 101.61%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 82.42% funded. The actuarial accrued liability for benefits was \$9,103,822, and the actuarial value of assets was \$7,503,256, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,600,566. The covered payroll (annual payroll of active employees covered by the plan) was \$2,495,060, and ratio of the UAAL to the covered payroll was 64.15%.

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

E. Discretely Presented Component Unit - School Board (Professional Employees)

Plan Description

The 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 report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees, not including the 5.00% member contribution, was \$1,239,333, \$765,893, and \$1,744,737, for the fiscal years ended 2012, 2011, and 2010, respectively. Required employer contributions represented 6.33%, 3.93%, and 8.81% for July 2009 through March 2010, and 0.00% for April through June 2010, of covered payroll for the fiscal years ended 2012, 2011, and 2010, respectively.

COUNTY OF CARROLL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 11-Capital Assets:**

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,022,573	\$ -	\$ -	\$ 3,022,573
Construction in progress	1,758,669	7,680,953	-	9,439,622
Total capital assets not being depreciated	<u>\$ 4,781,242</u>	<u>\$ 7,680,953</u>	<u>\$ -</u>	<u>\$ 12,462,195</u>
Capital assets, being depreciated:				
Buildings	\$ 59,198,651	\$ 11,123	\$ (1,449,029)	\$ 57,760,745
Machinery and equipment	8,561,145	494,527	(280,246)	8,775,426
Total capital assets being depreciated	<u>\$ 67,759,796</u>	<u>\$ 505,650</u>	<u>\$ (1,729,275)</u>	<u>\$ 66,536,171</u>
Less: accumulated depreciation for:				
Buildings	\$ (14,811,535)	\$ (1,505,448)	\$ 763,899	\$ (15,553,084)
Machinery and equipment	(5,172,779)	(662,187)	273,251	(5,561,715)
Total accumulated depreciation	<u>\$ (19,984,314)</u>	<u>\$ (2,167,635)</u>	<u>\$ 1,037,150</u>	<u>\$ (21,114,799)</u>
Total capital assets being depreciated, net	<u>\$ 47,775,482</u>	<u>\$ (1,661,985)</u>	<u>\$ (692,125)</u>	<u>\$ 45,421,372</u>
Governmental activities capital assets, net	<u>\$ 52,556,724</u>	<u>\$ 6,018,968</u>	<u>\$ (692,125)</u>	<u>\$ 57,883,567</u>

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

Governmental activities:	
General government	\$ 12,428
Public safety	569,556
Public works	376,573
Health and welfare	11,984
Education	1,133,079
Parks, recreation, and culture	9,713
Community development	54,302
Total depreciation expense-primary government	<u>\$ 2,167,635</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 11-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2012 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,489,200	\$ -	\$ -	\$ 1,489,200
Construction in progress	54,746	-	-	54,746
Total capital assets not being depreciated	<u>\$ 1,543,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,543,946</u>
Capital assets, being depreciated:				
Buildings	\$ 9,484,268	\$ 1,449,029	\$ -	\$ 10,933,297
Machinery and equipment	4,746,485	101,578	-	4,848,063
Total capital assets being depreciated	<u>\$ 14,230,753</u>	<u>\$ 1,550,607</u>	<u>\$ -</u>	<u>\$ 15,781,360</u>
Less: accumulated depreciation for:				
Buildings	\$ (7,882,870)	\$ (1,511,511)	\$ -	\$ (9,394,381)
Machinery and equipment	(3,742,081)	(254,655)	-	(3,996,736)
Total accumulated depreciation	<u>\$ (11,624,951)</u>	<u>\$ (1,766,166)</u>	<u>\$ -</u>	<u>\$ (13,391,117)</u>
Total capital assets being depreciated, net	<u>\$ 2,605,802</u>	<u>\$ (215,559)</u>	<u>\$ -</u>	<u>\$ 2,390,243</u>
Governmental activities capital assets, net	<u><u>\$ 4,149,748</u></u>	<u><u>\$ (215,559)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,934,189</u></u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 12-Other Postemployment Benefits (OPEB) Program:**

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the School Board recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

Component Unit: School Board

A. Plan Description

The County of Carroll's Component Unit – School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees of the School Board and their dependents in the health insurance programs available to School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the School Board. An eligible School Board retiree may receive this benefit until the retiree is eligible to receive Medicare. To be eligible for this benefit a retiree must have 10 years of service with the School Board and the employee must be eligible to retire from the School Board under the Virginia Retirement System. The benefits, employee contributions and the employer contributions are governed by the School Board and can be amended through School Board action. The Plan does not issue a publicly available financial report.

B. Funding Policy

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 743 employees that are eligible for the program. In addition, for retirees of the School Board, 100 percent of premiums are the responsibility of the retiree. The rates were as follows at June 30, 2012:

<u>Participants</u>	<u>Total Premium</u>
Employee	\$470-490
Employee / Spouse	\$870-907
Family	\$1,269-1,323

The Board is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty nine years.

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other post employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if pain on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation to the plan.

Annual required contribution	\$ 595,000
Interest on net OPEB obligation	60,200
Adjustment to annual required contribution	<u>(62,700)</u>
Annual OPEB cost (expense)	592,500
Contributions made	<u>307,400</u>
Increase in net OPEB obligation	285,100
Net OPEB obligation - beginning of year	<u>1,505,714</u>
Net OPEB obligation - ending of year	\$ 1,790,814

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 12-Other Postemployment Benefits (OPEB) Program: (Continued)**

Component Unit: School Board (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 914,314	35%	\$ 1,183,314
6/30/2011	570,900	44%	1,505,714
6/30/2012	592,500	52%	1,790,814

D. Funded Status and Funding Progress

The funded status of the Plan as of July 1, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 5,616,800
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 5,616,800
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 22,049,100
UAAL as a percentage of covered payroll	25.47%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2011, the most recent actuarial valuation date, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, and investment rate of return at 4%, and a health care trend rate of 9% decreasing .5% per year until an ultimate rate of 5.0% is reached. The UAAL is being amortized as a level percentage over the remaining amortization period, which at June 30, 2012, was 29 years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012

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**Note 13-Other Post-Employment Benefits (OPEB)-VRS Health Insurance Credit:**

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 0.60% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2012 were \$117,472 and equaled the required contributions.

**Note 14-Risk Management:**

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

**Note 15-Contingent Liabilities:**

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

**Note 16-Surety Bonds:**

Primary Government:

<b><u>Fidelity &amp; Deposit Company of Maryland-Surety:</u></b>	
Carolyn H. Honeycutt, Clerk of the Circuit Court	\$ 1,525,000
Bonita Williams, Treasurer	400,000
Fran A. McPherson, Commissioner of the Revenue	3,000
John B. Gardner, Sheriff	30,000

**Note 17-Payroll Expenses:**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 18-School Board Early Retirement Incentive Program:**

SunTrust administers an early retirement incentive program for the Component Unit – School Board employees. Early retirement is available to those contracted employees who are members of the Virginia Retirement System (VRS) and are eligible to retire with the VRS. The employee must have been employed with Carroll County School System for 10 consecutive years, immediately preceding retirement and must not be eligible for disability retirement benefits from the VRS and/or Social Security. Finally, participants must be approved by the School Board and must have a bonafide separation from service of at least 30 days. The program allows for several different methods of payment depending upon the number of months the participant wishes to be paid. SunTrust holds a trust account to fund these incentive payments. During fiscal year 2010, the School Board implemented an additional benefit of \$400 in health insurance premiums per month for seven years. Both programs require the employee to work for twenty days of each year to receive the benefit; therefore, there is a commitment and not a liability. Twelve employees agreed to participate in the plan, creating an unfunded commitment of \$288,000. The School Board reserves the right to amend or terminate these programs.

**Note 19-Deferred (Unearned) Revenue:**

Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 3,220,477	\$ -
Prepaid taxes	-	-
Total deferred/unearned revenue for governmental funds	<u>\$ 3,220,477</u>	<u>\$ -</u>

**Note 20-Commitments and Contingencies:**

The School Board has obligated funds for the projects described below as of June 30, 2012:

	<u>Original Contract</u>	<u>Amount Paid As of 6/30/2012</u>	<u>Remaining Contract Amount</u>	<u>Accounts Payable</u>	<u>Retainage Payable</u>
Phase III Schools	\$ 14,884,384	\$ 7,755,659	\$ 7,128,725	\$ 1,677,591	\$ 298,061

**Note 21-Restatement of Beginning Equity:**

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>School Construction Fund</u>
Net Assets/Fund Balance, as previously reported	\$ 37,768,540	\$ 14,818,594
Adjustments:		
Accounts payable for construction project	(1,758,669)	(1,758,669)
Net Assets/Fund Balance, as restated	<u>\$ 36,009,871</u>	<u>\$ 13,059,925</u>

## 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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 18,523,110	\$ 18,816,595	\$ 19,016,267	\$ 199,672
Other local taxes	3,813,750	3,828,750	3,881,421	52,671
Permits, privilege fees, and regulatory licenses	106,500	108,153	109,925	1,772
Fines and forfeitures	42,952	1,024,364	1,136,326	111,962
Revenue from the use of money and property	100,902	100,902	34,078	(66,824)
Charges for services	1,409,104	1,510,689	1,720,057	209,368
Miscellaneous	81,265	216,632	218,570	1,938
Recovered costs	2,157,017	2,239,147	2,133,954	(105,193)
Intergovernmental revenues:				
Commonwealth	6,203,109	7,213,881	7,059,210	(154,671)
Federal	1,536,800	1,882,621	1,738,436	(144,185)
Total revenues	\$ 33,974,509	\$ 36,941,734	\$ 37,048,244	\$ 106,510
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 2,832,453	\$ 2,725,729	\$ 2,540,222	\$ 185,507
Judicial administration	913,759	964,508	927,380	37,128
Public safety	6,371,816	6,732,591	6,436,744	295,847
Public works	2,478,144	2,524,885	2,388,506	136,379
Health and welfare	4,921,410	5,750,892	5,689,210	61,682
Education	9,312,300	9,653,300	8,241,541	1,411,759
Parks, recreation, and cultural	991,440	1,057,190	986,813	70,377
Community development	1,926,906	2,758,000	2,654,658	103,342
Nondepartmental	-	-	574	(574)
Capital projects	526,052	1,208,873	861,584	347,289
Debt service:				
Principal retirement	2,664,469	3,251,573	3,299,432	(47,859)
Interest and other fiscal charges	1,282,346	1,564,905	1,587,938	(23,033)
Total expenditures	\$ 34,221,095	\$ 38,192,446	\$ 35,614,602	\$ 2,577,844
Excess (deficiency) of revenues over (under) expenditures	\$ (246,586)	\$ (1,250,712)	\$ 1,433,642	\$ 2,684,354
Net change in fund balances	\$ (246,586)	\$ (1,250,712)	\$ 1,433,642	\$ 2,684,354
Fund balances - beginning	246,586	1,250,712	16,324,702	15,073,990
Fund balances - ending	\$ -	\$ -	\$ 17,758,344	\$ 17,758,344

County of Carroll, Virginia  
Schedules of Pension and OPEB Funding Progress  
As of June 30, 2012

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)
6/30/2011	\$ 20,774,479	\$ 27,224,178	\$ 6,449,699	76.31%	\$ 6,347,244	101.61%
6/30/2010	20,225,690	25,486,814	5,261,124	79.36%	5,983,823	87.92%
6/30/2009	19,989,312	22,694,768	2,705,456	88.08%	6,099,701	44.35%

Discretely Presented Component Unit: School Board  
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)
6/30/2011	\$ 7,503,256	\$ 9,103,822	\$ 1,600,566	82.42%	\$ 2,495,060	64.15%
6/30/2010	7,399,194	8,693,139	1,293,945	85.12%	2,547,851	50.79%
6/30/2009	7,368,606	8,137,743	769,137	90.55%	2,591,483	29.68%

School Board Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2011	\$ -	\$ 5,616,800	\$ 5,616,800	0.00%	\$ 22,049,100	25.47%
7/1/2010	-	5,298,900	5,298,900	0.00%	21,511,300	24.63%
7/1/2008	-	7,586,600	7,586,600	0.00%	22,847,617	33.21%

## Other Supplementary Information

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, 2012

	School Construction			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 30,734	\$ 30,734
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 16,243,559	\$ 7,581,423	\$ 8,662,136
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (16,243,559)	\$ (7,550,689)	\$ 8,692,870
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of general obligation bonds	\$ -	\$ 16,140,054	\$ -	\$ (16,140,054)
Sale of capital assets	-	103,505	103,505	-
Total other financing sources (uses)	\$ -	\$ 16,243,559	\$ 103,505	\$ (16,140,054)
Net change in fund balances	\$ -	\$ -	\$ (7,447,184)	\$ (7,447,184)
Fund balances - beginning	-	-	13,059,925	13,059,925
Fund balances - ending	\$ -	\$ -	\$ 5,612,741	\$ 5,612,741

## FIDUCIARY FUNDS

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

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

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

Performance Bond Escrow – The Performance Bond Escrow fund accounts for those funds belonging to an outstanding performance bond.

School Board FSA – The School Board Flexible Spending Arrangement fund accounts for those funds belonging to the employees of the School participating in the Flexible Spending Plan.

County of Carroll, Virginia  
 Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2012

	<u>Agency Funds</u>					
	<u>Special Welfare</u>	<u>Solid Waste Authority</u>	<u>School Board FSA Fund</u>	<u>Performance Bond Escrow</u>	<u>Twin County Airport</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 25,881	\$ 377,699	\$ 13,053	\$ 7,500	\$ 154,313	\$ 578,446
Investments	-	2,975,584	-	-	20,063	2,995,647
Total assets	<u>\$ 25,881</u>	<u>\$ 3,353,283</u>	<u>\$ 13,053</u>	<u>\$ 7,500</u>	<u>\$ 174,376</u>	<u>\$ 3,574,093</u>
<b>LIABILITIES</b>						
Amounts held for social services clients	\$ 25,881	-	-	-	-	\$ 25,881
Amounts held for performance bonds	-	-	-	7,500	-	7,500
Amounts held for the Solid Waste Authority	-	3,353,283	-	-	-	3,353,283
Amounts held for School Board employees	-	-	13,053	-	-	13,053
Amounts held for the Twin County Airport	-	-	-	-	174,376	174,376
Total liabilities	<u>\$ 25,881</u>	<u>\$ 3,353,283</u>	<u>\$ 13,053</u>	<u>\$ 7,500</u>	<u>\$ 174,376</u>	<u>\$ 3,574,093</u>

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

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**MAJOR GOVERNMENTAL FUNDS**

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

County of Carroll, Virginia  
Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2012

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,232,765
Investments	117,242
Due from other governmental units	1,709,967
Prepaid items	402,384
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	180,188
Investments	58,517
Total assets	<u>\$ 3,701,063</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 102,080
Salaries payable	1,072,815
Due to primary government	2,071,929
Total liabilities	<u>\$ 3,246,824</u>
Fund balances:	
Nonspendable:	
Prepaid expenses	\$ 402,384
Restricted:	
Cafeteria operations	238,705
Committed:	
Textbook purchases	215,534
Unassigned:	(402,384)
Total fund balances	<u>\$ 454,239</u>
Total liabilities and fund balances	<u>\$ 3,701,063</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 454,239
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,934,189
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,679,510)
Net assets of governmental activities	<u>\$ 1,708,918</u>

County of Carroll, Virginia  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2012

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 35,514
Charges for services	1,097,615
Miscellaneous	173,640
Recovered costs	815,402
Intergovernmental revenues:	
Local government	8,202,690
Commonwealth	24,463,582
Federal	5,560,127
Total revenues	\$ 40,348,570
<b>EXPENDITURES</b>	
Current:	
Education	\$ 40,801,032
Total expenditures	\$ 40,801,032
Excess (deficiency) of revenues over (under) expenditures	\$ (452,462)
Net change in fund balances	\$ (452,462)
Fund balances - beginning	906,701
Fund balances - ending	\$ 454,239
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	\$ (452,462)
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.	(215,559)
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.	(122,320)
Change in net assets of governmental activities	#REF!

County of Carroll, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2012

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 39,000	\$ 39,000	\$ 35,514	\$ (3,486)
Charges for services	962,350	1,112,350	1,097,615	(14,735)
Miscellaneous	87,100	98,888	173,640	74,752
Recovered costs	454,914	454,914	815,402	360,488
Intergovernmental revenues:				
Local government	9,273,449	9,614,449	8,202,690	(1,411,759)
Commonwealth	22,887,903	24,621,489	24,463,582	(157,907)
Federal	6,454,117	6,454,117	5,560,127	(893,990)
Total revenues	<u>\$ 40,158,833</u>	<u>\$ 42,395,207</u>	<u>\$ 40,348,570</u>	<u>\$ (2,046,637)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 40,102,349	\$ 42,338,723	\$ 40,801,032	\$ 1,537,691
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 56,484</u>	<u>\$ 56,484</u>	<u>\$ (452,462)</u>	<u>\$ (508,946)</u>
Net change in fund balances	\$ 56,484	\$ 56,484	\$ (452,462)	\$ (508,946)
Fund balances - beginning	182,000	182,000	906,701	724,701
Fund balances - ending	<u>\$ 238,484</u>	<u>\$ 238,484</u>	<u>\$ 454,239</u>	<u>\$ 215,755</u>

## Supporting Schedules

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 14,345,500	\$ 14,358,623	\$ 14,570,188	\$ 211,565
Real and personal public service corporation taxes	537,000	604,106	615,616	11,510
Personal property taxes	2,452,610	2,509,554	2,434,760	(74,794)
Mobile home taxes	90,000	95,648	84,254	(11,394)
Machinery and tools taxes	684,000	722,000	726,148	4,148
Merchant's capital taxes	179,000	179,000	178,899	(101)
Penalties	95,000	122,990	132,707	9,717
Interest	140,000	224,674	273,695	49,021
Total general property taxes	<u>\$ 18,523,110</u>	<u>\$ 18,816,595</u>	<u>\$ 19,016,267</u>	<u>\$ 199,672</u>
Other local taxes:				
Local sales and use taxes	\$ 1,600,000	\$ 1,600,000	\$ 1,657,110	\$ 57,110
Consumers' utility taxes- electric	650,000	650,000	658,432	8,432
Consumption taxes	105,000	105,000	98,994	(6,006)
E-911 telephone taxes	70,000	70,000	-	(70,000)
Franchise license taxes	8,750	8,750	10,359	1,609
Utility license tax	60,000	60,000	42,651	(17,349)
Recordation taxes	111,500	111,500	119,834	8,334
Motor vehicle licenses	578,000	593,000	627,347	34,347
Bank stock taxes	18,000	18,000	15,876	(2,124)
Taxes on deeds	30,000	30,000	35,231	5,231
Hotel and motel room taxes	215,000	215,000	206,228	(8,772)
Restaurant food taxes	367,500	367,500	409,359	41,859
Total other local taxes	<u>\$ 3,813,750</u>	<u>\$ 3,828,750</u>	<u>\$ 3,881,421</u>	<u>\$ 52,671</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 18,517	\$ 3,517
Land use application fees	10,500	12,153	7,819	(4,334)
Transfer fees	1,000	1,000	1,218	218
Building permits	80,000	80,000	82,311	2,311
Other permits and licenses	-	-	60	60
Total permits, privilege fees, and regulatory licenses	<u>\$ 106,500</u>	<u>\$ 108,153</u>	<u>\$ 109,925</u>	<u>\$ 1,772</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 42,952	\$ 1,024,364	\$ 1,136,326	\$ 111,962
Revenue from use of money and property:				
Revenue from use of money	\$ 75,000	\$ 75,000	\$ 8,126	\$ (66,874)
Revenue from use of property	25,902	25,902	25,952	50
Total revenue from use of money and property	<u>\$ 100,902</u>	<u>\$ 100,902</u>	<u>\$ 34,078</u>	<u>\$ (66,824)</u>
Charges for services:				
Clerk's interest	\$ 1,000	\$ 1,000	\$ 1,533	\$ 533
Charges for law enforcement and traffic contro	1,000	2,025	1,621	(404)
Charges for courthouse maintenance	26,000	26,000	36,769	10,769
Charges for courthouse security	106,854	127,960	185,726	57,766
Charges for Commonwealth's Attorney	1,500	3,500	4,335	835
Miscellaneous jail and inmate fees	1,500	2,070	2,613	543

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for cannery	\$ 10,000	\$ 12,371	\$ 12,372	\$ 1
Charges for law library	-	-	3,568	3,568
Charges for sanitation and waste removal	35,000	35,000	35,916	916
Farmers' Market	165,000	186,530	183,270	(3,260)
Charges for parks and recreation	75,000	75,000	85,461	10,461
Charges for EMS	984,000	1,036,983	1,164,292	127,309
Other charges for services	2,250	2,250	2,581	331
Total charges for services	<u>\$ 1,409,104</u>	<u>\$ 1,510,689</u>	<u>\$ 1,720,057</u>	<u>\$ 209,368</u>
Miscellaneous revenue:				
Miscellaneous	\$ 81,265	\$ 216,632	\$ 218,570	\$ 1,938
Recovered costs:				
Solid Waste Authority	\$ 431,182	\$ 446,182	\$ 412,614	\$ (33,568)
Crossroads	-	4,300	5,641	1,341
Public Service Authority	1,050,320	1,050,320	1,033,292	(17,028)
City of Galax-shared expenses	175,000	175,000	227,165	52,165
Insurance recoveries	-	14,109	14,109	-
School resource officer	34,600	34,600	34,600	-
CSA recovered costs	-	-	119,671	119,671
Other recovered costs	465,915	514,636	286,862	(227,774)
Total recovered costs	<u>\$ 2,157,017</u>	<u>\$ 2,239,147</u>	<u>\$ 2,133,954</u>	<u>\$ (105,193)</u>
Total revenue from local sources	<u>\$ 26,234,600</u>	<u>\$ 27,845,232</u>	<u>\$ 28,250,598</u>	<u>\$ 405,366</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 55,000	\$ 55,000	\$ 32,703	\$ (22,297)
Motor vehicle rental taxes	2,000	2,000	2,607	607
Telecommunications Taxes	1,015,000	1,015,000	1,032,321	17,321
Rolling stock taxes	1,000	1,000	993	(7)
State recordation taxes	33,000	36,006	41,274	5,268
Personal property tax relief funds	1,051,552	1,051,552	1,051,552	-
Total noncategorical aid	<u>\$ 2,157,552</u>	<u>\$ 2,160,558</u>	<u>\$ 2,161,450</u>	<u>\$ 892</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 256,449	\$ 296,449	\$ 322,210	\$ 25,761
Sheriff	1,249,807	1,261,549	1,232,138	(29,411)
Commissioner of revenue	111,344	111,344	111,030	(314)
Treasurer	106,438	106,438	106,142	(296)
Registrar/electoral board	40,425	40,425	54,798	14,373
Clerk of the Circuit Court	259,458	259,458	258,514	(944)
Total shared expenses	<u>\$ 2,023,921</u>	<u>\$ 2,075,663</u>	<u>\$ 2,084,832</u>	<u>\$ 9,169</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 1,037,724	\$ 1,086,744	\$ 1,126,063	\$ 39,319
Comprehensive Services Act	930,563	1,429,773	1,276,090	(153,683)
Animal friendly plates	300	300	338	38
Tobacco settlement funds	-	238,664	69,930	(168,734)

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental Revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Clerk's technology grant	\$ -	\$ 6,139	\$ 14,782	\$ 8,643
Fire program	-	8,693	73,142	64,449
Litter control grant	-	8,012	8,012	-
Emergency and medical services grant	-	116,678	116,678	-
Rents and Royalties	300	300	298	(2)
Victim witness	52,749	52,749	53,804	1,055
Two-for-life grant	-	-	28,646	28,646
Asset forfeiture	-	-	975	975
Local law enforcement grant	-	2,209	2,209	-
Arts grant	-	5,000	5,000	-
Department of Justice grant	-	1,445	1,446	1
Performing arts grant	-	-	6,545	6,545
Other categorical aid	-	20,954	28,970	8,016
Total other categorical aid	<u>\$ 2,021,636</u>	<u>\$ 2,977,660</u>	<u>\$ 2,812,928</u>	<u>\$ (164,732)</u>
Total categorical aid	<u>\$ 4,045,557</u>	<u>\$ 5,053,323</u>	<u>\$ 4,897,760</u>	<u>\$ (155,563)</u>
Total revenue from the Commonwealth	<u>\$ 6,203,109</u>	<u>\$ 7,213,881</u>	<u>\$ 7,059,210</u>	<u>\$ (154,671)</u>
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 16,746</u>	<u>\$ (3,254)</u>
Categorical aid:				
Public assistance and welfare administration	\$ 1,516,800	\$ 1,589,335	\$ 1,627,196	\$ 37,861
Emergency management preparedness grant	-	5,000	16,490	11,490
Community Facilities Grant	-	200,000	20,867	(179,133)
Local law enforcement grant	-	14,771	14,771	-
State and community highway safety	-	29,926	18,777	(11,149)
Community development block grant	-	23,589	23,589	-
Total categorical aid	<u>\$ 1,516,800</u>	<u>\$ 1,862,621</u>	<u>\$ 1,721,690</u>	<u>\$ (140,931)</u>
Total revenue from the federal government	<u>\$ 1,536,800</u>	<u>\$ 1,882,621</u>	<u>\$ 1,738,436</u>	<u>\$ (144,185)</u>
Total General Fund	<u>\$ 33,974,509</u>	<u>\$ 36,941,734</u>	<u>\$ 37,048,244</u>	<u>\$ 106,510</u>
<b>Capital Projects Fund:</b>				
<b>School Construction Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 30,734	\$ 30,734
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,734</u>	<u>\$ 30,734</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,734</u>	<u>\$ 30,734</u>
Total Primary Government	<u>\$ 33,974,509</u>	<u>\$ 36,941,734</u>	<u>\$ 37,078,978</u>	<u>\$ 137,244</u>

County of Carroll, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 321	\$ 321
Revenue from the use of property	39,000	39,000	35,193	(3,807)
Total revenue from use of money and property	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 35,514</u>	<u>\$ (3,486)</u>
Charges for services:				
Fees from pupils	\$ 20,000	\$ 170,000	\$ 139,645	\$ (30,355)
Cafeteria sales	907,350	907,350	928,425	21,075
Transportation of pupils	5,000	5,000	22,076	17,076
Other payments from other localities	25,000	25,000	3,985	(21,015)
Total charges for services	<u>\$ 962,350</u>	<u>\$ 1,112,350</u>	<u>\$ 1,097,615</u>	<u>\$ (14,735)</u>
Miscellaneous revenue:				
E-rate	\$ 60,000	\$ 60,000	\$ 90,932	\$ 30,932
Other miscellaneous	27,100	38,888	82,708	43,820
Total miscellaneous revenue	<u>\$ 87,100</u>	<u>\$ 98,888</u>	<u>\$ 173,640</u>	<u>\$ 74,752</u>
Recovered costs:				
Insurance recoveries and rebates	\$ 454,914	\$ 454,914	\$ 815,402	\$ 360,488
Total revenue from local sources	<u>\$ 1,543,364</u>	<u>\$ 1,705,152</u>	<u>\$ 2,122,171</u>	<u>\$ 417,019</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Carroll, Virginia	\$ 9,273,449	\$ 9,614,449	\$ 8,202,690	\$ (1,411,759)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,332,610	\$ 3,332,610	\$ 3,675,572	\$ 342,962
Basic school aid	12,604,214	14,337,800	13,488,390	(849,410)
Remedial summer education	76,875	76,875	94,223	17,348
Regular foster care	-	-	20,116	20,116
Adult education	6,282	6,282	8,848	2,566
Gifted and talented	131,179	131,179	138,941	7,762
Remedial education	413,944	413,944	438,437	24,493
Alternative education	137,370	137,370	155,115	17,745
Special education	1,323,454	1,323,454	1,401,762	78,308
Textbook payment	2,361	2,361	125,232	122,871
Vocational standards of quality payments	405,199	405,199	429,174	23,975
Vocational adult education	-	-	700	700
Vocational education - equipment	-	-	12,980	12,980
Vocational occupational preparedness	-	-	11,579	11,579
Social security fringe benefits	760,840	760,840	805,859	45,019
Retirement fringe benefits	690,878	690,878	731,757	40,879
Group life insurance instructional	29,151	29,151	30,876	1,725
State lottery payments	115,875	115,875	164,877	49,002
Homebound education	41,886	41,886	35,689	(6,197)
School nutrition	58,638	58,638	34,939	(23,699)
Special education - foster children	33,686	33,686	25,387	(8,299)
Special education - regional	97,844	97,844	112,182	14,338

County of Carroll, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental Revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
At risk payments	\$ 450,078	\$ 450,078	\$ 476,485	\$ 26,407
Early reading intervention	78,982	78,982	63,185	(15,797)
VPSA technology	336,000	336,000	362,000	26,000
Standards of Learning algebra readiness	64,757	64,757	64,645	(112)
At risk four-year olds	276,284	276,284	276,284	-
Career pathways program	-	-	6,979	6,979
Supplemental support	416,911	416,911	235,335	(181,576)
Primary class size	590,923	590,923	563,172	(27,751)
Mentor teacher program	4,848	4,848	1,126	(3,722)
ISAEF	15,717	15,717	15,717	-
Jobs for VA grads	-	-	21,000	21,000
CTE industry credentials	22,038	22,038	7,902	(14,136)
Race to GED	-	-	27,932	27,932
English as a second language	92,417	92,417	82,602	(9,815)
Other state funds	276,662	276,662	316,583	39,921
Total categorical aid	<u>\$ 22,887,903</u>	<u>\$ 24,621,489</u>	<u>\$ 24,463,582</u>	<u>\$ (157,907)</u>
Total revenue from the Commonwealth	<u>\$ 22,887,903</u>	<u>\$ 24,621,489</u>	<u>\$ 24,463,582</u>	<u>\$ (157,907)</u>
Revenue from the federal government:				
Categorical aid:				
Forest reserve	\$ 10,000	\$ 10,000	\$ 10,221	\$ 221
Adult literacy	71,871	71,871	75,691	3,820
Title I	1,155,566	1,155,566	1,168,337	12,771
ARRA - Title I	-	-	44,022	44,022
Title VI-B, flow-through	971,323	971,323	981,072	9,749
ARRA - Title VI-B, flow-through	-	-	52,622	52,622
Title VI-B, preschool	28,666	28,666	30,262	1,596
Title VI-B, rural and low income	-	-	17,089	17,089
ARRA - State fiscal stabilization funds	992,441	992,441	973,854	(18,587)
Vocational education	78,000	78,000	87,552	9,552
Teacher quality	264,317	264,317	223,898	(40,419)
SNP equipment	-	-	16,993	16,993
Migrant education	35,000	35,000	42,534	7,534
School breakfast program	718,014	718,014	398,269	(319,745)
National school lunch program	1,866,936	1,866,936	1,115,866	(751,070)
Title III	21,178	21,178	23,722	2,544
Twenty first century learning centers	240,805	240,805	298,123	57,318
Total categorical aid	<u>\$ 6,454,117</u>	<u>\$ 6,454,117</u>	<u>\$ 5,560,127</u>	<u>\$ (893,990)</u>
Total revenue from the federal government	<u>\$ 6,454,117</u>	<u>\$ 6,454,117</u>	<u>\$ 5,560,127</u>	<u>\$ (893,990)</u>
Total School Operating Fund	<u>\$ 40,158,833</u>	<u>\$ 42,395,207</u>	<u>\$ 40,348,570</u>	<u>\$ (2,046,637)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 40,158,833</u>	<u>\$ 42,395,207</u>	<u>\$ 40,348,570</u>	<u>\$ (2,046,637)</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 559,997	\$ 367,763	\$ 348,202	\$ 19,561
General and financial administration:				
County administrator	\$ 305,711	\$ 321,916	\$ 303,465	\$ 18,451
Central purchasing	3,000	1,000	1,000	-
County attorney	90,000	121,160	119,953	1,207
Commissioner of revenue	318,625	318,625	290,248	28,377
County assessor	177,190	178,862	170,686	8,176
Treasurer	354,136	354,136	338,090	16,046
Finance	181,931	184,680	176,141	8,539
Management information systems	267,341	290,561	277,952	12,609
Reassessment	300,000	300,000	228,928	71,072
Human Resources	75,418	76,574	78,251	(1,677)
Total general and financial administration	<u>\$ 2,073,352</u>	<u>\$ 2,147,514</u>	<u>\$ 1,984,714</u>	<u>\$ 162,800</u>
Board of elections:				
Electoral board and officials	\$ 77,727	\$ 90,080	\$ 93,779	\$ (3,699)
Registrar	121,377	120,372	113,527	6,845
Total board of elections	<u>\$ 199,104</u>	<u>\$ 210,452</u>	<u>\$ 207,306</u>	<u>\$ 3,146</u>
Total general government administration	<u>\$ 2,832,453</u>	<u>\$ 2,725,729</u>	<u>\$ 2,540,222</u>	<u>\$ 185,507</u>
Judicial administration:				
Courts:				
Circuit court	\$ 49,330	\$ 49,330	\$ 43,647	\$ 5,683
General district court	14,443	14,444	9,630	4,814
Juvenile court	3,350	3,350	2,895	455
Special magistrates	500	500	-	500
Victim witness	60,983	60,983	58,615	2,368
Clerk of the circuit court	417,465	424,564	416,068	8,496
Law library	-	-	656	(656)
Total courts	<u>\$ 546,071</u>	<u>\$ 553,171</u>	<u>\$ 531,511</u>	<u>\$ 21,660</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 367,688	\$ 411,337	\$ 395,869	\$ 15,468
Total judicial administration	<u>\$ 913,759</u>	<u>\$ 964,508</u>	<u>\$ 927,380</u>	<u>\$ 37,128</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,030,064	\$ 2,559,344	\$ 2,462,156	\$ 97,188
Courtroom Security	106,854	124,343	113,476	10,867
Total law enforcement and traffic control	<u>\$ 2,136,918</u>	<u>\$ 2,683,687</u>	<u>\$ 2,575,632</u>	<u>\$ 108,055</u>
Fire and rescue services:				
Volunteer fire departments	\$ 306,825	\$ 372,592	\$ 340,094	\$ 32,498
Rescue squads	506,150	582,733	555,291	27,442
Carroll EMS	1,070,313	1,040,313	997,812	42,501
Total fire and rescue services	<u>\$ 1,883,288</u>	<u>\$ 1,995,638</u>	<u>\$ 1,893,197</u>	<u>\$ 102,441</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Payments to New River Regional Jail	\$ 1,378,863	\$ 1,068,650	\$ 1,058,284	\$ 10,366
Juvenile probation and detention	95,000	120,748	113,479	7,269
Total correction and detention	<u>\$ 1,473,863</u>	<u>\$ 1,189,398</u>	<u>\$ 1,171,763</u>	<u>\$ 17,635</u>
Inspections:				
Building	\$ 250,583	\$ 225,583	\$ 203,711	\$ 21,872
Other protection:				
Animal warden	\$ 94,825	\$ 99,325	\$ 99,490	\$ (165)
Emergency services	205,304	211,925	165,916	46,009
E-911	327,035	327,035	327,035	-
Total other protection	<u>\$ 627,164</u>	<u>\$ 638,285</u>	<u>\$ 592,441</u>	<u>\$ 45,844</u>
Total public safety	<u>\$ 6,371,816</u>	<u>\$ 6,732,591</u>	<u>\$ 6,436,744</u>	<u>\$ 295,847</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 488,937	\$ 503,937	\$ 461,679	\$ 42,258
Public Service Authority	860,535	860,535	826,245	34,290
Litter control	-	8,021	8,021	-
Total sanitation and waste removal	<u>\$ 1,349,472</u>	<u>\$ 1,372,493</u>	<u>\$ 1,295,945</u>	<u>\$ 76,548</u>
Maintenance of general buildings and grounds				
Governmental complex	\$ 504,195	\$ 559,446	\$ 552,342	\$ 7,104
Cannery	22,725	22,725	15,925	6,800
Maintenance force	319,840	321,929	292,403	29,526
Maintenance of other properties	281,912	248,292	231,891	16,401
Total maintenance of general buildings and grounds	<u>\$ 1,128,672</u>	<u>\$ 1,152,392</u>	<u>\$ 1,092,561</u>	<u>\$ 59,831</u>
Total public works	<u>\$ 2,478,144</u>	<u>\$ 2,524,885</u>	<u>\$ 2,388,506</u>	<u>\$ 136,379</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 229,648	\$ 229,648	\$ 229,648	\$ -
Mental health and mental retardation:				
Community services board	\$ 142,180	\$ 142,180	\$ 142,180	\$ -
Welfare:				
Public assistance and welfare administration	\$ 4,476,500	\$ 5,305,982	\$ 5,244,300	\$ 61,682
Senior citizens center	73,082	73,082	73,082	-
Total welfare	<u>\$ 4,549,582</u>	<u>\$ 5,379,064</u>	<u>\$ 5,317,382</u>	<u>\$ 61,682</u>
Total health and welfare	<u>\$ 4,921,410</u>	<u>\$ 5,750,892</u>	<u>\$ 5,689,210</u>	<u>\$ 61,682</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Education:				
Other instructional costs:				
Contributions to Community College	\$ 38,851	\$ 38,851	\$ 38,851	\$ -
Contribution to County School Board	9,273,449	9,614,449	8,202,690	1,411,759
Total education	<u>\$ 9,312,300</u>	<u>\$ 9,653,300</u>	<u>\$ 8,241,541</u>	<u>\$ 1,411,759</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreational	\$ 325,777	\$ 335,972	\$ 322,651	\$ 13,321
Farmer's Market	370,385	423,568	377,038	46,530
County Fair	30,000	30,000	27,024	2,976
Total parks and recreation	<u>\$ 726,162</u>	<u>\$ 789,540</u>	<u>\$ 726,713</u>	<u>\$ 62,827</u>
Library:				
Contribution to Carroll-Galax Regional Library	\$ 265,278	\$ 267,650	\$ 260,100	\$ 7,550
Total parks, recreation, and cultural	<u>\$ 991,440</u>	<u>\$ 1,057,190</u>	<u>\$ 986,813</u>	<u>\$ 70,377</u>
Community development:				
Planning and community development:				
Planning commission	\$ 85,800	\$ 81,391	\$ 77,604	\$ 3,787
Economic development	174,200	188,019	174,204	13,815
Business development	220,450	156,932	128,375	28,557
Tourism	218,941	222,941	181,594	41,347
Geographic information services	86,631	86,631	82,111	4,520
Payments to Town of Hillsville	40,000	56,898	56,898	-
Contribution to Public Service Authority	1,000,000	1,889,804	1,889,804	-
Contribution to Twin County Airport	37,000	37,000	44,662	(7,662)
Total planning and community development	<u>\$ 1,863,022</u>	<u>\$ 2,719,616</u>	<u>\$ 2,635,252</u>	<u>\$ 84,364</u>
Environmental management:				
Contribution to soil and water district	\$ 700	\$ 5,200	\$ 5,200	\$ -
Cooperative extension program:				
Extension office	\$ 63,184	\$ 33,184	\$ 14,206	\$ 18,978
Total community development	<u>\$ 1,926,906</u>	<u>\$ 2,758,000</u>	<u>\$ 2,654,658</u>	<u>\$ 103,342</u>
Nondepartmental:				
Refunds	\$ -	\$ -	\$ 574	\$ (574)
Capital projects:				
Other capital projects	\$ 526,052	\$ 1,208,873	\$ 861,584	\$ 347,289
Debt service:				
Principal retirement	\$ 2,664,469	\$ 3,251,573	\$ 3,299,432	\$ (47,859)
Interest and other fiscal charges	1,282,346	1,564,905	1,587,938	(23,033)
Total debt service	<u>\$ 3,946,815</u>	<u>\$ 4,816,478</u>	<u>\$ 4,887,370</u>	<u>\$ (70,892)</u>
Total General Fund	<u>\$ 34,221,095</u>	<u>\$ 38,192,446</u>	<u>\$ 35,614,602</u>	<u>\$ 2,577,844</u>

County of Carroll, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Capital Projects Fund:</b>				
<b>School Construction Fund:</b>				
Capital projects expenditures:				
School improvements	\$ -	\$ 16,243,559	\$ 7,581,423	\$ 8,662,136
Total School Construction Fund	<u>\$ -</u>	<u>\$ 16,243,559</u>	<u>\$ 7,581,423</u>	<u>\$ 8,662,136</u>
Total Primary Government	<u>\$ 34,221,095</u>	<u>\$ 54,436,005</u>	<u>\$ 43,196,025</u>	<u>\$ 11,239,980</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration, attendance and health	\$ 1,660,818	\$ 1,672,606	\$ 1,589,730	\$ 82,876
Instruction costs:				
Instruction	\$ 28,180,100	\$ 30,254,686	\$ 29,722,564	\$ 532,122
Operating costs:				
Pupil transportation	\$ 2,824,036	\$ 2,824,036	\$ 2,899,902	\$ (75,866)
Operation and maintenance of school plant	3,942,941	4,092,941	3,970,708	122,233
Food services and other non-instructional costs	3,494,454	3,494,454	2,597,795	896,659
Facilities	-	-	20,333	(20,333)
Total operating costs	<u>\$ 10,261,431</u>	<u>\$ 10,411,431</u>	<u>\$ 9,488,738</u>	<u>\$ 922,693</u>
Total education	<u>\$ 40,102,349</u>	<u>\$ 42,338,723</u>	<u>\$ 40,801,032</u>	<u>\$ 1,537,691</u>
Total School Operating Fund	<u>\$ 40,102,349</u>	<u>\$ 42,338,723</u>	<u>\$ 40,801,032</u>	<u>\$ 1,537,691</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 40,102,349</u>	<u>\$ 42,338,723</u>	<u>\$ 40,801,032</u>	<u>\$ 1,537,691</u>

## Other Statistical Section

Table 1

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

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
2011-12	\$ 2,149,650	\$ 927,275	\$ 7,051,156	\$ 1,430,936	\$ 5,563,512	\$ 10,059,750	\$ 987,821	\$ 2,535,682	\$ 1,445,238	\$ -	\$ 32,151,020
2010-11	2,323,036	820,260	7,186,720	1,600,919	5,600,560	8,312,852	1,034,858	2,115,102	1,178,018	-	30,172,325
2009-10	1,703,677	925,671	6,994,784	1,213,242	5,237,690	9,607,514	1,131,080	3,927,237	1,362,010	-	32,102,905
2008-09	2,274,741	917,156	5,527,643	1,403,993	4,560,878	9,318,301	1,090,266	2,210,516	1,456,967	3,128,996	31,889,457
2007-08	2,386,740	873,323	4,688,063	830,990	4,208,213	10,319,961	366,720	1,734,643	1,561,537	467,272	27,437,462
2006-07	1,820,062	840,164	4,327,693	1,413,001	4,083,737	9,255,667	461,145	1,480,648	1,585,968	328,222	25,596,307
2005-06	1,776,300	766,461	4,098,143	788,065	3,835,853	8,107,291	382,682	975,161	1,501,082	277,051	22,508,089
2004-05	1,190,402	706,038	3,941,388	654,418	3,406,872	8,079,764	584,179	1,574,911	2,028,436	284,247	22,450,655
2003-04	1,810,780	753,635	3,524,570	1,057,661	3,507,187	8,856,826	589,520	1,140,933	2,134,605	304,059	23,679,776
2002-03	1,157,205	664,272	2,395,330	1,372,204	3,073,297	8,164,096	369,988	706,431	1,847,198	352,770	20,102,791

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs (1)		
2011-12	\$ 2,966,308	\$ 6,505,064	\$ 114,386	\$ 19,268,656	\$ 3,881,421	\$ 64,812	\$ 322,075	\$ 2,178,196	\$ 35,300,918	
2010-11	2,183,703	6,706,032	283,621	18,764,027	4,064,005	54,982	289,482	2,222,581	34,568,433	
2009-10	1,878,271	6,322,099	1,955,261	18,930,242	3,851,833	66,952	1,187,572	2,224,997	36,417,227	
2008-09	1,756,912	6,012,860	59,414	19,133,533	4,921,995	375,242	264,578	1,204,174	33,728,708	
2007-08	984,574	5,837,979	-	16,382,540	4,015,754	424,501	83,283	1,174,594	28,903,225	
2006-07	868,695	5,120,043	7,172	16,319,668	5,052,300	543,360	276,500	2,001,626	30,189,364	
2005-06	499,634	5,120,043	70,316	14,002,880	4,829,522	361,322	125,327	1,293,822	26,302,866	
2004-05	820,018	5,144,456	2,934	13,835,903	4,013,487	296,457	52,037	1,110,014	25,275,306	
2003-04	814,802	5,254,129	15,914	10,624,841	3,352,928	282,848	15,744	1,360,169	21,721,375	
2002-03	761,843	4,350,455	160,587	10,354,921	3,219,954	299,976	21,581	1,259,217	20,428,534	

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

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Capital Projects (3)	Debt Service	Total
2011-12	\$ 2,540,222	\$ 927,380	\$ 6,436,744	\$ 2,388,506	\$ 5,689,210	\$ 40,839,883	\$ 986,813	\$ 2,654,658	\$ 574	\$ 861,584	\$ 4,887,370	\$ 68,212,944
2010-11	2,412,057	821,010	6,646,958	2,286,302	5,931,970	40,328,396	1,015,205	2,140,204	59,348	1,148,367	3,883,177	66,672,994
2009-10	2,412,585	924,889	6,814,501	2,026,004	5,258,218	40,562,878	1,101,482	3,983,899	-	919,374	4,174,649	68,178,479
2008-09	2,560,055	910,971	6,500,497	1,886,658	4,541,186	41,262,282	1,106,315	2,975,348	-	-	4,507,996	66,251,308
2007-08	2,516,169	874,219	4,777,341	1,453,133	4,284,238	39,375,766	533,165	1,657,164	-	-	4,391,942	59,863,137
2006-07	2,036,565	850,387	4,601,974	1,189,285	4,045,618	38,649,619	527,277	1,556,236	-	-	3,740,680	57,197,641
2005-06	1,849,163	782,601	4,122,737	1,039,243	3,849,577	34,230,491	589,939	1,032,539	-	-	4,621,819	52,118,109
2004-05	1,532,879	757,000	3,777,944	908,835	3,455,461	33,663,223	555,453	1,693,801	-	-	4,680,902	51,025,498
2003-04	1,830,501	694,122	3,757,277	912,599	3,549,204	32,052,703	529,406	1,527,389	-	-	2,689,155	47,542,356
2002-03	1,163,784	664,978	2,812,403	1,745,855	3,088,873	29,853,387	366,566	831,459	-	-	2,933,019	43,460,324

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

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

(3) Expenditures posted to capital projects department in General Fund.

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

Fiscal Year	General Property Taxes	Other Local Taxes (3)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2011-12	\$ 19,016,267	\$ 3,881,421	\$ 109,925	\$ 1,136,326	\$ 69,592	\$ 2,817,672	\$ 392,210	\$ 2,949,356	\$ 38,821,355	\$ 69,194,124
2010-11	18,306,907	4,064,005	119,914	721,019	90,376	2,489,700	288,838	2,425,069	39,154,945	67,660,773
2009-10	18,198,583	3,851,833	193,447	323,043	106,881	2,228,272	505,956	2,127,298	40,430,674	67,965,987
2008-09	18,689,595	4,921,995	140,040	213,615	421,492	2,331,949	392,921	1,780,396	39,183,413	68,075,416
2007-08	16,552,335	5,176,431	210,405	10,176	474,065	1,343,173	307,401	1,542,265	37,000,054	62,616,305
2006-07	16,210,523	5,052,300	201,149	11,396	522,489	1,279,392	868,571	1,466,666	36,583,313	62,195,799
2005-06	13,845,984	4,829,522	249,930	10,310	293,981	1,021,775	199,390	942,928	32,952,975	54,346,795
2004-05	13,588,256	4,013,487	213,853	5,686	311,851	1,046,653	289,173	1,225,778	30,968,533	51,663,270
2003-04	10,542,845	3,352,928	158,966	1,593	96,759	1,210,851	392,672	1,167,288	29,179,705	46,103,607
2002-03	10,293,925	3,219,954	114,487	2,465	114,260	1,155,599	209,172	1,293,392	27,131,009	43,534,263

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

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

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

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2011-12	\$ 20,519,218	\$ 18,277,143	89.07%	\$ 1,384,274	\$ 19,661,417	95.82%	\$ 3,993,255	19.46%
2010-11	20,397,162	18,244,071	89.44%	835,257	19,079,328	93.54%	3,732,556	18.30%
2009-10	20,392,754	18,215,777	89.32%	798,592	19,014,369	93.24%	3,303,172	16.20%
2008-09	19,904,746	18,823,904	94.57%	644,206	19,468,110	97.81%	2,566,863	12.90%
2007-08	17,331,553	16,409,298	94.68%	867,468	17,276,766	99.68%	2,190,593	12.64%
2006-07	17,225,325	16,710,474	97.01%	592,349	17,302,823	100.45%	2,206,981	12.81%
2005-06	14,931,151	14,180,736	94.97%	573,197	14,753,933	98.81%	1,892,855	12.68%
2004-05	13,754,293	13,010,114	94.59%	416,655	13,426,769	97.62%	1,682,637	12.23%
2003-04	11,741,609	11,095,358	94.50%	380,606	11,475,964	97.74%	1,504,238	12.81%
2002-03	11,542,490	10,846,317	93.97%	338,021	11,184,338	96.90%	1,395,481	12.09%

(1) Exclusive of penalties and interest.

(2) Does not include land redemption.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Public Service Corporations (2)	Total
2011-12	\$ 2,427,272,971	\$ 330,910,407	\$ 103,112,644	\$ 2,861,296,022
2010-11	2,411,198,906	323,408,939	99,302,189	2,833,910,034
2009-10	2,393,470,955	328,315,750	100,657,481	2,822,444,186
2008-09	2,375,104,457	350,012,170	101,292,633	2,826,409,260
2007-08	1,751,236,733	336,105,775	79,044,406	2,166,386,914
2006-07	1,722,690,903	339,936,262	85,896,569	2,148,523,734
2005-06	1,766,780,800	348,171,685	95,200,694	2,210,153,179
2004-05	1,734,981,500	346,387,969	96,094,144	2,177,463,613
2003-04	1,082,787,000	352,870,727	51,219,038	1,486,876,765
2002-03	1,061,952,941	344,191,873	54,727,710	1,460,872,524

(1) Real estate and personal property are assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

Table 7

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

Fiscal Year	Real Estate	Personal Property (2)	Machinery and Tools (2)	Merchant's Capital
2011-12	\$ 0.595	\$ 1.60	\$ 1.30	\$ 2.30
2010-11	0.595	1.60	1.30	2.30
2009-10	0.595	1.60	1.30	2.30
2008-09	0.595	1.60	1.30	2.30
2007-08	0.71	1.30	1.30	2.30
2006-07	0.71	1.30	1.30	2.30
2005-06	0.59	1.30	1.30	2.30
2004-05	0.59	1.30	1.30	2.30
2003-04	0.64	1.30	1.30	2.30
2002-03	0.64	1.30	1.30	2.30

(1) Per \$100 of assessed value.

(2) Personal property is assessed at 100% of fair market value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2011-12	30,042	\$ 2,861,296	\$ 36,729,419	\$ 36,729,419	1.28%	\$ 1,223
2010-11	30,042	2,833,910	38,852,410	38,852,410	1.37%	1,293
2009-10	29,245	2,822,444	25,790,540	25,790,540	0.91%	882
2008-09	29,245	2,826,409	27,981,785	27,981,785	0.99%	957
2007-08	29,245	2,166,387	30,400,081	30,400,081	1.40%	1,039
2006-07	29,245	2,148,524	32,647,950	32,647,950	1.52%	1,116
2005-06	29,245	2,210,153	34,893,872	34,893,872	1.58%	1,193
2004-05	29,245	2,177,464	37,137,832	37,137,832	1.71%	1,270
2003-04	29,245	1,486,877	39,379,928	39,379,928	2.65%	1,347
2002-03	29,245	1,460,873	40,540,665	40,540,665	2.78%	1,386

(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
2011-12	\$ 3,299,432	\$ 1,587,938	\$ 4,887,370	\$ 68,212,944	7.16%
2010-11	2,523,235	1,359,942	3,883,177	66,672,994	5.82%
2009-10	2,711,245	1,463,404	4,174,649	68,178,479	6.12%
2008-09	2,923,296	1,584,700	4,507,996	66,251,308	6.80%
2007-08	2,737,868	1,654,074	4,391,942	59,863,137	7.34%
2006-07	2,245,922	1,494,758	3,740,680	57,197,641	6.54%
2005-06	2,999,324	1,622,495	4,621,819	52,118,109	8.87%
2004-05	2,567,217	2,113,685	4,680,902	51,025,498	9.17%
2003-04	1,501,172	1,187,983	2,689,155	47,542,356	5.66%
2002-03	1,524,494	1,408,525	2,933,019	43,460,324	6.75%

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

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**COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Carroll, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County of Carroll, Virginia's basic financial statements and have issued our report thereon dated December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses [2012-1].

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Carroll, Virginia in a separate letter dated December 10, 2012.

County of Carroll, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit County of Carroll, Virginia's response and accordingly, we express no opinion on it.

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
December 10, 2012

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Compliance

We have audited the compliance of the County of Carroll, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County of Carroll, Virginia's major federal programs for the year ended June 30, 2012. The County of Carroll, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Carroll, Virginia's management. Our responsibility is to express an opinion on County of Carroll, Virginia's compliance based on our audit.

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

In our opinion, the County of Carroll, Virginia complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of the County of Carroll, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Carroll, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Carroll, Virginia's internal control over compliance.

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

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

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

*Robinson, Farmer, Cox Associates*

Blacksburg, Virginia  
December 10, 2012

County of Carroll, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950111, 0950112	\$ 14,103
Temporary Assistance for Needy Families	93.558	0400111, 0400112	291,053
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111, 0500112	432
Low-Income Home Energy Assistance	93.568	0600411, 0600412	25,858
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770110, 0770111	53,083
Child Care Mandatory and Matching Funds of the Child Care and Development Funds	93.596	0760111, 0760112	82,118
Chafee Education and Training Vouchers Program	93.599	9160111	364
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111, 0900112	844
Foster Care - Title IV-E	93.658	1100111, 1100112	383,757
Adoption Assistance	93.659	1120111, 1120112	62,008
Social Services Block Grant	93.667	1000111, 1000112	196,554
Chafee Foster Care Independence Program	93.674	9150111, 9150112	5,431
Children's Health Insurance Program	93.767	0540111, 0540112	8,562
Medical Assistance Program	93.778	1200111, 1200112	<u>189,648</u>
Total Department of Health and Human Services			<u>\$ 1,313,815</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Homeland Security Grant Program	97.073	52709	<u>\$ 16,490</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
Food Distribution (Note 3)	10.559	Not applicable	<u>\$ 1,398</u>
Child Nutrition Cluster:			
Food Distribution (Note 3)	10.555	Not applicable	\$ 117,089
Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	40623	<u>997,379</u>
National School Lunch Program Subtotal			<u>\$ 1,114,468</u>
Child Nutrition Cluster:			
National School Breakfast Program	10.553	40591	\$ 398,269
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	40593	16,993
Schools and Roads - Grants to States	10.665	43841	10,221

County of Carroll, Virginia  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture: (Continued)			
Rural Development:			
Community Facilities Loan and Grant Program	10.780	Not applicable	\$ 20,867
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111, 0010112, 0040111, 0040112	\$ 313,381
Total Department of Agriculture			\$ 1,875,597
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice:			
State Criminal Alien Assistance Program	16.606	2011-AP-BX-0728	\$ 14,771
Department of Housing and Urban Development			
Pass Through Payments:			
Department of Housing and Community Development			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	50798	\$ 23,589
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2011-51167-4109	\$ 12,552
Alcohol Open Container Requirements	20.607	154AL-2012-52093-4471	6,225
Total Department of Transportation			\$ 18,777
Department of Education:			
Pass Through Payments:			
Department of Education:			
Adult Education - Basic Grants to States	84.002	42801	\$ 75,691
Title I, Part A Cluster:			
Title I: Grants to Local Educational Agencies	84.010	42901, 42999	1,168,337
ARRA - Title I: Grants to Local Educational Agencies	84.389	42913	44,022
ARRA - State Fiscal Stabilization Funds - Education State Grants	84.394	62532	973,854
Migrant Education - State Grant Program	84.011	42910	34,474
Special Education Cluster:			
Special Education - Grants to States	84.027	43071	981,072
ARRA - Special Education - Grants to States	84.391	61245	52,622
Special Education - Preschool Grants	84.173	62521	30,262
Career and Technical Education: Basic Grants to States	84.048	61095	87,552
Twenty-First Century Community Learning Center	84.287	60565	298,123
Rural Education	84.358	43481	17,089
Migrant Education - Coordination Program	84.144	61399	8,060

County of Carroll, Virginia  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education: (Continued)			
Pass Through Payments: (Continued)			
Department of Education: (Continued)			
English Language Acquisition State Grants	84.365	60512	\$ 23,722
Improving Teacher Quality State Grants	84.367	61480	<u>223,898</u>
Total Department of Education			<u>\$ 4,018,778</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,281,817</u></u>

Note 1 -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Carroll County, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Carroll County, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Carroll County, Virginia.

Note 2 -- Summary of Significant Accounting Policies

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

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

Note 3 -- Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2012 Carroll County, Virginia had food commodities totaling \$0 in inventory.

Note 4 -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements

Primary government:		
General Fund		\$ 1,738,436
Less: Payment in lieu of taxes		<u>(16,746)</u>
Total primary government		<u>\$ 1,721,690</u>
Component Unit Schools:		
School Operating Fund		<u>\$ 5,560,127</u>
Total federal expenditures per the basic financial statements		<u><u>\$ 7,281,817</u></u>

COUNTY OF CARROLL, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173/84.391	Special Education Cluster (IDEA)
84.010/84.389	Title I, Part A Cluster
84.394	ARRA - State Fiscal Stabilization Funds - Education State Grants
93.558	Temporary Assistance for Needy Families
93.667	Social Services Block Grant

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

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COUNTY OF CARROLL, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2012

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Section II -- Financial Statement Finding

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2012-1

<b>Criteria:</b>	Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose adjustments necessary to comply with reporting standards is not a component of such controls.
<b>Condition:</b>	The financial statements as presented for the audit did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.
<b>Cause of Condition:</b>	The County does not have proper controls in place to notice and correct errors in closing year end financial statements.
<b>Effect of Condition:</b>	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls over financial reporting.
<b>Recommendation:</b>	The County should review the auditors' proposed audit adjustments for 2012 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.
<b>Management's Response:</b>	To address this condition, the County would have to hire an employee or consultant with expertise in the preparation of governmental financial statements. The additional costs associated with same can not be justified at this time.

Section III – Federal Award Findings and Questioned Costs

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None

Section IV - Status of Prior Audit Findings and Questioned Costs

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Financial Statement Finding 2011-1 is recurring in the current year. There were no prior audit findings related to federal awards.