

# COUNTY OF FLOYD, VIRGINIA

## FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008





**COUNTY OF FLOYD, VIRGINIA**

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

	Page
Directory of Principal Officials.....	i

**FINANCIAL SECTION**

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3

**Basic Financial Statements**

Government-Wide Financial Statements	
Exhibit 1 Statement of Net Assets.....	14
Exhibit 2 Statement of Activities .....	15
Fund Financial Statements	
Exhibit 3 Balance Sheet – Governmental Funds.....	16
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	17
Exhibit 5 Statement of Net Assets – Fiduciary Funds.....	19
Notes to Financial Statements .....	20

**Required Supplementary Information**

Exhibit 6 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – General Fund .....	47
Exhibit 7 Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Fire and Rescue Fund.....	48
Note to Required Supplementary Information.....	49

**Other Supplementary Information**

Discretely Presented Component Unit – School Board	
Exhibit A-1 Balance Sheet .....	52
Exhibit A-2 Statement of Revenues, Expenditures, and Changes in Fund Balance .....	53
Exhibit A-3 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – School Operating Fund .....	54
Discretely Presented Component Unit – County of Floyd Industrial Development Authority	
Exhibit B-1 Statement of Net Assets – Proprietary Fund.....	56
Exhibit B-2 Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund .....	57
Exhibit B-3 Statement of Cash Flows – Proprietary Fund .....	58

**Supporting Schedule**

Schedule 1 Schedule of Expenditures of Federal Awards.....	60
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**OTHER INFORMATION SECTION**

Table 1 Governmental Activities Expenses by Function ..... 63  
Table 2 Governmental Activities Revenues ..... 64  
Table 3 General Governmental Expenditures by Function ..... 65  
Table 4 General Governmental Revenues by Source..... 66  
Table 5 Property Tax Levies and Collections..... 67  
Table 6 Assessed Value of Taxable Property ..... 68  
Table 7 Property Tax Rates ..... 69  
Table 8 Ratios of General Bonded Debt ..... 70  
Table 9 Ratio of Annual Debt Service Expenditures for General Bonded Debt to  
Total General Governmental Expenditures..... 71

**COMPLIANCE SECTION**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards*..... 73  
Report on Compliance with Requirements Applicable to Each Major Program and on  
Internal Control over Compliance in Accordance with *OMB Circular A-133* ..... 75  
Summary of Compliance Matters ..... 77  
Schedule of Findings and Questioned Costs..... 78  
Summary of Prior Audit Findings..... 83

# INTRODUCTORY SECTION

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**COUNTY OF FLOYD, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2008**

**BOARD OF SUPERVISORS**

David W. Ingram, Chairman  
Jerry W. Boothe, Vice Chairman  
W. R. Gardner, Jr.  
J. Fred Gerald  
Virgil H. Allen

**COUNTY SCHOOL BOARD**

Douglas R. Phillips, Chairman  
Dr. J. Howard Conduff, Jr., Vice Chairman  
Margaret H. Hubbard  
Clay E. Link  
David R. Sulzen

**COUNTY SOCIAL SERVICES BOARD**

Eleanor Cunningham, Chairman  
Jerry W. Boothe  
Linda Claytor  
Brenda Howell  
Randy Whitlow

**OTHER OFFICIALS**

County Administrator  
Assistant County Administrator  
Chief Judge of the Circuit Court  
Clerk of the Circuit Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Sheriff  
Superintendent of Schools  
Social Services Director  
County Attorney

Daniel J. Campbell  
Terri W. Morris  
R. W. Grubbs  
Wendell G. Peters  
Stephanie Shortt  
Maggie Sutphin  
Mary D. Turman  
Shannon B. Zeman  
Dr. Terry Arbogast  
Carl E. Ayers  
James Cornwell

# FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors  
County of Floyd, Virginia

We have audited the accompanying financial statements of the governmental activities, each discretely presented component unit, each major fund, and the remaining fund information of County of Floyd, Virginia as of and for the year ended June 30, 2008, 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's management. Our responsibility is to express an opinion 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 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, each discretely presented component unit, each major fund, and the remaining fund information of County of Floyd, Virginia, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2008 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3 and the budget to actual schedules on pages 47 through 48 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 15, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Floyd, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2008.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$3,640,414 (net assets).
- As of the close of the current fiscal year; the County's combined funds reported combined ending fund balances of \$1,955,047, an increase of \$785,942 or 40% in comparison with the prior year. \$1,256,978 of this amount is available for spending at the County's discretion (unreserved fund balance). Cash, cash equivalents, and investments decreased by \$351,867 as compared to the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance (deficit) for the general fund was \$(53,122).
- The County's total bond debt principal increased by \$76,950 during the current fiscal year as previously existing long-term debt was paid down as well as a new bond issue in the current year.
- The assets of the Component Unit – School Board exceeded its liabilities at the close of the most recent fiscal year by \$2,987,268.
- The assets of the Component Unit – IDA exceeded its liabilities at the close of the most recent fiscal year by \$596,062.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## **Overview of the Financial Statements (Continued)**

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development, recreation, and cultural activities.

The Government-wide financial statements include not only the County of Floyd, Virginia itself (known as the primary government), but also a legally separate school district and an Industrial Development Authority for which the County of Floyd, Virginia has incurred a moral obligation to provide funding for the payment of debt. Financial information for these component units is reported separately from the financial information present for the primary government itself.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Floyd, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire and Rescue Fund, Capital Projects Fund, and the School Capital Projects Fund, all of which are considered to be major funds.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and the Fire and Rescue Fund demonstrate compliance with this budget.

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

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Overview of the Financial Statements (Continued)**

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of financial statements for the discretely presented component unit School Board and Industrial Development Authority. The School Board and Industrial Development Authority do not issue separate financial statements.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a County’s financial position. In the case of the County, assets exceeded liabilities by \$3,640,414 at the close of the most recent fiscal year.

The largest portion of the County’s net assets (95%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>Summary of Net Assets</b>			
	<b>Governmental Activities</b>		<b>Component Units</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 5,675,661	\$ 5,825,002	\$ 2,859,226	\$ 2,543,207
Capital assets	<u>20,401,720</u>	<u>19,816,378</u>	<u>4,219,079</u>	<u>4,513,524</u>
Total assets	<u>26,077,381</u>	<u>25,641,380</u>	<u>7,078,305</u>	<u>7,056,731</u>
Long-term liabilities				
outstanding	18,803,606	18,976,304	1,160,282	1,213,359
Current liabilities	<u>3,633,361</u>	<u>4,645,320</u>	<u>2,334,693</u>	<u>2,345,858</u>
Total liabilities	<u>22,436,967</u>	<u>23,621,624</u>	<u>3,494,975</u>	<u>3,559,217</u>
Net assets:				
Invested in capital assets, net of related debt	3,447,717	2,861,223	3,808,118	3,890,609
Restricted – Fire and Rescue	1,310,100	993,101	-	-
Restricted health insurance premiums	-	-	203,332	193,105
Unrestricted	<u>(1,117,403)</u>	<u>(1,834,568)</u>	<u>(428,120)</u>	<u>(586,200)</u>
Total net assets	<u>\$ 3,640,414</u>	<u>\$ 2,019,756</u>	<u>\$ 3,583,330</u>	<u>\$ 3,497,514</u>

**Governmental Activities:** During the current fiscal year, the County’s net assets increased by \$1,620,658. The reason for the change is that assets increased due to continuous upgrade of the Sheriff’s Department vehicle fleet, upgrade of equipment for the Communications Center and an expansion of the Library building. Also, liabilities decreased due to pay off of small loans and required early pay-off of County debt to VML/VACo finance on short term borrowings.

Landfill Closure/Post Closure liabilities decreased \$100,000 due to one less year of post-closure costs. Bonded debt principal for the County increased by \$76,950 due to long term debt incurred for the Library expansion.

**Government-wide Financial Analysis (Continued)**

**Governmental Activities:** Governmental activities increased the County’s net assets by \$1,620,658. Key elements of current year activities are as follows: Net assets increased because of improved real estate tax collections, additional interest received on investment income and holding, or lowering, expenses.

**Component Units:** The School Board increased net assets by \$82,269 while the Industrial Development Authority increased net assets by \$3,547. Key elements of current year activities are as follows: The School Board net assets increased due to holding down expenses. The Industrial Development Authority’s increased assets due to additional revenue received for loans made to other entities.

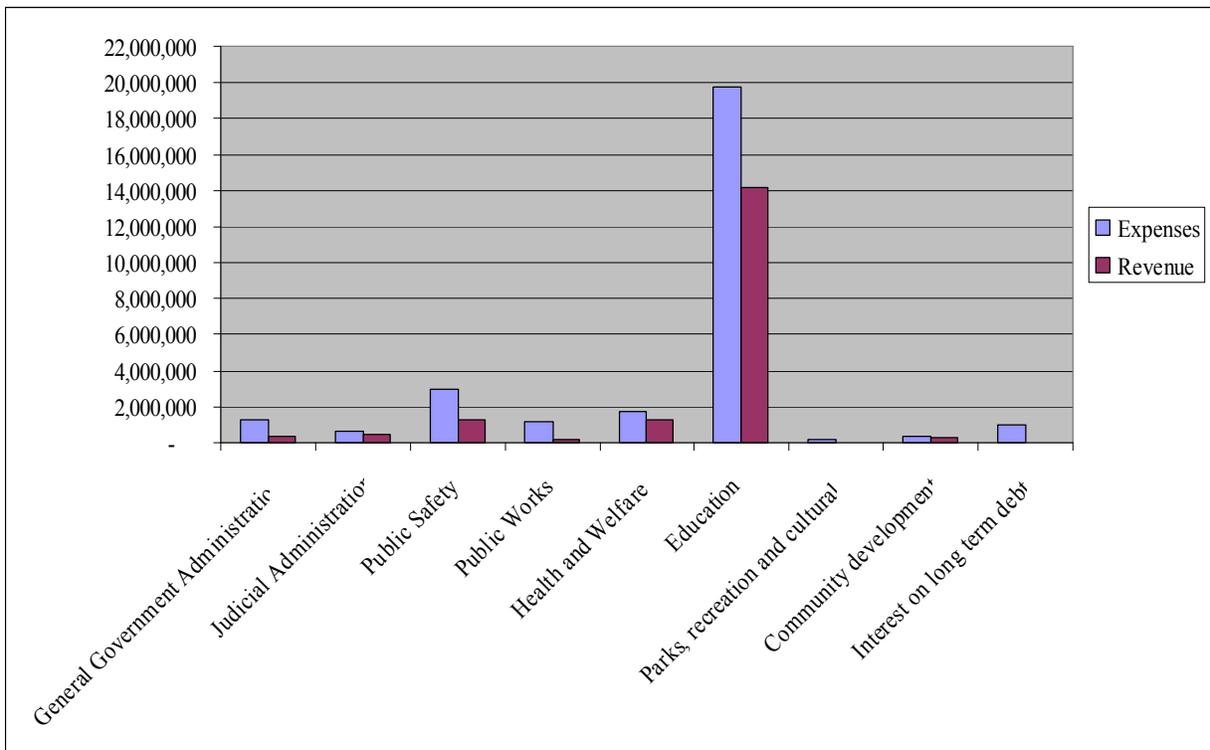
	<b>Changes in Net Assets</b>			
	<b>Governmental Activities</b>		<b>Component Units</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Program Revenues:				
Charges for services	\$ 842,624	\$ 833,089	\$ 463,631	\$ 451,222
Operating grants and contributions	2,779,406	2,899,183	13,678,527	13,690,553
Capital grants and contributions	108,944	62,659	-	-
General Revenues:				
General property taxes	9,289,566	8,402,215	-	-
Other taxes	2,361,844	2,259,570	-	-
Interest and investment income	167,601	115,657	16,077	6,550
Grants and Contributions not restricted to specific purposes	966,850	1,017,261	-	-
Other general revenues	1,257	13,351	45,570	3,671
Payments from Floyd County	-	-	5,290,852	5,288,429
Total revenues	<u>16,518,092</u>	<u>15,602,985</u>	<u>19,494,657</u>	<u>19,440,425</u>
Expenses:				
General government administration	1,238,309	1,135,868	-	-
Judicial administration	614,973	573,381	-	-
Public safety	2,963,673	2,759,112	-	-
Public works	1,142,179	1,276,181	-	-
Health and welfare	1,716,772	1,921,832	-	-
Education	5,656,376	5,301,824	19,330,958	18,949,656
Parks, recreation, and cultural	198,542	255,565	-	-
Community development	377,031	746,916	77,883	423,550
Interest on long-term debt	989,579	1,190,113	-	-
Total expenses	<u>14,897,434</u>	<u>15,160,792</u>	<u>19,408,841</u>	<u>19,373,206</u>
Change in net assets	1,620,658	442,193	85,816	67,219
Net assets, beginning	<u>2,019,756</u>	<u>1,577,563</u>	<u>3,497,514</u>	<u>3,430,295</u>
Net assets, ending	<u><u>\$ 3,640,414</u></u>	<u><u>\$ 2,019,756</u></u>	<u><u>\$ 3,583,330</u></u>	<u><u>\$ 3,497,514</u></u>

**Government-wide Financial Analysis (Continued)**

Revenues for governmental activities exceeded expenses including current year depreciation on capital assets by \$1,620,658 for FY2008. Current year depreciation expense for capital assets totaled \$783,515. Revenues for governmental activities increased by \$915,107; whereas, expenses decreased by \$263,358.

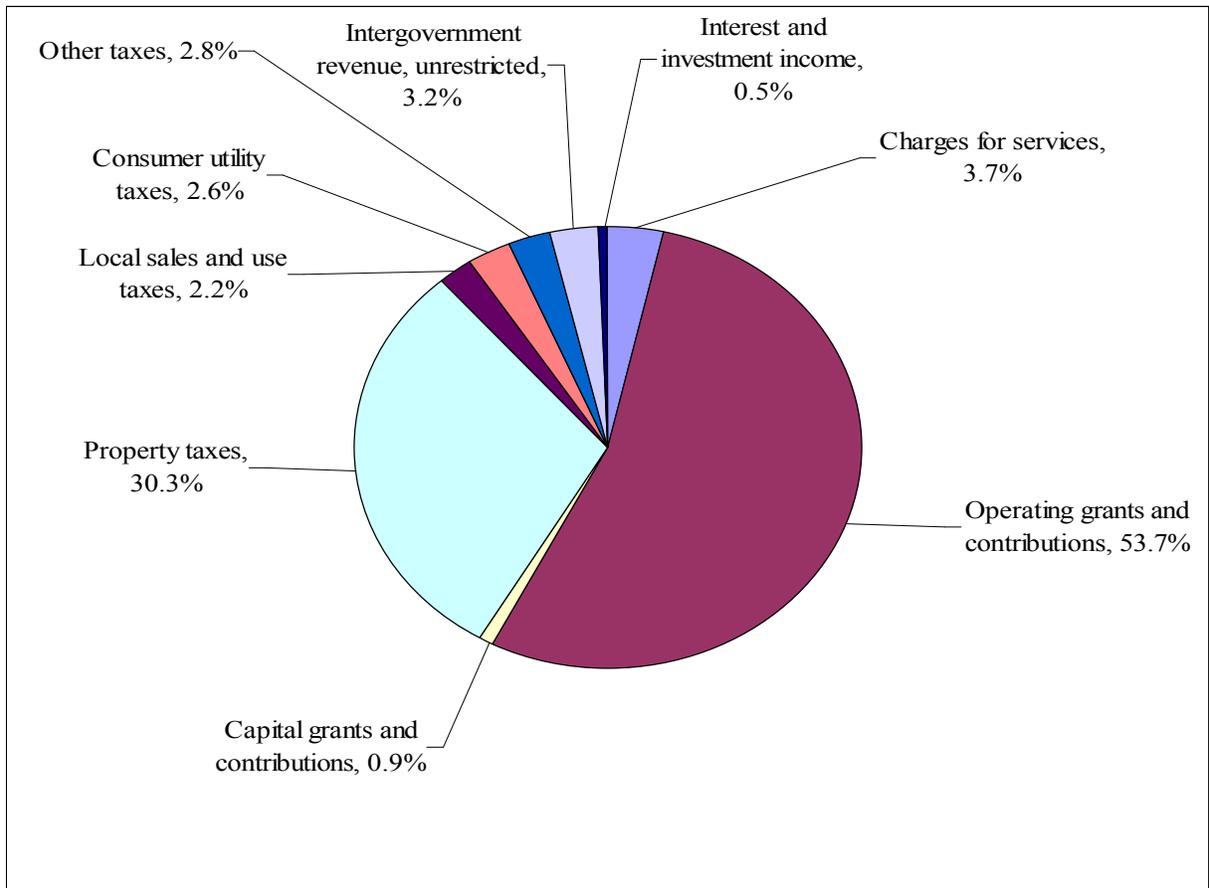
Component unit revenues total \$19,494,657, including a transfer of \$5,290,852 from the County. GASB 34 requires that school debt service related to general obligation debt is included in the general fund, as the schools cannot issue general obligation debt on their own. County funds associated with school debt service were \$1,466,016, which would have brought the total transfer to \$6,756,868 under the previous method of accounting.

**EXPENSES**



**Government-wide Financial Analysis (Continued)**

REVENUES



**Financial Analysis of the County's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

## **Financial Analysis of the County's Funds (Continued)**

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$1,955,047, an increase of \$785,942 in comparison with the prior year. The increase in combined fund balances is centered on lowered expenses in the fiscal year because of improved fiscal management/oversight. Cash and cash equivalents decreased by \$351,867. Approximately (2.7)% of the combined governmental fund balance, or \$(53,122), constitutes unreserved, undesignated fund balances, which are available for spending at the County's discretion. The remainder of fund balance is reserved or designated to indicate that is not available for new spending because it has already been committed for:

- Capital improvement projects
- Encumbrances and carryovers for expenditures
- Fire and Rescue expenditures

The general fund is the operating fund of the County. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$(53,122), while the total general fund balance was \$380,334. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated general fund balance represents (0.33)% of total general fund expenditures, while total fund balances represents 2.33% of that same amount.

The general fund balance increased by \$524,078 during the current fiscal year, or 464%. General fund revenues, expenditures and other sources increased significantly from the prior year with total revenues and other sources exceeding expenditures by \$524,074. While routine expenses held level for the year or decreased. There were large expenditures for expansion costs of the Library and Communications Center.

The fire and rescue fund balance increased by \$316,999. This increase is due primarily to real estate and personal property levies being applied to fund and expenses at level funding.

The County capital projects fund balance decreased by \$(55,135). This decrease is due primarily to transfers to the general fund for capital projects.

The capital projects fund has a remaining fund balance of \$262,299, all of which is reserved or designated for existing and future capital projects. The school construction fund has a fund balance of \$2,314.

**General Fund Budgetary Highlights**

Differences between the original expenditure budget of \$17,201,040 and the final amended budget of \$17,828,464 were relatively significant (\$627,424 increase in appropriations) and can be briefly summarized as follows:

Approximately \$330,000 was carried over from the previous with the majority of these funds going to schools and public safety expenditures. Two departments had large supplemental appropriations including the Library and the Sheriff’s department. The library was due to fundraising efforts of local citizens which was applied to the building project, and the Sheriff due to additional funds received for grants and insurance reimbursements.

During the year actual revenues were less than original budget estimates by \$(1,084,722), and less than amended budget amounts by \$(657,535). Actual expenditures were under original budget estimates by \$903,362 and actual expenditures were less than the amended budget by \$1,530,786. The biggest components of this difference in the level of expenditures are proactive department heads that continually monitor their individual budgets and in some cases obtained grant funds to replace budgeted County funds. Solid waste expenditures were less than anticipated especially in the area of groundwater monitoring and waste transportation costs were also less than anticipated.

<b>REVENUES AND EXPENDITURES GENERAL FUND – BUDGET TO ACTUAL</b>			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Local	\$ 12,363,141	\$ 11,761,963	\$ (601,178)
Intergovernmental	<u>3,801,208</u>	<u>3,744,851</u>	<u>(56,357)</u>
Total revenues	<u>\$ 16,164,349</u>	<u>\$ 15,506,814</u>	<u>\$ (657,535)</u>
Expenditures:			
General government administration	\$ 1,231,480	\$ 1,183,135	\$ 48,345
Judicial administration	682,239	605,257	76,982
Public safety	3,412,416	2,645,448	766,968
Public works	1,331,243	1,146,413	184,830
Health and welfare	2,166,092	1,715,900	450,192
Education	5,316,983	5,264,864	52,119
Parks, recreation & cultural	1,401,051	1,316,756	84,295
Community development	430,649	377,031	53,618
Debt Service	<u>1,856,311</u>	<u>2,042,874</u>	<u>(186,563)</u>
Total expenditures	<u>\$ 17,828,464</u>	<u>\$ 16,297,678</u>	<u>\$ 1,530,786</u>

Revenues: Total actual local revenue was less than final budget by \$(601,178) or 4.9%. The majority of this decrease was due to a weakened economy, real estate and personal property collections were down.

Local revenue comprised 75.9% of total actual General Fund Revenue. Intergovernmental revenue was \$(56,357) less than final budget (1.5% less). Intergovernmental revenue comprised 24.1% of total actual General Fund revenue. Total revenues were \$(657,535) less than final budget (4.1% less).

Expenditures: Total General Fund actual expenditures of \$16,297,678 were \$1,530,786 less than the final budget of \$17,828,464. Education expenditures represented by transfers from the General Fund to the School Board Component Unit were \$52,119 less than final budget.

**Capital Asset and Debt Administration**

Capital assets – The County’s investment in capital assets for its governmental funds as of June 30, 2008 totals \$20,401,720 (net of accumulated depreciation) for an increase of \$585,342. This investment in capital assets includes land, buildings and improvements, vehicles and machinery and equipment. Depreciation expense for the year for all capital assets all funds totaled \$783,515. Readers interested in additional information should refer to Note 6 to the financial statements.

**Capital Assets – Condensed**

As of June 30, 2008

Governmental Activities	Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land and land improvements	\$ 714,094	\$ -	\$ 714,094
Construction in progress	104,016	-	104,016
Total capital assets, not being depreciated	818,110	-	818,110
Other capital assets:			
Buildings	5,371,833	1,238,394	4,133,439
School buildings*	15,660,445	1,740,712	13,919,733
Equipment	5,312,033	3,781,595	1,530,438
Total capital assets, depreciable	26,344,311	6,760,701	19,583,610
Total capital assets	\$ 27,162,421	\$ 6,760,701	\$ 20,401,720

\* School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

Component Units	Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land and land improvements	\$ 1,167,450	\$ -	\$ 1,167,450
Construction in progress	27,300	-	27,300
Total capital assets, not being depreciated	1,194,750	-	1,194,750
Other capital assets:			
Buildings	3,988,343	1,987,422	2,000,921
Equipment	2,851,814	1,828,406	1,023,408
Total capital assets, depreciable	6,840,157	3,815,828	3,024,329
Total capital assets	\$ 8,034,907	\$ 3,815,828	\$ 4,219,079

**DEBT SCHEDULES**

Of the total principal balance of outstanding debt at the end of the year, \$16 million was for General Obligation Bonds and \$1 million was for revenue. General Obligation Bonds amounted to 1.09% of the County’s assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. Long term bonded debt currently outstanding was used to finance school construction projects and other County improvements.

Annual requirements to amortize all long-term debt and related interest, including capital leases, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,126,104	\$ 830,851	\$ 1,956,955
2010	1,149,752	776,342	1,926,094
2011	1,086,779	719,516	1,806,295
2012	1,105,858	666,320	1,772,178
2013	1,098,585	612,579	1,711,164
2014-2018	5,182,117	2,290,628	7,472,745
2019-2023	4,501,776	1,096,695	5,598,471
2024-2028	1,931,704	272,173	2,203,877
2029-2033	220,000	98,750	318,750
2034-2038	280,000	36,250	316,250
Total	<u>\$ 17,682,675</u>	<u>\$ 7,400,104</u>	<u>\$ 25,082,779</u>

All outstanding debt shown in this table was used for the long term financing of equipment and capital projects.

Annual debt service paid amounted to \$2,063,197 for principal and interest combined for the reporting period. Readers interested in additional information should refer to Note 7 to the financial statements.

**CONTACT THE COUNTY’S FINANCIAL MANAGEMENT**

**This financial report is designed to provide interested parties with a general overview of the County’s finances and to demonstrate the County’s accountability for the money it receives. If you have questions concerning any information provided in this report or need additional financial information, contact:**

**Assistant County Administrator  
 Floyd County  
 P.O. Box 218  
 Floyd, Virginia 24091  
 Phone number (540)-745-9300**

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# **BASIC FINANCIAL STATEMENTS**

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## COUNTY OF FLOYD, VIRGINIA

## STATEMENT OF NET ASSETS

June 30, 2008

	<u>Component Units</u>			<u>Total</u>
	<u>Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 3,368,443	\$ 287,491	\$ 67,810	\$ 3,723,744
Receivables, net (Note 3)	629,804	-	251,898	881,702
Due from other governments (Note 4)	610,635	325,094	-	935,729
Prepaid items	43,356	265,210	-	308,566
Due from primary government (Note 5)	-	1,319,543	-	1,319,543
Due from component units (Note 5)	410,961	-	-	410,961
Inventories	-	13,885	-	13,885
Bond issue costs, net	107,584	6,802	-	114,386
Restricted assets:				
Cash and cash equivalents, restricted ( Note 2)	504,878	321,493	-	826,371
Capital assets: (Note 6)				
Nondepreciable	818,110	293,217	901,533	2,012,860
Depreciable, net	19,583,610	3,024,329	-	22,607,939
Total assets	<u>26,077,381</u>	<u>5,857,064</u>	<u>1,221,241</u>	<u>33,155,686</u>
<b>LIABILITIES</b>				
Accounts payable	300,049	72,008	-	372,057
Accrued payroll and related liabilities	-	1,851,724	-	1,851,724
Accrued interest payable	392,046	-	-	392,046
Due to primary government (Note 5)	-	-	410,961	410,961
Due to component units (Note 5)	1,319,543	-	-	1,319,543
Unearned revenue (Note 3)	121,723	-	-	121,723
Short-term note payable (Note 8)	1,500,000	-	-	1,500,000
Long-term liabilities: (Note 7)				
Due within one year	1,369,675	410,532	19,374	1,799,581
Due in more than one year	17,433,931	535,532	194,844	18,164,307
Total liabilities	<u>22,436,967</u>	<u>2,869,796</u>	<u>625,179</u>	<u>25,931,942</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	3,447,717	3,317,546	490,572	7,255,835
Restricted for:				
Fire and rescue	1,310,100	-	-	1,310,100
Health insurance premiums	-	203,332	-	203,332
Unrestricted	<u>(1,117,403)</u>	<u>(533,610)</u>	<u>105,490</u>	<u>(1,545,523)</u>
Total net assets	<u>\$ 3,640,414</u>	<u>\$ 2,987,268</u>	<u>\$ 596,062</u>	<u>\$ 7,223,744</u>

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008

Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Primary Government	Component Units		
						School Board	Industrial Development Authority	
<b>Primary Government:</b>								
Governmental activities:								
General government administration	\$ 1,238,309	\$ 43,258	\$ 275,758	\$ -	\$ (919,293)			\$ (919,293)
Judicial administration	614,973	55,901	396,016	-	(163,056)			(163,056)
Public safety	2,963,673	289,841	856,758	108,944	(1,708,130)			(1,708,130)
Public works	1,142,179	143,438	5,048	-	(993,693)			(993,693)
Health and welfare	1,716,772	7,918	1,245,826	-	(463,028)			(463,028)
Education	5,656,376	-	-	-	(5,656,376)			(5,656,376)
Parks, recreational and cultural	198,542	1,180	-	-	(197,362)			(197,362)
Community development	377,031	140,780	-	160,308	(75,943)			(75,943)
Interest on long-term debt	989,579	-	-	-	(989,579)			(989,579)
Total primary government	<u>\$ 14,897,434</u>	<u>\$ 682,316</u>	<u>\$ 2,779,406</u>	<u>\$ 269,252</u>	<u>(11,166,460)</u>			<u>(11,166,460)</u>
<b>Component Units:</b>								
School Board	\$ 19,330,958	\$ 463,631	\$ 13,678,527	\$ -		\$ (5,188,800)		(5,188,800)
Industrial Development Authority	77,883	-	-	-			\$ (77,883)	(77,883)
Total component units	<u>\$ 19,408,841</u>	<u>\$ 463,631</u>	<u>\$ 13,678,527</u>	<u>\$ -</u>		<u>(5,188,800)</u>	<u>(77,883)</u>	<u>(5,266,683)</u>
General revenues:								
Property taxes					9,289,566	-	-	9,289,566
Local sales and use taxes					686,819	-	-	686,819
Consumer utility taxes					810,767	-	-	810,767
Communication taxes					270,495	-	-	270,495
Motor vehicle taxes					405,854	-	-	405,854
Other local taxes					187,909	-	-	187,909
Intergovernmental revenue, unrestricted					966,850	-	-	966,850
Interest and investment income, unrestricted					167,601	10,321	5,756	183,678
Other					1,257	-	713	1,970
Gain on sale of capital assets					-	-	44,857	44,857
Contributions from primary government					-	5,260,748	30,104	5,290,852
Total general revenues					<u>12,787,118</u>	<u>5,271,069</u>	<u>81,430</u>	<u>18,139,617</u>
Change in net assets					<u>1,620,658</u>	<u>82,269</u>	<u>3,547</u>	<u>1,706,474</u>
Net assets beginning					<u>2,019,756</u>	<u>2,904,999</u>	<u>592,515</u>	<u>5,517,270</u>
Net assets ending					<u>\$ 3,640,414</u>	<u>\$ 2,987,268</u>	<u>\$ 596,062</u>	<u>\$ 7,223,744</u>

The Notes to Financial Statements are an integral part of this statement.

## COUNTY OF FLOYD, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2008**

	<b>General Fund</b>	<b>Fire and Rescue Fund</b>	<b>Capital Projects Fund</b>	<b>School Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,054,487	\$ 1,311,642	\$ -	\$ 2,314	\$ 3,368,443
Cash and cash equivalents, restricted	-	-	504,878	-	504,878
Receivables, net	629,804	-	-	-	629,804
Prepaid items	43,356	-	-	-	43,356
Due from other funds	242,579	-	-	-	242,579
Due from component units	410,961	-	-	-	410,961
Due from other governments	610,635	-	-	-	610,635
Total assets	<u>\$ 3,991,822</u>	<u>\$ 1,311,642</u>	<u>\$ 504,878</u>	<u>\$ 2,314</u>	<u>\$ 5,810,656</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 298,507	\$ 1,542	\$ -	\$ -	\$ 300,049
Due to other funds	-	-	242,579	-	242,579
Due to component units	1,319,543	-	-	-	1,319,543
Deferred revenue	493,438	-	-	-	493,438
Short-term note payable	1,500,000	-	-	-	1,500,000
Total liabilities	<u>3,611,488</u>	<u>1,542</u>	<u>242,579</u>	<u>-</u>	<u>3,855,609</u>
Fund balances:					
Reserved for:					
Encumbrances	390,100	-	-	-	390,100
Capital Projects	-	-	262,299	2,314	264,613
Prepaid items	43,356	-	-	-	43,356
Unreserved:					
Designated	-	1,310,100	-	-	1,310,100
Undesignated	(53,122)	-	-	-	(53,122)
Total fund balances	<u>380,334</u>	<u>1,310,100</u>	<u>262,299</u>	<u>2,314</u>	<u>1,955,047</u>
Total liabilities and fund balances	<u>\$ 3,991,822</u>	<u>\$ 1,311,642</u>	<u>\$ 504,878</u>	<u>\$ 2,314</u>	
<b>Adjustments for the Statement of Net Assets</b>					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.					20,401,720
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.					371,715
Bond issuance costs are reported as expenditures in the governmental funds, but are amortized over the life of the debt obligation in the statement of net assets.					107,584
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:					
	Accrued interest		\$ (392,046)		
	General obligation bonds and literary fund loans		(16,124,932)		
	Revenue bonds		(1,000,000)		
	Deferred costs		150,977		
	Bond premium		(34,767)		
	Capital lease obligations		(557,743)		
	Landfill closure/postclosure		(950,000)		
	Compensated absences		(287,141)		
					<u>(19,195,652)</u>
Net assets of governmental activities					<u>\$ 3,640,414</u>

## COUNTY OF FLOYD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2008**

	<b>General Fund</b>	<b>Fire and Rescue Fund</b>	<b>Capital Projects Fund</b>	<b>School Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
General property taxes	\$ 8,398,515	\$ 851,762	\$ -	\$ -	\$ 9,250,277
Other local taxes	2,327,988	-	-	-	2,327,988
Permits, privilege fees and regulatory licenses	160,041	-	-	-	160,041
Fines and forfeitures	18,329	-	-	-	18,329
Revenue from use of money and property	190,988	-	19,567	-	210,555
Charges for services	496,437	-	-	-	496,437
Other	1,135	-	-	-	1,135
Recovered costs	168,530	-	-	-	168,530
Intergovernmental	3,744,851	60,660	40,000	-	3,845,511
Total revenues	<u>15,506,814</u>	<u>912,422</u>	<u>59,567</u>	<u>-</u>	<u>16,478,803</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	1,183,135	-	-	-	1,183,135
Judicial administration	605,257	-	-	-	605,257
Public safety	2,645,448	347,388	-	-	2,992,836
Public works	1,146,413	-	-	-	1,146,413
Health and welfare	1,715,900	-	-	-	1,715,900
Education	5,264,864	-	-	-	5,264,864
Parks, recreation and cultural	1,316,756	-	-	-	1,316,756
Community development	377,031	-	-	-	377,031
Debt Service:					
Principal	1,043,920	65,334	-	-	1,109,254
Interest and other fiscal charges	959,255	18,427	-	-	977,682
Bond issuance costs	39,699	-	-	-	39,699
Total expenditures	<u>16,297,678</u>	<u>431,149</u>	<u>-</u>	<u>-</u>	<u>16,728,827</u>
Excess (deficiency) of revenues over expenditures	<u>(790,864)</u>	<u>481,273</u>	<u>59,567</u>	<u>-</u>	<u>(250,024)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of bond issuances	1,000,000	-	-	-	1,000,000
Premium on bond issuances	35,966	-	-	-	35,966
Transfers in (Note 5)	278,976	-	-	-	278,976
Transfers out (Note 5)	-	(164,274)	(114,702)	-	(278,976)
Total other financing sources (uses)	<u>1,314,942</u>	<u>(164,274)</u>	<u>(114,702)</u>	<u>-</u>	<u>1,035,966</u>
Net change in fund balances	524,078	316,999	(55,135)	-	785,942
<b>FUND BALANCES (DEFICITS) AT JULY 1</b>	<u>(143,744)</u>	<u>993,101</u>	<u>317,434</u>	<u>2,314</u>	<u>1,169,105</u>
<b>FUND BALANCES AT JUNE 30</b>	<u>\$ 380,334</u>	<u>\$ 1,310,100</u>	<u>\$ 262,299</u>	<u>\$ 2,314</u>	<u>\$ 1,955,047</u>

(Continued)

## COUNTY OF FLOYD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2008**

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities:**

Net change in fund balances - total governmental funds		\$ 785,942
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 capital outlay (\$1,368,857) exceeded depreciation (\$783,515) in the current period.		585,342
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		39,289
The issuance of long-term debt (\$1,000,000) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$1,218,249) 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 (\$39,699), premiums (\$35,966), discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatments of long-term debt and related items.		221,982
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:		
Decrease in accrued interest payable	\$ 4,803	
Amortization of bond issue costs and other deferred costs	<u>(16,700)</u>	
		<u>(11,897)</u>
Change in net assets of governmental activities		<u><u>\$ 1,620,658</u></u>

**COUNTY OF FLOYD, VIRGINIA**  
**STATEMENT OF NET ASSETS – FIDUCIARY FUNDS**  
**June 30, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,935
<b>LIABILITIES</b>	
Amounts held for others	<u>6,935</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The County of Floyd, Virginia (the “County”) is a political subdivision of the Commonwealth of Virginia governed under the County Administrator – Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks and recreation and cultural activities, and community development.

**Discretely Presented Component Units:** Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationship with the County is such that exclusion would cause the County’s financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

**Floyd County School Board**

The Floyd County School Board (the “School Board”) is responsible for elementary and secondary education within the County’s jurisdiction. The Board is comprised of five members elected by County voters. The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of bonded debt. The School Board does not issue separate financial statements.

**Floyd County Industrial Development Authority**

The Floyd County Industrial Development Authority (the “IDA”) was created to encourage and provide financing for industrial development in the County. The IDA’s directors are appointed by the Board of Supervisors and the County is financially accountable for the IDA in that it provides local funding for the IDA’s activities. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate industrial development. The IDA is presented as a proprietary fund type and does not issue separate financial statements.

**Jointly Governed Organizations:** The following entities are excluded from the accompanying financial statements:

**Floyd County Public Service Authority**

The Floyd County Public Service Authority was created by the County and Town of Floyd to operate the water and sewer systems. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. Financial Reporting Entity (Continued)**

**Floyd-Floyd County Public Recreational Facilities Authority**

The County, in conjunction with the Town of Floyd participates in the Floyd-Floyd County Public Recreational Facilities Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$40,750 to the Authority for the current year.

**Montgomery-Floyd Regional Library**

The County, in conjunction with Montgomery County, and the Towns of Christiansburg and Blacksburg, participates in the Montgomery-Floyd Regional Library, which is composed of members from each of the participating localities. The County contributed \$210,000 to the Library for the current year.

**New River Valley Community Services**

The County and the Counties of Montgomery, Giles, Pulaski, and the City of Radford participate in supporting New River Valley Community Services. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. The County contributed \$34,700 to New River Valley Community Services for the current year.

**New River Valley Regional Jail Authority**

The County, in conjunction with the Counties of Bland, Carroll, Giles, Grayson and Pulaski, and the City of Radford, participates in the New River Regional Jail Authority (the "Authority"). Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days, and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$215,819 for the current year.

**B. Government-Wide and Fund Financial Statements**

Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities that report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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. The County reports no business-type activities. Likewise, the *primary* government is reported separately from certain legally separate *component* units for which the primary government is financially accountable.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Government-Wide and Fund Financial Statements (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds 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 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.

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when levied, net of allowances for uncollectible amounts. Real and personal property taxes recorded at June 30 and received within the first 60 days after year-end are included in tax revenues. Sales and utility taxes are recognized as revenues and amounts receivable when the underlying exchange transaction occurs. 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 specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The County reports the following major governmental funds:

**General Fund** - This is the government's primary operating fund. It accounts for all financial resources of the general government not required to be accounted for in other funds.

**Fire and Rescue Fund** – Special Revenue Funds account for the proceeds of specific revenue sources, (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions. The Fire and Rescue Fund accounts for the operations of volunteer fire and rescue services.

**Capital Projects Fund** – The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities.

**School Capital Projects Fund** – The School Capital Projects Fund accounts for all bond proceeds and expenditures of financial resources related to the acquisition or construction of major school capital facilities.

In addition to its major funds, the County reports the following fund category:

**Fiduciary Funds** – Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The Special Welfare Fund is reported as an agency fund.

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

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired.

**Investments**

Investments are stated at fair value.

**Receivables**

All account and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis and management's judgment.

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed

**Inventories**

Inventories consist of commodities received from the U.S. Department of Agriculture, which are valued at market in the school operating fund. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Capital Assets**

Capital assets which include property, plant, and equipment are reported in the government-wide financial statements. The County does not own infrastructure assets. Capital assets are defined as items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Equipment	5-12 years

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Compensated Absences**

County and School Board employees are granted a specified number of days of leave with pay each year. The accumulated vacation and sick leave pay is accounted for as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds when the amounts have become due and payable.

**Deferred Revenues**

Deferred revenue consists primarily of property taxes not collected within 60 days of year end, property taxes collected that are not yet due, and property taxes receivable which have been levied for a subsequent period.

**Performance Grants Payable**

Performance grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of performance grants are reflected as revenues when collection is determined to be likely.

**Long-term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. 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. Repayments and issuance costs are reported as debt service expenditures.

**Encumbrances**

The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Estimates**

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

**Net Assets/Fund Equity**

Net assets in the government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations.

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

**Pass Through Financing Leases and Installment Sales in IDA**

The principal activities of the IDA represent pass through leases or installment sales. These agreements provide for periodic payments in amounts which are equal to the principal and interest payments due to project bond holders. The IDA has assigned all rights to such payments to the trustees, agents or the holders of the bonds, and the lessees or purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases, the IDA neither receives nor disburses funds. Although title to these properties may rest with the IDA, bargain purchase options or other provisions eliminate any equity interest that would otherwise be retained in the lease transactions. Deeds of trust secure outstanding bond obligations, and title will pass to the lessee or purchaser at such time as the bonds are fully paid. Although the IDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the IDA does not recognize associated assets, liabilities, rental income or interest expense in its financial statements. Approximately \$4 million of these bonds were outstanding at year end.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 2. Deposits and Investments**

**Deposits**

All cash of the County and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. seq.* of the *Code of Virginia*, (the “Code”) or covered by federal depository insurance.

**Investments**

Investment Policy:

In accordance with the *Code* and other applicable law, including regulations, the County’s investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker’s acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Pursuant to Sec. 2.1-234.7 of the *Code*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share).

The Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States; to 15 years for any single corporate security; and five years for any single asset-backed security.

Credit Risk:

As required by state statute or by the County, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s Investors Service, Standard & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated “A” or better by Moody’s and Standard & Poor’s. Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service.

As of June 30, 100% of the portfolio was invested in “AAAm” rated obligations. Credit ratings presented in this paragraph are Standard & Poor’s short term issue credit ratings.

Concentration of Credit Risk:

The County has not adopted an investment policy for credit risk, which places limits on the amount that they may invest in any one issuer.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 2. Deposits and Investments (Continued)**

**Investments (Continued)**

Interest Rate Risk:

The carrying values and weighted average maturity of investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity*	Percentage of Portfolio
U.S. Treasury Securities Money Market Fund	\$ 504,878	2	75%
Local Government Investment Pool (LGIP)	167,224	N/A	25
Total investments	<u>\$ 672,102</u>		<u>100%</u>

\* Weighted average maturity in days.

Custodial Credit Risk:

The Policy requires that all investment securities shall be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all of the County’s investments are held in a bank’s trust department in the County’s name.

The above items are reflected in the financial statements as follows:

	Primary Government	Component Units	
		School Board	IDA
Deposits and investments:			
Cash on hand	\$ 500	\$ -	\$ -
Deposits	3,207,654	608,984	67,810
Investments	672,102	-	-
	<u>\$ 3,880,256</u>	<u>\$ 608,984</u>	<u>\$ 67,810</u>
Statements of net assets:			
Cash and cash equivalents	\$ 3,368,443	\$ 287,491	\$ 67,810
Cash and cash equivalents, restricted	504,878	321,493	-
Fiduciary fund cash and cash equivalents	6,935	-	-
	<u>\$ 3,880,256</u>	<u>\$ 608,984</u>	<u>\$ 67,810</u>

Restricted Amounts:

Restricted cash and cash equivalents at the Primary Government consist of unused bond proceeds that must be used for pre-approved capital projects. Restricted cash and cash equivalents, restricted net assets, and the reserved fund balance – purpose restrictions at the School Board relate to the remaining Trigon stock proceeds, which are restricted by state legislation for specified purposes.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 3. Receivables, Deferred Revenue and Property Taxes**

Receivables at June 30 are as follows:

	<b>Primary Government General Fund</b>	<b>Component Unit – IDA</b>
Receivables		
Taxes	\$ 572,940	\$ -
Accounts	556,439	-
Lease	-	17,765
Note	-	234,133
	<u>1,129,379</u>	<u>251,898</u>
Gross receivables		
Less:		
Allowance for uncollectible taxes	(287,803)	-
Allowance for uncollectible accounts	(211,772)	-
	<u>(499,575)</u>	<u>-</u>
Total allowance		
Net total receivables	<u>\$ 629,804</u>	<u>\$ 251,898</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are 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 June 30, the components of deferred revenue were as follows:

Property taxes receivable – unavailable	\$ 201,729
Advance collection of 2008-2009 property taxes – unearned	121,723
EMS billings receivable – unavailable	169,986
	<u>493,438</u>
Total deferred revenue – governmental funds	
Less deferrals for unavailability	<u>(371,715)</u>
Unearned revenue – statement of net assets	<u>\$ 121,723</u>

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue. Public utility property is assessed by the Commonwealth. All real property is assessed at 100 percent of fair market value and reassessed every four years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 3. Receivables, Deferred Revenue and Property Taxes (Continued)**

Real estate taxes are billed in equal semi-annual installments due June 5 and December 5. The taxes receivable balance at June 30, 2008 includes amounts not yet received from the January 1, 2008 levy (due June 5), less an allowance for uncollectibles. Property taxes attach an enforceable lien on property as of January 1. In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was \$0.60 per \$100 of assessed value for calendar years 2008 and 2007.

Personal property tax assessments on all motor vehicles is \$2.70 per \$100 assessed value. Personal property tax on business machinery and tools is \$1.55 per \$100 of assessed value. Personal property taxes for the calendar year are due on December 5. Personal property taxes do not create a lien of property; however, County vehicle decals, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes.

Component Unit – Industrial Development Authority:

The IDA is the lessor of certain land to a non-profit organization for a term of thirty years. The lease is classified as a direct financing lease since the lessee has the option to purchase the land from the IDA at a bargain purchase during the term of the agreement. Monthly lease payments are \$100 through May 2035.

The IDA sold property and a building during 2008. As a result of that transaction a note receivable was issued in the amount of \$309,800. The note bears interest at a rate of 3.94% and extends through June 1, 2014. At year end, the remaining amortization of the note is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 52,868	\$ 7,132
2010	33,458	6,542
2011	34,801	5,160
2012	36,197	3,803
2013	37,649	2,351
2014	39,160	841
	<u>\$ 234,133</u>	<u>\$ 25,829</u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 4. Due from Other Governments**

Amounts due from other governments consist of the following:

	<b>Primary Government</b>	<b>Component Unit – School Board</b>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 160,738	\$ -
State sales tax	-	325,094
Comprehensive services Act	34,192	-
Public assistance	82,253	-
Recordation tax	8,612	-
Mobile home titling tax	10,300	-
Shared expenses and grants	162,652	-
Communications tax	151,888	-
	\$ 610,635	\$ 325,094

**Note 5 Interfund Balances and Transactions**

Amounts due from/to other funds consist of the following at June 30:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Capital Projects Fund	\$ 242,579

The primary purpose of the Interfund balance is for negative pooled unrestricted cash amounts in the Capital Projects Fund.

Interfund transfers are as follows:

<b>Transfer Out Fund</b>	<b>Transfer In Fund</b>	<b>Amount</b>
Fire and Rescue Fund	General Fund	\$ 164,274
Capital Projects Fund	General Fund	114,702
		\$ 278,976

The transfer from the Fire and Rescue Fund to the General Fund was to reimburse the General Fund for costs incurred on the Fire and Rescue Fund's behalf. The transfer from the Capital Projects Fund to the General Fund was to fund construction of the Communications Center.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 5 Interfund Balances and Transactions (Continued)**

Amounts due to/from the primary government and its component units consist of the following:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit – School Board	Primary Government – General Fund	\$ 1,319,543
Primary Government – General Fund	Component Unit - IDA	<u>410,961</u>
		<u>\$ 1,730,504</u>

The Primary Government – General Fund owed \$1,319,543 to the Component Unit – School Board as a result of the County funding the net of assets and liabilities less cash at year end.

The Component Unit – IDA owed \$410,961 back to the Primary Government – General Fund for advances for the purchase of land.

**Note 6. Capital Assets**

**Primary Government**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 714,094	\$ -	\$ -	\$ 714,094
Construction-in-progress	141,760	104,016	141,760	104,016
Capital assets, nondepreciable	<u>855,854</u>	<u>104,016</u>	<u>141,760</u>	<u>818,110</u>
Capital assets, depreciable:				
Buildings and improvements	4,084,754	1,287,079	-	5,371,833
Equipment	5,213,501	119,522	20,990	5,312,033
School buildings	15,660,445	-	-	15,660,445
Capital assets, depreciable	<u>24,958,700</u>	<u>1,406,601</u>	<u>20,990</u>	<u>26,344,311</u>
Less accumulated depreciation for:				
Buildings and improvements	1,132,855	105,539	-	1,238,394
Equipment	3,516,121	286,464	20,990	3,781,595
School buildings	1,349,200	391,512	-	1,740,712
Total accumulated depreciation	<u>5,998,176</u>	<u>783,515</u>	<u>20,990</u>	<u>6,760,701</u>
Capital assets, depreciable, net	<u>18,960,524</u>	<u>623,086</u>	<u>-</u>	<u>19,583,610</u>
Governmental activities capital assets, net	<u>\$ 19,816,378</u>	<u>\$ 727,102</u>	<u>\$ 141,760</u>	<u>\$ 20,401,720</u>

(Continued)

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 6. Capital Assets (Continued)**

**Primary Government (Continued)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 56,756
Judicial administration	9,901
Public safety	198,202
Public works	122,821
Health and welfare	1,988
Education	391,512
Park, recreation, and cultural	<u>2,335</u>
	<u>\$ 783,515</u>

Included in Primary Government capital assets are various pieces of equipment with a total cost of \$1,008,749 and accumulated depreciation of \$204,756 financed by capital leases.

**Construction Commitments**

The County has an active construction project related to a major expansion of the County's Communications Center. At year end the County's commitment with a contractor on the project is as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Communications Center	<u>\$ 104,016</u>	<u>\$ 390,100</u>

**COUNTY OF FLOYD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**Note 6. Capital Assets (Continued)**

**Discretely Presented Component Unit – School Board**

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 265,917	\$ -	\$ -	\$ 265,917
Construction in progress	-	27,300	-	27,300
Capital assets, nondepreciable	<u>265,917</u>	<u>27,300</u>	<u>-</u>	<u>293,217</u>
Capital assets, depreciable:				
Buildings and improvements	3,929,019	59,324	-	3,988,343
Equipment	3,013,176	185,492	346,854	2,851,814
Capital assets, depreciable	<u>6,942,195</u>	<u>244,816</u>	<u>346,854</u>	<u>6,840,157</u>
Less accumulated depreciation for:				
Buildings and improvements	1,920,403	67,019	-	1,987,422
Equipment	2,008,161	167,099	346,854	1,828,406
Total accumulated depreciation	<u>3,928,564</u>	<u>234,118</u>	<u>346,854</u>	<u>3,815,828</u>
Capital assets, depreciable, net	<u>3,013,631</u>	<u>10,698</u>	<u>-</u>	<u>3,024,329</u>
Governmental activities capital assets, net	<u>\$ 3,279,548</u>	<u>\$ 37,998</u>	<u>\$ -</u>	<u>\$ 3,317,546</u>

All depreciation expense of the School Board was charged to the Education function.

**Discretely Presented Component Unit - Industrial Development Authority**

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 905,620	\$ -	\$ 4,087	\$ 901,533
Capital assets, depreciable:				
Buildings	400,000	-	400,000	-
Less accumulated depreciation for:				
Buildings	71,644	7,500	79,144	-
Capital assets, depreciable, net	<u>328,356</u>	<u>(7,500)</u>	<u>(320,856)</u>	<u>-</u>
Capital assets, net	<u>\$ 1,233,976</u>	<u>\$ (7,500)</u>	<u>\$ (324,943)</u>	<u>\$ 901,533</u>

(Continued)

**COUNTY OF FLOYD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2008**

**Note 7. Long-term Liabilities**

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Primary Government</b>					
General obligation bonds	\$ 16,929,625	\$ -	\$ 923,050	\$ 16,006,575	\$ 935,766
Revenue bonds	-	1,000,000	-	1,000,000	15,000
Literary fund loans	148,257	-	29,900	118,357	29,900
Total bonds and loans payable	17,077,882	1,000,000	952,950	17,124,932	980,666
Capital lease payable	714,047	-	156,304	557,743	145,438
Landfill postclosure	1,050,000	-	100,000	950,000	100,000
Compensated absences	296,136	-	8,995	287,141	143,571
	<u>\$ 19,138,065</u>	<u>\$ 1,000,000</u>	<u>\$ 1,218,249</u>	<u>\$ 18,919,816</u>	<u>\$ 1,369,675</u>
<b>Component Unit – School Board:</b>					
Capital lease	\$ -	\$ 125,000	\$ -	\$ 125,000	\$ -
Compensated absences	858,269	-	37,205	821,064	410,532
	<u>\$ 858,269</u>	<u>\$ 125,000</u>	<u>\$ 37,205</u>	<u>\$ 946,064</u>	<u>\$ 410,532</u>
<b>Component Unit – IDA:</b>					
Note payable	\$ 355,090	\$ -	\$ 140,872	\$ 214,218	\$ 19,374

Debt service requirements of general obligation bonds, revenue bonds, literary fund loans, and landfill postclosure are paid by the General Fund. Capital lease payments and compensated absences are made by the General Fund, Fire and Rescue Fund, and School Operating Fund.

The primary government's annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities							
	General Obligation		Revenue Bond		Literary Fund Loan		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 935,766	\$ 757,065	\$ 15,000	\$ 49,081	\$ 29,900	\$ 3,551	\$ 145,438	\$ 21,154
2010	954,413	709,102	15,000	48,444	29,900	2,654	150,439	16,142
2011	978,674	660,084	15,000	47,338	29,900	1,757	63,205	10,382
2012	997,577	610,598	20,000	47,000	28,657	860	59,624	7,862
2013	1,015,474	562,059	20,000	46,100	-	-	63,111	4,375
2014-2018	5,001,191	2,071,400	105,000	216,075	-	-	75,926	3,153
2019-2023	4,366,776	910,320	135,000	186,375	-	-	-	-
2024-2028	1,756,704	124,298	175,000	147,875	-	-	-	-
2029-2033	-	-	220,000	98,750	-	-	-	-
2034-2038	-	-	280,000	36,250	-	-	-	-
	<u>\$ 16,006,575</u>	<u>\$ 6,404,926</u>	<u>\$ 1,000,000</u>	<u>\$ 923,288</u>	<u>\$ 118,357</u>	<u>\$ 8,822</u>	<u>\$ 557,743</u>	<u>\$ 63,068</u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 7. Long-term Liabilities (Continued)**

The discretely presented component unit's annual debt service requirements to maturity are as follows:

Year Ended June 30	Discretely Presented Component Unit			
	School Board		Industrial Development Authority	
	Capital Lease		Note Payable	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ -	\$ 19,374	\$ 15,438
2010	6,343	4,628	20,689	14,125
2011	6,583	4,389	22,094	12,718
2012	6,832	4,139	23,563	11,250
2013	7,091	3,881	128,498	4,232
2014-2018	39,689	15,169	-	-
2019-2023	47,791	7,066	-	-
2024	10,671	301	-	-
	<u>\$ 125,000</u>	<u>\$ 39,573</u>	<u>\$ 214,218</u>	<u>\$ 57,763</u>

Details of long-term indebtedness are as follows:

**Primary Government**

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
<u>General Obligation Bonds:</u>					
School Construction Bonds	4.90-6.35%	10-1992	07-2012	\$ 91,371	\$ 29,190
School Construction Bonds	6.10-6.40	01-1994	12-2011	360,000	20,000
School Construction Bonds	5.10-6.10	12-1995	07-2015	2,835,979	1,319,217
School Construction Bonds	2.60-2.80	11-2000	07-2020	3,142,650	2,162,785
School Construction Bonds	4.25-5.00	11-2005	07-2025	10,259,045	9,366,283
Refunding Bonds	4.22	04-2006	07-2022	3,450,500	3,109,100
					16,006,575
				Less deferred costs	(150,977)
					<u>\$ 15,855,598</u>
Revenue Bond	4.25 – 5.00%	07-2007	08-2037	\$ 1,000,000	\$ 1,000,000
				Plus bond premium	34,767
					<u>\$ 1,034,767</u>
State Literary Loan	3.00%	01-1992	01-2012	\$ 596,757	\$ 118,357

(Continued)

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 7. Long-term Liabilities (Continued)**

**Primary Government (Continued)**

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
<u>Capital Leases:</u>					
Equipment Lease	4.25%	10-2005	07-2014	\$ 255,005	\$ 182,245
Equipment Lease	3.27	01-2006	01-2010	255,392	103,439
Equipment Lease	3.27	03-2006	03-2010	152,752	62,036
Equipment Lease	3.80	08-2006	08-2010	44,636	28,680
Equipment Lease	4.07	02-2007	08-2013	225,000	181,343
					<u>\$ 557,743</u>

**Discretely Presented Component Unit's**

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Amount Outstanding
<b>School Board</b>					
Capital Lease	3.75%	05-2008	01-2024	\$ 1,250,000	<u>\$ 125,000</u>
<b>IDA</b>					
Note Payable	6.50%	04-2002	11-2012	\$ 415,000	<u>\$ 214,218</u>

The School Board capital lease is secured by equipment and school improvements; and has an additional \$1,125,000 that it may draw down under the agreement.

The IDA notes payable is secured by a note receivable.

**Prior Year Defeasance of Debt**

In 2006, the County defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, the liability for those bonds has been removed from the financial statements. At June 30, \$1,335,000 of these bonds remain outstanding.

**Note 8. Short-term Debt**

The County issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary to fund operations until the collection of property taxes on June 5<sup>th</sup> and December 5<sup>th</sup>.

Short-term debt activity was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation notes	<u>\$ 2,500,000</u>	<u>\$ 5,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 1,500,000</u>

(Continued)

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 9. Landfill Closure and Postclosure Care Costs**

The County closed its former landfill site in 1995. In accordance with federal and state laws, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions for a minimum of ten years after closure. The cumulative amount of estimated closure and postclosure care costs to date for this site, less cash paid for such costs to date, totals \$950,000.

The presence of certain contaminants from the closed landfill has been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The estimated liability is based on the Virginia Department of Environmental Quality (“DEQ”) accepting the active remedy proposed by the County as discussed below. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs may be higher due to inflation, changes in technology, changes in regulations, or other unforeseen circumstances. This amount is included in the long-term liabilities in the primary government.

The County’s current plan of remediation on the site consists of monitored natural attenuation. This remedy consists of monitoring wells on the site for up to nine years. It is the County and its external engineer’s belief that during the nine years, the groundwater contaminants will decrease to an acceptable level and the County will be released by the DEQ from all other monitoring requirements at this site.

The County uses the financial test method of demonstrating assurance for postclosure care.

**Note 10. Net Assets/Fund Balance**

**Deficit Unrestricted Net Assets:** At June 30, unrestricted net asset deficits of (\$1,117,403) and (\$533,610) exist in the primary government and Component-unit School Board, respectively. These deficits are expected to be recovered through increasing revenues and decreasing ongoing expenses.

**COUNTY OF FLOYD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 11. Significant Transactions of the County and Component Unit – School Board**

Certain transactions between the County and School Board are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

1. The School Board can neither levy taxes nor incur bonded debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s School Capital Projects Fund. This fund then accounts for capital expenditures relating to major school construction projects.
2. Debt service payments for school bonded debt are reported as part of the County in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.
3. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation as “jointly owned” assets. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the County’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board – Component Unit (Exhibit A-2)	\$ 19,412,963
Principal and other debt service expenses included in primary government (Exhibit 4)	<u>1,466,016</u>
Total expenditures for school activities	<u>\$ 20,878,979</u>

**Note 12. Significant Transactions of the County and Component Unit – Industrial Development Authority**

The IDA was created to encourage industrial development in the County. To that end, the County appropriates periodic contributions to the IDA. The County also periodically extends non-interest bearing loans to the IDA for the purchase of certain capital items such as land and buildings. These advances are to be repaid from the sales of the properties and other revenues of the IDA. There is no deed of trust held by the County for these properties. There were \$410,961 of such advances outstanding at year end.

In addition, the County provides certain industrial incentive grants to encourage development in the County. When the underlying requirements have been substantially met, these amounts are recorded by the IDA as payable to the grant recipient and as receivable from the County.

The County also provides personnel and office space to the IDA at no charge.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 13. Defined Benefit Pension Plan**

**Plan Description**

The County contributes to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). In addition, professional and non-professional employees of the School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

**Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The County may and has assumed this 5% member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year 2008 was 13.25% of annual covered payroll. The School Board's contribution rates for fiscal year 2008 were 14.20% for professional employees and 13.03% for non-professional employees. The County and School Board's contribution rates include the employee's share of 5% paid by employer.

For the three years ended June 30, 2008, 2007, and 2006, total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,462,132, \$1,361,759, and \$1,082,976 and represented 15.10%, 14.20%, and 11.62% of annual covered payroll, respectively, and 100% of the required contributions for 2008, 2007, and 2006, respectively.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 13. Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost**

For fiscal year 2008, the County's and School Board's annual pension costs, including the employee share assumed by the County, of \$382,852 and \$1,635,724, respectively, were equal to their required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis within a period of 21 years or less.

Three-Year Trend Information for County of Floyd

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 382,852	100%	\$ -
June 30, 2007	\$ 365,562	100%	\$ -
June 30, 2006	\$ 272,365	100%	\$ -

Three-Year Trend Information for the County of Floyd School Board – Non-Professional

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 173,592	100%	\$ -
June 30, 2007	\$ 189,581	100%	\$ -
June 30, 2006	\$ 137,479	100%	\$ -

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 13. Defined Benefit Pension Plan (Continued)**

**Required Supplementary Information**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
County of Floyd						
June 30, 2007	\$ 7,951,028	\$ 9,557,669	\$ 1,606,641	83.19%	\$ 2,802,371	57.33%
June 30, 2006	\$ 7,044,604	\$ 8,158,538	\$ 1,113,934	86.35%	\$ 2,744,209	40.59%
June 30, 2005	\$ 6,489,225	\$ 7,763,552	\$ 1,274,327	83.59%	\$ 2,545,933	50.05%
County of Floyd Schools Non-Professional Employees						
June 30, 2007	\$ 4,844,163	\$ 5,508,077	\$ 663,914	87.95%	\$ 1,449,065	45.82%
June 30, 2006	\$ 4,301,356	\$ 4,924,495	\$ 623,139	87.35%	\$ 1,373,243	45.38%
June 30, 2005	\$ 4,046,503	\$ 4,876,291	\$ 829,788	82.98%	\$ 1,348,870	61.52%

**Note 14. Other Post-Employment Benefits**

The School Board provides post-retirement healthcare benefits to retiring employees who are eligible for retirement benefits until those employees are eligible for Medicare. Currently, 22 retirees are eligible and are receiving these benefits. The retiree pays the entire health insurance premium; however, they are allowed to remain on the School Board's policy.

The County does not provide post-retirement healthcare benefits to retiring employees.

**Note 15. Operating Lease**

The County currently leases a manufacturing building to Legacy, Inc. ("Legacy"). The agreement is for a ten year term ending on January 31, 2010. The lease requires that Legacy maintain a certain level of employment at the facility, or the County can declare the company in default of the lease agreement and take possession of the building. The County has extended an option to the Legacy to purchase the building at any time during the term of the lease agreement at a then determined fair market appraised value of the property.

Future minimum rental payments under the lease are as follows:

2009	\$ 43,200
2010	25,200
	\$ 68,400

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 16. Risk Management**

General Liability and Other Insurance:

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation claims and natural disasters.

The County and School Board contract with the VACO Insurance Program to provide insurance coverage for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the League, the League may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage is for \$5,000,000.

Unemployment Insurance:

The County and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the County and School Board for all unemployment claims.

Healthcare Insurance:

The County and School Board provide coverage for employees through a policy with Blue Cross and Blue Shield. The County and School Board contribute the required premium amount for single coverage for each employee. Dependents of employee are also covered by the policy provided they pay the additional premium to the County and School Board. Total premiums for fiscal year 2007 paid by the County and School Board were approximately \$419,000 and \$999,000, respectively.

**Note 17. Commitments and Contingencies**

**Primary Government**

Special Purpose Grants:

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required they will be immaterial.

Solid Waste Disposal Contract:

The County entered into an agreement on July 1, 2006 with the New River Resource Authority to pay on a per ton basis for disposal of the County's solid waste. The term of the agreement is for a twenty year period and specifies the County must pay for at least 9,000 tons of solid waste disposal annually. The County met the tonnage requirement for the current fiscal year at a total cost of \$369,857. The County does not bear any responsibility for closure or postclosure liabilities at the site.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 17. Commitments and Contingencies (Continued)**

**Primary Government (Continued)**

Notes Payable of the IDA:

The County has issued expressions of intent to guarantee a portion of certain notes payable by the IDA. This is a nonbinding moral obligation to pay up to the guaranteed amount (\$214,218) on behalf of the IDA if it is unable to repay these obligations.

**Discretely Presented Component Unit – Industrial Development Authority**

Economic Incentives – Branwick Associates, Inc.:

In January 2002, the IDA and the County signed a development agreement with Branwick Associates, Inc. (“Branwick”) for certain property owned by the IDA. Branwick agreed to construct a building at a cost not to exceed \$3,000,000 on the property. The IDA conveyed the property in exchange for \$104,390. Branwick financed construction through a construction loan.

In addition, all parties agreed to seek out and secure tenants for the building; however, if by March 30, 2007, an appropriate tenant could not be found, then Branwick could request the transaction be unwound and the IDA would have been required to pay Branwick for all costs of development in exchange for the title of the building and land.

In August 2006, the agreement was amended to provide for a five year extension of the unwinding provisions beginning in July 2006. The agreement states that the total development costs shall be reduced over the five year term on an amortizing basis and reduces the price the IDA would have to pay if the unwinding were to occur on a specific date. The required payout over the five year term is as follows:

June 30, 2008	\$ 2,628,823
June 30, 2009	2,548,028
June 30, 2010	2,461,524
June 30, 2011	2,368,835

The County is morally obligated to pay any amounts the IDA fails to pay.

Economic Incentives – Arrow Truck Sales, Inc.:

In August 2006, the IDA and the County entered into an agreement to provide economic incentives to Arrow Truck Sales, Inc. (“Arrow”). The IDA agreed to provide a monthly payment of \$4,163 through September 2011, to Arrow to subsidize rent on a manufacturing building located in the County. The monthly incentive is contingent upon Arrow making its monthly lease payment; therefore, no liability is recorded for the remaining payments. During the current year, \$46,635 was expended under the agreement which included the monthly payments and the amounts provided for modifications to the building. The County made a contribution to the IDA in the current year to fund a portion of the expenditures.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**Note 18. New Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. Management has not completed the process of evaluating the effects of adopting this standard, and is therefore **unable to disclose the impact of adoption**. This statement will be effective for the year ended June 30, 2009.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for certain obligations to address the effects of existing pollution through pollution remediation activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and postclosure care. Upon the occurrence of certain events, a government is required to estimate expected pollution remediation outlays and determine whether those outlays should be accrued as a liability, or, if appropriate, capitalized when goods and services are received. Management **does not believe that the effects of adopting this standard will be material**. This statement will be effective for the year ended June 30, 2009.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. Management has not yet evaluated the effects, if any, of adopting this standard, but **does not expect them to be material**. This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. Management has not yet evaluated the effects, if any, of adopting this standard, **but does not expect them to be material**. This statement will be effective for the year ending June 30, 2010.

**Note 19. Related Party Transactions**

The County, School Board, and IDA conduct transactions with a financial institution whose President is a voting member of the Board of the IDA. At June 30, the Primary Government and Component Units had \$3,761,780 in deposits and \$376,400 in outstanding capital lease obligations with this institution.

**Note 20. Subsequent Events**

Subsequent to year end, the County entered into a contract to purchase radio communication equipment in the amount of \$333,000. It is expected that this amount will be funded with restricted cash in the Capital Projects Fund and operating cash in the Fire and Rescue and General Funds.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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## COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET TO ACTUAL

## GENERAL FUND

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
General property taxes	\$ 9,069,923	\$ 9,069,923	\$ 8,398,515	\$ (671,408)
Other local taxes	2,299,500	2,299,500	2,327,988	28,488
Permits, privilege fees and regulatory licenses	178,500	178,500	160,041	(18,459)
Fines and forfeitures	16,600	16,600	18,329	1,729
Revenue from use of money and property	126,196	126,196	190,988	64,792
Charges for services	588,200	598,812	496,437	(102,375)
Other	3,650	4,130	1,135	(2,995)
Recovered costs	41,000	69,480	168,530	99,050
Intergovernmental	4,267,967	3,801,208	3,744,851	(56,357)
Total revenues	16,591,536	16,164,349	15,506,814	(657,535)
<b>EXPENDITURES</b>				
Current:				
General government administration	1,167,180	1,231,480	1,183,135	48,345
Judicial administration	599,017	682,239	605,257	76,982
Public safety	3,118,377	3,412,416	2,645,448	766,968
Public works	1,300,020	1,331,243	1,146,413	184,830
Health and welfare	2,140,592	2,166,092	1,715,900	450,192
Education	5,316,596	5,316,983	5,264,864	52,119
Parks, recreation, and cultural	1,298,060	1,401,051	1,316,756	84,295
Community development	404,887	430,649	377,031	53,618
Debt service:				
Principal	1,122,545	1,122,545	1,043,920	78,625
Interest and other fiscal charges	733,766	733,766	959,255	(225,489)
Bond issuance costs	-	-	39,699	(39,699)
Total expenditures	17,201,040	17,828,464	16,297,678	1,530,786
Excess (deficiency) of revenues over expenditures	(609,504)	(1,664,115)	(790,864)	873,251
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of bond issuances	1,424,734	2,159,208	1,000,000	(1,159,208)
Premium on bond issuances	-	-	35,966	35,966
Transfers in	-	-	278,976	278,976
Total other financing sources (uses)	1,424,734	2,159,208	1,314,942	(844,266)
Net change in fund balances	\$ 815,230	\$ 495,093	\$ 524,078	\$ 28,985

## COUNTY OF FLOYD, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET TO ACTUAL –  
FIRE AND RESCUE FUND  
Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ -	\$ -	\$ 851,762	\$ 851,762
Intergovernmental	48,605	50,938	60,660	9,722
Total revenues	48,605	50,938	912,422	861,484
<b>EXPENDITURES</b>				
Current:				
Public Safety	402,298	405,306	347,388	57,918
Debt service:				
Principal	-	-	65,334	(65,334)
Interest and other fiscal charges	-	-	18,427	(18,427)
Total expenditures	402,298	405,306	431,149	(25,843)
Excess (deficiency) of revenues over expenditures	(353,693)	(354,368)	481,273	835,641
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of capital leases	7,000	7,000	-	(7,000)
Transfers out	-	-	(164,274)	(164,274)
Total other financing sources (uses)	7,000	7,000	(164,274)	(171,274)
Net change in fund balances	\$ (346,693)	\$ (347,368)	\$ 316,999	\$ 664,367

**COUNTY OF FLOYD, VIRGINIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2008**

**Note 1. Budgetary Information**

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within the various functions; however, the Board of Supervisors must approve all budget amendments which appropriates funds from one function to another. The School Board is authorized to transfer budgeted amounts within the school system's categories.
- Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Fund, and the two Capital Project Funds. The School Funds are integrated only at the level of legal adoption.
- All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30. Several supplemental appropriations were necessary during the year.
- All budget data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

## **OTHER SUPPLEMENTARY INFORMATION**

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## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

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**School Operating Fund** – This fund accounts for the operations of the School Board's elementary, middle and high schools.

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**BALANCE SHEET**  
**June 30, 2008**

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 287,491
Cash and cash equivalents, restricted	321,493
Due from other governments	325,094
Due from primary government	1,319,543
Inventories	13,885
Prepaid items	265,210
	<u>\$ 2,532,716</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 72,008
Accrued liabilities	1,851,724
	<u>1,923,732</u>
<b>FUND BALANCE</b>	
Reserved for:	
Inventories	13,885
Prepaid items	265,210
Capital projects	118,161
Purpose restrictions	203,332
Unreserved:	
Undesignated	8,396
	<u>608,984</u>
Total fund balance	<u>\$ 2,532,716</u>
Total liabilities and fund balance	<u>\$ 2,532,716</u>
<b>Adjustments for the Statement of Net Assets (Exhibit 1)</b>	
<b>Total fund balance</b>	\$ 608,984
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,317,546
Debt issuance costs are reported as expenditures in the funds, but are amortized over the life of the debt obligation in the statement of net assets.	6,802
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(946,064)
Net assets of governmental activities	<u>\$ 2,987,268</u>

**COUNTY OF FLOYD, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2008**

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from use of money and property	\$ 10,321
Charges for services	463,631
Recovered costs	146,060
Payments from Floyd County	5,260,748
Intergovernmental	13,532,467
	<hr/>
Total revenues	19,413,227
<b>EXPENDITURES</b>	
Education:	
Instructional	13,218,794
Admission, attendance and health	725,786
Transportation	1,690,566
Operations and maintenance	1,811,778
Food service	860,950
Facilities	110,385
Technology	987,902
Debt Service:	
Cost of issuance	6,802
	<hr/>
Total expenditures	19,412,963
	<hr/>
Excess of revenues over expenditures	264
<b>OTHER FINANCING SOURCES</b>	
Proceeds of capital lease	125,000
	<hr/>
Total other financing sources	125,000
	<hr/>
Net change in fund balance	125,264
<b>FUND BALANCE AT JULY 1</b>	483,720
	<hr/>
<b>FUND BALANCE AT JUNE 30</b>	\$ 608,984
	<hr/> <hr/>
<b>Reconciliation to the Statement of Activities (Exhibit 2)</b>	
<b>Net change in fund balance - governmental fund</b>	\$ 125,264
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 capitalized expenditures (\$272,116) exceeded depreciation expense (\$234,118).	37,998
The issuance of long-term debt provides current financial resources to governmental funds, however, it has no effect on net assets.	(125,000)
Governmental funds report the effect of issuance costs, whereas these amounts are deferred and amortized in the statement of activities.	6,802
Compensated absences are not due and payable at June 30, and therefore are not reported in the fund statements. This amount represents the current year change in compensated absences.	37,205
	<hr/>
Change in net assets of governmental activities.	\$ 82,269
	<hr/> <hr/>

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET AND ACTUAL –**  
**SCHOOL OPERATING FUND**  
**Year Ended June 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 10,321	\$ 10,321
Charges for services	-	-	463,631	463,631
Recovered costs	-	-	146,060	146,060
Payments from Floyd County	5,312,480	5,312,480	5,260,748	(51,732)
Intergovernmental	13,713,486	13,525,222	13,532,467	7,245
Total revenues	<u>19,025,966</u>	<u>18,837,702</u>	<u>19,413,227</u>	<u>575,525</u>
<b>EXPENDITURES</b>				
Education	19,025,966	19,221,320	19,412,963	(191,643)
Total expenditures	<u>19,025,966</u>	<u>19,221,320</u>	<u>19,412,963</u>	<u>(191,643)</u>
Excess of revenues over expenditures	<u>-</u>	<u>(383,618)</u>	<u>264</u>	<u>383,882</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds of capital lease	-	-	125,000	125,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>125,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (383,618)</u>	<u>\$ 125,264</u>	<u>\$ 508,882</u>

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**DISCRETELY PRESENTED  
COMPONENT UNIT – COUNTY OF FLOYD  
INDUSTRIAL DEVELOPMENT AUTHORITY**

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## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT  
FLOYD COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2008**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 67,810
Current portion of note receivable	52,868
Total current assets	<u>120,678</u>
Noncurrent assets:	
Long-term portion of note receivable	181,265
Lease receivable	17,765
Capital assets:	
Nondepreciable	<u>901,533</u>
Total noncurrent assets	<u>1,100,563</u>
Total assets	<u>1,221,241</u>
<b>LIABILITIES</b>	
Current liabilities:	
Current portion of notes payable	19,374
Advances from primary government	410,961
Total current liabilities	<u>430,335</u>
Noncurrent liabilities:	
Due in more than a year	<u>194,844</u>
Total liabilities	<u>625,179</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	490,572
Unrestricted	<u>105,490</u>
Total net assets	<u>\$ 596,062</u>

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT  
FLOYD COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS – PROPRIETARY FUND  
June 30, 2008**

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Payments from Floyd County	\$ 30,104
Miscellaneous	713
	<hr/>
Total operating revenues	30,817
	<hr/>
<b>OPERATING EXPENSES</b>	
Depreciation expense	7,500
Performance grants	46,635
	<hr/>
Total operating expenses	54,135
	<hr/>
Operating loss	(23,318)
	<hr/>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	5,756
Interest expense	(23,748)
Gain on sale of capital assets	44,857
	<hr/>
Net nonoperating revenues	26,865
	<hr/>
Change in net assets	3,547
	<hr/>
<b>NET ASSETS AT JULY 1</b>	592,515
	<hr/>
<b>NET ASSETS AT JUNE 30</b>	\$ 596,062
	<hr/> <hr/>

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT**  
**FLOYD COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS –**  
**PROPRIETARY FUND**  
**June 30, 2008**

	<u>Enterprise Fund</u>
<b>OPERATING ACTIVITIES</b>	
Payments from Floyd County	\$ 30,104
Miscellaneous receipts	713
Payments for performance incentive grants	<u>(77,952)</u>
Net cash used in operating activities	<u>(47,135)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt	(140,872)
Interest paid on capital debt	<u>(23,748)</u>
Net cash used in capital and related financing activities	<u>(164,620)</u>
<b>INVESTING ACTIVITIES</b>	
Principal received on long term note and lease receivable	135,942
Interest received	<u>5,756</u>
Net cash provided by noncapital financing activities	<u>141,698</u>
Net decrease in cash and cash equivalents	(70,057)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning at July 1	137,867
Ending at June 30	<u>\$ 67,810</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (23,318)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	7,500
Decrease in performance grants payable	<u>(31,317)</u>
Net cash used in operating activities	<u>\$ (47,135)</u>

# **SUPPORTING SCHEDULE**

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COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Food Stamp Administration	10.561	\$ 101,733
<u>Department of Agriculture:</u>		
National School Lunch Program (Commodities)	10.555	67,293
<u>Department of Education:</u>		
National School Breakfast Program	10.553	81,224
National School Lunch Program	10.555	286,269
<u>Department of Justice:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Violence Against Women Formula Grant	16.588	23,375
<u>Department of Homeland Security:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Homeland Security:</u>		
Emergency Management Preparedness Grant	97.042	5,000
<u>Department of Transportation:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Transportation:</u>		
Occupant Protection	20.602	11,948
<u>Department of Education:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Title I: Grants to Local Educational Agencies	84.010	335,880
Special Education - Grants to States	84.027	462,782
Vocational Education - Basic Grants to States	84.048	20,989
Special Education - Preschool Grants	84.173	22,944
Drug Free Schools and Communities - State Grants	84.186	8,561
Innovative Education Program Statistics	84.298	5,538
AP Test Fee	84.330	159
No Child Left Behind Act	84.367	97,372
Technology Literacy Challenge Fund	84.318	8,370
Language Acquisition - Title III	84.365	7,739

**COUNTY OF FLOYD, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2008**

Department of Health and Human Services:

Department of Social Services:

Promoting Safe and Stable Families	93.556	\$	13,490
Temporary Assistance to Needy Families	93.558		62,520
Child Care and Development Block Grant	93.575		20,254
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		16,825
Foster Care - Title IV-E	93.658		120,002
Adoption Assistance	93.659		3,030
Social Service Block Grant	93.667		95,164
Low Income Home Energy Assistance	93.568		1,970
Chafee Foster Care Independence Program	93.674		590
Medical Assistance Program	93.778		76,694
Refugee and Entrant Assistance	93.566		374
State Children's Insurance Program	93.767		3,883
Chafee Education and Training Vouchers Program	93.599		447
Child Welfare Services	93.645		561

Total Expenditures of Federal Awards	\$ 1,962,980
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Note 1. Basis of Accounting

This schedule was prepared on the modified accrual basis.

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2008, the School Board had food commodities totaling \$13,885 in inventory.

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## **OTHER INFORMATION SECTION**

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**TABLE 1**

**COUNTY OF FLOYD, VIRGINIA**  
**FINANCIAL TRENDS INFORMATION**  
**GOVERNMENTAL ACTIVITIES EXPENSES BY FUNCTION**  
**Last Six Fiscal Years**  
**(accrual basis of accounting)**  
**UNAUDITED**

<b>Fiscal Year</b>	<b>General Government Administration</b>	<b>Judicial Administration</b>	<b>Public Safety</b>	<b>Public Works</b>	<b>Health and Welfare</b>	<b>Education</b>	<b>Parks, Recreation, and Cultural</b>	<b>Community Development</b>	<b>Interest on Long-Term Debt</b>	<b>Total Expenses</b>
2008	\$ 1,238,309	\$ 614,973	\$ 2,963,673	\$ 1,142,179	\$ 1,716,772	\$ 5,656,376	\$ 198,542	\$ 377,031	\$ 989,579	\$ 14,897,434
2007	1,135,868	573,381	2,759,112	1,276,181	1,921,832	5,301,824	255,565	746,916	1,190,113	15,160,792
2006	927,876	567,858	2,994,236	1,836,566	1,863,696	5,460,860	344,679	211,288	723,327	14,930,386
2005	1,202,957	371,331	2,749,986	1,490,025	1,855,361	3,696,758	249,907	228,699	727,024	12,572,048
2004	1,012,663	256,957	2,546,802	1,469,729	1,784,591	5,206,933	252,671	754,031	718,053	14,002,430
2003	772,388	318,437	2,188,622	1,590,541	1,781,849	5,333,216	277,856	293,643	576,596	13,133,148

**Note: The County implemented GASB 34 on June 30, 2003.**

COUNTY OF FLOYD, VIRGINIA

FINANCIAL TRENDS INFORMATION  
 GOVERNMENTAL ACTIVITIES REVENUES  
 Last Six Fiscal Years  
 (accrual basis of accounting)  
 UNAUDITED

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total Revenues
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Intergovernmental Revenue, Unrestricted		
2008	\$ 682,316	\$ 2,779,406	\$ 269,252	\$ 9,289,566	\$ 2,361,844	\$ 167,601	\$ 1,257	\$ 966,850	\$ 16,518,092	
2007	833,089	2,899,183	62,659	8,402,215	2,259,570	115,657	13,351	1,017,261	15,602,985	
2006	349,762	4,694,250	-	7,865,835	2,029,472	157,624	140,402	1,132,051	16,369,396	
2005	361,167	3,074,607	-	7,136,163	1,907,484	86,298	153,280	1,040,850	13,759,849	
2004	280,839	2,421,104	-	8,956,170	1,872,247	94,336	170,253	1,336,857	15,131,806	
2003	253,873	2,379,530	-	6,017,077	1,894,913	106,610	147,485	2,644,767	13,444,255	

Note: The County implemented GASB 34 on June 30, 2003.

**COUNTY OF FLOYD, VIRGINIA**  
**FINANCIAL TRENDS INFORMATION**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**Last Ten Fiscal Years**  
**UNAUDITED**

<b>Fiscal Year</b>	<b>General Government Administration</b>	<b>Judicial Administration</b>	<b>Public Safety</b>	<b>Public Works (1)</b>	<b>Health and Welfare</b>	<b>Education (2)</b>	<b>Parks, Recreation, and Cultural</b>	<b>Community Development</b>	<b>Debt Service</b>	<b>Total Expenses</b>
2008	\$ 1,183,135	\$ 605,257	\$2,992,836	\$1,146,413	\$1,715,900	\$ 19,417,079	\$ 1,316,756	\$ 377,031	\$ 2,126,635	\$ 30,881,042
2007	1,128,863	563,480	2,877,355	1,207,529	1,919,653	19,049,744	287,108	706,916	2,166,978	29,907,626
2006	920,395	559,783	2,968,520	1,841,280	1,861,215	17,964,584	344,679	186,217	921,892	27,568,565
2005	1,141,681	365,295	2,823,688	242,501	1,850,806	15,924,702	249,907	218,699	1,146,650	23,963,929
2004	969,791	302,046	2,674,664	226,060	1,808,472	16,180,338	252,671	744,030	1,069,286	24,227,358
2003	753,460	317,434	2,093,701	441,714	1,763,589	15,482,351	277,856	283,642	639,402	22,053,149
2002	701,739	296,484	1,939,784	185,756	1,732,232	14,425,480	241,935	411,734	786,570	20,721,714
2001	923,214	304,302	1,872,418	250,413	1,134,441	13,613,933	215,813	593,829	555,050	19,463,413
2000	630,454	264,798	1,896,864	649,597	970,025	12,443,820	175,955	736,364	441,191	18,209,068
1999	585,102	256,657	1,737,936	204,330	772,352	11,519,536	161,415	298,393	498,407	16,034,128

**Note: Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Fund and excludes Capital Project funds.**

- (1) The Environmental fund was merged with the General fund in 2006. Prior year expenditures related to this fund are excluded.**
- (2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.**

**COUNTY OF FLOYD, VIRGINIA**

**FINANCIAL TRENDS INFORMATION**

**GENERAL GOVERNMENTAL REVENUES BY SOURCE**

**Last Ten Fiscal Years**

**UNAUDITED**

<b>Fiscal Year</b>	<b>General Property Taxes</b>	<b>Other Local Taxes</b>	<b>Permits, Privilege Fees and Regulatory Licenses</b>	<b>Fines and Foreitures</b>	<b>Revenue from Use of Money and Property</b>	<b>Charges for Services</b>	<b>Miscellaneous</b>	<b>Recovered Costs</b>	<b>Inter-governmental (1)</b>	<b>Total Revenues</b>
2008	\$9,250,277	\$2,327,988	\$ 160,041	\$ 18,329	\$ 201,309	\$ 960,068	\$ 1,135	\$ 314,590	\$ 17,337,978	\$30,571,715
2007	8,445,898	2,235,986	175,963	14,983	114,846	1,045,632	19,309	224,419	17,486,068	29,763,104
2006	7,939,696	2,029,472	164,375	18,935	79,359	586,462	309,675	30,148	16,115,388	27,273,510
2005	7,279,817	1,907,484	165,965	15,966	75,617	425,054	227,078	48,578	15,750,468	25,896,027
2004	8,621,865	1,872,247	85,462	12,006	99,305	380,180	324,366	26,754	14,070,406	25,492,591
2003	6,034,706	1,894,913	71,798	12,693	104,145	371,563	293,551	7,488	13,198,031	21,988,888
2002	5,473,840	1,663,570	78,445	12,057	162,068	374,762	230,832	51,559	13,086,742	21,133,875
2001	5,188,871	1,607,298	76,893	13,646	406,183	362,204	116,251	19,963	11,793,121	19,584,430
2000	5,093,769	1,539,563	94,752	14,521	369,828	347,659	84,490	19,479	11,016,865	18,580,926
1999	5,218,220	1,484,195	84,457	12,970	219,290	321,791	123,127	31,384	10,089,996	17,585,430

**Note: Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Fund and excludes Capital Project funds.**

**(1) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.**

## COUNTY OF FLOYD, VIRGINIA

**REVENUE CAPACITY INFORMATION**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
**UNAUDITED**

Years Ended June 30	Current Tax Levy (1)	Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 10,000,477	\$ 9,324,256	93.24%	\$ -	\$ 9,324,256	93.24%
2007	9,393,042	9,268,424	98.67%	85,662	9,354,086	99.59%
2006	8,900,635	8,665,202	97.35%	138,681	8,803,883	98.91%
2005	8,099,888	7,780,381	96.06%	215,150	7,995,531	98.71%
2004	7,466,587	7,290,115	97.64%	125,503	7,415,618	99.32%
2003	6,787,806	6,627,377	97.64%	144,552	6,771,929	99.77%
2002	6,269,225	6,123,650	97.68%	106,921	6,230,571	99.38%
2001	5,587,532	5,438,512	97.33%	164,625	5,603,137	100.28%
2000	5,330,181	5,190,404	97.38%	90,916	5,281,320	99.08%
1999	5,139,293	5,008,257	97.45%	130,757	5,139,014	99.99%

(1) Exclusive of penalties and interest.

TABLE 6

**COUNTY OF FLOYD, VIRGINIA**

**REVENUE CAPACITY INFORMATION**

**ASSESSED VALUE OF TAXABLE PROPERTY (1)**

**Last Ten Fiscal Years**

**UNAUDITED**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Mobile Homes	Merchants' Capital	Total Assessed Value
2008	\$1,319,658,700	\$ 97,479,299	\$ 10,550,891	\$ 36,023,932	\$ 10,139,861	\$ 938,652	\$1,474,791,335
2007	1,303,732,200	89,274,994	10,814,820	40,887,653	9,825,560	1,276,053	\$1,455,811,280
2006	1,275,050,150	85,566,684	10,058,232	44,475,792	9,558,570	1,302,163	1,426,011,591
2005	858,206,303	78,220,972	11,069,200	34,562,975	10,806,010	1,236,871	994,102,331
2004	834,906,091	79,235,147	11,308,357	38,973,214	10,412,764	1,227,486	976,063,059
2003	759,005,537	75,809,194	10,442,662	39,678,493	9,804,464	1,089,617	895,829,967
2002	738,289,895	75,681,742	10,563,406	39,183,104	9,707,384	1,239,698	874,665,229
2001	511,138,897	73,136,060	9,058,794	29,424,457	10,678,038	1,194,112	634,630,358
2000	476,243,598	67,067,773	6,866,623	29,364,976	10,100,011	1,276,126	590,919,107
1999	482,435,576	61,831,766	7,483,907	30,903,485	9,313,805	1,234,808	593,203,347

**(1) Assessed value is as of January 1 of the previous fiscal year; does not include tax exempt property.**

**Source - Commissioner of the Revenue/Real Estate Assessments**

**TABLE 7****COUNTY OF FLOYD, VIRGINIA****PROPERTY TAX RATES  
Last Ten Fiscal Years  
UNAUDITED**

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Mobile Homes</b>	<b>Machinery and Tools</b>	<b>Merchant's Capital</b>
2008	\$ 0.600	\$ 2.700	\$ 0.600	\$ 1.550	\$ 3.500
2007	0.600	2.700	0.600	1.550	3.500
2006	0.520	2.700	0.520	1.550	3.500
2005	0.640	2.700	0.640	1.550	3.500
2004	0.640	2.180	0.640	1.550	3.500
2003	0.610	2.180	0.610	1.550	3.500
2002	0.560	2.180	0.560	1.550	3.500
2001	0.695	2.180	0.695	1.550	3.500
2000	0.695	2.180	0.695	1.550	3.500
1999	0.695	2.180	0.695	1.550	3.500

**Note: Per \$100 of assessed value.**

TABLE 8

## COUNTY OF FLOYD, VIRGINIA

**DEBT CAPACITY INFORMATION**  
**RATIOS OF GENERAL BONDED DEBT**  
**Last Ten Fiscal Years**  
**UNAUDITED**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Assessed Value</b>	<b>General Bonded Debt (2)</b>	<b>Percentage of Actual Value of Taxable Property</b>	<b>Total General Bonded Debt Per Capita</b>
2008	14,789	\$ 1,474,791,335	\$ 16,124,932	1.09%	\$ 1,090
2007	14,789	1,455,811,280	17,077,882	1.17%	1,155
2006	13,874	1,426,011,591	18,381,003	1.29%	1,325
2005	13,874	994,102,331	19,677,633	1.98%	1,418
2004	13,874	976,063,059	20,113,649	2.06%	1,450
2003	13,874	895,829,967	20,101,718	2.24%	1,449
2002	13,874	874,665,229	8,435,284	0.96%	608
2001	13,874	634,630,358	6,688,353	1.05%	482
2000	12,005	590,919,107	3,056,727	0.52%	255
1999	12,005	593,203,347	334,200	0.06%	28

**(1) Bureau of the Census**

**(2) Includes all long-term general obligation bonded debt and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.**

TABLE 9

## COUNTY OF FLOYD, VIRGINIA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED  
DEBT (1) TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES  
Last Ten Fiscal Years  
UNAUDITED**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
2008	\$ 952,950	\$ 808,323	\$ 1,761,273	\$ 30,881,042	5.70%
2007	948,031	916,003	1,864,034	29,907,626	6.23%
2006	450,664	391,228	841,892	27,568,565	3.05%
2005	436,016	743,354	1,179,370	23,963,929	4.92%
2004	389,373	679,913	1,069,286	24,227,358	4.41%
2003	328,766	310,636	639,402	22,053,149	2.90%
2002	354,433	432,137	786,570	20,721,714	3.80%
2001	274,927	280,123	555,050	19,463,413	2.85%
2000	277,473	163,718	441,191	18,209,068	2.42%
1999	320,144	178,263	498,407	16,034,128	3.11%

**Note: Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit - School Fund and excludes Capital Project funds.**

**(1) Includes all long-term general obligation bonded debt and literary fund loans. Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.**

## **COMPLIANCE SECTION**

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**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***

Honorable Members of the Board of Supervisors  
County of Floyd, Virginia

We have audited the financial statements of the governmental activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Floyd, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 15, 2008. 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control over Financial Reporting**

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 07-1, 07-2, 07-3, 07-4, 07-5, 08-01, and 08-2 to be significant deficiencies in internal control over financial reporting.**

### **Internal Control over Financial Reporting (Continued)**

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as Items 08-3, 08-4, 08-5, 08-6, 08-7, and 08-8.**

We noted certain matters that we reported to the County's management in a separate letter dated September 15, 2008.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and accordingly we express no opinion on them.

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

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 15, 2008

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

Honorable Members of the Board of Supervisors  
County of Floyd, Virginia

**Compliance**

We have audited the compliance of the County of Floyd, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

**In our opinion, the County of Floyd, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.**

**Internal Control over Compliance**

The management of the County 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’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

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

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

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

\*\*\*\*\*

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



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
September 15, 2008

**COUNTY OF FLOYD, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2008**

As more fully described in the 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*, we performed tests of the County's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

Code of Virginia

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Uniform Disposition of Unclaimed Property Act

Comprehensive Services Act

Sheriff Internal Controls

State Agency Requirements

Education

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

- 1. The auditor's report expresses an unqualified opinion on the financial statements.
2. Seven significant deficiencies relating to the audit of the financial statements are reported in the 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. All of the significant deficiencies were deemed to be material weaknesses.
3. There were no instances of noncompliance material to the financial statements disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an unqualified opinion.
6. The audit disclosed no audit findings relating to major programs.
7. The programs tested as major programs include:

Table with 2 columns: Name of Program, CFDA #. Rows include Title I: Grants to Local Educational Agencies, Child Nutrition Cluster, and Special Education Cluster.

- 8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

07-1: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

Management feels that a segregation of duties has been completed to the extent possible with available small staff.

**COUNTY OF FLOYD, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2008**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**07-2: Recording of Deposit and Investment Accounts (Material Weakness)**

*Condition:*

The County did not record balances or include activity on its general ledger related to certain investment and deposit accounts.

*Recommendation:*

All cash and investment accounts should be reported in the general ledger.

*Management's Response:*

Staff will ensure that corrections are made for these items with assistance from audit staff.

**07-3: Recording of Receivables (Material Weakness)**

*Condition:*

Taxes receivable, EMS receivable, and other miscellaneous receivables were materially understated and required current year adjustments indicating controls over completeness of recorded revenues are not adequate.

*Recommendation:*

Steps should be taken to ensure revenues are properly recorded.

*Management's Response:*

Taxes receivable were recorded as per County records. Audit staff added some additions to include the sixty day time frame. EMS receivables were also recorded as estimated. This item will be corrected with assistance from audit staff. Miscellaneous receivables will be reviewed with staff to ensure their proper recordation.

**07-4: Recording of Capital Assets (Material Weakness)**

*Condition:*

Capital assets were materially incorrect in the current year due to various errors that required adjustments indicating controls over capital assets are inadequate.

*Recommendation:*

Steps should be taken to ensure capital assets are properly recorded.

*Management's Response:*

A physical inventory update is in progress for the County. Once completed, it will be reconciled to the capital asset listing. Training in this area will be encouraged to better identify capital asset transactions.

**COUNTY OF FLOYD, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**07-5: Recording of Liabilities (Material Weakness)**

*Condition:*

Accounts payable, short-term debt, and long-term debt were materially incorrect requiring current year adjustments indicating controls over completeness of recorded liabilities are not adequate.

*Recommendation:*

Steps should be taken to ensure liabilities are properly recorded.

*Management's Response:*

Lease payments which were misclassified as capital outlay will be changed to debt service accounts with assistance from audit staff. Amounts due on outstanding debt were according to County records when debt was incurred and will be reconciled to bank records.

**08-1: Reconciliation of Fund Balance (Material Weakness)**

*Condition:*

Beginning fund balance for all funds per the general ledger did not agree to the prior year financial statements.

*Recommendation:*

Steps should be taken to ensure that beginning fund balance reconciles to the prior year financial statements.

*Management's Response:*

Fund balance was not able to be reconciled to prior year financial statements because of short time frame as to when information was received. Plans have already been made with audit staff to assist in entering any adjusting entries in the near future to ensure accuracy in the coming year.

**08-2: Held Checks (Material Weakness)**

*Condition:*

The Schools had the Treasurer prepare a check for a debt service payment in June but held it until July resulting in an understatement of cash.

*Recommendation:*

Do not cut checks until ready for mailing and record all transactions in the proper period.

*Management's Response:*

School Board administration will move forward with implementation of recommendation.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**None.**

**COUNTY OF FLOYD, VIRGINIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2008**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**08-3: Special Welfare Account**

*Condition:*

Separate interest bearing accounts have not been established for special welfare funds.

*Recommendation:*

Steps should be taken to open separate interest bearing accounts for special welfare funds.

*Management's Response:*

Floyd County DSS has taken steps to separate the funds into separate interest bearing accounts. The agency has contacted the Treasurer for Floyd County and been instructed to obtain a resolution from the Floyd County Board of Social Services stating the we wish to open a Special Welfare Account and then the Treasurer can proceed with securing approval to open the separate Special Welfare Account. This has been placed on the agenda for the next Board of Social Services meeting to be held October 16, 2008.

**08-4: Virginia Security for Public Deposits Act**

*Condition:*

Three deposit accounts at the County and four deposit accounts at the School Board are not marked as public funds.

*Recommendation:*

All deposit accounts should be marked as public funds in accordance with the Virginia Security for Public Deposits Act.

*Management's Response:*

Conversations with Bank President have ensured that all accounts are now marked as public funds.

**08-5: General Fund Budget Appropriations**

*Condition:*

Expenditures exceeded budgeted appropriations in the general fund and fire and rescue fund debt service categories.

*Recommendation:*

Steps should be taken to ensure that any excess expenditures over budgeted appropriations be approved by the Board of Supervisors and the budget amended accordingly.

*Management's Response:*

Expenditures exceeded appropriations due to reclassification of debt service accounts by auditors. The year was closed out by the Board with additional appropriations to accounts that were over budget. The debt service accounts will be reclassified in the near future.

**COUNTY OF FLOYD, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)**

**08-6: Conflict of Interest Act – Disclosure Forms**

*Condition:*

One individual out of thirty-seven did not file a statement of economic interest with the County by the required deadline as required by the *Code of Virginia*.

*Recommendation:*

Steps should be taken to ensure timely and complete filing of the statements of economic interest as required by the *Code of Virginia*.

*Management's Response:*

One individual was contacted numerous times to ensure timely filing.

**08-7: Comprehensive Services Act – Written Contract**

*Condition:*

Three disbursements out of five were made with comprehensive services act funds but were not supported by a current signed written contract.

*Recommendation:*

Obtain a signed written contract from all service providers.

*Management's Response:*

Prior to the current fiscal year, the purchase of service order served as the contract between a vendor and the Comprehensive Services Act. Beginning with fiscal year 2009, a signed, formal contract in addition to the purchase of service order is obtained from each vendor who receives placement of a child whose services are paid from CSA funding. All records for fiscal year 2009 should include a signed contract in the format recommended by the Auditor.

**08-8: Virginia Public Procurement Act – Non-Discrimination Clause**

*Condition:*

The School Board did not include a required non-discrimination clause in a contract in excess of \$10,000 as required by the Virginia Public Procurement Act.

*Recommendation:*

Include a non-discrimination clause in all contracts greater than \$10,000.

*Management's Response:*

The School Board will include this clause in all future contacts.

**COUNTY OF FLOYD, VIRGINIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2008**

**Auditor  
Reference  
Number:**

**07-6: Child Nutrition Cluster – CFDA 10.553 and 10.555**

*Condition:*

We noted one child out of twenty receiving free benefits under the program that should have been receiving reduced benefits.

**Current Status:**

No similar findings were noted in the 2008 audit.

**07-7: Child Nutrition Cluster – CFDA 10.553 and 10.555**

*Condition:*

It was noted that the annual verification process was not completed timely.

**Current Status:**

No similar findings were noted in the 2008 audit.