

**COUNTY OF FLOYD, VIRGINIA**  
**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2010**



**COUNTY OF FLOYD, VIRGINIA**

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# INTRODUCTORY SECTION

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**COUNTY OF FLOYD, VIRGINIA**  
**DIRECTORY OF PRINCIPAL OFFICIALS**  
**June 30, 2010**

**BOARD OF SUPERVISORS**

David W. Ingram, Chairman  
J. Fred Gerald, Vice Chairman  
W. R. Gardner, Jr.  
Virgil H. Allen  
Case C. Clinger

**COUNTY SCHOOL BOARD**

Douglas R. Phillips, Chairman  
C. Clay Link, Vice Chairman  
Margaret H. Hubbard  
David R. Sulzen  
Linda T. King

**COUNTY SOCIAL SERVICES BOARD**

Eleanor Cunningham, Chairman  
Jerry W. Boothe  
Linda Claytor  
Brenda Howell  
James Richards

**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  
Brett L. Geissler  
Wendell G. Peters  
Stephanie M. Shortt  
Maggie H. 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 the County of Floyd, Virginia (the "County") as of and for the year ended June 30, 2010, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 the County of Floyd, Virginia, as of June 30, 2010, 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 November 23, 2010 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 and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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 do not express an opinion or provide any assurance on it.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 23, 2010

## 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, 2010.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$6,639,266 (net assets).
- The County's combined funds reported combined ending fund balances of \$3,730,896, an increase of \$1,398,815 or 60% in comparison with the prior year. \$2,395,726 of this amount is available for spending at the County's discretion (unreserved fund balance).
- Unreserved, undesignated fund balance for the general fund was \$229,906.
- The assets of the Component Unit – School Board exceeded its liabilities at the close of the most recent fiscal year by \$2,886,422 (net assets).
- The assets of the Component Unit – EDA exceeded its liabilities at the close of the most recent fiscal year by \$616,275 (net assets).

### Overview of the Financial Statements

This discussion and analysis is 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 Economic 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 statements 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 Economic Development Authority. The School Board and Economic 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 \$6,639,266 at the close of the most recent fiscal year.

The largest portion of the County’s net assets (71%) 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>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 5,591,835	\$ 5,834,677	\$ 2,833,788	\$ 3,189,567
Capital assets	19,709,045	20,449,281	5,405,287	5,501,011
Total assets	<u>25,300,880</u>	<u>26,283,958</u>	<u>8,239,075</u>	<u>8,690,578</u>
Long-term liabilities				
outstanding	17,073,281	17,519,221	2,244,915	2,275,995
Current liabilities	1,588,333	3,395,073	2,491,463	2,646,719
Total liabilities	<u>18,661,614</u>	<u>20,914,294</u>	<u>4,736,378</u>	<u>4,922,714</u>
Net assets:				
Invested in capital assets, net of related debt	4,690,256	4,195,766	3,866,792	3,871,470
Restricted – Fire and Rescue	1,486,106	1,495,589	-	-
Restricted health insurance premiums	-	-	203,332	203,332
Unrestricted	462,904	(321,691)	(567,427)	(306,938)
Total net assets	<u>\$ 6,639,266</u>	<u>\$ 5,369,664</u>	<u>\$ 3,502,697</u>	<u>\$ 3,767,864</u>

**Governmental Activities:** During the current fiscal year, the County’s net assets increased by \$1,170,641. The reason for this increase is the County’s ability to control costs when revenues are decreasing.

Landfill Closure/Post Closure liabilities decreased \$136,000 due to one less year of post-closure costs. Bonded debt principal for the County decreased by \$182,000 due to \$1,102,000 of payments of debt service requirements offset by issuance of new debt of \$920,000.

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

**Component Units:** The School Board decreased net assets by \$263,899 while the Economic Development Authority decreased net assets by \$1,268. Key elements of current year activities are as follows:

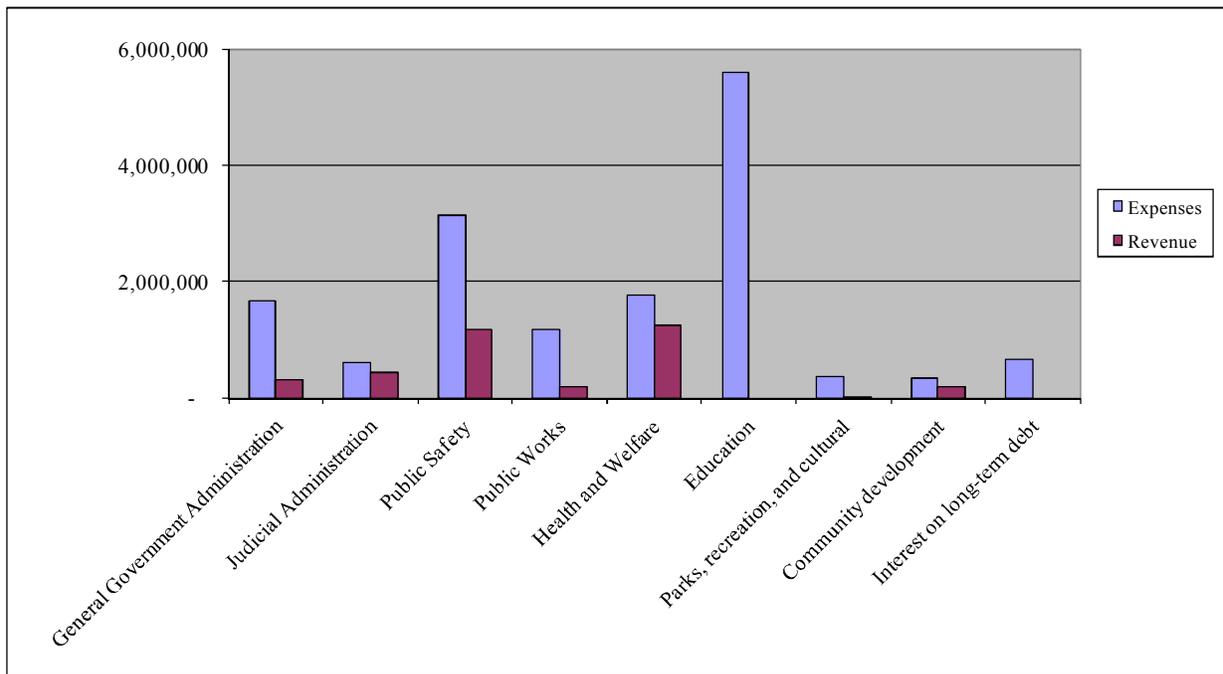
	<b>Changes in Net Assets</b>			
	<b>Governmental Activities</b>		<b>Component Units</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Program revenues:				
Charges for services	\$ 903,722	\$ 717,873	\$ 428,916	\$ 474,411
Operating grants and contributions	2,544,873	2,771,379	14,424,346	14,622,114
Capital grants and contributions	72,088	353,520	-	-
General revenues:				
General property taxes	9,690,586	9,382,280	-	-
Other taxes	2,169,806	2,170,720	-	-
Interest and investment income	112,664	163,721	-	8,399
Grants and contributions not restricted to specific purposes	905,044	1,032,674	7,801	-
Other general revenues	50,799	8,202	15,468	31,190
Payments from Floyd County	-	-	5,250,398	5,005,645
Total revenues	<u>16,449,582</u>	<u>16,600,369</u>	<u>20,126,929</u>	<u>20,141,759</u>
Expenses:				
General government administration	1,670,581	1,329,648	-	-
Judicial administration	582,654	589,541	-	-
Public safety	3,104,849	3,002,667	-	-
Public works	1,139,165	1,201,286	-	-
Health and welfare	1,756,824	1,839,317	-	-
Education	5,591,957	5,353,202	20,320,336	19,898,494
Parks, recreation, and cultural	300,663	357,695	-	-
Community development	339,872	319,489	71,760	58,731
Interest on long-term debt	792,376	878,274	-	-
Total expenses	<u>15,278,941</u>	<u>14,871,119</u>	<u>20,392,096</u>	<u>19,957,225</u>
Change in net assets	1,170,641	1,729,250	(265,167)	184,534
Net assets, beginning, as restated	<u>5,468,625</u>	<u>3,640,414</u>	<u>3,767,864</u>	<u>3,583,330</u>
Net assets, ending	<u>\$ 6,639,266</u>	<u>\$ 5,639,664</u>	<u>\$ 3,502,697</u>	<u>\$ 3,767,864</u>

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

Revenues for governmental activities exceeded expenses including current year depreciation on capital assets by \$1,170,641 for FY2010. Current year depreciation expense for capital assets totaled \$862,790. Revenues for governmental activities decreased by \$150,787; whereas, expenses increased by \$407,822.

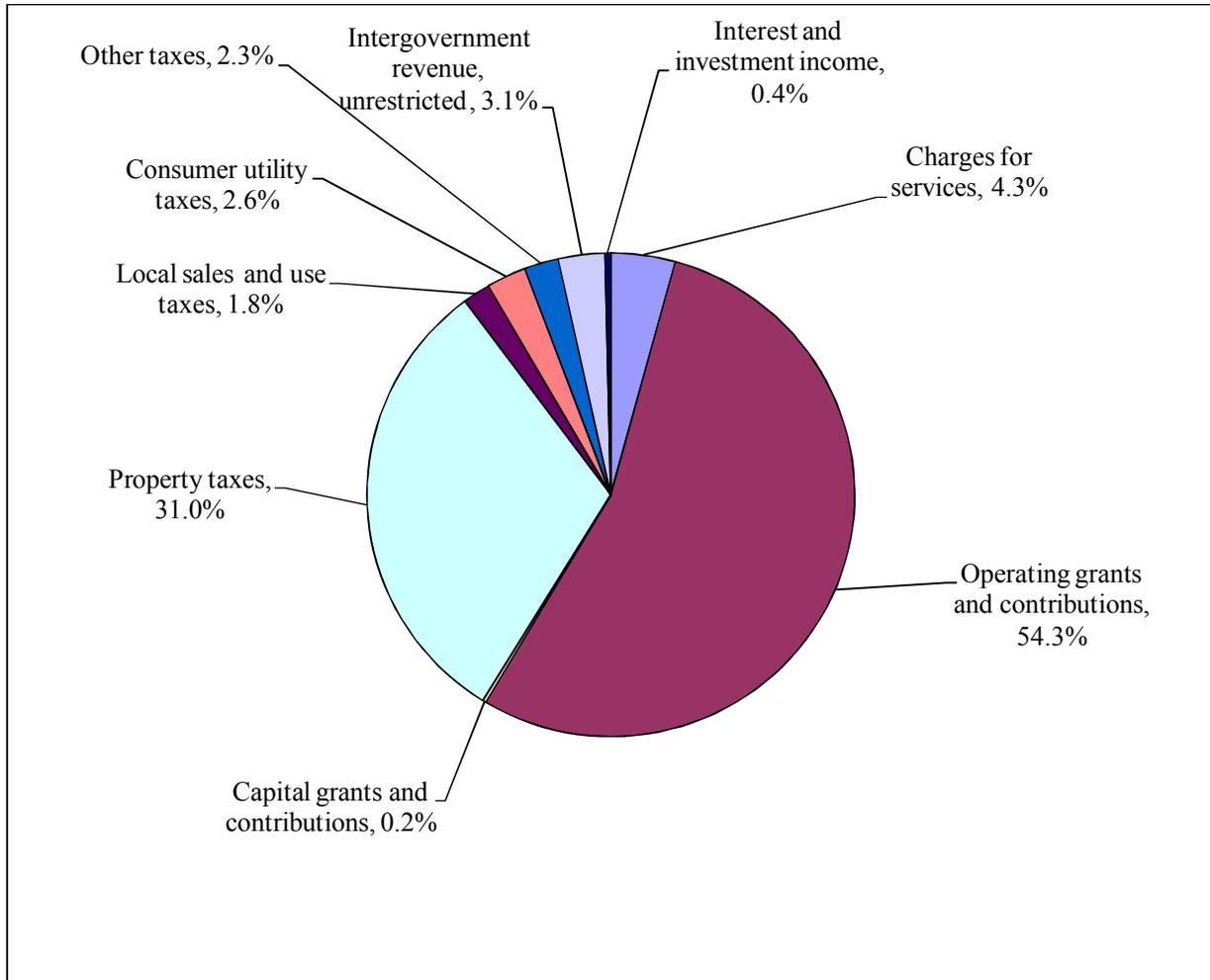
Component unit revenues total \$20,126,929, including a transfer of \$5,200,448 from the County. GASB 34 requires that school debt service related to general obligation debt is included in the general fund, as the schools cannot issue general obligation debt on their own. County funds associated with school debt service were \$1,521,516, which would have brought the total transfer to \$6,721,964 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 \$3,730,896, an increase of \$1,398,815 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 as well as the receipt of debt proceeds in the current year that were not spent as of June 30. Cash and cash equivalents decreased by \$346,131. Approximately 1% of the combined governmental fund balance, or \$120, 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 \$229,906, while the total general fund balance was \$2,472,262. 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 1.4% of total general fund expenditures, while total fund balances represents 16% of that same amount.

The general fund balance increased by \$1,425,492 during the current fiscal year, or 136%. General fund revenues and other sources increased from the prior year with total revenues and other sources exceeding expenditures by \$1,425,492.

The fire and rescue fund balance decreased by \$9,483. The County capital projects fund balance decreased by \$(17,194). A significant portion of excess revenues and fund balance in the fire and rescue fund were transferred to the General Fund. The County Capital Projects Fund did not undertake any significant capital projects in the current year due to budget constraints.

The capital projects fund has a negative fund balance of \$(229,786). The school construction fund has a fund balance of \$2,314.

**General Fund Budgetary Highlights**

Differences between the original expenditure budget of \$15,783,578 and the final amended budget of \$16,151,693 were relatively significant (\$368,115 increase in appropriations) and can be briefly summarized as follows:

- \$88,000 for renovations to the Communications Room.
- \$86,000 for expenditures related to drug seizure funds.
- \$90,000 for increased payments to the regional jail.

During the year, actual revenues were less than original budget estimates by \$650,217 and less than amended budget amounts by \$(700,148). Actual expenditures were under original budget estimates by \$766,744 and actual expenditures were less than the amended budget by \$766,744. The biggest components of this difference in the level of expenditures are due to adjustments made as a result of decreased revenue collections in the current year.

<b>REVENUES AND EXPENDITURES GENERAL FUND – BUDGET TO ACTUAL</b>			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Local	\$ 12,519,506	\$ 12,273,786	\$ (245,720)
Intergovernmental	3,926,444	3,472,016	(454,428)
<b>Total revenues</b>	<b>\$ 16,445,950</b>	<b>\$ 15,745,802</b>	<b>\$ (700,148)</b>
<b>Expenditures:</b>			
General government administration	\$ 1,408,509	\$ 1,628,664	\$ (220,155)
Judicial administration	621,308	572,753	48,555
Public safety	2,374,829	2,462,641	(87,812)
Public works	1,485,073	1,177,625	307,448
Health and welfare	2,127,142	1,751,651	375,491
Education	5,176,516	5,200,448	(23,932)
Parks, recreation & cultural	332,868	269,105	63,763
Community development	731,379	338,392	392,987
Debt service	1,894,069	1,983,670	(89,601)
<b>Total expenditures</b>	<b>\$ 16,151,693</b>	<b>\$ 15,384,949</b>	<b>\$ 766,744</b>

Revenues: Total actual local revenue was less than final budget by \$245,720 or 2%. The majority of this decrease was due to a weakened economy; real estate and personal property collections were down and decreases in sales tax collections.

Local revenue comprised 78% of total actual General Fund Revenue. Intergovernmental revenue was \$454,428 less than final budget or 13%. Intergovernmental revenue comprised 22% of total actual General Fund revenue. Total revenues were \$700,148 less than final budget or 4%. The majority of this decrease was due to state budget cuts resulting in decreased state grants and funds.

Expenditures: Total General Fund actual expenditures of \$15,384,949 were \$766,744 less than the final budget of \$16,151,693. Education expenditures represented by transfers from the General Fund to the School Board Component Unit were \$23,932 more 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, 2010 totals \$19,709,045 (net of accumulated depreciation) for a decrease of \$(682,636). This investment in capital assets includes land, buildings, and improvements, vehicles and machinery, and equipment. Depreciation expense for the year for all capital assets totaled \$862,790. Readers interested in additional information should refer to Note 6 to the financial statements.

### **Capital Assets – Condensed As of June 30, 2010**

<b>Governmental Activities</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Capital Assets</b>
Capital assets, not being depreciated:			
Land and land improvements	\$ 714,094	\$ -	\$ 714,094
Total capital assets, not being depreciated	<u>714,094</u>	<u>-</u>	<u>714,094</u>
Other capital assets:			
Buildings	5,940,009	(1,527,984)	4,412,025
School buildings*	15,660,445	(2,425,906)	13,234,539
Equipment	<u>5,816,329</u>	<u>(4,467,942)</u>	<u>1,348,387</u>
Total capital assets, depreciable	<u>27,416,783</u>	<u>(8,421,832)</u>	<u>18,994,951</u>
Total capital assets	<u>\$ 28,130,877</u>	<u>\$ (8,421,832)</u>	<u>\$ 19,709,045</u>

\* 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.

<b>Component Units</b>	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Capital Assets</b>
Capital assets, not being depreciated:			
Land and land improvements	\$ 265,917	\$ -	\$ 265,917
Other capital assets:			
Buildings	5,201,969	(2,152,441)	3,049,528
Equipment	<u>3,370,533</u>	<u>(2,182,224)</u>	<u>1,188,309</u>
Total capital assets, depreciable	<u>8,572,502</u>	<u>(4,334,665)</u>	<u>4,237,837</u>
Total capital assets	<u>\$ 8,838,419</u>	<u>\$ (4,334,665)</u>	<u>\$ 4,503,754</u>

**Debt Schedules**

Of the total principal balance of outstanding debt at the end of the year, \$14.9 million was for General Obligation Bonds and \$970,000 was for Revenue Bonds. General Obligation Bonds amounted to 1% 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 County long-term debt and related interest, including capital leases, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 994,271	\$ 719,569	\$ 1,713,840
2012	1,195,858	666,320	1,862,178
2013	1,188,585	612,534	1,801,119
2014	1,187,182	561,703	1,748,885
2015	1,188,447	508,964	1,697,411
2016-2020	5,432,872	1,795,911	7,228,783
2021-2025	3,751,835	698,646	4,450,481
2025-2029	785,308	143,192	928,500
2029-2035	245,000	75,625	320,625
2036-2040	175,000	13,375	188,375
Total	<u>\$ 16,144,358</u>	<u>\$ 5,795,839</u>	<u>\$ 21,940,197</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 \$1,938,986 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, 2010

	<u>Component Units</u>			<u>Total</u>
	<u>Governmental Activities</u>	<u>School Board</u>	<u>Economic Development Authority</u>	
<b>ASSETS</b>				
Cash and cash equivalents (Note 2)	\$ 3,812,234	\$ 287,520	\$ 78,147	\$ 4,177,901
Receivables, net (Note 3)	704,032	-	177,655	881,687
Due from other governments (Note 4)	500,009	310,709	-	810,718
Prepaid items	45,570	819,875	-	865,445
Due from primary government (Note 5)	-	910,759	-	910,759
Due from component units (Notes 5 and 12)	410,961	-	-	410,961
Inventories	-	18,764	-	18,764
Bond issue costs, net	106,236	5,895	-	112,131
Restricted assets:				
Cash and cash equivalents, restricted ( Note 2)	12,793	224,464	-	237,257
Capital assets: (Note 6)				
Nondepreciable	714,094	265,917	901,533	1,881,544
Depreciable, net	18,994,951	4,237,837	-	23,232,788
Total assets	<u>25,300,880</u>	<u>7,081,740</u>	<u>1,157,335</u>	<u>33,539,955</u>
<b>LIABILITIES</b>				
Accounts payable	215,528	55,269	-	270,797
Accrued payroll and related liabilities	-	1,875,839	-	1,875,839
Accrued interest payable	343,420	20,394	-	363,814
Due to primary government (Notes 5 and 12)	-	-	410,961	410,961
Due to component units (Note 5)	910,759	-	-	910,759
Unearned revenue (Note 3)	118,626	-	-	118,626
Self insurance claims liability (Note 16)	-	129,000	-	129,000
Long-term liabilities: (Note 7)				
Due within one year	1,235,996	445,149	22,094	1,703,239
Due in more than one year	15,837,285	1,669,667	108,005	17,614,957
Total liabilities	<u>18,661,614</u>	<u>4,195,318</u>	<u>541,060</u>	<u>23,397,992</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	4,690,256	3,376,220	490,572	8,557,048
Restricted for:				
Fire and rescue	1,486,106	-	-	1,486,106
Health insurance premiums	-	203,332	-	203,332
Unrestricted	462,904	(693,130)	125,703	(104,523)
Total net assets	<u>\$ 6,639,266</u>	<u>\$ 2,886,422</u>	<u>\$ 616,275</u>	<u>\$ 10,141,963</u>

## COUNTY OF FLOYD, VIRGINIA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

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	Economic Development Authority	
<b>Primary Government:</b>								
Governmental activities:								
General government administration	\$ 1,670,581	\$ 97,504	\$ 211,669	\$ -	\$ (1,361,408)			\$ (1,361,408)
Judicial administration	582,654	57,070	368,850	-	(156,734)			(156,734)
Public safety	3,104,849	396,367	716,209	57,209	(1,935,064)			(1,935,064)
Public works	1,139,165	166,520	6,516	-	(966,129)			(966,129)
Health and welfare	1,756,824	5,239	1,241,629	-	(509,956)			(509,956)
Education	5,591,957	-	-	-	(5,591,957)			(5,591,957)
Parks, recreational, and cultural	300,663	1,370	-	-	(299,293)			(299,293)
Community development	339,872	179,652	-	14,879	(145,341)			(145,341)
Interest on long-term debt	792,376	-	-	-	(792,376)			(792,376)
Total primary government	<u>\$ 15,278,941</u>	<u>\$ 903,722</u>	<u>\$ 2,544,873</u>	<u>\$ 72,088</u>	<u>(11,758,258)</u>			<u>(11,758,258)</u>
<b>Component Units:</b>								
School Board	\$ 20,320,336	\$ 428,916	\$ 14,424,346	\$ -		\$ (5,467,074)		(5,467,074)
Economic Development Authority	71,760	-	-	-			\$ (71,760)	(71,760)
Total component units	<u>\$ 20,392,096</u>	<u>\$ 428,916</u>	<u>\$ 14,424,346</u>	<u>\$ -</u>		<u>(5,467,074)</u>	<u>(71,760)</u>	<u>(5,538,834)</u>
General revenues:								
Property taxes					9,690,586	-	-	9,690,586
Local sales and use taxes					634,880	-	-	634,880
Consumer utility taxes					818,476	-	-	818,476
Communication taxes					224,072	-	-	224,072
Motor vehicle taxes					351,846	-	-	351,846
Other local taxes					140,532	-	-	140,532
Intergovernmental revenue, unrestricted					905,044	-	-	905,044
Interest and investment income, unrestricted					112,664	-	7,801	120,465
Other					50,799	2,727	12,741	66,267
Contributions from primary government					-	5,200,448	49,950	5,250,398
Total general revenues					<u>12,928,899</u>	<u>5,203,175</u>	<u>70,492</u>	<u>18,202,566</u>
Change in net assets					<u>1,170,641</u>	<u>(263,899)</u>	<u>(1,268)</u>	<u>905,474</u>
Net assets beginning, as restated (Note 20)					<u>5,468,625</u>	<u>3,150,321</u>	<u>617,543</u>	<u>9,236,489</u>
Net assets ending					<u>\$ 6,639,266</u>	<u>\$ 2,886,422</u>	<u>\$ 616,275</u>	<u>\$ 10,141,963</u>

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

## COUNTY OF FLOYD, VIRGINIA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2010**

	<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	\$ 2,322,626	\$ 1,487,294	\$ -	\$ 2,314	\$ 3,812,234
Cash and cash equivalents, restricted	-	-	12,793	-	12,793
Receivables, net	704,032	-	-	-	704,032
Prepays	45,570	-	-	-	45,570
Due from other funds	242,579	-	-	-	242,579
Due from component units	410,961	-	-	-	410,961
Due from other governments	500,009	-	-	-	500,009
Total assets	<u>\$ 4,225,777</u>	<u>\$ 1,487,294</u>	<u>\$ 12,793</u>	<u>\$ 2,314</u>	<u>\$ 5,728,178</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 214,340	\$ 1,188	\$ -	\$ -	\$ 215,528
Due to other funds	-	-	242,579	-	242,579
Due to component units	910,759	-	-	-	910,759
Deferred revenue	628,416	-	-	-	628,416
Short-term note payable	-	-	-	-	-
Total liabilities	<u>1,753,515</u>	<u>1,188</u>	<u>242,579</u>	<u>-</u>	<u>1,997,282</u>
Fund balances:					
Reserved for:					
Encumbrances	633,746	-	-	-	633,746
Capital projects	-	-	-	2,314	2,314
Prepays	45,570	-	-	-	45,570
Long-term advances	653,540	-	-	-	653,540
Unreserved:					
Designated	909,500	1,486,106	-	-	2,395,606
Undesignated	229,906	-	(229,786)	-	120
Total fund balances	<u>2,472,262</u>	<u>1,486,106</u>	<u>(229,786)</u>	<u>2,314</u>	<u>3,730,896</u>
Total liabilities and fund balances	<u>\$ 4,225,777</u>	<u>\$ 1,487,294</u>	<u>\$ 12,793</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.					19,709,045
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.					509,790
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.					106,236
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				\$ (343,420)	
General obligation bonds and literary fund loans				(14,912,453)	
Revenue bonds				(970,000)	
Deferred costs				129,409	
Bond premium				(32,369)	
Capital lease obligations				(261,905)	
Landfill closure/postclosure				(722,714)	
Compensated absences				(303,249)	
					<u>(17,416,701)</u>
<b>Net assets of governmental activities</b>					<u>\$ 6,639,266</u>

## COUNTY OF FLOYD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2010**

	<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	\$ 9,050,630	\$ 571,693	\$ -	\$ -	\$ 9,622,323
Other local taxes	2,156,204	-	-	-	2,156,204
Permits, privilege fees, and regulatory licenses	105,299	-	-	-	105,299
Fines and forfeitures	21,515	-	-	-	21,515
Revenue from use of money and property	155,864	-	-	-	155,864
Charges for services	705,876	-	-	-	705,876
Other	4,209	41,831	-	-	46,040
Recovered costs	74,189	-	-	-	74,189
Intergovernmental	3,472,016	52,364	-	-	3,524,380
Total revenues	<u>15,745,802</u>	<u>665,888</u>	<u>-</u>	<u>-</u>	<u>16,411,690</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	1,628,664	-	-	-	1,628,664
Judicial administration	572,753	-	-	-	572,753
Public safety	2,462,641	435,560	-	-	2,898,201
Public works	1,177,625	-	17,194	-	1,194,819
Health and welfare	1,751,651	-	-	-	1,751,651
Education	5,200,448	-	-	-	5,200,448
Parks, recreation, and cultural	269,105	-	-	-	269,105
Community development	338,392	-	-	-	338,392
Debt service:					
Principal	1,191,832	75,989	-	-	1,267,821
Interest and other fiscal charges	791,838	8,683	-	-	800,521
Total expenditures	<u>15,384,949</u>	<u>520,232</u>	<u>17,194</u>	<u>-</u>	<u>15,922,375</u>
Excess (deficiency) of revenues over expenditures	<u>360,853</u>	<u>145,656</u>	<u>(17,194)</u>	<u>-</u>	<u>489,315</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from note issuance	920,000	-	-	-	920,000
Cost of note issuance	(10,500)	-	-	-	(10,500)
Transfers in (Note 5)	155,139	-	-	-	155,139
Transfers out (Note 5)	-	(155,139)	-	-	(155,139)
Total other financing sources (uses)	<u>1,064,639</u>	<u>(155,139)</u>	<u>-</u>	<u>-</u>	<u>909,500</u>
Net change in fund balances	1,425,492	(9,483)	(17,194)	-	1,398,815
<b>FUND BALANCES AT JULY 1, as restated</b>	<u>1,046,770</u>	<u>1,495,589</u>	<u>(212,592)</u>	<u>2,314</u>	<u>2,332,081</u>
<b>FUND BALANCES (DEFICIT) AT JUNE 30</b>	<u>\$ 2,472,262</u>	<u>\$ 1,486,106</u>	<u>\$ (229,786)</u>	<u>\$ 2,314</u>	<u>\$ 3,730,896</u>

(Continued)

## COUNTY OF FLOYD, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2010**

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

<b>Net change in fund balances – total governmental funds</b>		\$ 1,398,815
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 depreciation (\$862,790) exceeded capital outlay (\$122,554) in the current period.		(740,236)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		37,892
The issuance of new long-term debt provides current financial resources (\$920,000) while repayment of the principal of long-term debt (\$1,267,821) consumes the current financial resources of governmental funds; however, they have no effect on net assets. Also, governmental funds report the effect of issuance costs (\$10,500), premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized (\$1,199) in the Statement of Activities. This amount is the net effect of these differences in the treatments of long-term debt and related items.		359,520
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	\$ 24,046	
Increase in compensated absences	(28,582)	
Decrease in landfill liability	136,286	
Amortization of bond issue costs and other deferred costs	<u>(17,100)</u>	
		<u>114,650</u>
<b>Change in net assets of governmental activities</b>		<u><u>\$ 1,170,641</u></u>

**COUNTY OF FLOYD, VIRGINIA**

**STATEMENT OF NET ASSETS – FIDUCIARY FUNDS**  
**June 30, 2010**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 8,984</u>
<b>LIABILITIES</b>	
Amounts held for others	<u>8,984</u>
<b>NET ASSETS</b>	<u><u>\$ -</u></u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, park, 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 Economic Development Authority**

The Floyd County Economic Development Authority (the “EDA”) was created to encourage and provide financing for industrial development in the County. The EDA’s directors are appointed by the Board of Supervisors and the County is financially accountable for the EDA in that it provides local funding for the EDA’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 EDA 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, 2010**

**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 \$45,000 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 \$224,105 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 \$35,915 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 \$345,255 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, 2010**

**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, 2010**

**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, 2010**

**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.

**Prepays**

Payments made to vendors for services that will benefit periods beyond June 30 are reported as prepaids 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, 2010**

**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 only when the amounts have become due and payable.

**Deferred Revenue**

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, 2010**

**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. Specific designations are as follows:

- \$909,500 designation in the General Fund for vehicle and other capital needs.
- \$1,486,106 designation in the Fire and Rescue Fund for future public safety expenditures.

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

The principal activities of the EDA 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 EDA 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 EDA neither receives nor disburses funds. Although title to these properties may rest with the EDA, 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 EDA 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 EDA does not recognize associated assets, liabilities, rental income, or interest expense in its financial statements. Approximately \$10.4 million of these bonds were outstanding at year end.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, 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 and 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 and 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 and 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 and 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 it may invest in any one issuer.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**Investments (Continued)**

Interest Rate Risk:

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity*</u>	<u>Percentage of Portfolio</u>
U.S. Treasury Securities Money Market Fund	\$ 12,793	2	41%
Local Government Investment Pool (LGIP)	18,371	N/A	59%
Total investments	<u>\$ 31,164</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:

	<u>Primary Government</u>	<u>Component Units</u>	
		<u>School Board</u>	<u>EDA</u>
Deposits and investments:			
Cash on hand	\$ 749	\$ -	\$ -
Deposits	3,802,098	511,984	78,147
Investments	31,164	-	-
	<u>\$ 3,834,011</u>	<u>\$ 511,984</u>	<u>\$ 78,147</u>
Statements of net assets:			
Cash and cash equivalents	\$ 3,812,234	\$ 287,520	\$ 78,147
Cash and cash equivalents, restricted	12,793	224,464	-
Fiduciary fund cash and cash equivalents	8,984	-	-
	<u>\$ 3,834,011</u>	<u>\$ 511,984</u>	<u>\$ 78,147</u>

Restricted Amounts:

Restricted cash and cash equivalents of \$12,793 at the primary government and \$21,132 at the School Board consist of unused debt 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 of \$203,332 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, 2010**

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

Receivables at June 30 are as follows:

	<b>Primary Government General Fund</b>	<b>Component Unit – EDA</b>
Receivables		
Taxes	\$ 729,479	\$ -
Accounts	528,660	12,741
Lease	-	17,108
Note	-	147,806
	<u>1,258,139</u>	<u>177,655</u>
Gross receivables		
Less:		
Allowance for uncollectible taxes	(279,507)	-
Allowance for uncollectible accounts	(274,600)	-
	<u>(554,107)</u>	<u>-</u>
Total allowance		
Net total receivables	<u>\$ 704,032</u>	<u>\$ 177,655</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	\$ 339,020
Advance collection of 2009-2010 property taxes – unearned	118,626
EMS billings receivable – unavailable	170,770
	<u>628,416</u>
Total deferred revenue – governmental funds	
Less deferrals for unavailability	(509,790)
	<u>118,626</u>
Unearned revenue – statement of net assets	<u>\$ 118,626</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, 2010**

**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, 2010 includes amounts not yet received from the January 1, 2010 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 year 2009 and \$0.47 per \$100 of assessed value for calendar year 2010.

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.

Component Unit – Economic Development Authority:

The EDA 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 EDA at a bargain purchase during the term of the agreement. Monthly lease payments are \$100 through May 2035.

The EDA 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>
2011	\$ 34,801	\$ 5,160
2012	36,196	3,803
2013	37,649	2,351
2014	39,160	841
	<u>\$ 147,806</u>	<u>\$ 12,155</u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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	\$ 121,531	\$ -
State sales tax	-	310,709
Comprehensive services act	63,129	-
Public assistance	74,634	-
Recordation tax	7,041	-
Shared expenses and grants	107,978	-
Communications tax	125,696	-
	\$ 500,009	\$ 310,709

**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	\$ 155,139

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.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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	\$ 910,759
Primary Government – General Fund	Component Unit – EDA	<u>410,961</u>
		<u>\$ 1,321,720</u>

The Primary Government – General Fund owed \$910,759 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 – EDA 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	28,800	-	28,800	-
Capital assets, nondepreciable	<u>742,894</u>	<u>-</u>	<u>28,800</u>	<u>714,094</u>
Capital assets, depreciable:				
Buildings and improvements	5,894,009	46,000	-	5,940,009
Equipment	5,736,575	105,354	25,600	5,816,329
School buildings	15,660,445	-	-	15,660,445
Capital assets, depreciable	<u>27,291,029</u>	<u>151,354</u>	<u>25,600</u>	<u>27,416,783</u>
Less accumulated depreciation for:				
Buildings and improvements	1,375,985	151,999	-	1,527,984
Equipment	4,076,433	391,509	-	4,467,942
School buildings	2,132,224	319,282	25,600	2,425,906
Total accumulated depreciation	<u>7,584,642</u>	<u>862,790</u>	<u>25,600</u>	<u>8,421,832</u>
Capital assets, depreciable, net	<u>19,706,387</u>	<u>(711,436)</u>	<u>-</u>	<u>18,994,951</u>
Governmental activities capital assets, net	<u>\$ 20,449,281</u>	<u>\$ (711,436)</u>	<u>\$ 28,800</u>	<u>\$ 19,709,045</u>

(Continued)

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**Primary Government (Continued)**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 57,538
Judicial administration	9,901
Public safety	256,410
Public works	115,874
Education	391,509
Park, recreation, and cultural	31,558
	<u>\$ 862,790</u>

Included in Primary Government capital assets are various pieces of equipment with a total cost of \$931,989 and accumulated depreciation of \$534,031 financed by capital leases.

**Discretely Presented Component Unit – School Board**

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	\$ 265,917	\$ -	\$ -	\$ 265,917
Capital assets, nondepreciable	<u>265,917</u>	<u>-</u>	<u>-</u>	<u>265,917</u>
Capital assets, depreciable:				
Buildings and improvements	5,175,931	26,038	-	5,201,969
Equipment	3,211,829	158,704	-	3,370,533
Capital assets, depreciable	<u>8,387,760</u>	<u>184,742</u>	<u>-</u>	<u>8,572,502</u>
Less accumulated depreciation for:				
Buildings and improvements	2,054,845	97,596	-	2,152,441
Equipment	1,999,354	182,870	-	2,182,224
Total accumulated depreciation	<u>4,054,199</u>	<u>280,466</u>	<u>-</u>	<u>4,334,665</u>
Capital assets, depreciable, net	<u>4,333,561</u>	<u>(95,724)</u>	<u>-</u>	<u>4,237,837</u>
Governmental activities capital assets, net	<u>\$ 4,599,478</u>	<u>\$ (95,724)</u>	<u>\$ -</u>	<u>\$ 4,503,754</u>

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

**COUNTY OF FLOYD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

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

Included in School Board capital assets are various pieces of equipment and building improvements with a total cost of \$1,241,803 and accumulated depreciation of \$32,248, financed by a capital lease.

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

Capital asset activity for the year was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, non-depreciable:				
Land	\$ 901,533	\$ -	\$ -	\$ 901,533

**Note 7. Long-Term Liabilities**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due within One Year</b>
<b>Primary Government</b>					
General obligation bonds	\$ 15,006,309	\$ 920,000	\$ 1,072,413	\$ 14,853,896	\$ 886,174
Revenue bonds	985,000	-	15,000	970,000	15,000
Literary fund loans	88,457	-	29,900	58,557	29,000
Total bonds and loans payable	16,079,766	920,000	1,117,313	15,882,453	930,174
Capital leases	412,413	-	150,508	261,905	63,197
Landfill postclosure	859,000	-	136,286	722,714	91,000
Compensated absences	274,667	28,582	-	303,249	151,625
	<u>\$ 17,625,846</u>	<u>\$ 948,582</u>	<u>\$ 1,404,107</u>	<u>\$ 17,170,321</u>	<u>\$ 1,235,996</u>
<b>Component Unit – School Board:</b>					
Capital leases	\$ 1,218,580	\$ -	\$ 64,019	\$ 1,154,561	\$ 32,221
Compensated absences	828,865	-	3,010	825,855	412,928
Other postemployment benefits	67,900	110,400	43,900	134,400	-
	<u>\$ 2,115,345</u>	<u>\$ 110,400</u>	<u>\$ 110,929</u>	<u>\$ 2,114,816</u>	<u>\$ 445,149</u>
<b>Component Unit – EDA:</b>					
Note payable	\$ 160,650	\$ -	\$ 30,551	\$ 130,099	\$ 22,094

**COUNTY OF FLOYD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

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

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
2011	\$ 886,174	\$ 660,084	\$ 15,000	\$ 47,338	\$ 29,900	\$ 1,757	\$ 63,197	\$ 10,390
2012	1,087,577	610,598	20,000	47,000	28,657	860	59,624	7,862
2013	1,105,474	562,059	20,000	46,100	-	-	63,111	4,375
2014	1,120,776	514,054	20,000	45,200	-	-	46,406	2,449
2015	1,138,880	464,090	20,000	44,250	-	-	29,567	624
2016-2020	5,317,872	1,590,786	115,000	205,125	-	-	-	-
2021-2025	3,601,835	523,396	150,000	175,250	-	-	-	-
2026-2030	595,308	13,692	190,000	129,500	-	-	-	-
2031-2035	-	-	245,000	75,625	-	-	-	-
2036-2040	-	-	175,000	13,375	-	-	-	-
	<u>\$14,853,896</u>	<u>\$ 4,938,759</u>	<u>\$ 970,000</u>	<u>\$ 828,763</u>	<u>\$ 58,557</u>	<u>\$ 2,617</u>	<u>\$ 261,905</u>	<u>\$ 25,700</u>

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		EDA	
	Capital Lease		Note Payable	
	Principal	Interest	Principal	Interest
2011	\$ 32,221	\$ 21,838	\$ 22,094	\$ 12,718
2012	68,322	41,393	23,563	11,250
2013	70,908	38,807	84,442	4,232
2014	73,592	36,123	-	-
2015	76,378	33,338	-	-
2016-2020	427,509	121,091	-	-
2021-2025	405,631	34,829	-	-
	<u>\$ 1,154,561</u>	<u>\$ 327,419</u>	<u>\$ 130,099</u>	<u>\$ 28,200</u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

Details of long-term indebtedness are as follows:

**Primary Government**

	<b>Interest Rates</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Amount of Original Issue</b>	<b>Governmental Activities</b>
<u>General Obligation Bonds:</u>					
School Construction Bonds	4.90-6.35%	10-1992	07-2012	\$ 91,371	\$ 18,218
School Construction Bonds	6.10-6.40	01-1994	12-2011	360,000	10,000
School Construction Bonds	5.10-6.10	12-1995	07-2015	2,835,979	1,016,648
School Construction Bonds	2.60-2.80	11-2000	07-2020	3,142,650	1,862,756
School Construction Bonds	4.25-5.00	11-2005	07-2025	10,259,045	8,255,574
Refunding Bonds	4.22	04-2006	07-2022	3,450,500	2,770,700
Public Improvement	Various	02-2010	02-2020	920,000	920,000
					14,853,896
				Less deferred costs	(129,409)
					<u>\$ 14,724,487</u>
Revenue Bond	4.25-5.00%	07-2007	08-2037	\$ 1,000,000	\$ 970,000
				Plus bond premium	32,369
					<u>\$ 1,002,369</u>
State Literary Loan	3.00%	01-1992	01-2012	\$ 596,757	\$ 58,557

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**Primary Government (Continued)**

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Governmental Activities</u>
<u>Capital Leases:</u>					
Equipment Lease	4.25%	10-2005	07-2014	\$ 255,005	\$ 136,221
Equipment Lease	3.80	08-2006	08-2010	44,636	5,954
Equipment Lease	4.07	02-2007	08-2013	225,000	119,730
					<u>\$ 261,905</u>

**Discretely Presented Component Units**

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>
<b>School Board</b>					
Capital Lease	3.75%	05-2008	01-2024	\$ 1,250,000	<u>\$ 1,154,561</u>
<b>EDA</b>					
Note Payable	6.50%	04-2002	11-2012	\$ 415,000	<u>\$ 130,099</u>

The EDA note 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, \$920,000 of these bonds remain outstanding.

**Note 8. Short-Term Debt**

The County issues tax anticipation notes in advance of property tax collections. These notes are used 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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ 1,500,000	\$ 2,000,000	\$ 3,500,000	\$ -

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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.

Certain contaminants from the landfill have been detected in the groundwater, which thereby extends the monitoring period in excess of the initial requirement. The County's current plan of remediation consists of monitored natural attenuation. This remedy consists of monitoring wells on the site for up to eight years. It is the County and its external engineer's belief that during the eight years, the groundwater contaminants will decrease to an acceptable level and the County will be released from all other monitoring requirements at this site. The estimated liability is based on the Virginia Department of Environmental Quality (DEQ) accepting the active remedy proposed by the County as discussed. 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. The cumulative amount of estimated closure, postclosure care costs, and corrective action to date for this site, less cash paid for such costs to date, totals \$722,714. This amount is included in the long-term liabilities in the primary government.

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, an unrestricted net asset deficit of \$(693,130) existed in the Component-unit School Board. This deficit is expected to be recovered through increasing revenues and decreasing ongoing expenses.

**Deficit Fund Balance:** At June 30, the capital projects fund had a fund balance deficit of \$(229,786). This deficit is expected to be recovered through forgiveness of amounts owed to the general fund.

**COUNTY OF FLOYD, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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)	\$ 20,204,293
Principal and other debt service expenses included in primary government (Exhibit 4)	<u>1,521,516</u>
Total expenditures for school activities	<u>\$ 21,725,809</u>

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

The EDA was created to encourage industrial development in the County. To that end, the County appropriates periodic contributions to the EDA. The County also periodically extends non-interest bearing loans 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. 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 EDA as payable to the grant recipient and as receivable from the County.

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

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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 with five years of service 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 25 years of service for participating local law enforcement officers and firefighters), payable monthly, for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and, if the employer elects, other employees in hazardous duty positions receiving enhanced benefits). 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 (COLA) increases beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Sheriffs and participating eligible law enforcement officers and firefighters may also 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 is available on the VRS website at <http://varetire.org/pdf/Publications/2009-Annual-Report.pdf> or may be obtained by writing the System's Chief Financial Officer 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 reported compensation 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 2010 was 15.23% of annual covered payroll. The School Board's contribution rates for the period July 1, 2009 through March 31, 2010 were 13.81% for professional employees and 12.66% for non-professional employees. As required by the Commonwealth of Virginia, the contribution rates for school employees were reduced to -0-% for the period April 1, 2010 to June 30, 2010. This rate reduction did not include the 5% employee share paid by the employer. The County and School Board's contribution rates include the employee's share of 5% paid by employer.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**Funding Policy (Continued)**

For the three years ended June 30, 2010, 2009, and 2008, total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,100,471, \$1,394,542, and \$1,462,132 and represented 10.9%, 13.81%, and 15.10% of annual covered payroll, respectively, and 100% of the required contributions for 2010, 2009, and 2008, respectively.

**Annual Pension Cost**

For the fiscal year ended June 30, 2010, the County's and School Board's annual pension costs, including the employee share assumed by the County, of \$449,582 and \$1,272,331, respectively, were equal to their required and actual contributions. The 2010 required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return net of administrative expenses, (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) include 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 20 years or less.

**Three-Year Trend Information for County of Floyd**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC</b>	<b>Net Pension Obligation</b>
June 30, 2010	\$ 449,582	100%	\$ -
June 30, 2009	\$ 447,554	100%	\$ -
June 30, 2008	\$ 382,852	100%	\$ -

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

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC</b>	<b>Net Pension Obligation</b>
June 30, 2010	\$ 171,860	100%	\$ -
June 30, 2009	\$ 176,262	100%	\$ -
June 30, 2008	\$ 173,592	100%	\$ -

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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, 2009	\$ 9,098,651	\$ 11,075,780	\$ 1,977,129	82.15%	\$ 2,952,481	66.96%
June 30, 2008	\$ 8,821,246	\$ 10,695,197	\$ 1,873,951	82.48%	\$ 2,837,373	66.05%
June 30, 2007	\$ 7,951,028	\$ 9,557,669	\$ 1,606,641	83.19%	\$ 2,802,371	57.33%
County of Floyd Schools Non-Professional Employees						
June 30, 2009	\$ 5,365,246	\$ 5,978,727	\$ 613,481	89.74%	\$ 1,405,820	43.64%
June 30, 2008	\$ 5,343,386	\$ 5,604,655	\$ 261,269	95.34%	\$ 1,351,153	19.34%
June 30, 2007	\$ 4,844,163	\$ 5,508,077	\$ 663,914	87.95%	\$ 1,449,065	45.82%

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

Governmental Accounting Standards Board (GASB) Statement No. 45, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities in the financial statements. The cost of post-employment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability. The County does not have a liability related to OPEB as they do not offer any benefits to employees after their departure.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**Note 14. Other Post-employment Benefits (Continued)**

**Floyd County Schools**

**Plan Description and Benefits Provided**

The Schools provide postemployment medical and dental benefits to its retirees and their eligible dependents who elect to stay in the plans. At retirement, retirees may stay in one of two PPO plans with an additional choice of prescription drug benefits and can continue coverage under all the benefits until age 65 or becoming eligible for Medicare, whichever comes first. The retiree pays the premium for these benefits. The School Board may change, add, or delete benefits (including contributions required of retired employees) as deemed appropriate.

Participants are eligible for the plan upon eligibility to retire under the provisions of the Virginia Retirement System (VRS) and have a minimum of 15 years of service in VRS. The earliest retirement age is 50 with 15 years of service.

**Membership**

The number of participants at July 1, 2008 was 374, consisting of 354 active and 20 inactive participants.

**Funding Policy**

The Schools currently fund postemployment health care benefits on a pay-as-you-go basis. The Schools do not intend to establish a trust to pre-fund this liability.

**Annual Other Post-employment Benefit Cost and Net OPEB Obligation**

The following table shows the elements of the School's annual OPEB cost for the year and the changes in the School's net OPEB obligation for the fiscal year ended June 30, 2010.

Annual required contribution	\$ 110,600
Interest on net OPEB obligation	2,700
Adjustment to annual required contribution	<u>(2,900)</u>
Annual OPEB cost	110,400
Less contributions made	<u>(43,900)</u>
Increase in net OPEB obligation	66,500
Net OPEB obligation – beginning of year	<u>67,900</u>
Net OPEB obligation – end of year	<u><u>\$ 134,400</u></u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**Note 14. Other Post-employment Benefits (Continued)**

**Annual Other Post-employment Benefit Cost and Net OPEB Obligation (Continued)**

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2010 are as follows.

<u>Fiscal Year Ended</u>	<u>OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 105,700	35.76%	\$ 67,900
June 30, 2010	\$ 110,600	39.69%	\$ 134,400

**Funded Status and Funding Progress**

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2009	\$ -	\$ 1,228,300	\$ 1,228,300	0%	\$ 11,330,000	10.8%
July 1, 2008	\$ -	\$ 1,161,900	\$ 1,161,900	0%	\$ 10,954,700	10.5%

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**Note 14. Other Postemployment Benefits (Continued)**

**Actuarial Methods and Assumptions**

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

In the July 1, 2008 actuarial valuation, the entry age normal cost method was used to determine liabilities. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year. Under this method, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal costs and actuarial liability are the sum of the individual participant amounts. The actuarial assumptions used a 4% discount rate. The unfunded actuarial accrued liability is being amortized over 30 years. An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method. Liabilities and costs shown are net of any retiree contributions.

**Note 15. Operating Lease**

The County leases a manufacturing building to Legacy, Inc. (Legacy). The agreement was for a ten-year term that ended on January 31, 2010. However, the lease was renewed for an additional one-year period through January 31, 2011. 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. Legacy has an option 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:

2011	<u>\$ 25,200</u>
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**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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 provides coverage for employees through a policy with Blue Cross and Blue Shield. The County contributes 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. Total premiums for fiscal year 2010 paid by the County were approximately \$553,864.

The School Board has a professionally administered self-insurance program that provides health coverage for employees on a cost-reimbursement basis. Retired employees and dependents of employees of the School Board are also covered by the program, provided they pay the entire premium. Under the program, the School Board is obligated for claims payments. A stop loss insurance contract executed with Blue Cross and Blue Shield covers claims in excess of \$70,000 per covered individual and approximately \$1,265,000 in the aggregate. During the current fiscal year, total claims expense of \$1,253,391, which did not exceed the stop loss provisions, was incurred. This represents claims processed and an estimate, based on plan experience prior and subsequent to year end, for claims incurred but not reported (IBNR) as of June 30, 2010. The estimated liability, including reported and IBNR claims, was \$129,000 at year end. Additionally, included in prepaids at June 30 and excluded from claim payments below is approximately \$613,000 that has been paid in excess of claims to date. Changes in the reported liability during 2010 are as follows:

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
June 30, 2010	<u>\$ 96,000</u>	<u>\$ 1,253,391</u>	<u>\$ 1,220,391</u>	<u>\$ 129,000</u>

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**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 \$359,449. The County does not bear any responsibility for closure or postclosure liabilities at the site.

Notes Payable of the EDA:

The County has issued expressions of intent to guarantee a portion of certain notes payable by the EDA. This is a nonbinding moral obligation to pay up to the guaranteed amount \$130,099 on behalf of the EDA if it is unable to repay these obligations.

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

Economic Incentives – Branwick Associates, Inc.:

In January 2002, the EDA and the County signed a development agreement with Branwick Associates, Inc. (Branwick) for certain property owned by the EDA. Branwick agreed to construct a building at a cost not to exceed \$3,000,000 on the property. The EDA 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 EDA would have been required to pay Branwick for all costs of development in exchange for the title of the building and land.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

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

**Discretely Presented Component Unit – Economic Development Authority (Continued)**

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 EDA would have to pay if the unwinding were to occur on a specific date. The remaining required payout over the five-year term is as follows:

June 30, 2010	\$ 2,461,524
June 30, 2011	\$ 2,368,835

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

Economic Incentives – Arrow Truck Sales, Inc.:

In August 2006, the EDA and the County entered into an agreement to provide economic incentives to Arrow Truck Sales, Inc. (Arrow). The EDA 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, \$49,950 was expended under the agreement. The County made a contribution to the EDA in the current year to fund a portion of the expenditures.

Rural Business Enterprise Grant Assistance:

During 2010, the EDA was awarded \$99,000 in the form of a Rural Business Enterprise Grant. The proceeds of this grant are to be lent to small businesses within the County for purposes approved by the EDA. These loans are to be used by local businesses to finance and facilitate business development. The first loans were issued by the EDA subsequent to year end.

**COUNTY OF FLOYD, VIRGINIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**

**Note 18. New Accounting Standards**

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides new fund balance classifications and clarifies governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement will be effective for the year ending June 30, 2011.

Management has not yet evaluated the effects, if any, of adopting this standard, **but does not expect them to be material.**

**Note 19. Related Party Transactions**

The County, School Board, and EDA conduct transactions with a financial institution whose President is a voting member of the Board of the EDA. At June 30, the primary government and component units had approximately \$2,874,000 in deposits and \$142,000 in outstanding capital lease obligations with this institution.

**Note 20. Restatement of Fund Balance and Net Assets**

Fund balance/net assets at June 30, 2009 were restated as follows:

	<b>General Fund</b>	<b>Governmental Activities</b>
Fund balance/net assets at June 30, 2009, as previously stated	\$ 947,809	\$ 5,369,664
Unrecorded utility tax and CSA state reimbursements	98,961	98,961
Fund balance/net assets June 30, 2010, as restated	\$ 1,046,770	\$ 5,468,625

**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, 2010**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
General property taxes	\$ 9,044,570	\$ 9,044,570	\$ 9,050,630	\$ 6,060
Other local taxes	2,445,000	2,445,000	2,156,204	(288,796)
Permits, privilege fees, and regulatory licenses	160,000	160,000	105,299	(54,701)
Fines and forfeitures	19,800	19,800	21,515	1,715
Revenue from use of money and property	173,200	173,200	155,864	(17,336)
Charges for services	539,095	568,123	705,876	137,753
Other	3,650	3,900	4,209	309
Recovered costs	59,000	104,913	74,189	(30,724)
Intergovernmental	3,951,704	3,926,444	3,472,016	(454,428)
Total revenues	<u>16,396,019</u>	<u>16,445,950</u>	<u>15,745,802</u>	<u>(700,148)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	1,359,136	1,408,509	1,628,664	(220,155)
Judicial administration	589,406	621,308	572,753	48,555
Public safety	2,170,719	2,374,829	2,462,641	(87,812)
Public works	1,482,556	1,485,073	1,177,625	307,448
Health and welfare	2,127,142	2,127,142	1,751,651	375,491
Education	5,176,516	5,176,516	5,200,448	(23,932)
Parks, recreation, and cultural	332,868	332,868	269,105	63,763
Community development	651,166	731,379	338,392	392,987
Debt service:				
Principal	1,222,866	1,222,866	1,191,832	31,034
Interest and other fiscal charges	671,203	671,203	791,838	(120,635)
Total expenditures	<u>15,783,578</u>	<u>16,151,693</u>	<u>15,384,949</u>	<u>766,744</u>
Excess of revenues over expenditures	<u>612,441</u>	<u>294,257</u>	<u>360,853</u>	<u>66,596</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from note issuance	-	-	920,000	920,000
Cost of note issuance	-	-	(10,500)	(10,500)
Transfers in	-	-	155,139	155,139
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,064,639</u>	<u>1,064,639</u>
Net change in fund balances	<u>\$ 612,441</u>	<u>\$ 294,257</u>	<u>\$ 1,425,492</u>	<u>\$ 1,131,235</u>

## COUNTY OF FLOYD, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET TO ACTUAL –  
FIRE AND RESCUE FUND  
Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
General property taxes	\$ -	\$ -	\$ 571,693	\$ 571,693
Other	-	-	41,831	41,831
Intergovernmental	54,000	54,779	52,364	(2,415)
Total revenues	<u>54,000</u>	<u>54,779</u>	<u>665,888</u>	<u>611,109</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	470,593	514,071	435,560	78,511
Debt service:				
Principal	31,000	31,000	75,989	(44,989)
Interest and other fiscal charges	54,338	54,338	8,683	45,655
Total expenditures	<u>555,931</u>	<u>599,409</u>	<u>520,232</u>	<u>79,177</u>
Excess (deficiency) of revenues over expenditures	<u>(501,931)</u>	<u>(544,630)</u>	<u>145,656</u>	<u>690,286</u>
<b>OTHER FINANCING USES</b>				
Transfers out	-	-	(155,139)	(155,139)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(155,139)</u>	<u>(155,139)</u>
Net change in fund balances	<u>\$ (501,931)</u>	<u>\$ (544,630)</u>	<u>\$ (9,483)</u>	<u>\$ 535,147</u>

**COUNTY OF FLOYD, VIRGINIA**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2010**

**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 function level. The appropriation for each function 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 and high schools.

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**BALANCE SHEET**  
**June 30, 2010**

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 287,520
Cash and cash equivalents, restricted	224,464
Due from other governments	310,709
Due from primary government	910,759
Inventories	18,764
Prepays	819,875
	<u>\$ 2,572,091</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 55,269
Accrued liabilities	1,875,839
Self insurance claims liability	129,000
	<u>2,060,108</u>
<b>FUND BALANCE</b>	
Reserved for:	
Inventories	18,764
Prepays	819,875
Capital projects	21,132
Purpose restrictions	203,332
Unreserved:	
Undesignated	(551,120)
	<u>511,983</u>
Total liabilities and fund balance	<u>\$ 2,572,091</u>
<b>Adjustments for the Statement of Net Assets (Exhibit 1)</b>	
<b>Total fund balance</b>	\$ 511,983
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,503,754
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.	5,895
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,135,210)
<b>Net assets of governmental activities</b>	<u>\$ 2,886,422</u>

**COUNTY OF FLOYD, VIRGINIA**  
**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**Year Ended June 30, 2010**

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Charges for services	\$ 428,916
Recovered costs	192,956
Other	2,727
Payments from Floyd County	5,200,448
Intergovernmental	14,231,390
Total revenues	<u>20,056,437</u>
<b>EXPENDITURES</b>	
Education:	
Instructional	13,890,620
Admission, attendance, and health	827,369
Transportation	1,570,403
Operations and maintenance	2,039,769
Food service	461,632
Facilities	251,263
Technology	1,052,584
Debt service:	
Principal	64,019
Interest and other fiscal charges	46,634
Total expenditures	<u>20,204,293</u>
Deficiency of revenues over expenditures	<u>(147,856)</u>
Net change in fund balance	(147,856)
<b>FUND BALANCE AT JULY 1</b>	<u>659,839</u>
<b>FUND BALANCE AT JUNE 30</b>	<u>\$ 511,983</u>
<b>Reconciliation to the Statement of Activities (Exhibit 2)</b>	
<b>Net change in fund balance – governmental fund</b>	\$ (147,856)
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 depreciation (\$280,466) exceeded capitalized expenditures (\$184,742).	(95,724)
The repayment of the principal of long-term debt (\$64,019) consumes the the current financial resources of governmental funds but has no effect on net assets.	64,019
Governmental funds report the effect of issuance costs, whereas these amounts are deferred and amortized in the statement of activities.	(454)
Accrued interest on long term debt does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund	(20,394)
Compensated absences and other postemployment benefits 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 and other postemployment benefits.	(63,490)
<b>Change in net assets of governmental activities.</b>	<u>\$ (263,899)</u>

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – BUDGET TO ACTUAL –**  
**SCHOOL OPERATING FUND**  
**Year Ended June 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 428,916	\$ 428,916
Recovered costs	171,443	171,443	192,956	21,513
Other	16,000	16,000	2,727	(13,273)
Payments from Floyd County	5,314,737	5,314,737	5,200,448	(114,289)
Intergovernmental	14,900,996	14,900,996	14,231,390	(669,606)
Total revenues	<u>20,403,176</u>	<u>20,403,176</u>	<u>20,056,437</u>	<u>(346,739)</u>
<b>EXPENDITURES</b>				
Education	20,292,523	20,292,523	20,093,640	198,883
Debt service:				
Principal	64,019	64,019	64,019	-
Interest and other fiscal charges	46,634	46,634	46,634	-
Total expenditures	<u>20,403,176</u>	<u>20,403,176</u>	<u>20,204,293</u>	<u>198,883</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(147,856)</u>	<u>(147,856)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (147,856)</u>	<u>\$ (147,856)</u>

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

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## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT**  
**FLOYD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**June 30, 2010**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 78,147
Current portion of note receivable	34,801
Other receivables	<u>12,741</u>
Total current assets	<u>125,689</u>
Noncurrent assets:	
Long-term portion of note receivable	113,005
Lease receivable	17,108
Capital assets:	
Nondepreciable	<u>901,533</u>
Total noncurrent assets	<u>1,031,646</u>
Total assets	<u>1,157,335</u>
<b>LIABILITIES</b>	
Current liabilities:	
Current portion of notes payable	22,094
Advances from primary government	<u>410,961</u>
Total current liabilities	<u>433,055</u>
Noncurrent liabilities:	
Due in more than a year	<u>108,005</u>
Total liabilities	<u>541,060</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	490,572
Unrestricted	<u>125,703</u>
Total net assets	<u><u>\$ 616,275</u></u>

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT  
FLOYD COUNTY ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS – PROPRIETARY FUND  
June 30, 2010**

	<u>Enterprise Fund</u>
<b>OPERATING REVENUES</b>	
Payments from Floyd County	\$ 49,950
Miscellaneous	<u>12,741</u>
Total operating revenues	<u>62,691</u>
<b>OPERATING EXPENSES</b>	
Performance grants	<u>62,313</u>
Total operating expenses	<u>62,313</u>
Operating income	<u>378</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	7,801
Interest expense	<u>(9,447)</u>
Net nonoperating revenues (expenses)	<u>(1,646)</u>
Change in net assets	(1,268)
<b>NET ASSETS AT JULY 1</b>	<u>617,543</u>
<b>NET ASSETS AT JUNE 30</b>	<u><u>\$ 616,275</u></u>

## COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT**  
**FLOYD COUNTY ECONOMIC DEVELOPMENT AUTHORITY**  
**STATEMENT OF CASH FLOWS –**  
**PROPRIETARY FUND**  
**June 30, 2010**

	<u>Enterprise Fund</u>
<b>OPERATING ACTIVITIES</b>	
Payments from Floyd County	\$ 49,950
Payments for performance incentive grants	(62,313)
	(12,363)
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal paid on capital debt	(30,551)
Interest paid on capital debt	(9,447)
	(39,998)
<b>INVESTING ACTIVITIES</b>	
Principal received on long term note and lease receivable	33,795
Interest received	7,801
	41,596
	(10,765)
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning at July 1	88,912
Ending at June 30	\$ 78,147
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating income	\$ 378
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities	
Increase in other receivables	(12,741)
	(12,363)
Net cash used in operating activities	\$ (12,363)

# **SUPPORTING SCHEDULE**

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COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>Department of Agriculture:</u></b>		
<b><u>Pass-through Payments:</u></b>		
<b><u>Department of Social Services:</u></b>		
Food Stamp Administration	10.561	\$ 130,370
<b><u>Department of Agriculture:</u></b>		
National School Lunch Program (Commodities)	10.555	48,231
<b><u>Department of Education:</u></b>		
National School Breakfast Program	10.553	103,796
National School Lunch Program	10.555	335,510
<b><u>Department of Justice:</u></b>		
<b><u>Pass-through Payments:</u></b>		
<b><u>Department of Criminal Justice Services:</u></b>		
Violence Against Women Formula Grant	16.588	33,117
Recovery Act of JAG State - ARRA	16.803	32,012
<b><u>Department of Motor Vehicles</u></b>		
<b><u>Pass-through Payments:</u></b>		
<b><u>Department of Transportation</u></b>		
State and Community Highway Safety	20.600	6,291
Alcohol	20.601	7,810
<b><u>Department of Education:</u></b>		
<b><u>Pass-through Payments:</u></b>		
<b><u>Department of Education:</u></b>		
Title I: Grants to Local Educational Agencies	84.010	346,195
Title I: Grants to Local Educational Agencies - ARRA	84.389	110,789
Special Education – Grants to States	84.027	481,283
Vocational Education – Basic Grants to States	84.048	52,270
Special Education – Preschool Grants	84.173	22,539
Drug Free Schools and Communities – State Grants	84.186	6,717
English Language Acquisition Grants	84.365	6,261
No Child Left Behind Act	84.367	100,078
Technology Literacy Challenge Fund	84.318	4,435
Education Technology Grant - ARRA	84.386	11,229
Language Acquisition – Title III	84.365	2,333
Special Education Grants to States IDEA Part B - ARRA	84.391	210,100
Special Education - Preschool Grants IDEA Part B - ARRA	84.392	6,313
State Fiscal Stabilization Funds - ARRA	84.397	1,124,985
<b><u>Department of Homeland Security</u></b>		
<b><u>Pass-through Payments:</u></b>		
<b><u>Department of Energy Management</u></b>		
State Homeland Security Program	97.073	29,200

(Continued)

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>Department of Health and Human Services:</u></b>		
<b><u>Pass-through Payments:</u></b>		
<b><u>Department of Social Services:</u></b>		
Promoting Safe and Stable Families	93.556	\$ 14,474
Temporary Assistance to Needy Families	93.558	93,420
Child Care and Development Block Grant	93.575	26,118
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	30,678
Chafee Education and Training Vouchers Programs - ARRA	93.599	477
Child Care and Development Block Grant	93.713	10,552
Foster Care – Title IV-E	93.658	88,215
Foster Care – Title IV-E - ARRA	93.658	7,257
Adoption Assistance	93.659	7,365
Adoption Assistance - ARRA	93.659	548
Social Service Block Grant	93.667	47,824
Low Income Home Energy Assistance	93.568	4,838
Chafee Foster Care Independence Program	93.674	2,465
Medical Assistance Program	93.778	76,282
Refugee and Entrant Assistance	93.566	285
State Children’s Insurance Program	93.767	5,565
Child Welfare Services	93.645	320
<b>Total Expenditures of Federal Awards</b>		<b>\$ 3,628,547</b>

**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, 2010, the School Board had food commodities totaling \$18,764 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 Seven Eight 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>
2010	\$ 1,670,581	\$ 582,654	\$ 3,104,849	\$ 1,139,165	\$ 1,756,824	\$ 5,591,957	\$ 300,663	\$ 339,872	\$ 792,376	\$ 15,278,941
2009	1,329,648	589,541	3,002,667	1,201,286	1,839,317	5,353,202	357,695	319,489	878,274	14,871,119
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.**

TABLE 2

**COUNTY OF FLOYD, VIRGINIA**  
**FINANCIAL TRENDS INFORMATION**  
**GOVERNMENTAL ACTIVITIES REVENUES**  
**Last Eight 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		
2010	\$ 903,722	\$ 2,544,873	\$ 72,088	\$ 9,690,586	\$ 2,169,806	\$ 112,664	\$ 50,799	\$ 905,044	\$ 16,449,582	
2009	717,873	2,771,379	353,520	9,382,280	2,170,720	163,721	8,202	1,032,674	16,600,369	
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 Expenditures</b>
2010	\$ 1,628,664	\$ 572,753	\$ 2,898,201	\$ 1,177,625	\$ 1,751,651	\$ 20,204,293	\$ 269,105	\$ 338,392	\$ 2,068,342	\$ 30,909,026
2009	1,266,567	579,640	3,677,344	1,163,279	1,841,316	21,141,687	326,136	327,908	2,078,232	32,402,109
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

**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.**

TABLE 4

**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>
2010	\$ 9,622,323	\$ 2,156,204	\$ 105,299	\$ 21,515	\$ 155,864	\$ 1,134,792	\$ 48,767	\$ 267,145	\$ 17,755,770	\$ 31,267,679
2009	9,282,097	2,142,339	129,507	10,598	204,580	1,147,435	15,140	230,221	18,441,780	31,603,697
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

**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.**

TABLE 5

## 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
2010	\$ 10,651,549	\$ 10,327,803	96.96%	\$ -	\$ 10,327,803	96.96%
2009	10,169,940	9,156,946	90.04%	814,524	9,971,470	98.05%
2008	10,000,477	9,324,256	93.24%	583,569	9,907,825	99.07%
2007	9,393,042	9,268,424	98.67%	80,457	9,348,881	99.53%
2006	8,900,635	8,665,202	97.35%	201,945	8,867,147	99.62%
2005	8,099,888	7,780,381	96.06%	296,805	8,077,186	99.72%
2004	7,466,587	7,290,115	97.64%	170,945	7,461,060	99.93%
2003	6,787,806	6,627,377	97.64%	156,810	6,784,187	99.95%
2002	6,269,225	6,123,650	97.68%	142,802	6,266,452	99.96%
2001	5,587,532	5,438,512	97.33%	147,699	5,586,211	99.98%

(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**

<b>Fiscal Year</b>	<b>Real Estate</b>	<b>Personal Property</b>	<b>Machinery and Tools</b>	<b>Public Service Corporation</b>	<b>Mobile Homes</b>	<b>Merchants' Capital</b>	<b>Total Assessed Value</b>
2010	\$ 1,677,140,200	\$ 93,824,459	\$ 7,233,844	\$ 50,096,979	\$ 9,685,500	\$ 1,668,037	\$ 1,839,649,019
2009	1,336,291,100	89,705,582	10,266,338	34,930,266	10,741,328	1,593,199	1,483,527,813
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

**(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>
2010	\$ 0.470	\$ 2.700	\$ 0.470	\$ 1.550	\$ 3.500
2009	0.600	2.700	0.600	1.550	3.500
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

**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>
2010	15,013	\$ 1,839,649,019	\$ 14,912,453	0.81%	\$ 993
2009	14,821	1,483,527,813	15,094,766	1.02%	1,018
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

**(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.**

## 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>
2010	\$ 1,102,313	\$ 671,165	\$ 1,773,478	\$ 30,909,026	5.74%
2009	1,030,166	711,756	1,741,922	32,402,109	5.38%
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%

**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***

To the 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 (the "County"), as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 23, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. **We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Items 07-1 and 10-01 to be 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 10-3 through 10-5.**

We noted certain matters that we reported to the County's management in a separate letter dated November 23, 2010.

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  
November 23, 2010

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

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

**Compliance**

We have audited the County of Floyd, Virginia's (the "County") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, that is required to be reported in accordance with OMB Circular A-133 and that is described in the accompanying schedule of findings and questioned costs as item 10-2.**

**Internal Control over Compliance**

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, 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 *deficiency* in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.**

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, do not express an opinion on these responses.

\*\*\*\*\*

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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia  
November 23, 2010

**COUNTY OF FLOYD, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2010**

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, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **Two 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*. **Both of the significant deficiencies were deemed to be material weaknesses.**
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB *Circular A-133*.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **one audit finding** relating to major programs.
7. The programs tested as major programs include:

<u>Name of Program:</u>	<u>CFDA #</u>
Title I	84.010, 84.389
State Fiscal Stabilization Funds – ARRA	84.397
Special Education Cluster	84.027, 84.173, 84.391, 84.392

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 – County:*

Per Auditor's recommendations, segregation of duties have been implemented to the best of our ability with very limited staff. Specific segregation of duties have been outlined with auditors in their questionnaires.

**COUNTY OF FLOYD, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

**07-1: Segregation of Duties (Material Weakness) (Continued)**

*Management's Response – School Board:*

Given staff size, segregation of duties at the School Board is impractical at this time. Cross-training is implemented as time permits.

**10-1: Audit Adjustments (Material Weakness)**

*Condition:*

As noted in prior years, a significant number of audit adjustments were recorded to adjust for errors in transaction processing during the year and to correct year end accrual errors. The most significant of such adjustments were as follows:

- The School Board did not record balances or activity on its general ledger for certain deposit accounts, namely individual school cafeteria accounts and the lease proceeds account.
- Beginning fund balance for some funds per the general ledger did not agree to the prior year financial report.
- Significant errors in cash entries during the year and at year end were noted and required adjustment.
- Unrecorded cash related to proceeds from the current year debt issuance.
- Receivable adjustments related to unrecorded due from other governments and other tax revenue not recorded in prior year. In addition, noted material errors in taxes receivable, ambulance service receivable, and school due from other governments.
- Accounts payable, health insurance claims, short-term debt, and long-term debt were materially incorrect requiring adjustments.

*Recommendation:*

Accounting procedures should be formulated to ensure all asset and liability accounts are recorded in the general ledger or clearly compiled in subsidiary ledgers for entity wide balances that are not recorded on the fund level general ledger. All balances should be periodically reconciled between the subsidiary ledgers and the general ledger, especially at year end, to ensure accurate financial reporting.

*Management's Response:*

Management acknowledges the recommendation from the auditors. All known items are recorded at the time of audit fieldwork. Other items were identified by the auditors during audit testing. Reconciliations and other procedures will be implemented in the future to reduce the extent of these adjustments.

**COUNTY OF FLOYD, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

**10-2: Cash Management (Applies to All Major Programs):**

*Condition:*

Through discussions with management at the Schools, we were made aware that reimbursement requests for expenditures incurred through year end were requested before the cash was disbursed. This finding only applies to year end reimbursement requests. Cash management guidelines require that reimbursement cannot be requested until the underlying funds are disbursed by the related agency.

*Recommendation:*

Management of the Schools should ensure that reimbursement is not requested from Federal agencies until the funds are disbursed.

*Management's Response:*

The auditee concurs and will review cash management policies to evaluate their compliance with federal program requirements.

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

**10-3: Budget Appropriations**

*Condition:*

After audit adjustments, expenditures exceeded budgeted appropriations in the general fund and fire and rescue fund debt service categories at the primary government and in the education expenditures category at the School Board.

*Recommendation:*

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

*Management's Response – County:*

The Board of Supervisors met in June 2010 and additional budget appropriations were approved for known expenditures at that time. Auditors found additional expenditures during field work.

*Management's Response – School Board:*

School Board receives a lump sum appropriation. All amendments are approved according to policy. After the lease/purchase and cafeteria account journal entries were completed by the auditor, the amounts changed. We do not include either of these accounts in our general ledger so our expenditure amounts for normal items didn't exceed the budgeted appropriations.

**COUNTY OF FLOYD, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010**

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

**10-4: Social Services – Special Welfare Account**

*Condition:*

Special welfare bank accounts were not set up as interest bearing accounts until June 2010.

*Recommendation:*

Steps should be taken to ensure that all accounts with sustained balances are interest bearing.

*Management's Response – Social Services:*

Social Services worked with the Floyd County Treasurer to ensure all Special Welfare accounts were interest bearing. For 2011; the accounts will be interest bearing for the entire year.

**10-5: Procurement of Services (Schools)**

*Condition:*

Noted one contract for \$150,000 that did not follow the competitive negotiation procurement requirements of the Virginia Public Procurement Act (the "Act").

*Recommendation:*

Ensure that all significant contracts follow the requirements of the Act including the requirements to ensure competitive negotiation through the use of public bid offerings.

*Management's Response:*

Management will ensure future such purchases are in compliance with County, School Board, and state procurement policies.