



COUNTY OF FLOYD, VIRGINIA

FINANCIAL REPORT

June 30, 2009

COUNTY OF FLOYD, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

COUNTY OF FLOYD, VIRGINIA

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INTRODUCTORY SECTION

COUNTY OF FLOYD, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2009

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

COUNTY SOCIAL SERVICES BOARD

Eleanor Cunningham, Chairman
Jerry W. Boothe
Linda Claytor
Brenda Howell
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
Josiah T. Showalter, Jr.
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



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 as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, each major fund, and the remaining fund information of the County of Floyd, Virginia, as of June 30, 2009, 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 October 13, 2009 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3 and the budget to actual schedules on pages 51 through 53 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 13, 2009

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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$5,369,664 (net assets).
- The County's combined funds reported combined ending fund balances of \$2,233,120, an increase of \$278,074 or 14% in comparison with the prior year. \$2,122,137 of this amount is available for spending at the County's discretion (unreserved fund balance).
- Unreserved, undesignated fund balance for the general fund was \$839,140.
- The assets of the Component Unit – School Board exceeded its liabilities at the close of the most recent fiscal year by \$3,150,321 (net assets).
- The assets of the Component Unit – EDA exceeded its liabilities at the close of the most recent fiscal year by \$617,543 (net assets).

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

The Government-wide financial statements include not only the County of Floyd, Virginia itself (known as the primary government), but also a legally separate school district and an 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 statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of financial statements for the discretely presented component unit School Board and 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 \$5,369,664 at the close of the most recent fiscal year.

The largest portion of the County’s net assets (78%) 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.

	Summary of Net Assets			
	Governmental Activities		Component Units	
	2009	2008	2009	2008
Current and other assets	\$ 5,834,677	\$ 5,675,661	\$ 3,189,567	\$ 2,859,226
Capital assets	<u>20,449,281</u>	<u>20,401,720</u>	<u>5,501,011</u>	<u>4,219,079</u>
Total assets	<u>26,283,958</u>	<u>26,077,381</u>	<u>8,690,578</u>	<u>7,078,305</u>
Long-term liabilities outstanding	17,519,221	18,803,606	2,275,995	1,160,282
Current liabilities	<u>3,395,073</u>	<u>3,633,361</u>	<u>2,646,719</u>	<u>2,334,693</u>
Total liabilities	<u>20,914,294</u>	<u>22,436,967</u>	<u>4,922,714</u>	<u>3,494,975</u>
Net assets:				
Invested in capital assets, net of related debt	4,195,766	3,447,717	3,871,470	3,808,118
Restricted – Fire and Rescue	1,495,589	1,310,100	-	-
Restricted health insurance premiums	-	-	203,332	203,332
Unrestricted	<u>(321,691)</u>	<u>(1,117,403)</u>	<u>(306,938)</u>	<u>(428,120)</u>
Total net assets	<u>\$ 5,369,664</u>	<u>\$ 3,640,414</u>	<u>\$ 3,767,864</u>	<u>\$ 3,583,330</u>

Governmental Activities: During the current fiscal year, the County’s net assets increased by \$1,729,250. The reason for the change is that assets increased due to the replacement of radio/communication equipment and renovation of the communications center, vehicle replacement in the fire and rescue fund and an overall decrease in liabilities and expenses.

Landfill Closure/Post Closure liabilities decreased \$91,000 due to one less year of post-closure costs. Bonded debt principal for the County decreased by \$1,045,166 due to payment of debt service requirements.

Government-wide Financial Analysis (Continued)

Component Units: The School Board increased net assets by \$163,053 while the Economic Development Authority increased net assets by \$21,481. Key elements of current year activities are as follows: The School Board net assets increased due to holding down expenses. The Economic Development Authority's increased assets due to additional revenue received for loans made to other entities.

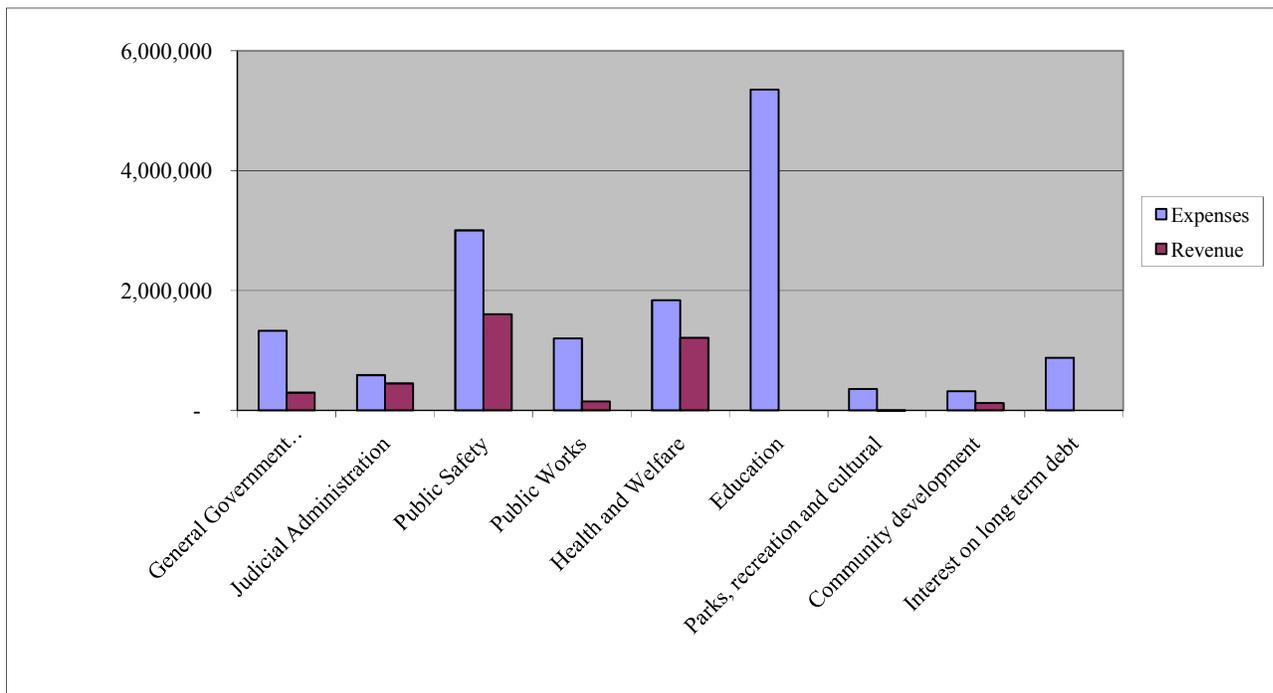
	Changes in Net Assets			
	Governmental Activities		Component Units	
	2009	2008	2009	2008
Program revenues:				
Charges for services	\$ 717,873	\$ 842,624	\$ 474,411	\$ 463,631
Operating grants and contributions	2,771,379	2,779,406	14,622,114	13,678,527
Capital grants and contributions	353,520	108,944	-	-
General revenues:				
General property taxes	9,382,280	9,289,566	-	-
Other taxes	2,170,720	2,361,844	-	-
Interest and investment income	163,721	167,601	8,399	16,077
Grants and contributions not restricted to specific purposes	1,032,674	966,850	-	-
Other general revenues	8,202	1,257	31,190	45,570
Payments from Floyd County	-	-	5,005,645	5,290,852
Total revenues	<u>16,600,369</u>	<u>16,518,092</u>	<u>20,141,759</u>	<u>19,494,657</u>
Expenses:				
General government administration	1,329,648	1,238,309	-	-
Judicial administration	589,541	614,973	-	-
Public safety	3,002,667	2,963,673	-	-
Public works	1,201,286	1,142,179	-	-
Health and welfare	1,839,317	1,716,772	-	-
Education	5,353,202	5,656,376	19,898,494	19,330,958
Parks, recreation, and cultural	357,695	198,542	-	-
Community development	319,489	377,031	58,731	77,883
Interest on long-term debt	878,274	989,579	-	-
Total expenses	<u>14,871,119</u>	<u>14,897,434</u>	<u>19,957,225</u>	<u>19,408,841</u>
Change in net assets	1,729,250	1,620,658	184,534	85,816
Net assets, beginning	<u>3,640,414</u>	<u>2,019,756</u>	<u>3,583,330</u>	<u>3,497,514</u>
Net assets, ending	<u>\$ 5,639,664</u>	<u>\$ 3,640,414</u>	<u>\$ 3,767,864</u>	<u>\$ 3,583,330</u>

Government-wide Financial Analysis (Continued)

Revenues for governmental activities exceeded expenses including current year depreciation on capital assets by \$1,729,250 for FY2009. Current year depreciation expense for capital assets totaled \$839,196. Revenues for governmental activities increased by \$82,277; whereas, expenses decreased by \$26,315.

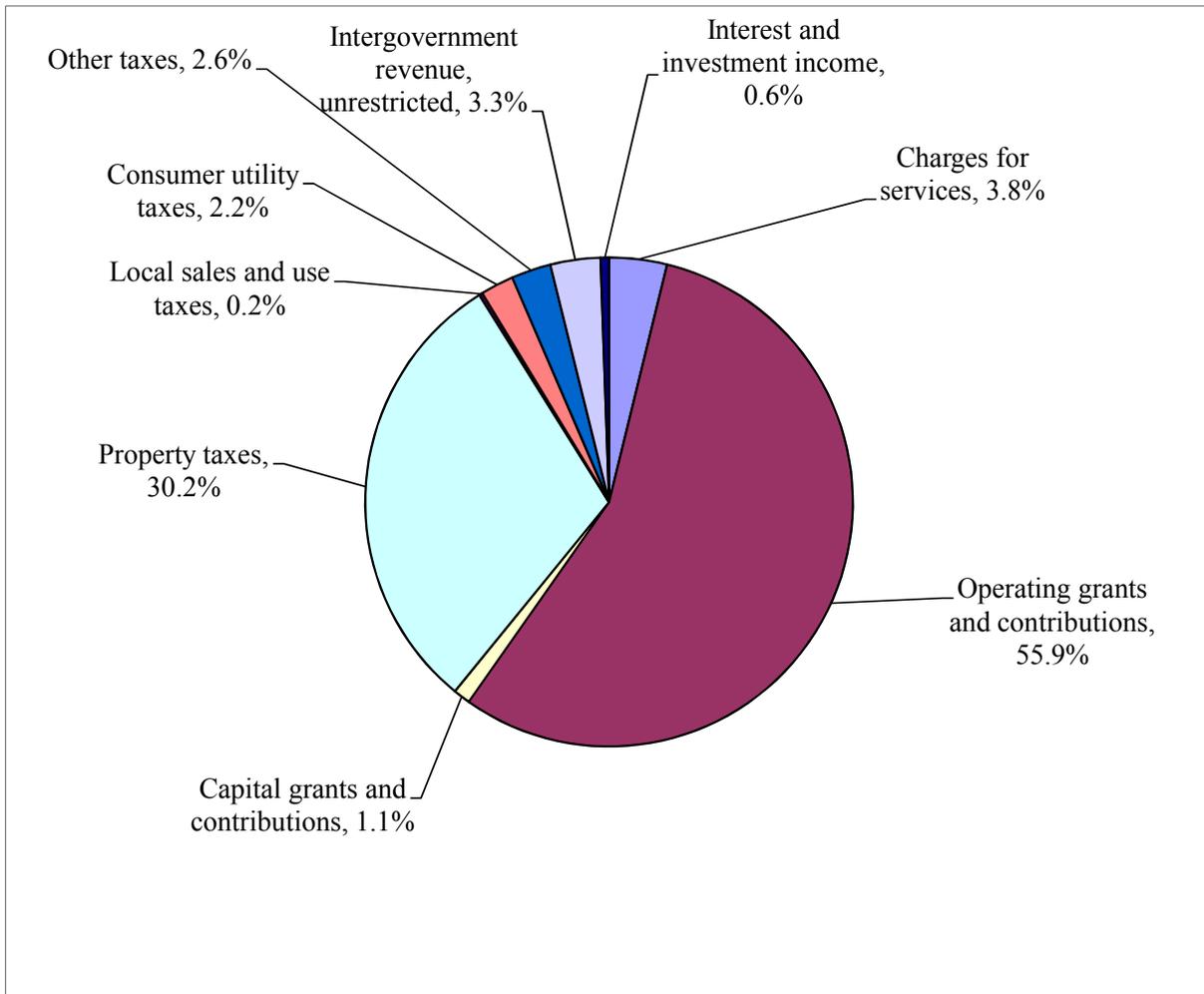
Component unit revenues total \$20,141,759, including a transfer of \$5,005,645 from the County. GASB 34 requires that school debt service related to general obligation debt is included in the general fund, as the schools cannot issue general obligation debt on their own. County funds associated with school debt service were \$1,496,689, which would have brought the total transfer to \$6,502,334 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 \$2,233,120, an increase of \$278,074 in comparison with the prior year. The increase in combined fund balances is centered on lowered expenses in the fiscal year because of improved fiscal management/oversight. Cash and cash equivalents increased by \$297,837. Approximately (28)% of the combined governmental fund balance, or \$(626,548), 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 \$839,140, while the total general fund balance was \$947,809. 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 5% of total general fund expenditures, while total fund balances represents 6% of that same amount.

The general fund balance increased by \$567,476 during the current fiscal year, or 149%. General fund revenues, expenditures, and other sources increased from the prior year with total revenues and other sources exceeding expenditures by \$567,476. While routine expenses held level for the year or decreased. There were large expenditures for expansion costs of the Communications Center.

The fire and rescue fund balance increased by \$185,489. This increase is due primarily to real estate and personal property levies being applied to fund and expenses at level funding.

The County capital projects fund balance decreased by \$(474,891). This decrease is due primarily to transfers to the general fund for capital projects.

The capital projects fund has a negative fund balance of \$(212,592). The school construction fund has a fund balance of \$2,314.

General Fund Budgetary Highlights

Differences between the original expenditure budget of \$16,765,162 and the final amended budget of \$17,650,777 were relatively significant (\$885,615 increase in appropriations) and can be briefly summarized as follows:

- A large appropriation was made for grant funds received for communication equipment upgrade in the amount of \$225,000 after the original budget was finalized.
- Approximately \$75,000 was transferred from contingency to various departments at year end to cover budget overruns.
- Other miscellaneous grants of approximately \$130,000 were received and appropriated throughout the year.

During the year actual revenues were less than original budget estimates by \$(1,098,076), and less than amended budget amounts by \$(1,330,111). Actual expenditures were under original budget estimates by \$1,008,816 and actual expenditures were less than the amended budget by \$1,894,431. 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.

REVENUES AND EXPENDITURES GENERAL FUND – BUDGET TO ACTUAL			
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Local	\$ 12,612,447	\$ 11,612,463	\$ (999,984)
Intergovernmental	4,288,663	3,958,536	(330,127)
Total revenues	<u>\$ 16,901,110</u>	<u>\$ 15,570,999</u>	<u>\$ (1,330,111)</u>
Expenditures:			
General government administration	\$ 1,463,009	\$ 1,266,567	\$ 196,442
Judicial administration	675,625	579,640	95,985
Public safety	3,925,668	3,295,340	630,328
Public works	1,367,110	1,163,279	203,831
Health and welfare	2,303,278	1,841,316	461,962
Education	5,207,338	4,961,690	245,648
Parks, recreation & cultural	390,388	326,136	64,252
Community development	416,377	327,908	88,469
Debt service	1,901,984	1,994,470	(92,486)
Total expenditures	<u>\$ 17,650,777</u>	<u>\$ 15,756,346</u>	<u>\$ 1,894,431</u>

Revenues: Total actual local revenue was less than final budget by \$(999,984) or (8)%. The majority of this decrease was due to a weakened economy; real estate and personal property collections were down.

Local revenue comprised 75% of total actual General Fund Revenue. Intergovernmental revenue was \$(330,127) less than final budget or (8)%. Intergovernmental revenue comprised 25.4% of total actual General Fund revenue. Total revenues were \$(1,330,111) less than final budget or (8)%.

Expenditures: Total General Fund actual expenditures of \$15,756,346 were \$1,894,431 less than the final budget of \$17,650,777. Education expenditures represented by transfers from the General Fund to the School Board Component Unit were \$245,648 less than final budget.

Capital Asset and Debt Administration

Capital assets – The County’s investment in capital assets for its governmental funds as of June 30, 2009 totals \$20,449,281 (net of accumulated depreciation) for an increase of \$47,561. 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 \$839,196. Readers interested in additional information should refer to Note 6 to the financial statements.

**Capital Assets – Condensed
As of June 30, 2009**

Governmental Activities	Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land and land improvements	\$ 714,094	\$ -	\$ 714,094
Construction in progress	28,800	-	28,800
Total capital assets, not being depreciated	742,894	-	742,894
Other capital assets:			
Buildings	5,894,009	(1,375,985)	4,518,024
School buildings*	15,660,445	(2,132,224)	13,528,221
Equipment	5,736,575	(4,076,433)	1,660,142
Total capital assets, depreciable	27,291,029	(7,584,642)	19,706,387
Total capital assets	\$ 28,033,923	\$ (7,584,642)	\$ 20,449,281

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

Component Units	Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land and land improvements	\$ 265,917	\$ -	\$ 265,917
Other capital assets:			
Buildings	5,175,931	(2,054,845)	3,121,086
Equipment	3,211,829	(1,999,354)	1,212,475
Total capital assets, depreciable	8,387,760	(4,054,199)	4,333,561
Total capital assets	\$ 8,653,677	\$ (4,054,199)	\$ 4,599,478

Debt Schedules

Of the total principal balance of outstanding debt at the end of the year, \$15 million was for General Obligation Bonds and \$985,000 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:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 1,085,288	\$ 776,342	\$ 1,861,630
2011	1,086,771	719,569	1,806,340
2012	1,105,858	666,320	1,772,178
2013	1,098,585	612,534	1,711,119
2014	1,097,182	561,703	1,658,885
2015-2019	5,060,702	2,040,939	7,101,641
2020-2024	4,132,065	886,626	5,018,691
2025-2029	1,365,728	194,148	1,559,876
2030-2034	230,000	87,500	317,500
2035-2038	230,000	23,500	253,500
Total	<u>\$ 16,492,179</u>	<u>\$ 6,569,181</u>	<u>\$ 23,061,360</u>

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

Annual debt service paid amounted to \$2,078,232 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**

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2009

	<u>Component Units</u>			<u>Total</u>
	<u>Governmental Activities</u>	<u>School Board</u>	<u>Economic Development Authority</u>	
ASSETS				
Cash and cash equivalents (Note 2)	\$ 4,141,171	\$ 306,970	\$ 88,912	\$ 4,537,053
Receivables, net (Note 3)	608,814	-	198,709	807,523
Due from other governments (Note 4)	496,122	302,689	-	798,811
Prepaid items	45,570	783,279	-	828,849
Due from primary government (Note 5)	-	1,130,281	-	1,130,281
Due from component units (Note 5)	410,961	-	-	410,961
Inventories	-	19,509	-	19,509
Bond issue costs, net	102,052	6,349	-	108,401
Restricted assets:				
Cash and cash equivalents, restricted (Note 2)	29,987	352,869	-	382,856
Capital assets: (Note 6)				
Nondepreciable	742,894	265,917	901,533	1,910,344
Depreciable, net	19,706,387	4,333,561	-	24,039,948
Total assets	<u>26,283,958</u>	<u>7,501,424</u>	<u>1,189,154</u>	<u>34,974,536</u>
LIABILITIES				
Accounts payable	280,018	157,843	-	437,861
Accrued payroll and related liabilities	-	1,981,915	-	1,981,915
Accrued interest payable	367,466	-	-	367,466
Due to primary government (Note 5)	-	-	410,961	410,961
Due to component units (Note 5)	1,130,281	-	-	1,130,281
Unearned revenue (Note 3)	117,308	-	-	117,308
Short-term note payable (Note 8)	1,500,000	-	-	1,500,000
Self insurance claims liability (Note 16)	-	96,000	-	96,000
Long-term liabilities: (Note 7)				
Due within one year	1,313,622	446,442	20,688	1,780,752
Due in more than one year	16,205,599	1,668,903	139,962	18,014,464
Total liabilities	<u>20,914,294</u>	<u>4,351,103</u>	<u>571,611</u>	<u>25,837,008</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,195,766	3,380,898	490,572	8,067,236
Restricted for:				
Fire and rescue	1,495,589	-	-	1,495,589
Health insurance premiums	-	203,332	-	203,332
Unrestricted	(321,691)	(433,909)	126,971	(628,629)
Total net assets	<u>\$ 5,369,664</u>	<u>\$ 3,150,321</u>	<u>\$ 617,543</u>	<u>\$ 9,137,528</u>

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Net (Expense) Revenue and
Changes in Net Assets

Function	Expenses	Program Revenues			Component Units			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Primary Government	School Board	Economic Development Authority	
Primary Government:								
Governmental activities:								
General government administration	\$ 1,329,648	\$ 62,811	\$ 235,933	\$ -	\$ (1,030,904)			\$ (1,030,904)
Judicial administration	589,541	69,556	379,839	-	(140,146)			(140,146)
Public safety	3,002,667	324,831	924,786	353,520	(1,399,530)			(1,399,530)
Public works	1,201,286	142,584	6,941	-	(1,051,761)			(1,051,761)
Health and welfare	1,839,317	6,063	1,206,846	-	(626,408)			(626,408)
Education	5,353,202	-	-	-	(5,353,202)			(5,353,202)
Parks, recreational, and cultural	357,695	1,164	-	-	(356,531)			(356,531)
Community development	319,489	110,864	17,034	-	(191,591)			(191,591)
Interest on long-term debt	878,274	-	-	-	(878,274)			(878,274)
Total primary government	<u>\$ 14,871,119</u>	<u>\$ 717,873</u>	<u>\$ 2,771,379</u>	<u>\$ 353,520</u>	<u>(11,028,347)</u>			<u>(11,028,347)</u>
Component Units:								
School Board	\$ 19,898,494	\$ 474,411	\$ 14,622,114	\$ -		\$ (4,801,969)		(4,801,969)
Economic Development Authority	58,731	-	-	-			\$ (58,731)	(58,731)
Total component units	<u>\$ 19,957,225</u>	<u>\$ 474,411</u>	<u>\$ 14,622,114</u>	<u>\$ -</u>		<u>(4,801,969)</u>	<u>(58,731)</u>	<u>(4,860,700)</u>
General revenues:								
Property taxes					9,382,280	-	-	9,382,280
Local sales and use taxes					666,423	-	-	666,423
Consumer utility taxes					688,919	-	-	688,919
Communication taxes					303,030	-	-	303,030
Motor vehicle taxes					375,436	-	-	375,436
Other local taxes					136,912	-	-	136,912
Intergovernmental revenue, unrestricted					1,032,674	-	-	1,032,674
Interest and investment income, unrestricted					163,721	-	8,399	172,120
Other					8,202	9,327	21,863	39,392
Contributions from primary government					-	4,955,695	49,950	5,005,645
Total general revenues					<u>12,757,597</u>	<u>4,965,022</u>	<u>80,212</u>	<u>17,802,831</u>
Change in net assets					<u>1,729,250</u>	<u>163,053</u>	<u>21,481</u>	<u>1,913,784</u>
Net assets beginning					<u>3,640,414</u>	<u>2,987,268</u>	<u>596,062</u>	<u>7,223,744</u>
Net assets ending					<u>\$ 5,369,664</u>	<u>\$ 3,150,321</u>	<u>\$ 617,543</u>	<u>\$ 9,137,528</u>

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

COUNTY OF FLOYD, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Fire and Rescue Fund	Capital Projects Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,641,718	\$ 1,497,139	\$ -	\$ 2,314	\$ 4,141,171
Cash and cash equivalents, restricted	-	-	29,987	-	29,987
Receivables, net	608,814	-	-	-	608,814
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	496,122	-	-	-	496,122
Total assets	<u>\$ 4,445,764</u>	<u>\$ 1,497,139</u>	<u>\$ 29,987</u>	<u>\$ 2,314</u>	<u>\$ 5,975,204</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 278,468	\$ 1,550	\$ -	\$ -	\$ 280,018
Due to other funds	-	-	242,579	-	242,579
Due to component units	1,130,281	-	-	-	1,130,281
Deferred revenue	589,206	-	-	-	589,206
Short-term note payable	1,500,000	-	-	-	1,500,000
Total liabilities	<u>3,497,955</u>	<u>1,550</u>	<u>242,579</u>	<u>-</u>	<u>3,742,084</u>
Fund balances:					
Reserved for:					
Encumbrances	63,099	-	-	-	63,099
Capital projects	-	-	-	2,314	2,314
Prepays	45,570	-	-	-	45,570
Unreserved:					
Designated	-	1,495,589	-	-	1,495,589
Undesignated	839,140	-	(212,592)	-	626,548
Total fund balances	<u>947,809</u>	<u>1,495,589</u>	<u>(212,592)</u>	<u>2,314</u>	<u>2,233,120</u>
Total liabilities and fund balances	<u>\$ 4,445,764</u>	<u>\$ 1,497,139</u>	<u>\$ 29,987</u>	<u>\$ 2,314</u>	
Adjustments for the Statement of Net Assets					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.					20,449,281
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.					471,898
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.					102,052
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				\$ (367,466)	
General obligation bonds and literary fund loans				(15,094,766)	
Revenue bonds				(985,000)	
Deferred costs				140,193	
Bond premium				(33,568)	
Capital lease obligations				(412,413)	
Landfill closure/postclosure				(859,000)	
Compensated absences				(274,667)	
					<u>(17,886,687)</u>
Net assets of governmental activities					<u>\$ 5,369,664</u>

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	General Fund	Fire and Rescue Fund	Capital Projects Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES					
General property taxes	\$ 8,409,039	\$ 873,058	\$ -	\$ -	\$ 9,282,097
Other local taxes	2,142,339	-	-	-	2,142,339
Permits, privilege fees, and regulatory licenses	129,507	-	-	-	129,507
Fines and forfeitures	10,598	-	-	-	10,598
Revenue from use of money and property	204,580	-	2,341	-	206,921
Charges for services	673,024	-	-	-	673,024
Other	5,813	-	-	-	5,813
Recovered costs	37,563	-	-	-	37,563
Intergovernmental	3,958,536	53,788	-	-	4,012,324
Total revenues	<u>15,570,999</u>	<u>926,846</u>	<u>2,341</u>	<u>-</u>	<u>16,500,186</u>
EXPENDITURES					
Current:					
General government administration	1,266,567	-	-	-	1,266,567
Judicial administration	579,640	-	-	-	579,640
Public safety	3,295,340	382,004	-	-	3,677,344
Public works	1,163,279	-	-	-	1,163,279
Health and welfare	1,841,316	-	-	-	1,841,316
Education	4,961,690	-	-	-	4,961,690
Parks, recreation, and cultural	326,136	-	-	-	326,136
Community development	327,908	-	-	-	327,908
Debt service:					
Principal	1,124,116	66,380	-	-	1,190,496
Interest and other fiscal charges	870,354	17,382	-	-	887,736
Total expenditures	<u>15,756,346</u>	<u>465,766</u>	<u>-</u>	<u>-</u>	<u>16,222,112</u>
Excess (deficiency) of revenues over expenditures	<u>(185,347)</u>	<u>461,080</u>	<u>2,341</u>	<u>-</u>	<u>278,074</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 5)	752,823	-	-	-	752,823
Transfers out (Note 5)	-	(275,591)	(477,232)	-	(752,823)
Total other financing sources (uses)	<u>752,823</u>	<u>(275,591)</u>	<u>(477,232)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	567,476	185,489	(474,891)	-	278,074
FUND BALANCES AT JULY 1	<u>380,333</u>	<u>1,310,100</u>	<u>262,299</u>	<u>2,314</u>	<u>1,955,046</u>
FUND BALANCES (DEFICIT) AT JUNE 30	<u>\$ 947,809</u>	<u>\$ 1,495,589</u>	<u>\$ (212,592)</u>	<u>\$ 2,314</u>	<u>\$ 2,233,120</u>

(Continued)

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

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

Net change in fund balances – total governmental funds \$ 278,074

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$886,757) exceeded depreciation (\$839,196) in the current period.

47,561

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

100,183

The repayment of the principal of long-term debt (\$1,190,496) consumes the current financial resources of governmental funds; however, it has no effect on net assets. Also, governmental funds report the effect of issuance costs, 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.

1,191,695

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	\$ 24,579
Decrease in compensated absences	12,474
Decrease in landfill liability	91,000
Amortization of bond issue costs and other deferred costs	(16,316)
	111,737

Change in net assets of governmental activities

\$ 1,729,250

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS

June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 8,800</u>
LIABILITIES	
Amounts held for others	<u>8,800</u>
NET ASSETS	<u><u>\$ -</u></u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Floyd-Floyd County Public Recreational Facilities Authority

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

Montgomery-Floyd Regional Library

The County, in conjunction with Montgomery County, and the Towns of Christiansburg and Blacksburg, participates in the Montgomery-Floyd Regional Library, which is composed of members from each of the participating localities. The County contributed \$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 \$285,885 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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

Note 1. Summary of Significant Accounting Policies (Continued)

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

Estimates

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

Net Assets/Fund Equity

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

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

Pass Through Financing Leases and Installment Sales in 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 \$9.9 million of these bonds were outstanding at year end.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 & Poor’s, and Fitch Investor’s Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated “A” or better by Moody’s and Standard & Poor’s. Banker’s acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service.

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

Concentration of Credit Risk:

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

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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	\$ 29,987	2	62%
Local Government Investment Pool (LGIP)	18,316	N/A	38%
Total investments	<u>\$ 48,303</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	\$ 566	\$ -	\$ -
Deposits	4,131,089	659,839	88,912
Investments	48,303	-	-
	<u>\$ 4,179,958</u>	<u>\$ 659,839</u>	<u>\$ 88,912</u>
Statements of net assets:			
Cash and cash equivalents	\$ 4,141,171	\$ 306,970	\$ 88,912
Cash and cash equivalents, restricted	29,987	352,869	-
Fiduciary fund cash and cash equivalents	8,800	-	-
	<u>\$ 4,179,958</u>	<u>\$ 659,839</u>	<u>\$ 88,912</u>

Restricted Amounts:

Restricted cash and cash equivalents of \$29,987 at the primary government and \$149,537 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, 2009

Note 3. Receivables, Deferred Revenue, and Property Taxes

Receivables at June 30 are as follows:

	Primary Government General Fund	Component Unit – EDA
Receivables		
Taxes	\$ 689,442	\$ -
Accounts	479,326	-
Lease	-	17,444
Note	-	181,265
	<u>1,168,768</u>	<u>198,709</u>
Gross receivables		
	<u>1,168,768</u>	<u>198,709</u>
Less:		
Allowance for uncollectible taxes	(299,418)	-
Allowance for uncollectible accounts	(260,536)	-
	<u>(559,954)</u>	<u>-</u>
Total allowance		
	<u>(559,954)</u>	<u>-</u>
Net total receivables	<u>\$ 608,814</u>	<u>\$ 198,709</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	\$ 317,043
Advance collection of 2009-2010 property taxes – unearned	117,308
EMS billings receivable – unavailable	154,855
	<u>589,206</u>
Total deferred revenue – governmental funds	
	<u>589,206</u>
Less deferrals for unavailability	(471,898)
	<u>(471,898)</u>
Unearned revenue – statement of net assets	\$ 117,308
	<u>\$ 117,308</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, 2009

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, 2009 includes amounts not yet received from the January 1, 2009 levy (due June 5), less an allowance for uncollectibles. Property taxes attach an enforceable lien on property as of January 1. In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was \$0.60 per \$100 of assessed value for calendar years 2009 and 2008.

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>
2010	\$ 33,458	\$ 6,542
2011	34,801	5,160
2012	36,197	3,803
2013	37,649	2,351
2014	39,160	841
	<u>\$ 181,265</u>	<u>\$ 18,697</u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 4. Due from Other Governments

Amounts due from other governments consist of the following:

	Primary Government	Component Unit – School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 122,597	\$ -
State sales tax	-	290,751
Vocational education	-	11,938
Comprehensive services act	9,438	-
Public assistance	79,711	-
Recordation tax	6,608	-
Mobile home titling tax	10,732	-
Shared expenses and grants	114,765	-
Communications tax	105,984	-
Personal property tax relief	46,287	-
	\$ 496,122	\$ 302,689

Note 5 Interfund Balances and Transactions

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

Receivable Fund	Payable Fund	Amount
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:

Transfer Out Fund	Transfer In Fund	Amount
Fire and Rescue Fund	General Fund	\$ 275,591
Capital Projects Fund	General Fund	477,232
		\$ 752,823

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

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 5 Interfund Balances and Transactions (Continued)

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

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component Unit – School Board	Primary Government – General Fund	\$ 1,130,281
Primary Government – General Fund	Component Unit – EDA	<u>410,961</u>
		<u>\$ 1,541,242</u>

The Primary Government – General Fund owed \$1,130,281 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	104,016	28,800	104,016	28,800
Capital assets, nondepreciable	<u>818,110</u>	<u>28,800</u>	<u>104,016</u>	<u>742,894</u>
Capital assets, depreciable:				
Buildings and improvements	5,371,833	522,176	-	5,894,009
Equipment	5,312,033	439,797	15,255	5,736,575
School buildings	15,660,445	-	-	15,660,445
Capital assets, depreciable	<u>26,344,311</u>	<u>961,973</u>	<u>15,255</u>	<u>27,291,029</u>
Less accumulated depreciation for:				
Buildings and improvements	1,238,394	137,591	-	1,375,985
Equipment	3,781,595	310,093	15,255	4,076,433
School buildings	1,740,712	391,512	-	2,132,224
Total accumulated depreciation	<u>6,760,701</u>	<u>839,196</u>	<u>15,255</u>	<u>7,584,642</u>
Capital assets, depreciable, net	<u>19,583,610</u>	<u>122,777</u>	<u>-</u>	<u>19,706,387</u>
Governmental activities capital assets, net	<u>\$ 20,401,720</u>	<u>\$ 151,577</u>	<u>\$ 104,016</u>	<u>\$ 20,449,281</u>

(Continued)

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 60,923
Judicial administration	9,901
Public safety	225,814
Public works	119,487
Education	391,512
Park, recreation, and cultural	<u>31,559</u>
	<u>\$ 839,196</u>

Included in Primary Government capital assets are various pieces of equipment with a total cost of \$931,989 and accumulated depreciation of \$412,349 financed by capital leases.

Construction Commitments

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

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Communications Center equipment upgrade	<u>\$ 22,000</u>	<u>\$ 63,099</u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 6. Capital Assets (Continued)

Discretely Presented Component Unit – School Board

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 265,917	\$ -	\$ -	\$ 265,917
Construction in progress	27,300	-	27,300	-
Capital assets, nondepreciable	<u>293,217</u>	<u>-</u>	<u>27,300</u>	<u>265,917</u>
Capital assets, depreciable:				
Buildings and improvements	3,988,343	1,187,588	-	5,175,931
Equipment	2,851,814	360,015	-	3,211,829
Capital assets, depreciable	<u>6,840,157</u>	<u>1,547,603</u>	<u>-</u>	<u>8,387,760</u>
Less accumulated depreciation for:				
Buildings and improvements	1,987,422	67,423	-	2,054,845
Equipment	1,828,406	170,948	-	1,999,354
Total accumulated depreciation	<u>3,815,828</u>	<u>238,371</u>	<u>-</u>	<u>4,054,199</u>
Capital assets, depreciable, net	<u>3,024,329</u>	<u>1,309,232</u>	<u>-</u>	<u>4,333,561</u>
Governmental activities capital assets, net	<u>\$ 3,317,546</u>	<u>\$ 1,309,232</u>	<u>\$ 27,300</u>	<u>\$ 4,599,478</u>

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

Included in School Board capital assets are various pieces of equipment and building improvements with a total cost of \$1,195,965 and accumulated depreciation of \$292, financed by a capital lease.

Discretely Presented Component Unit - Economic Development Authority

Capital asset activity for the year was as follows:

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

COUNTY OF FLOYD, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

Note 7. Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Primary Government					
General obligation bonds	\$ 16,006,575	\$ -	\$ 1,000,266	\$ 15,006,309	\$ 889,913
Revenue bonds	1,000,000	-	15,000	985,000	15,000
Literary fund loans	118,357	-	29,900	88,457	29,900
Total bonds and loans payable	17,124,932	-	1,045,166	16,079,766	934,813
Capital leases	557,743	-	145,330	412,413	150,475
Landfill postclosure	950,000	-	91,000	859,000	91,000
Compensated absences	287,141	-	12,474	274,667	137,334
	<u>\$ 18,919,816</u>	<u>\$ -</u>	<u>\$ 1,293,970</u>	<u>\$ 17,625,846</u>	<u>\$ 1,313,622</u>
Component Unit – School Board:					
Capital leases	\$ 125,000	\$ 1,125,000	\$ 31,420	\$ 1,218,580	\$ 32,009
Compensated absences	821,064	7,801	-	828,865	414,433
Other postemployment benefits	-	105,700	37,800	67,900	-
	<u>\$ 946,064</u>	<u>\$ 1,238,501</u>	<u>\$ 69,220</u>	<u>\$ 2,115,345</u>	<u>\$ 446,442</u>
Component Unit – EDA:					
Note payable	\$ 214,218	\$ -	\$ 53,568	\$ 160,650	\$ 20,688

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
2010	\$ 889,913	\$ 709,102	\$ 15,000	\$ 48,444	\$ 29,900	\$ 2,654	\$ 150,475	\$ 16,142
2011	978,674	660,084	15,000	47,338	29,900	1,757	63,197	10,390
2012	997,577	610,598	20,000	47,000	28,657	860	59,624	7,862
2013	1,015,474	562,059	20,000	46,100	-	-	63,111	4,375
2014	1,030,776	514,054	20,000	45,200	-	-	46,406	2,449
2015-2019	4,921,102	1,829,565	110,000	210,750	-	-	29,600	624
2020-2024	3,992,065	707,126	140,000	179,500	-	-	-	-
2025-2029	1,180,728	55,273	185,000	138,875	-	-	-	-
2030-2034	-	-	230,000	87,500	-	-	-	-
2035-2038	-	-	230,000	23,500	-	-	-	-
	<u>\$ 15,006,309</u>	<u>\$ 5,647,861</u>	<u>\$ 985,000</u>	<u>\$ 874,207</u>	<u>\$ 88,457</u>	<u>\$ 5,271</u>	<u>\$ 412,413</u>	<u>\$ 41,842</u>

(Continued)

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 7. Long-term Liabilities (Continued)

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

Year Ended June 30	Discretely Presented Component Unit			
	School Board		EDA	
	Capital Lease		Note Payable	
	Principal	Interest	Principal	Interest
2010	\$ 32,009	\$ 22,848	\$ 20,688	\$ 14,125
2011	65,830	44,085	22,094	12,718
2012	68,322	41,393	23,563	11,250
2013	70,908	38,807	94,305	4,232
2014	73,592	36,123	-	-
2015-2019	411,915	136,662	-	-
2020-2024	496,004	52,575	-	-
	<u>\$ 1,218,580</u>	<u>\$ 372,493</u>	<u>\$ 160,650</u>	<u>\$ 42,325</u>

Details of long-term indebtedness are as follows:

Primary Government

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
<u>General Obligation Bonds:</u>					
School Construction Bonds	4.90-6.35%	10-1992	07-2012	\$ 91,371	\$ 23,810
School Construction Bonds	6.10-6.40	01-1994	12-2011	360,000	15,000
School Construction Bonds	5.10-6.10	12-1995	07-2015	2,835,979	1,169,940
School Construction Bonds	2.60-2.80	11-2000	07-2020	3,142,650	2,014,346
School Construction Bonds	4.25-5.00	11-2005	07-2025	10,259,045	8,840,513
Refunding Bonds	4.22	04-2006	07-2022	3,450,500	2,942,700
					15,006,309
				Less deferred costs	(140,193)
					<u>\$ 14,866,116</u>
Revenue Bond	4.25 – 5.00%	07-2007	08-2037	\$ 1,000,000	\$ 985,000
				Plus bond premium	33,568
					<u>\$ 1,018,568</u>
State Literary Loan	3.00%	01-1992	01-2012	\$ 596,757	<u>\$ 88,457</u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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	\$ 159,766
Equipment Lease	3.27	01-2006	01-2010	255,392	52,444
Equipment Lease	3.27	03-2006	03-2010	152,752	31,515
Equipment Lease	3.80	08-2006	08-2010	44,636	17,531
Equipment Lease	4.07	02-2007	08-2013	225,000	151,157
					<u>\$ 412,413</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>
School Board					
Capital Lease	3.75%	05-2008	01-2024	\$ 1,250,000	<u>\$ 1,218,580</u>
EDA					
Note Payable	6.50%	04-2002	11-2012	\$ 415,000	<u>\$ 160,650</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, \$965,000 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 5th and December 5th.

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	\$ 2,000,000	\$ 1,500,000

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 \$859,000. 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, unrestricted net asset deficits of \$(321,691) and \$(433,909) exist in the primary government and Component-unit School Board, respectively. These deficits are expected to be recovered through increasing revenues and decreasing ongoing expenses.

Deficit Fund Balance: At June 30, the capital projects fund had a fund balance deficit of \$(212,592). 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, 2009

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)	\$ 21,135,692
Principal and other debt service expenses included in primary government (Exhibit 4)	<u>1,496,689</u>
Total expenditures for school activities	<u><u>\$ 22,632,381</u></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, 2009

Note 13. Defined Benefit Pension Plan

Plan Description

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

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

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

Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The County may and has assumed this 5% member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year 2009 was 15.23% of annual covered payroll. The School Board's contribution rates for fiscal year 2009 were 13.81% for professional employees and 12.66% for non-professional employees. The County and School Board's contribution rates include the employee's share of 5% paid by employer.

For the three years ended June 30, 2009, 2008, and 2007, total employer contributions made to the VRS statewide teacher pool for professional employees by the School Board were \$1,394,542, \$1,462,132, and \$1,361,759 and represented 13.81%, 15.10%, and 14.2% of annual covered payroll, respectively, and 100% of the required contributions for 2009, 2008, and 2007, respectively.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 13. Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For fiscal year 2009, the County's and School Board's annual pension costs, including the employee share assumed by the County, of \$447,554 and \$1,566,804, respectively, were equal to their required and actual contributions. The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis within a period of 20 years or less.

Three-Year Trend Information for County of Floyd

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC	Net Pension Obligation
June 30, 2009	\$ 447,554	100%	\$ -
June 30, 2008	\$ 382,852	100%	\$ -
June 30, 2007	\$ 365,562	100%	\$ -

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

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC	Net Pension Obligation
June 30, 2009	\$ 176,262	100%	\$ -
June 30, 2008	\$ 173,592	100%	\$ -
June 30, 2007	\$ 189,581	100%	\$ -

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 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%
June 30, 2006	\$ 7,044,604	\$ 8,158,538	\$ 1,113,934	86.35%	\$ 2,744,209	40.59%
County of Floyd Schools Non-Professional Employees						
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%
June 30, 2006	\$ 4,301,356	\$ 4,924,495	\$ 623,139	87.35%	\$ 1,373,243	45.38%

Note 14. Other Postemployment Benefits

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The School Board prospectively adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. 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, 2009

Note 14. Other Postemployment 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 Postemployment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2009, the School's annual OPEB cost (expense) of \$105,700 was equal to the Annual Required Contribution (ARC). The payment of current retiree claims net of retiree contributions towards premiums, which totaled \$37,800 for retirees, resulted in a Net OPEB obligation of \$67,900 for the year ended June 30, 2009.

Annual required contribution	\$ 105,700
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	-
Annual OPEB cost	105,700
Less contributions made	(37,800)
	67,900
Increase in net OPEB obligation	67,900
Net OPEB obligation-beginning of year	-
	\$ 67,900

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 14. Other Postemployment Benefits (Continued)

Annual Other Postemployment 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 are as follows. Since this is the School's first year for implementing GASB 45, the Schools cannot report the same information for the preceding two years.

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

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 – Other Post Employment Benefits

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (ALL)</u>	<u>Unfunded (Overfunded) Actuarial Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentag of Covered Payroll</u>
July 1, 2008	\$ -	\$ 1,161,900	\$ 1,161,900	0%	\$ 10,954,700	10.61%

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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. 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 is for a ten-year term ending on January 31, 2010. The lease requires that Legacy maintain a certain level of employment at the facility or the County can declare the company in default of the lease agreement and take possession of the building. 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:

2010	<u>\$ 25,200</u>
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COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 2009 paid by the County were approximately \$483,500.

As of October 1, 2008, the School Board changed to 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 \$1,038,000 in the aggregate. During the current fiscal year, total claims expense of \$858,723, 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, 2009. The estimated liability, including reported and IBNR claims, was \$96,000 at year end. Additionally, included in prepaids at June 30 and excluded from claim payments below is approximately \$567,000 that has been paid in excess of claims to date. Changes in the reported liability during 2009 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, 2009	\$ -	\$ 858,723	\$ 762,723	\$ 96,000

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 \$356,779. 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 (\$160,650) 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, 2009

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 required payout over the five year term is as follows:

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

The County is morally obligated to pay any amounts the 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, \$49,977 was expended under the agreement. The County made a contribution to the EDA in the current year to fund a portion of the expenditures.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 18. New Accounting Standards

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

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, provides specific guidance on the recognition, initial measurement, and amortization of intangible assets. This statement will be effective for the year ending June 30, 2010.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this statement is that most of the derivative instruments covered in its scope will be reported at fair value. This statement will be effective for the year ending June 30, 2010.

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 these standards, **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 \$1,242,244 in deposits and \$261,256 in outstanding capital lease obligations with this institution.

Note 20. Subsequent Event

Performance agreement:

During August 2009, the EDA signed a performance agreement with a company to develop 51.60 acres owned by the Authority. The company has agreed to meet certain requirements; and the EDA has agreed to convey the property in exchange for a one-time cash payment and a promissory note. If the company meets the requirements no later than September 1, 2013, the EDA has agreed to release any amount owed under the promissory note and the deed of trust encumbering the property.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

COUNTY OF FLOYD, VIRGINIA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL
GENERAL FUND
Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
General property taxes	\$ 9,211,324	\$ 9,211,324	\$ 8,409,039	\$ (802,285)
Other local taxes	2,317,500	2,317,500	2,142,339	(175,161)
Permits, privilege fees, and regulatory licenses	181,500	181,500	129,507	(51,993)
Fines and forfeitures	16,600	16,600	10,598	(6,002)
Revenue from use of money and property	154,796	215,264	204,580	(10,684)
Charges for services	575,986	587,590	673,024	85,434
Other	3,650	3,808	5,813	2,005
Recovered costs	41,000	78,861	37,563	(41,298)
Intergovernmental	4,166,719	4,288,663	3,958,536	(330,127)
Total revenues	<u>16,669,075</u>	<u>16,901,110</u>	<u>15,570,999</u>	<u>(1,330,111)</u>
EXPENDITURES				
Current:				
General government administration	1,430,737	1,463,009	1,266,567	196,442
Judicial administration	637,039	675,625	579,640	95,985
Public safety	3,254,502	3,925,668	3,295,340	630,328
Public works	1,337,356	1,367,110	1,163,279	203,831
Health and welfare	2,256,778	2,303,278	1,841,316	461,962
Education	5,207,338	5,207,338	4,961,690	245,648
Parks, recreation, and cultural	329,295	390,388	326,136	64,252
Community development	410,133	416,377	327,908	88,469
Debt service:				
Principal	1,159,061	1,159,061	1,124,116	34,945
Interest and other fiscal charges	742,923	742,923	870,354	(127,431)
Total expenditures	<u>16,765,162</u>	<u>17,650,777</u>	<u>15,756,346</u>	<u>1,894,431</u>
Excess (deficiency) of revenues over expenditures	<u>(96,087)</u>	<u>(749,667)</u>	<u>(185,347)</u>	<u>564,320</u>
OTHER FINANCING SOURCES				
Proceeds of bond issuances	535,000	610,000	-	(610,000)
Transfers in	-	-	752,823	752,823
Total other financing sources	<u>535,000</u>	<u>610,000</u>	<u>752,823</u>	<u>142,823</u>
Net change in fund balances	<u>\$ 438,913</u>	<u>\$ (139,667)</u>	<u>\$ 567,476</u>	<u>\$ 707,143</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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
General property taxes	\$ -	\$ -	\$ 873,058	\$ 873,058
Intergovernmental	210,500	213,208	53,788	(159,420)
	<u>210,500</u>	<u>213,208</u>	<u>926,846</u>	<u>713,638</u>
EXPENDITURES				
Current:				
Public safety	515,693	529,164	382,004	147,160
Debt service:				
Principal	-	-	66,380	(66,380)
Interest and other fiscal charges	-	-	17,382	(17,382)
	<u>515,693</u>	<u>529,164</u>	<u>465,766</u>	<u>63,398</u>
Excess (deficiency) of revenues over expenditures	<u>(305,193)</u>	<u>(315,956)</u>	<u>461,080</u>	<u>777,036</u>
OTHER FINANCING USES				
Transfers out	-	-	(275,591)	(275,591)
	<u>-</u>	<u>-</u>	<u>(275,591)</u>	<u>(275,591)</u>
Net change in fund balances	<u>\$ (305,193)</u>	<u>\$ (315,956)</u>	<u>\$ 185,489</u>	<u>\$ 501,445</u>

COUNTY OF FLOYD, VIRGINIA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009**

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

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

COUNTY OF FLOYD, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET
June 30, 2009

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 306,970
Cash and cash equivalents, restricted	352,869
Due from other governments	302,689
Due from primary government	1,130,281
Inventories	19,509
Prepays	783,279
	<hr/>
Total assets	<u>\$ 2,895,597</u>
LIABILITIES	
Accounts payable	\$ 157,843
Accrued liabilities	1,981,915
Self insurance claims liability	96,000
	<hr/>
Total liabilities	<u>2,235,758</u>
FUND BALANCE	
Reserved for:	
Inventories	19,509
Prepays	783,279
Capital projects	149,537
Purpose restrictions	203,332
Unreserved:	
Undesignated	(495,818)
	<hr/>
Total fund balance	<u>659,839</u>
Total liabilities and fund balance	<u>\$ 2,895,597</u>
Adjustments for the Statement of Net Assets (Exhibit 1)	
Total fund balance	\$ 659,839
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,599,478
Debt issuance costs are reported as expenditures in the funds, but are amortized over the life of the debt obligation in the statement of net assets.	6,349
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,115,345)
Net assets of governmental activities	<u>\$ 3,150,321</u>

COUNTY OF FLOYD, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2009

	<u>School Operating Fund</u>
REVENUES	
Charges for services	\$ 474,411
Recovered costs	192,658
Other	9,327
Payments from Floyd County	4,955,695
Intergovernmental	<u>14,429,456</u>
Total revenues	<u>20,061,547</u>
EXPENDITURES	
Education:	
Instructional	13,479,332
Admission, attendance, and health	814,732
Transportation	1,688,901
Operations and maintenance	2,055,561
Food service	872,864
Facilities	1,194,276
Technology	971,963
Debt service:	
Principal	31,420
Interest and other fiscal charges	<u>26,643</u>
Total expenditures	<u>21,135,692</u>
Excess (deficiency) of revenues over expenditures	<u>(1,074,145)</u>
OTHER FINANCING SOURCES	
Proceeds of capital lease	<u>1,125,000</u>
Total other financing sources	<u>1,125,000</u>
Net change in fund balance	50,855
FUND BALANCE AT JULY 1	<u>608,984</u>
FUND BALANCE AT JUNE 30	<u>\$ 659,839</u>
Reconciliation to the Statement of Activities (Exhibit 2)	
Net change in fund balance – governmental fund	\$ 50,855
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized expenditures (\$1,520,303) exceeded depreciation expense (\$238,371).	1,281,932
The issuance of long-term debt (\$1,125,000) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$31,420) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(1,093,580)
Governmental funds report the effect of issuance costs, whereas these amounts are deferred and amortized in the statement of activities.	(453)
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.	<u>(75,701)</u>
Change in net assets of governmental activities.	<u>\$ 163,053</u>

COUNTY OF FLOYD, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL –
SCHOOL OPERATING FUND
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ -	\$ -	\$ 474,411	\$ 474,411
Recovered costs	126,149	113,183	192,658	79,475
Other	4,000	4,000	9,327	5,327
Payments from Floyd County	5,412,941	5,386,405	4,955,695	(430,710)
Intergovernmental	14,393,136	13,535,270	14,429,456	894,186
Total revenues	<u>19,936,226</u>	<u>19,038,858</u>	<u>20,061,547</u>	<u>1,022,689</u>
EXPENDITURES				
Education	19,934,163	19,037,038	21,077,629	(2,040,591)
Debt service:				
Principal	31,420	31,420	31,420	-
Interest and other fiscal charges	26,643	26,643	26,643	-
Total expenditures	<u>19,992,226</u>	<u>19,095,101</u>	<u>21,135,692</u>	<u>(2,040,591)</u>
Excess (deficiency) of revenues over expenditures	<u>(56,000)</u>	<u>(56,243)</u>	<u>(1,074,145)</u>	<u>(1,017,902)</u>
OTHER FINANCING SOURCES				
Proceeds of capital lease	<u>56,000</u>	<u>56,243</u>	<u>1,125,000</u>	<u>1,068,757</u>
Total other financing sources	<u>56,000</u>	<u>56,243</u>	<u>1,125,000</u>	<u>1,068,757</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,855</u>	<u>\$ 50,855</u>

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

COUNTY OF FLOYD, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT
FLOYD COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2009

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 88,912
Current portion of note receivable	<u>33,458</u>
Total current assets	<u>122,370</u>
Noncurrent assets:	
Long-term portion of note receivable	147,807
Lease receivable	17,444
Capital assets:	
Nondepreciable	<u>901,533</u>
Total noncurrent assets	<u>1,066,784</u>
Total assets	<u>1,189,154</u>
LIABILITIES	
Current liabilities:	
Current portion of notes payable	20,688
Advances from primary government	<u>410,961</u>
Total current liabilities	<u>431,649</u>
Noncurrent liabilities:	
Due in more than a year	<u>139,962</u>
Total liabilities	<u>571,611</u>
NET ASSETS	
Invested in capital assets, net of related debt	490,572
Unrestricted	<u>126,971</u>
Total net assets	<u><u>\$ 617,543</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, 2009**

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Payments from Floyd County	\$ 49,950
Miscellaneous	<u>21,863</u>
Total operating revenues	<u>71,813</u>
OPERATING EXPENSES	
Performance grants	<u>49,977</u>
Total operating expenses	<u>49,977</u>
Operating income	<u>21,836</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	8,399
Interest expense	<u>(8,754)</u>
Net nonoperating revenues (expenses)	<u>(355)</u>
Change in net assets	21,481
NET ASSETS AT JULY 1	<u>596,062</u>
NET ASSETS AT JUNE 30	<u><u>\$ 617,543</u></u>

COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT
FLOYD COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS –
PROPRIETARY FUND
June 30, 2009**

	<u>Enterprise Fund</u>
OPERATING ACTIVITIES	
Payments from Floyd County	\$ 49,950
Miscellaneous receipts	21,863
Payments for performance incentive grants	<u>(49,977)</u>
Net cash provided by operating activities	<u>21,836</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(53,568)
Interest paid on capital debt	<u>(8,754)</u>
Net cash used in capital and related financing activities	<u>(62,322)</u>
INVESTING ACTIVITIES	
Principal received on long term note and lease receivable	53,189
Interest received	<u>8,399</u>
Net cash provided by noncapital financing activities	<u>61,588</u>
Net increase in cash and cash equivalents	21,102
CASH AND CASH EQUIVALENTS	
Beginning at July 1	<u>67,810</u>
Ending at June 30	<u><u>\$ 88,912</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	<u>\$ 21,836</u>
Net cash provided by operating activities	<u><u>\$ 21,836</u></u>

SUPPORTING SCHEDULE

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Food Stamp Administration	10.561	\$ 114,647
<u>Department of Agriculture:</u>		
National School Lunch Program (Commodities)	10.555	72,743
Summer Feeding Program	10.559	433
<u>Department of Education:</u>		
National School Breakfast Program	10.553	103,390
National School Lunch Program	10.555	324,100
<u>Department of Justice:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Violence Against Women Formula Grant	16.588	39,348
<u>Department of Education:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Title I: Grants to Local Educational Agencies	84.010	338,110
Special Education – Grants to States	84.027	471,969
Vocational Education – Basic Grants to States	84.048	47,248
Special Education – Preschool Grants	84.173	22,692
Drug Free Schools and Communities – State Grants	84.186	7,011
No Child Left Behind Act	84.367	100,683
Technology Literacy Challenge Fund	84.318	4,324
Language Acquisition – Title III	84.365	18,827

(Continued)

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title Department of Health and Human Services:</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	\$ 8,837
Temporary Assistance to Needy Families	93.558	92,611
Child Care and Development Block Grant	93.575	12,720
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	24,745
Child Care and Development Block Grant	93.713	212
Foster Care – Title IV-E	93.658	105,240
Foster Care – Title IV-E - ARRA	93.658	727
Adoption Assistance	93.659	4,393
Social Service Block Grant	93.667	51,556
Low Income Home Energy Assistance	93.568	4,270
Chafee Foster Care Independence Program	93.674	1,332
Medical Assistance Program	93.778	76,994
Refugee and Entrant Assistance	93.566	194
State Children’s Insurance Program	93.767	8,302
Child Welfare Services	93.645	573
Total Expenditures of Federal Awards		\$ 2,058,231

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, 2009, the School Board had food commodities totaling \$19,509 in inventory.

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OTHER INFORMATION SECTION

TABLE 1

COUNTY OF FLOYD, VIRGINIA

FINANCIAL TRENDS INFORMATION

GOVERNMENTAL ACTIVITIES EXPENSES BY FUNCTION

Last Seven Fiscal Years

(accrual basis of accounting)

UNAUDITED

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total Expenses
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 Seven 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		
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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (1)	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total Expenditures
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
2000	630,454	264,798	1,896,864	649,597	970,025	12,443,820	175,955	736,364	441,191	18,209,068

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Fines and Foreitures	Revenue from Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (1)	Total Revenues
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
2000	5,093,769	1,539,563	94,752	14,521	369,828	347,659	84,490	19,479	11,016,865	18,580,926

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
2009	\$ 10,169,940	\$ 9,156,946	90.04%	\$ -	\$ 9,156,946	90.04%
2008	10,000,477	9,324,256	93.24%	125,151	9,449,407	94.49%
2007	9,393,042	9,268,424	98.67%	85,662	9,354,086	99.59%
2006	8,900,635	8,665,202	97.35%	138,681	8,803,883	98.91%
2005	8,099,888	7,780,381	96.06%	215,150	7,995,531	98.71%
2004	7,466,587	7,290,115	97.64%	125,503	7,415,618	99.32%
2003	6,787,806	6,627,377	97.64%	144,552	6,771,929	99.77%
2002	6,269,225	6,123,650	97.68%	106,921	6,230,571	99.38%
2001	5,587,532	5,438,512	97.33%	164,625	5,603,137	100.28%
2000	5,330,181	5,190,404	97.38%	90,916	5,281,320	99.08%

(1) Exclusive of penalties and interest.

TABLE 6

COUNTY OF FLOYD, VIRGINIA

REVENUE CAPACITY INFORMATION

ASSESSED VALUE OF TAXABLE PROPERTY (1)

Last Ten Fiscal Years

UNAUDITED

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Public Service Corporation	Mobile Homes	Merchants' Capital	Total Assessed Value
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
2000	476,243,598	67,067,773	6,866,623	29,364,976	10,100,011	1,276,126	590,919,107

(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**

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchant's Capital
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
2000	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

Fiscal Year	Population (1)	Assessed Value	General Bonded Debt (2)	Percentage of Actual Value of Taxable Property	Total General Bonded Debt Per Capita
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
2000	12,005	590,919,107	3,056,727	0.52%	255

(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**

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
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%
2000	277,473	163,718	441,191	18,209,068	2.42%

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

**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, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

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

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

Internal Control over Financial Reporting (Continued)

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as Items 09-1 through 09-8.**

We noted certain matters that we reported to the County's management in a separate letter dated October 13, 2009.

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, S. L. P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 13, 2009

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

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

Compliance

We have audited the compliance of the County of Floyd, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Floyd, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

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

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
October 13, 2009

COUNTY OF FLOYD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2009

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, 2009

A. SUMMARY OF AUDIT RESULTS

- 1. The auditor's report expresses an unqualified opinion on the financial statements.
2. Six significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. All of the significant deficiencies were deemed to be material weaknesses.
3. 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 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an unqualified opinion.
6. The audit disclosed no audit findings relating to major programs.
7. The programs tested as major programs include:

Table with 2 columns: Name of Program, CFDA #. Rows include Title I, Child Nutrition Cluster, and Special Education Cluster with corresponding CFDA numbers.

- 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 has been outlined with auditors in their questionnaires.

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

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.

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

Condition:

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.

Recommendation:

All cash accounts should be reported in the general ledger.

Management's Response – School Board:

The lease/purchase agreement is a temporary transaction that was seen better as accounted for separately. All debt service payments are accounted for in the general ledger. School Board administration will look into adding journal entries to record the cafeteria account on the general ledger.

07-3: Recording of Receivables (Material Weakness)

Condition:

Taxes receivable and due from other governments were materially understated and other receivables were materially overstated and required current year adjustments indicating controls over revenues are not adequate.

Recommendation:

Steps should be taken to ensure revenues are properly recorded.

Management's Response – County:

All known items were stated at the time of audit fieldwork. Other items were identified by the auditors the month they were here.

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

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

Condition:

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

Recommendation:

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

Management's Response – County:

New staff has been trained in the asset program. The County inventory of capital assets has been updated and completed.

Management's Response – School Board:

Capital assets are maintained by the individual departments. These reports will be sent to the School Board for review on a regular basis to try to improve in this area.

07-5: Recording of Liabilities (Material Weakness)

Condition:

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

Recommendation:

Steps should be taken to ensure liabilities are properly recorded.

Management's Response – County:

All known liabilities were recorded at the time of audit fieldwork. Other items may have been picked up by auditors after that time.

Management's Response – School Board:

School Board administration will take necessary steps to improve in the recording of liabilities.

COUNTY OF FLOYD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

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

Condition:

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

Recommendation:

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

Management's Response – County:

Progress was made over prior year. Staff continues to be trained in requirements and this will continue.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

09-1: Conflicts of Interest Act – Disclosure Forms

Condition:

One individual out of five tested did not file a statement of economic interest with the School Board clerk by the required deadline as required by the *Code of Virginia*.

Recommendation:

Steps should be taken to ensure timely and complete filing of economic interest by all required parties.

Management's Response – School Board:

School Board administration will ensure that the filing of this report be completed and returned by the deadline in the future.

COUNTY OF FLOYD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

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

09-2: Virginia Security of Public Deposits Act

Condition:

Four deposits accounts located at various schools are not marked as public funds.

Recommendation:

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

Management's Response – School Board:

School Board administration will follow up with the bank on this further to remedy the issue.

09-3: 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 June 29, 2009 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, 2009**

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

09-4: Comprehensive Services Act – Pool Reimbursement Requests

Condition:

We noted two disbursements submitted for reimbursement that pertain to a prior fiscal year.

Recommendation:

Steps should be taken to ensure final claims for reimbursement are made no later than the end of the first quarter of the next fiscal year.

Management's Response – Social Services:

Additional training will be conducted with all local staff regarding CSA expenditures and timely submission of CSA bills for payment.

09-5: Comprehensive Services Act – Pool Fund Expenditures

Condition:

Five out of five items tested did not have supporting documentation that alternate funding streams, including Medicaid, were explored prior to using CSA funding for the services.

Recommendation:

Alternative funding streams should be explored before using CSA funding and documentation should be maintained to support that function.

Management's Response – Social Services:

Changes will be made to the way “exploration of alternate funding streams” is documented in CSA case records.

09-6: Social Services – Special Welfare Account

Condition:

Separate accounts were not established until February 2009 for special welfare funds; however, it was noted that the accounts were non-interest bearing.

Recommendation:

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

Management's Response – Social Services:

Social Services will work with the Floyd County Treasurer to ensure all Special Welfare accounts are interest bearing.

COUNTY OF FLOYD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

E. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH FO VIRGINIA (Continued)

09-7: Social Services – Security Awareness and Training

Condition:

All users of the Virginia Department of Social Services (VDSS) systems are required to receive annual security training and maintain certificates on file. No employee training was completed during fiscal year 2009.

Recommendation:

Security training should be conducted annually with employees, contractors, vendors, and volunteers with access to VDSS systems and certificates documenting this training should be maintained on file.

Management's Response – Social Services:

While a security training video was not provided by VDSS during 2009, Floyd DSS will show the prior year's training video to ensure compliance with the standard if no video is provided by VDSS.

09-8: Social Services – Continuity of Operations

Condition:

A business continuity plan has been put in place; however, it has not been updated since 2004 and it does not address the three types of disruptions including loss of access to a facility, loss of services due to a reduced workforce, and loss of service due to equipment or systems failure. The plan also does not prioritize recovery tasks and does not assign responsibilities and detail procedures to implement actions to continue essential functions within the recovery time objectives established to maintain functions for up to thirty days.

Recommendation:

As required by the VDSS, this plan should be updated at least every twelve months and contain the necessary elements as discussed above.

Management's Response – Social Services:

Floyd County DSS will attempt to update its Continuity of Operations Plan (COP) to meet the auditors finding; however, please note that the COP is to be developed in conjunction with the COP for the County of Floyd and the County does not presently have a COP.