

COUNTY OF FLOYD, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

COUNTY OF FLOYD, VIRGINIA

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INTRODUCTORY SECTION

COUNTY OF FLOYD, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2011

BOARD OF SUPERVISORS

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

COUNTY SCHOOL BOARD

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

COUNTY SOCIAL SERVICES BOARD

Robert G. Stauffer, Chairman
Case C. Clinger
Linda Claytor
Brenda Howell
James Richards

OTHER OFFICIALS

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

Daniel J. Campbell
Terri W. Morris
Brett L. Geissler
Wendell G. Peters
Stephanie M. Shortt
Maggie H. Sutphin
Mary D. Turman
Shannon B. Zeman
Dr. Terry Arbogast
Carl E. Ayers
James Cornwell, Jr.

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 (the "County") as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, each major fund, and the remaining fund information of the County of Floyd, Virginia, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2011

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$7,822,646 (net assets).
- The County's combined funds reported combined ending fund balances of \$4,082,981, an increase of \$352,085 or 9% in comparison with the prior year. \$2,220,992 of this amount is available for spending at the County's discretion (unassigned fund balance).
- Unassigned fund balance for the general fund was \$2,450,778.
- The assets of the Component Unit – School Board exceeded its liabilities at the close of the most recent fiscal year by \$2,479,083 (net assets).
- The assets of the Component Unit – EDA exceeded its liabilities at the close of the most recent fiscal year by \$665,228 (net assets).

Overview of the Financial Statements

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Governmental funds – *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. During 2011, the County implemented GASB 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The new standard replaces the previous reserved, unreserved, and designated fund balance categories with five classifications: nonspendable restricted, committed, assigned, and unassigned.

Fund balances are the differences between assets and liabilities in a governmental funds.

- Nonspendable fund balance includes amounts that are not in spendable form, or amounts that are required to be maintained intact.
- Restricted fund balance include amounts that can be spent only for the specific purposes stipulated by external providers, such as grantors or bondholders, as well as amounts that are restricted through enabling legislation.
- Committed fund balance includes amounts that can be used only for the specific purposes that are determined by a formal action of the government's highest level of decision making authority.
- Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official and applies to remaining resources in any governmental funds other than the general fund.
- Unassigned fund balances includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental funds.

Overview of the Financial Statements (Continued)

Governmental funds (Continued)

As of the end of the current fiscal year, the County's total governmental funds reported an ending fund balance of \$4,082,981, an increase of \$352,085 in comparison with the prior year. Of that amount, \$699,110 was nonspendable, \$1,139,573 was restricted, \$20,992 was committed, \$2,314 was assigned, and \$2,220,992 was unassigned.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16% of total general fund expenditures, while total fund balance represents 21% of that same amount.

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 to 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.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$7,822,646 at the close of the most recent fiscal year.

The largest portion of the County's net assets (58%) 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.

Government-wide Financial Analysis (Continued)

	Summary of Net Assets			
	Governmental Activities		Component Units	
	2011	2010	2011	2010
Current and other assets	\$ 5,502,451	\$ 5,591,835	\$ 2,809,551	\$ 2,833,788
Capital assets	19,517,413	19,709,045	5,179,068	5,405,287
Total assets	<u>25,019,864</u>	<u>25,300,880</u>	<u>7,988,619</u>	<u>8,239,075</u>
Long-term liabilities				
outstanding	16,000,116	17,073,281	2,495,366	2,244,915
Current liabilities	1,197,102	1,588,333	2,348,942	2,491,463
Total liabilities	<u>17,197,218</u>	<u>18,661,614</u>	<u>4,844,308</u>	<u>4,736,378</u>
Net assets:				
Invested in capital assets, net of related debt	4,558,417	4,690,256	3,652,809	3,866,792
Restricted – Fire and Rescue	1,139,573	1,486,106	-	-
Restricted health insurance premiums	-	-	203,332	203,332
Restricted – Rural development grants	-	-	10,229	-
Unrestricted	<u>2,124,656</u>	<u>462,904</u>	<u>(722,059)</u>	<u>(567,427)</u>
Total net assets	<u>\$ 7,822,646</u>	<u>\$ 6,639,266</u>	<u>\$ 3,144,311</u>	<u>\$ 3,502,697</u>

Governmental Activities: During the current fiscal year, the County's net assets increased by \$1,183,380. The reason for this increase is the County's ability to control costs when revenues are decreasing.

Landfill Closure/Post Closure liabilities decreased \$86,159 due to one less year of post-closure costs. Bonded debt principal for the County decreased by \$999,044 due to payments of debt service requirements. There were no current year issuances of debt.

Government-wide Financial Analysis (Continued)

Component Units: The School Board decreased net assets by \$407,939 while the Economic Development Authority increased net assets by \$48,953. Key elements of current year activities are as follows:

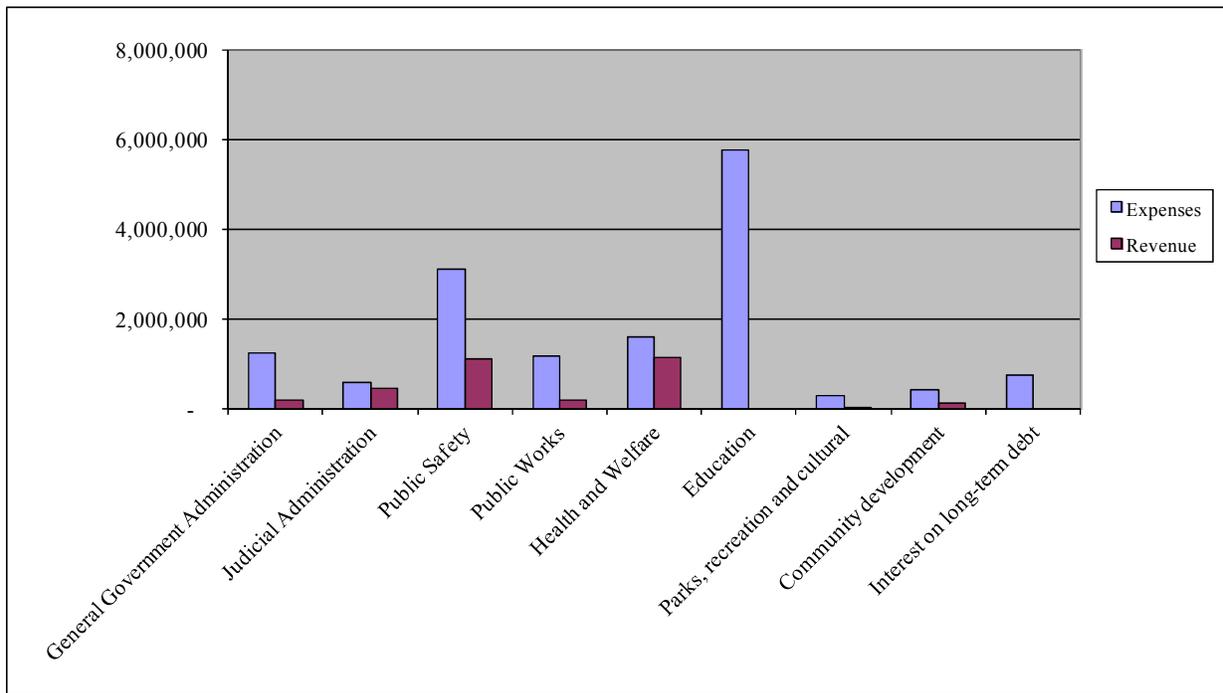
	Changes in Net Assets			
	Governmental Activities		Component Units	
	2011	2010	2011	2010
Program revenues:				
Charges for services	\$ 669,200	\$ 813,593	\$ 501,430	\$ 428,916
Operating grants and contributions	2,448,965	2,544,873	13,129,620	14,424,346
Capital grants and contributions	15,469	72,088	-	-
General revenues:				
General property taxes	9,430,383	9,690,586	-	-
Other taxes	2,396,574	2,259,935	-	-
Interest and investment income	59,097	112,664	6,759	7,801
Grants and contributions not restricted to specific purposes	942,652	905,044	43,262	-
Other general revenues	7,891	50,799	17,110	15,468
Payments from Floyd County	-	-	5,390,610	5,250,398
Total revenues	<u>15,971,231</u>	<u>16,449,582</u>	<u>19,088,791</u>	<u>20,126,929</u>
Expenses:				
General government administration	1,234,218	1,670,581	-	-
Judicial administration	580,392	582,654	-	-
Public safety	3,094,884	3,104,849	-	-
Public works	1,155,191	1,139,165	-	-
Health and welfare	1,580,615	1,756,824	-	-
Education	5,737,881	5,591,957	19,383,948	20,320,336
Parks, recreation, and cultural	264,853	300,663	-	-
Community development	416,021	339,872	63,229	71,760
Interest on long-term debt	723,796	792,376	-	-
Total expenses	<u>14,787,851</u>	<u>15,278,941</u>	<u>19,447,177</u>	<u>20,392,096</u>
Change in net assets	1,183,380	1,170,641	(358,386)	(265,167)
Net assets, beginning	<u>6,639,266</u>	<u>5,468,625</u>	<u>3,502,697</u>	<u>3,767,864</u>
Net assets, ending	<u>\$ 7,822,646</u>	<u>\$ 6,639,266</u>	<u>\$ 3,144,311</u>	<u>\$ 3,502,697</u>

Government-wide Financial Analysis (Continued)

Revenues for governmental activities exceeded expenses including current year depreciation on capital assets by \$1,183,380 for FY2011. Current year depreciation expense for capital assets totaled \$902,262. Revenues and expenses for governmental activities decreased by \$478,351 and \$491,090, respectively.

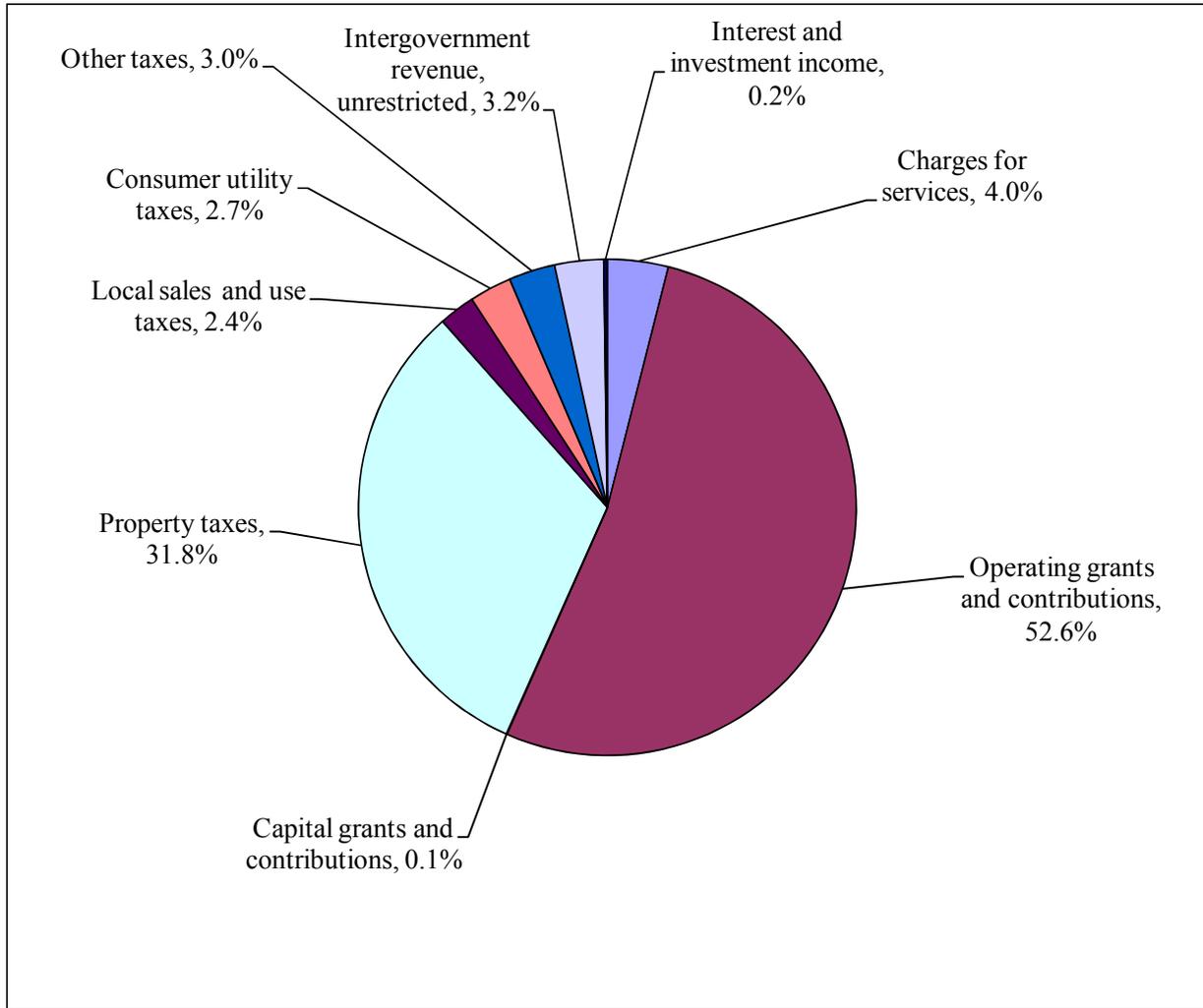
Component unit revenues total \$19,088,791, including a transfer of \$5,390,610 from the County. GASB 34 requires that school debt service related to general obligation debt is included in the general fund, as the schools cannot issue general obligation debt on their own. County funds associated with school debt service were \$1,192,141, which would have brought the total transfer to the Schools to \$6,532,801 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, unassigned 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 \$4,082,981, an increase of \$352,085 in comparison with the prior year. The increase in combined fund balances is centered on lowered expenses in the fiscal year because of improved fiscal management/oversight as well as the receipt of debt proceeds in the current year that were not spent as of June 30. Approximately 54% of the combined governmental fund balance, or \$2,220,992, constitutes unassigned fund balances, which are available for spending at the County's discretion. The remainder of fund balance is not available for new spending because it has already been restricted, committed, or assigned 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, unassigned fund balance of the general fund was \$2,450,778, while the total general fund balance was \$3,170,880. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned general fund balance represents 16% of total general fund expenditures, while this amount represents 77% of that total fund balances.

The general fund balance increased by \$698,618 during the current fiscal year, or 29%. General fund revenues and other sources increased from the prior year with total revenues and other sources exceeding expenditures by \$698,618.

The fire and rescue fund balance decreased by \$346,533. The County capital projects fund balance did not change. A significant portion of excess revenues and fund balance in the fire and rescue fund were used to acquire capital items. The County Capital Projects Fund did not undertake any significant capital projects in the current year due to budget constraints.

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

General Fund Budgetary Highlights

Differences between the original expenditure budget of \$15,462,857 and the final amended budget of \$16,604,310 were relatively significant (\$1,141,453 increase in appropriations) and can be briefly summarized as follows:

- \$491,000 additional appropriation for education
- \$230,000 and \$394,000 for Public Safety and Public Works capital needs

During the year, actual revenues were less than original and amended budget estimates by \$205,903. Actual expenditures were under original budget estimates by \$558,603 and actual expenditures were less than the amended budget by \$1,700,056. 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	\$ 12,138,960	\$ 12,407,576	\$ 268,616
Intergovernmental	<u>3,820,120</u>	<u>3,345,601</u>	<u>(474,519)</u>
Total revenues	<u>\$ 15,959,080</u>	<u>\$ 15,753,177</u>	<u>\$ (205,903)</u>
Expenditures:			
General government administration	\$ 1,256,650	\$ 1,189,294	\$ 67,356
Judicial administration	600,677	570,491	30,186
Public safety	2,351,665	2,458,938	(107,273)
Public works	1,677,479	1,482,318	195,161
Health and welfare	2,111,563	1,577,706	533,857
Education	5,997,208	5,346,370	650,838
Parks, recreation and cultural	305,320	242,195	63,125
Community development	766,034	414,213	351,821
Debt service	<u>1,537,714</u>	<u>1,622,729</u>	<u>(85,015)</u>
Total expenditures	<u>\$ 16,604,310</u>	<u>\$ 14,904,254</u>	<u>\$ 1,700,056</u>

Revenues: Total actual local revenue was more than final budget by \$268,616, or 2%. The majority of this increase was due to increase in other non-property tax local revenues, such as ambulance services.

Local revenue comprised 78% of total actual General Fund Revenue. Intergovernmental revenue was \$474,519 less than final budget, or 14%. Intergovernmental revenue comprised 22% of total actual General Fund revenue. Total revenues were \$205,903 less than final budget, or 1%. The majority of this decrease was due to state budget cuts resulting in decreased state grants and funds.

Expenditures: Total General Fund actual expenditures of \$14,904,254 were \$1,700,056 less than the final budget of \$14,904,254. Education expenditures represented by transfers from the General Fund to the School Board Component Unit were \$650,838 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, 2011 totals \$19,517,413 (net of accumulated depreciation) for a decrease of \$(191,632). 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 \$902,262. Readers interested in additional information should refer to Note 6 to the financial statements.

**Capital Assets – Condensed
As of June 30, 2011**

<u>Governmental Activities</u>	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Capital assets, not being depreciated:			
Land and land improvements	\$ 714,094	\$ -	\$ 714,094
Total capital assets, not being depreciated	<u>714,094</u>	<u>-</u>	<u>714,094</u>
Other capital assets:			
Buildings	5,940,009	(1,679,883)	4,260,126
School buildings*	15,660,445	(2,915,244)	12,745,201
Equipment	<u>6,511,559</u>	<u>(4,713,567)</u>	<u>1,797,992</u>
Total capital assets, depreciable	<u>28,112,013</u>	<u>(9,308,694)</u>	<u>18,803,319</u>
Total capital assets	<u>\$ 28,826,107</u>	<u>\$ (9,308,694)</u>	<u>\$ 19,517,413</u>

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

<u>Component Units</u>	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Capital assets, not being depreciated:			
Land and land improvements	\$ 265,917	\$ -	\$ 265,917
Other capital assets:			
Buildings	5,201,969	(2,245,855)	2,956,114
Equipment	<u>3,426,434</u>	<u>(2,370,930)</u>	<u>1,055,504</u>
Total capital assets, depreciable	<u>8,628,403</u>	<u>(4,616,785)</u>	<u>4,011,618</u>
Total capital assets	<u>\$ 8,894,320</u>	<u>\$ (4,616,785)</u>	<u>\$ 4,277,535</u>

Debt Schedules

Of the total principal balance of outstanding debt at the end of the year, \$13.9 million was for General Obligation Bonds and \$955,000 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 (excluding Schools and the Economic Development Authority) long-term debt and related interest, including capital leases, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 1,195,861	\$ 666,320	\$ 1,862,181
2013	1,188,582	612,534	1,801,116
2014	1,187,376	561,703	1,749,079
2015	1,188,480	508,964	1,697,444
2016	1,183,959	455,111	1,639,070
2017-2021	5,274,687	1,555,408	6,830,095
2022-2026	3,351,369	524,355	3,875,724
2027-2031	200,000	119,750	319,750
2032-2036	255,000	63,125	318,125
2037-2041	120,000	6,000	126,000
Total	<u>\$ 15,145,314</u>	<u>\$ 5,073,270</u>	<u>\$ 20,218,584</u>

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

Annual debt service paid amounted to \$1,731,103 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**

BASIC FINANCIAL STATEMENTS

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2011

	<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)	\$ 3,808,775	\$ 263,313	\$ 97,390	\$ 4,169,478
Receivables, net (Note 3)	632,970	-	174,932	807,902
Due from other governments (Note 4)	492,519	454,723	-	947,242
Prepaid items	45,570	1,025,149	-	1,070,719
Due from primary government (Note 5)	-	566,506	-	566,506
Due from component units (Notes 5 and 12)	410,961	-	-	410,961
Inventories	-	18,764	-	18,764
Bond issue costs, net	98,863	5,442	-	104,305
Restricted assets:				
Cash and cash equivalents, restricted (Note 2)	12,793	203,332	-	216,125
Capital assets: (Note 6)				
Nondepreciable	714,094	265,917	901,533	1,881,544
Depreciable, net	18,803,319	4,011,618	-	22,814,937
Total assets	<u>25,019,864</u>	<u>6,814,764</u>	<u>1,173,855</u>	<u>33,008,483</u>
LIABILITIES				
Accounts payable	176,425	94,030	-	270,455
Accrued payroll and related liabilities	-	1,842,112	-	1,842,112
Accrued interest payable	318,199	19,263	-	337,462
Due to primary government (Notes 5 and 12)	-	-	410,961	410,961
Due to component units (Note 5)	566,506	-	-	566,506
Unearned revenue (Note 3)	135,972	-	-	135,972
Self insurance claims liability (Note 16)	-	129,000	-	129,000
Long-term liabilities: (Note 7, 9, and 14)				
Due within one year	1,348,712	555,840	23,563	1,928,115
Due in more than one year	14,651,404	1,695,436	74,103	16,420,943
Total liabilities	<u>17,197,218</u>	<u>4,335,681</u>	<u>508,627</u>	<u>22,041,526</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,558,417	3,162,237	490,572	8,211,226
Restricted for:				
Fire and rescue	1,139,573	-	-	1,139,573
Health insurance premiums	-	203,332	-	203,332
Rural development grants	-	-	10,229	10,229
Unrestricted	2,124,656	(886,486)	164,427	1,402,597
Total net assets	<u>\$ 7,821,646</u>	<u>\$ 2,479,083</u>	<u>\$ 665,228</u>	<u>\$ 10,966,957</u>

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Function	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Primary Government	Component Units		
						School Board	Economic Development Authority	
Primary Government:								
Governmental activities:								
General government administration	\$ 1,234,218	\$ 66,524	\$ 111,731	\$ -	\$ (1,055,963)			\$ (1,055,963)
Judicial administration	580,392	81,496	368,863	-	(130,033)			(130,033)
Public safety	3,094,884	256,303	848,939	-	(1,989,642)			(1,989,642)
Public works	1,155,191	166,205	7,500	-	(981,486)			(981,486)
Health and welfare	1,580,615	8,013	1,111,932	-	(460,670)			(460,670)
Education	5,737,881	-	-	-	(5,737,881)			(5,737,881)
Parks, recreational, and cultural	264,853	2,370	-	-	(262,483)			(262,483)
Community development	416,021	88,289	-	15,469	(312,263)			(312,263)
Interest on long-term debt	723,796	-	-	-	(723,796)			(723,796)
Total primary government	<u>\$ 14,787,851</u>	<u>\$ 669,200</u>	<u>\$ 2,448,965</u>	<u>\$ 15,469</u>	<u>(11,654,217)</u>			<u>(11,654,217)</u>
Component Units:								
School Board	\$ 19,383,948	\$ 501,430	\$ 13,129,620	\$ -		\$ (5,752,898)		(5,752,898)
Economic Development Authority	63,229	-	-	-			\$ (63,229)	(63,229)
Total component units	<u>\$ 19,447,177</u>	<u>\$ 501,430</u>	<u>\$ 13,129,620</u>	<u>\$ -</u>		<u>(5,752,898)</u>	<u>(63,229)</u>	<u>(5,816,127)</u>
General revenues:								
Property taxes					9,430,383	-	-	9,430,383
Local sales and use taxes					698,311	-	-	698,311
Consumer utility taxes					811,570	-	-	811,570
Communication taxes					326,075	-	-	326,075
Motor vehicle taxes					388,662	-	-	388,662
Other local taxes					171,956	-	-	171,956
Intergovernmental revenue, unrestricted					942,652	-	43,262	985,914
Interest and investment income, unrestricted					59,097	-	6,759	65,856
Other					7,891	4,899	12,211	25,001
Contributions from primary government					-	5,340,660	49,950	5,390,610
Total general revenues					<u>12,836,597</u>	<u>5,345,559</u>	<u>112,182</u>	<u>18,294,338</u>
Change in net assets					<u>1,182,380</u>	<u>(407,339)</u>	<u>48,953</u>	<u>823,994</u>
Net assets beginning					<u>6,639,266</u>	<u>2,886,422</u>	<u>616,275</u>	<u>10,141,963</u>
Net assets ending					<u>\$ 7,821,646</u>	<u>\$ 2,479,083</u>	<u>\$ 665,228</u>	<u>\$ 10,965,957</u>

COUNTY OF FLOYD, VIRGINIA

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Fire and Rescue Fund	Capital Projects Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,668,870	\$ 1,137,591	\$ -	\$ 2,314	\$ 3,808,775
Cash and cash equivalents, restricted	-	-	12,793	-	12,793
Receivables, net	628,543	4,427	-	-	632,970
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	492,519	-	-	-	492,519
Total assets	<u>\$ 4,489,042</u>	<u>\$ 1,142,018</u>	<u>\$ 12,793</u>	<u>\$ 2,314</u>	<u>\$ 5,646,167</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 173,980	\$ 2,445	\$ -	\$ -	\$ 176,425
Due to other funds	-	-	242,579	-	242,579
Due to component units	566,506	-	-	-	566,506
Deferred revenue	577,676	-	-	-	577,676
Total liabilities	<u>1,318,162</u>	<u>2,445</u>	<u>242,579</u>	<u>-</u>	<u>1,563,186</u>
Fund balances:					
Nonspendable	699,110	-	-	-	699,110
Restricted	-	1,139,573	-	-	1,139,573
Committed for encumbrances	20,992	-	-	-	20,992
Assigned	-	-	-	2,314	2,314
Unassigned	2,450,778	-	(229,786)	-	2,220,992
Total fund balances (deficit)	<u>3,170,880</u>	<u>1,139,573</u>	<u>(229,786)</u>	<u>2,314</u>	<u>4,082,981</u>
Total liabilities and fund balances	<u>\$ 4,489,042</u>	<u>\$ 1,142,018</u>	<u>\$ 12,793</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.					19,517,413
Receivables on the statement of net assets that do not provide current financial resources are reported as deferred revenue in the funds.					441,704
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.					98,863
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				\$ (318,199)	
General obligation bonds and literary fund loans				(13,991,379)	
Revenue bonds				(955,000)	
Deferred costs				118,625	
Bond premium				(31,170)	
Capital lease obligations				(198,935)	
Landfill closure/postclosure				(636,555)	
Compensated absences				(305,702)	
					<u>(16,318,315)</u>
Net assets of governmental activities					<u>\$ 7,822,646</u>

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	General Fund	Fire and Rescue Fund	Capital Projects Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES					
General property taxes	\$ 9,144,040	\$ 208,283	\$ -	\$ -	\$ 9,352,323
Other local taxes	2,284,927	-	-	-	2,284,927
Permits, privilege fees, and regulatory licenses	103,143	-	-	-	103,143
Fines and forfeitures	369	-	-	-	369
Revenue from use of money and property	98,406	-	-	-	98,406
Charges for services	709,888	-	-	-	709,888
Other	22,681	-	-	-	22,681
Recovered costs	44,122	-	-	-	44,122
Intergovernmental	3,345,601	77,856	-	-	3,423,457
Total revenues	<u>15,753,177</u>	<u>286,139</u>	<u>-</u>	<u>-</u>	<u>16,039,316</u>
EXPENDITURES					
Current:					
General government administration	1,189,294	-	-	-	1,189,294
Judicial administration	570,491	-	-	-	570,491
Public safety	2,458,938	674,603	-	-	3,133,541
Public works	1,482,318	-	-	-	1,482,318
Health and welfare	1,577,706	-	-	-	1,577,706
Education	5,346,370	-	-	-	5,346,370
Parks, recreation, and cultural	242,195	-	-	-	242,195
Community development	414,213	-	-	-	414,213
Debt service:					
Principal	907,223	91,821	-	-	999,044
Interest and other fiscal charges	715,506	16,553	-	-	732,059
Total expenditures	<u>14,904,254</u>	<u>782,977</u>	<u>-</u>	<u>-</u>	<u>15,687,231</u>
Excess (deficiency) of revenues over expenditures	<u>848,923</u>	<u>(496,838)</u>	<u>-</u>	<u>-</u>	<u>352,085</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 5)	-	150,305	-	-	150,305
Transfers out (Note 5)	(150,305)	-	-	-	(150,305)
Total other financing sources (uses)	<u>(150,305)</u>	<u>150,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	698,618	(346,533)	-	-	352,085
FUND BALANCES (DEFICIT) AT JULY 1	<u>2,472,262</u>	<u>1,486,106</u>	<u>(229,786)</u>	<u>2,314</u>	<u>3,730,896</u>
FUND BALANCES (DEFICIT) AT JUNE 30	<u>\$ 3,170,880</u>	<u>\$ 1,139,573</u>	<u>\$ (229,786)</u>	<u>\$ 2,314</u>	<u>\$ 4,082,981</u>

(Continued)

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2011

**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		\$ 352,085
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$902,262) exceeded capital outlay (\$710,630) in the current period.		(191,632)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(68,086)
The issuance of new long-term debt provides current financial resources while repayment of the principal of long-term debt (\$999,044) consumes the current financial resources of governmental funds; however, they have no effect on net assets. Also, governmental funds report the effect of issuance costs, 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.		1,000,243
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	\$ 25,221	
Increase in compensated absences	(2,453)	
Decrease in landfill liability	86,159	
Amortization of bond issue costs and other deferred costs	<u>(18,157)</u>	
		<u>90,770</u>
Change in net assets of governmental activities		<u><u>\$ 1,183,380</u></u>

COUNTY OF FLOYD, VIRGINIA

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 11,592</u>
LIABILITIES	
Amounts held for others	<u>11,592</u>
NET ASSETS	<u><u>\$ -</u></u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011

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 \$40,500 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 \$201,695 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 \$32,324 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 \$364,693 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, 2011

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, 2011

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.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011

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 Liabilities

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.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, such as prepaid expenditures and inventory. It also includes the long-term amount of interfund loans.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the County’s Board of Supervisors, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the County intends to use for a specified purpose; intent can be expressed by the governing body or by the County Administrator who has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

Restricted Amounts

The County of Floyd applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances as of June 30, 2011 totaled \$20,992 in the general fund.

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 \$9.4 million of these bonds were outstanding at year end.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 2. Deposits and Investments

Deposits

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

Investments

Investment Policy:

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

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

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

Credit Risk:

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

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

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 2. Deposits and Investments (Continued)

Investments (Continued)

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.

Interest Rate Risk:

As of June 30, 2011, the only investment held by the County was \$12,793 of U.S. Treasury Securities Money Market Funds valued at fair value with a weighted average maturity of two days.

Custodial Credit Risk:

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

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

	Primary Government	Component Units	
		School Board	EDA
Deposits and investments:			
Cash on hand	\$ 1,000	\$ -	\$ -
Deposits	3,819,367	466,645	97,390
Investments	12,793	-	-
	<u>\$ 3,833,160</u>	<u>\$ 466,645</u>	<u>\$ 97,390</u>
Statements of net assets:			
Cash and cash equivalents	\$ 3,808,775	\$ 263,313	\$ 97,390
Cash and cash equivalents, restricted	12,793	203,332	-
Fiduciary fund cash and cash equivalents	11,592	-	-
	<u>\$ 3,833,160</u>	<u>\$ 466,645</u>	<u>\$ 97,390</u>

Restricted Amounts:

Restricted cash and cash equivalents of \$12,793 at the primary government that must be used for pre-approved capital projects. Restricted cash and cash equivalents, restricted net assets, and the restricted 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, 2011

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

Receivables at June 30 are as follows:

	Primary Government	Component Unit – EDA
Receivables		
General fund:		
Taxes	\$ 800,339	\$ -
Accounts	186,902	12,141
Lease	-	16,753
Loans receivable	-	33,033
Note	-	113,005
Fire and rescue fund:		
Accounts	4,427	-
Gross receivables	991,668	174,932
Less:		
Allowance for uncollectible taxes	(286,702)	-
Allowance for uncollectible accounts	(71,996)	-
Total allowance	(358,698)	-
Net total receivables	\$ 632,970	\$ 174,932

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	\$ 402,107
Advance collection of 2011-2012 property taxes – unearned	135,972
EMS billings receivable – unavailable	39,597
Total deferred revenue – governmental funds	577,676
Less deferrals for unavailability	(441,704)
Unearned revenue – statement of net assets	\$ 135,972

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.

(Continued)

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 3. Receivables, Deferred and Unearned 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, 2011 includes amounts not yet received from the January 1, 2011 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 \$0.47 per \$100 of assessed value for calendar year 2010 and \$0.46 per \$100 of assessed value for calendar year 2011.

Personal property tax assessments on all motor vehicles is \$2.65 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>
2012	\$ 36,197	\$ 3,803
2013	37,649	2,351
2014	39,159	841
	<u>\$ 113,005</u>	<u>\$ 6,995</u>

During 2011 the EDA received a \$99,000 grant, of which \$43,262 was received to date, from United States Department of Agriculture – Rural Development for Rural Enterprise Grant assistance. The purpose of this grant was for the EDA to issue small business loans, up to \$20,000 individually, to local businesses finance and facilitate business development in the area. Through June 30, 2011, the EDA issued five loans between \$200 and \$11,000 with interest rates between 2 and 4%, payments due monthly for either a 5 or 10 year period based on the individual agreement with the EDA. As of June 30, 2011 the aggregated outstanding balances due to the EDA were \$33,033. The undisbursed funds of \$10,229 are included in restricted net assets on the Statement of Net Assets.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	\$ 123,763	\$ -
State sales tax	-	454,723
Comprehensive services act	60,337	-
Public assistance	74,792	-
Recordation tax	7,325	-
Shared expenses and grants	104,720	-
Communications tax	121,582	-
	\$ 492,519	\$ 454,723

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 historical interfund borrowings to cover negative pooled unrestricted cash amounts in the Capital Projects Fund.

Interfund transfers are as follows:

Transfer In Fund	Transfer out Fund	Amount
Fire and Rescue	General Fund	\$ 150,305

The primary purpose of the interfund transfer is to reimburse the Fire and Rescue Fund for equipment purchases.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	\$ 566,506
Primary Government – General Fund	Component Unit – EDA	<u>410,961</u>
		<u>\$ 977,467</u>

The Primary Government – General Fund owed \$566,506 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 historical 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>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 714,094	\$ -	\$ -	\$ 714,094
Capital assets, nondepreciable	<u>714,094</u>	<u>-</u>	<u>-</u>	<u>714,094</u>
Capital assets, depreciable:				
Buildings and improvements	5,940,009	-	-	5,940,009
Equipment	5,816,329	710,630	15,400	6,511,559
School buildings	15,660,445	-	-	15,660,445
Capital assets, depreciable	<u>27,416,783</u>	<u>710,630</u>	<u>15,400</u>	<u>28,112,013</u>
Less accumulated depreciation for:				
Buildings and improvements	1,527,984	151,899	-	1,679,883
Equipment	4,370,115	358,852	15,400	4,713,567
School buildings	2,523,733	391,511	-	2,915,244
Total accumulated depreciation	<u>8,421,832</u>	<u>902,262</u>	<u>15,400</u>	<u>9,308,694</u>
Capital assets, depreciable, net	<u>18,994,951</u>	<u>(191,632)</u>	<u>-</u>	<u>18,803,319</u>
Governmental activities capital assets, net	<u>\$ 19,709,045</u>	<u>\$ (191,632)</u>	<u>\$ -</u>	<u>\$ 19,517,413</u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 6. Capital Assets (Continued)

Primary Government (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 52,764
Judicial administration	9,901
Public safety	267,157
Public works	149,371
Education	391,511
Park, recreation, and cultural	31,558
	<u>\$ 902,262</u>

Included in Primary Government capital assets are various pieces of equipment with a total cost of \$480,005 and accumulated depreciation of \$316,871 financed by capital leases.

Discretely Presented Component Unit – School Board

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 265,917	\$ -	\$ -	\$ 265,917
Capital assets, nondepreciable	<u>265,917</u>	<u>-</u>	<u>-</u>	<u>265,917</u>
Capital assets, depreciable:				
Buildings and improvements	5,201,969	-	-	5,201,969
Equipment	3,370,533	55,901	-	3,426,434
Capital assets, depreciable	<u>8,572,502</u>	<u>55,901</u>	<u>-</u>	<u>8,628,403</u>
Less accumulated depreciation for:				
Buildings and improvements	2,152,441	93,414	-	2,245,855
Equipment	2,182,224	188,706	-	2,370,930
Total accumulated depreciation	<u>4,334,665</u>	<u>282,120</u>	<u>-</u>	<u>4,616,785</u>
Capital assets, depreciable, net	<u>4,237,837</u>	<u>(226,219)</u>	<u>-</u>	<u>4,011,618</u>
Governmental activities capital assets, net	<u>\$ 4,503,754</u>	<u>\$ (226,219)</u>	<u>\$ -</u>	<u>\$ 4,277,535</u>

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

COUNTY OF FLOYD, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

Note 6. Capital Assets (Continued)

Included in School Board capital assets are various pieces of equipment and building improvements with a total cost of \$1,236,278 and accumulated depreciation of \$62,939, 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

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	\$ 14,853,896	\$ -	\$ 891,174	\$ 13,962,722	\$ 1,087,577
Revenue bonds	970,000	-	15,000	955,000	20,000
Literary fund loans	58,557	-	29,900	28,657	28,657
Total bonds and loans payable	15,882,453	-	936,074	14,946,379	1,136,234
Capital leases	261,905	-	62,970	198,935	59,627
Landfill postclosure	722,714	-	86,159	636,555	-
Compensated absences	303,249	2,453	-	305,702	152,851
	<u>\$ 17,170,321</u>	<u>\$ 2,453</u>	<u>\$ 1,085,203</u>	<u>\$ 16,087,571</u>	<u>\$ 1,348,712</u>
Component Unit – School Board:					
Capital leases	\$ 1,154,561	\$ -	\$ 33,221	\$ 1,121,340	\$ 68,322
Compensated absences	825,855	149,181	-	975,036	487,518
Other postemployment benefits	134,400	23,700	2,600	155,500	-
	<u>\$ 2,114,816</u>	<u>\$ 172,881</u>	<u>\$ 35,821</u>	<u>\$ 2,251,876</u>	<u>\$ 555,840</u>
Component Unit – EDA:					
Note payable	\$ 13,099	\$ -	\$ 32,433	\$ 97,666	\$ 23,563

COUNTY OF FLOYD, VIRGINIA

**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

Note 7. Long-Term Liabilities (Continued)

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

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

Year Ended June 30	Governmental Activities							
	General Obligation		Revenue Bond		Literary Fund Loan		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 1,087,577	\$ 610,598	\$ 20,000	\$ 47,000	\$ 28,657	\$ 860	\$ 59,627	\$ 7,862
2013	1,105,474	562,059	20,000	46,100	-	-	63,108	4,375
2014	1,120,776	514,054	20,000	45,200	-	-	46,600	2,449
2015	1,138,880	464,090	20,000	44,250	-	-	29,600	624
2016	1,163,959	411,861	20,000	43,250	-	-	-	-
2017-2021	5,154,687	1,356,158	120,000	199,250	-	-	-	-
2022-2026	3,191,369	359,855	160,000	164,500	-	-	-	-
2027-2031	-	-	200,000	119,750	-	-	-	-
2032-2036	-	-	255,000	63,125	-	-	-	-
2037-2038	-	-	120,000	6,000	-	-	-	-
	<u>\$ 13,962,722</u>	<u>\$ 4,278,675</u>	<u>\$ 955,000</u>	<u>\$ 778,425</u>	<u>\$ 28,657</u>	<u>\$ 860</u>	<u>\$ 198,935</u>	<u>\$ 15,310</u>

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

Year Ended June 30	Discretely Presented Component Unit			
	School Board		EDA	
	Capital Lease		Note Payable	
	Principal	Interest	Principal	Interest
2012	\$ 68,322	\$ 41,393	\$ 23,563	\$ 11,249
2013	70,908	38,807	74,103	4,232
2014	73,592	36,123	-	-
2015	76,378	33,338	-	-
2016	72,269	30,467	-	-
2017-2021	438,517	106,646	-	-
2022-2024	313,754	18,808	-	-
	<u>\$ 1,120,740</u>	<u>\$ 305,582</u>	<u>\$ 97,666</u>	<u>\$ 15,481</u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 7. Long-Term Liabilities (Continued)

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	\$ 12,397
School Construction Bonds	6.10-6.40	01-1994	12-2011	360,000	5,000
School Construction Bonds	5.10-6.10	12-1995	07-2015	2,835,979	859,130
School Construction Bonds	2.60-2.80	11-2000	07-2020	3,142,650	1,707,825
School Construction Bonds	4.25-5.00	11-2005	07-2025	10,259,045	7,965,170
Refunding Bonds	4.22	04-2006	07-2022	3,450,500	2,583,200
Public Improvement	Various	02-2010	02-2020	920,000	<u>830,000</u>
					13,962,722
				Less deferred costs	<u>(118,625)</u>
					<u>\$ 13,844,097</u>
Revenue Bond	4.25-5.00%	07-2007	08-2037	\$ 1,000,000	\$ 955,000
				Plus bond premium	<u>31,170</u>
					<u>\$ 986,170</u>
State Literary Loan	3.00%	01-1992	01-2012	\$ 596,757	<u>\$ 28,657</u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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	\$ 110,632
Equipment Lease	4.07	02-2007	08-2013	225,000	<u>88,303</u>
					<u>\$ 198,935</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>\$ 1,120,740</u>
EDA					
Note Payable	6.50%	04-2002	11-2012	\$ 415,000	<u>\$ 97,666</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, \$870,000 of these bonds remains 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	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 \$638,555. This amount is included in the long-term liabilities in the primary government.

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

Note 10. Net Assets/Fund Balance

Deficit Unrestricted Net Assets: At June 30, an unrestricted net asset deficit of \$(886,486) existed in the Component-unit School Board. This deficit is expected to be recovered through increasing revenues and decreasing ongoing expenses.

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

COUNTY OF FLOYD, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

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

Expenditures of School Board – Component Unit (Exhibit A-2)	\$ 19,021,947
Principal and other debt service expenses included in primary government (Exhibit 4)	<u>1,192,141</u>
Total expenditures for school activities	<u><u>\$ 20,214,088</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, 2011

Note 13. Defined Benefit Pension Plan

A. Plan Description

The County and School Board 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"). All full-time, salaried permanent (professional) employees of public school divisions and participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

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

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

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 13. Defined Benefit Pension Plan (Continued)

A. Plan Description (Continued)

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is -0-%. 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 the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All of the 5.00% member contribution was assumed by the employer. 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 ended 2011 was 15.53% of annual covered payroll. The School Board's contribution rates for the fiscal year ended 2011 were 8.93% for professional employees and 12.37% for non-professional employees of annual covered payroll.

Annual Pension Cost

For the fiscal year ended June 30, 2011, the County's and School Board's annual pension costs, including the employee share assumed by the County and School Board, of \$438,766 and \$1,115,823, respectively, were equal to their required and actual contributions. The 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.50% investment rate of return net of administrative expenses, (b) projected salary increases ranging from 3.75% to 5.60% per year, for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) include an inflation component of 2.50%. The actuarial value of the County and School Board assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liabilities are being amortized as a level percentage of payroll on an open basis within a period of 20 years or less.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 13. Defined Benefit Pension Plan (Continued)

Annual Pension Cost (Continued)

Three-Year Trend Information for County of Floyd			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC	Net Pension Obligation
June 30, 2011	\$ 438,766	100%	\$ -
June 30, 2010	\$ 449,582	100%	\$ -
June 30, 2009	\$ 447,554	100%	\$ -

Three-Year Trend Information for the County of Floyd School Board – Non-Professional			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC	Net Pension Obligation
June 30, 2011	\$ 163,815	100%	\$ -
June 30, 2010	\$ 171,860	100%	\$ -
June 30, 2009	\$ 176,262	100%	\$ -

Funded Status and Funding Progress

The following schedules of funding progress present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

**Required Supplementary Information
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Unfunded (Overfunded) Actuarial Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
County of Floyd						
June 30, 2010	\$ 9,289,200	\$ 12,299,832	\$ 3,010,632	75.52%	\$ 3,007,820	100.09%
June 30, 2009	\$ 9,098,651	\$ 11,075,780	\$ 1,977,129	82.15%	\$ 2,952,481	66.96%
June 30, 2008	\$ 8,821,246	\$ 10,695,197	\$ 1,873,951	82.48%	\$ 2,837,373	66.05%
County of Floyd Schools Non-Professional Employees						
June 30, 2010	\$ 5,222,275	\$ 6,557,816	\$ 1,335,541	79.63%	\$ 1,368,561	97.59%
June 30, 2009	\$ 5,365,246	\$ 5,978,727	\$ 613,482	89.74%	\$ 1,405,820	43.64%
June 30, 2008	\$ 5,343,386	\$ 5,604,655	\$ 261,269	95.34%	\$ 1,351,153	19.34%

(Continued)

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 14. Other Post-employment Benefits

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

Floyd County Schools

Plan Description and Benefits Provided

The Schools provide post-employment 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, 2010 was 253, consisting of 243 active and 10 inactive participants.

Funding Policy

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

Annual Other Post-employment Benefit Cost and Net OPEB Obligation

The following table shows the elements of the School's annual OPEB cost for the year and the changes in the School's net OPEB obligation for the fiscal year ended June 30, 2011.

Annual required contribution	\$ 23,900
Interest on net OPEB obligation	5,400
Adjustment to annual required contribution	<u>(5,600)</u>
Annual OPEB cost	23,700
Less contributions made	<u>(2,600)</u>
Increase in net OPEB obligation	21,100
Net OPEB obligation – beginning of year	<u>134,400</u>
Net OPEB obligation – end of year	<u><u>\$ 155,500</u></u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 14. Other Post-employment Benefits (Continued)

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

The School's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010, and 2011 are as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2001	\$ 105,700	35.76%	\$ 67,900
June 30, 2010	\$ 110,400	39.69%	\$ 134,400
June 30, 2011	\$ 23,700	10.88%	\$ 155,500

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (ALL)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentag of Covered Payroll
July 1, 2010	\$ -	\$ 289,300	\$ 289,300	0%	\$ 10,811,500	2.7%
July 1, 2008	\$ -	\$ 1,161,900	\$ 1,161,900	0%	\$ 11,053,200	10.5%

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 14. Other Post-employment 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, 2010 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 was for a ten-year term that initially ended on January 31, 2010. However, since the end of the initial term, the lease has been renewed annually for two additional one-year periods through January 31, 2012. 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:

2012	<u>\$ 25,200</u>
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COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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 2011 paid by the County were approximately \$595,022.

The School Board has a professionally administered self-insurance program that provides health coverage for employees on a cost-reimbursement basis. Retired employees and dependents of employees of the School Board are also covered by the program, provided they pay the entire premium. Under the program, the School Board is obligated for claims payments. A stop loss insurance contract executed with Blue Cross and Blue Shield covers claims in excess of \$70,000 per covered individual and approximately \$1,265,000 in the aggregate. During the current fiscal year, total claims expense of \$1,076,359, 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, 2011. The estimated liability, including reported and IBNR claims, was \$129,000 at year end. Additionally, included in prepaids at June 30 and excluded from claim payments below is approximately \$847,303 that has been paid in excess of claims to date. Changes in the reported liability during 2011 are as follows:

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
June 30, 2010	<u>\$ 129,000</u>	<u>\$ 1,076,359</u>	<u>\$ 1,076,359</u>	<u>\$ 129,000</u>

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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.

Construction Commitment:

Subsequent to year end, the County entered into a contract for repair of the County courthouse for approximately \$130,000.

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 \$355,075. 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 \$97,666 on behalf of the EDA if it is unable to repay these obligations.

Discretely Presented Component Unit – Economic Development Authority

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 provided a monthly payment of \$4,163 through August 2011, to Arrow to subsidize rent on a manufacturing building located in the County. The monthly incentive was contingent upon Arrow making its monthly lease payment; therefore, no liability was recorded at year end for the remaining payments. During the current year, \$49,950 was expended under the agreement. The County made a contribution to the EDA in the current year to fund the related expenditures.

COUNTY OF FLOYD, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 17. Commitments and Contingencies (Continued)

Discretely Presented Component Unit – Economic Development Authority (Continued)

Performance Agreement

Subsequent to year end the EDA was awarded approximately \$1,200,000 of federal grants. These grants, along with private matching funds, will be used to construct a facility to be used by a corporation that has agreed to relocate its development and production activities to the County. The constructed facility will be owned by the EDA and will be leased to the corporation. As part of the agreement, the corporation agrees to meet continuing employment targets.

Note 18. New Accounting Standards

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

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued address issues related to the use of the alternative measurement method, and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The statement amends GASB No. 45, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. This statement will be effective for the year ending June 30, 2012.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued to address service concession arrangements, which are a type of public-private or public-public partnership. The statement defines a service concession arrangement in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this statement establish recognition, measurement, and disclosure requirements for these types of arrangements. This statement will be effective for the year ending June 30, 2013.

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

Note 18. New Accounting Standards (Continued)

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present to be included as a component unit. The statement also amends the criteria for reporting of blended component units. For component units that are blended based on the “substantively the same governing body” criterion, it additionally requires that a financial benefit or financial burden relationship exist or management of the primary government have operational responsibility for the activities of the component unit. The statement also clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in FASB pronouncements issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position* is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement will be effective for the year ending June 30, 2013.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, was issued to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit provider. The statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The statement will be effective for the year ending June 30, 2012.

Management has not yet evaluated the effects, if any, of adopting these standards.

Note 19. Related Party Transactions

The County, School Board, and EDA conduct transactions with a financial institution whose President is a voting member of the Board of the EDA. At June 30, the primary government and component units had approximately \$3,706,000 in deposits and \$110,000 in outstanding capital lease obligations with this institution.

**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, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES				
General property taxes	\$ 9,107,183	\$ 9,107,183	\$ 9,144,040	\$ 36,857
Other local taxes	2,171,313	2,171,313	2,284,927	113,614
Permits, privilege fees, and regulatory licenses	112,000	112,000	103,143	(8,857)
Fines and forfeitures	19,800	19,800	369	(19,431)
Revenue from use of money and property	143,200	143,200	98,406	(44,794)
Charges for services	524,814	524,814	709,888	185,074
Other	3,650	3,650	22,681	19,031
Recovered costs	57,000	57,000	44,122	(12,878)
Intergovernmental	3,820,120	3,820,120	3,345,601	(474,519)
Total revenues	<u>15,959,080</u>	<u>15,959,080</u>	<u>15,753,177</u>	<u>(205,903)</u>
EXPENDITURES				
Current:				
General government administration	1,250,065	1,256,650	1,189,294	67,356
Judicial administration	580,312	600,677	570,491	30,186
Public safety	2,103,867	2,351,665	2,458,938	(107,273)
Public works	1,283,851	1,677,479	1,482,318	195,161
Health and welfare	2,131,162	2,111,563	1,577,706	533,857
Education	5,505,891	5,997,208	5,346,370	650,838
Parks, recreation, and cultural	305,320	305,320	242,195	63,125
Community development	764,675	766,034	414,213	351,821
Debt service:				
Principal	939,147	939,147	907,223	31,924
Interest and other fiscal charges	598,567	598,567	715,506	(116,939)
Total expenditures	<u>15,462,857</u>	<u>16,604,310</u>	<u>14,904,254</u>	<u>1,700,056</u>
Excess (deficiency) of revenues over expenditures	<u>496,223</u>	<u>(645,230)</u>	<u>848,923</u>	<u>1,494,153</u>
OTHER FINANCING USES				
Transfers out	-	-	(150,305)	(150,305)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(150,305)</u>	<u>(150,305)</u>
Net change in fund balances	<u>\$ 496,223</u>	<u>\$ (645,230)</u>	<u>\$ 698,618</u>	<u>\$ 1,343,848</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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ -	\$ -	\$ 208,283	\$ 208,283
Intergovernmental	53,279	53,279	77,856	24,577
	<u>53,279</u>	<u>53,279</u>	<u>286,139</u>	<u>232,860</u>
EXPENDITURES				
Current:				
Public safety	328,553	621,623	674,603	(52,980)
Debt service:				
Principal	110,625	110,625	91,821	18,804
Interest and other fiscal charges	19,308	19,308	16,553	2,755
	<u>458,486</u>	<u>751,556</u>	<u>782,977</u>	<u>(31,421)</u>
Excess (deficiency) of revenues over expenditures	<u>(405,207)</u>	<u>(698,277)</u>	<u>(496,838)</u>	<u>201,439</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	150,305	150,305
	<u>-</u>	<u>-</u>	<u>150,305</u>	<u>150,305</u>
Net change in fund balances	<u>\$ (405,207)</u>	<u>\$ (698,277)</u>	<u>\$ (346,533)</u>	<u>\$ 351,744</u>

COUNTY OF FLOYD, VIRGINIA

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011**

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 appropriate 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

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

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

COUNTY OF FLOYD, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET
June 30, 2011

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 263,313
Cash and cash equivalents, restricted	203,332
Due from other governments	454,723
Due from primary government	566,506
Inventories	18,764
Prepays	<u>1,025,149</u>
Total assets	<u><u>\$ 2,531,787</u></u>
LIABILITIES	
Accounts payable	\$ 94,030
Accrued liabilities	1,842,112
Self insurance claims liability	<u>129,000</u>
Total liabilities	<u>2,065,142</u>
FUND BALANCE	
Nonspendable	1,043,913
Restricted	203,332
Committed	92,865
Unassigned	<u>(873,465)</u>
Total fund balance	<u>466,645</u>
Total liabilities and fund balance	<u><u>\$ 2,531,787</u></u>
Adjustments for the Statement of Net Assets (Exhibit 1)	
Total fund balance	\$ 466,645
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,277,535
Debt issuance costs are reported as expenditures in the funds, but are amortized over the life of the debt obligation in the statement of net assets.	5,442
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,270,539)</u>
Net assets of governmental activities	<u><u>\$ 2,479,083</u></u>

COUNTY OF FLOYD, VIRGINIA
DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2011

	<u>School Operating Fund</u>
REVENUES	
Charges for services	\$ 501,430
Recovered costs	175,792
Other	4,899
Payments from Floyd County	5,340,660
Intergovernmental	12,953,828
Total revenues	<u>18,976,609</u>
EXPENDITURES	
Education:	
Instructional	13,161,579
Admission, attendance, and health	785,478
Transportation	1,528,345
Operations and maintenance	2,051,301
Food service	523,210
Facilities	55,901
Technology	861,075
Debt service:	
Principal	33,221
Interest and other fiscal charges	21,837
Total expenditures	<u>19,021,947</u>
Deficiency of revenues over expenditures	<u>(45,338)</u>
Net change in fund balance	(45,338)
FUND BALANCE AT JULY 1	<u>511,983</u>
FUND BALANCE AT JUNE 30	<u>\$ 466,645</u>
Reconciliation to the Statement of Activities (Exhibit 2)	
Net change in fund balance – governmental fund	\$ (45,338)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$282,120) exceeded capitalized expenditures (\$55,901).	(226,219)
The repayment of the principal of long-term debt (\$33,221) consumes the the current financial resources of governmental funds but has no effect on net assets.	33,821
Governmental funds report the effect of issuance costs, whereas these amounts are deferred and amortized in the statement of activities.	(453)
Accrued interest on long term debt does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund	1,131
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>(170,281)</u>
Change in net assets of governmental activities.	<u>\$ (407,339)</u>

COUNTY OF FLOYD, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET TO ACTUAL –
SCHOOL OPERATING FUND
Year Ended June 30, 2011

	<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	\$ -	\$ -	\$ 501,430	\$ 501,430
Recovered costs	211,179	211,179	175,792	(35,387)
Other	-	-	4,899	4,899
Payments from Floyd County	6,698,032	6,698,032	5,340,660	(1,357,372)
Intergovernmental	13,291,065	13,291,065	12,953,828	(337,237)
Total revenues	<u>20,200,276</u>	<u>20,200,276</u>	<u>18,976,609</u>	<u>(1,223,667)</u>
EXPENDITURES				
Education	19,014,708	19,014,708	18,966,889	47,819
Debt service:				
Principal	33,221	33,221	33,221	-
Interest and other fiscal charges	21,837	21,837	21,837	-
Total expenditures	<u>19,069,766</u>	<u>19,069,766</u>	<u>19,021,947</u>	<u>47,819</u>
Excess (deficiency) of revenues over expenditures	<u>1,130,510</u>	<u>1,130,510</u>	<u>(45,338)</u>	<u>(1,175,848)</u>
Net change in fund balance	<u>\$ 1,130,510</u>	<u>\$ 1,130,510</u>	<u>\$ (45,338)</u>	<u>\$ (1,175,848)</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, 2011

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 97,390
Current portion of note receivable	36,197
Other receivables	<u>12,141</u>
Total current assets	<u>145,728</u>
Noncurrent assets:	
Long-term portion of note receivable	76,808
Lease receivable	16,753
Loans Receivable	33,033
Capital assets:	
Nondepreciable	<u>901,533</u>
Total noncurrent assets	<u>1,028,127</u>
Total assets	<u>1,173,855</u>
LIABILITIES	
Current liabilities:	
Current portion of notes payable	<u>23,563</u>
Noncurrent liabilities:	
Due in more than a year	74,103
Advances from primary government	<u>410,961</u>
Total noncurrent liabilities	<u>485,064</u>
Total liabilities	<u>508,627</u>
NET ASSETS	
Invested in capital assets, net of related debt	490,572
Restricted	10,229
Unrestricted	<u>164,427</u>
Total net assets	<u><u>\$ 665,228</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, 2011**

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Payments from Floyd County	\$ 49,950
Intergovernmental Revenue	43,262
Miscellaneous	12,211
	<hr/>
Total operating revenues	105,423
	<hr/>
OPERATING EXPENSES	
Performance grants	55,662
	<hr/>
Total operating expenses	55,662
	<hr/>
Operating income	49,761
	<hr/>
NONOPERATING REVENUES (EXPENSES)	
Interest income	6,759
Interest expense	(7,567)
	<hr/>
Net nonoperating revenues (expenses)	(808)
	<hr/>
Change in net assets	48,953
	<hr/>
NET ASSETS AT JULY 1	616,275
	<hr/>
NET ASSETS AT JUNE 30	\$ 665,228
	<hr/> <hr/>

COUNTY OF FLOYD, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT
FLOYD COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS –
PROPRIETARY FUND
June 30, 2011**

	<u>Enterprise Fund</u>
OPERATING ACTIVITIES	
Payments from Floyd County	\$ 49,950
Intergovernmental revenue	43,262
Miscellaneous operating revenue	12,811
Operating loans disbursed	(36,499)
Principal received on operating loans	3,466
Payments for performance incentive grants	(55,662)
	<u>17,328</u>
Net cash provided by operating activities	<u>17,328</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(32,433)
Interest paid on capital debt	(7,567)
	<u>(40,000)</u>
Net cash used in capital and related financing activities	<u>(40,000)</u>
INVESTING ACTIVITIES	
Principal received on long-term note and lease receivable	35,156
Interest received	6,759
	<u>41,915</u>
Net cash provided by noncapital financing activities	<u>41,915</u>
Net increase in cash and cash equivalents	19,243
CASH AND CASH EQUIVALENTS	
Beginning at July 1	78,147
Ending at June 30	\$ 97,390
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 49,761
Adjustments to reconcile operating income to net cash used in operating activities:	
Changes in assets and liabilities	
Increase in other receivables	600
Increase in loans receivable	(33,033)
	<u>(32,433)</u>
Net cash provided by operating activities	\$ 17,328

SUPPORTING SCHEDULE

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<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	\$ 129,684
<u>Department of Education:</u>		
National School Breakfast Program	10.553	105,299
National School Lunch Program	10.555	383,486
<u>Direct Payments:</u>		
Rural Business Enterprises Grants	10.769	36,499
<u>Department of Justice:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Violence Against Women Formula Grant	16.588	34,804
<u>Department of Motor Vehicles</u>		
<u>Pass-through Payments:</u>		
<u>Department of Transportation</u>		
State and Community Highway Safety	20.600	2,670
Alcohol	20.601	10,539
<u>Department of Education:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Education:</u>		
Title I: Grants to Local Educational Agencies	84.010	362,939
Title I: Grants to Local Educational Agencies – ARRA	84.389	115,346
Special Education – Grants to States	84.027	469,238
Vocational Education – Basic Grants to States	84.048	36,353
Special Education – Preschool Grants	84.173	22,539
English Language Acquisition Grants	84.365	3,285
No Child Left Behind Act	84.367	98,599
Technology Literacy Challenge Fund	84.318	3,250
Special Education Grants to States IDEA Part B – ARRA	84.391	248,054
Special Education – Preschool Grants IDEA Part B - ARRA	84.392	4,566
State Fiscal Stabilization Funds – ARRA	84.397	423,155
Education Jobs Fund – ARRA	84.410	296,576
<u>Department of Health and Human Services:</u>		
<u>Pass-through Payments:</u>		
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	11,092
Temporary Assistance to Needy Families	93.558	97,943
Refugee and Entrant Assistance	93.566	235
Low Income Home Energy Assistance	93.568	6,843
Child Care and Development Block Grant	93.575	25,615
Child Care Mandatory and Matching Funds of the Child Care	93.596	31,148
Chafee Education and Training Vouchers Programs – ARRA	93.599	360

(Continued)

COUNTY OF FLOYD, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor (Commonwealth of Virginia)/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services: (Continued)		
Pass-through Payments: (Continued)		
Department of Social Services: (Continued)		
Child Welfare Services	93.645	\$ 380
Foster Care – Title IV-E	93.658	81,402
Foster Care – Title IV-E – ARRA	93.658	3,492
Adoption Assistance	93.659	10,118
Adoption Assistance – ARRA	93.659	530
Social Service Block Grant	93.667	78,199
Chafee Foster Care Independence Program	93.674	2,033
Child Care and Development Block Grant	93.713	2,360
State Children’s Insurance Program	93.767	3,581
Medical Assistance Program	93.778	77,122
Total Expenditures of Federal Awards		<u>\$ 3,219,334</u>

Note 1. Basis of Accounting

This schedule was prepared on the modified accrual basis.

Note 2. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule of Federal Awards at the fair market value of the food commodities or food stamps disbursed. At June 30, 2010, the School Board had food commodities totaling \$18,764 in inventory.

OTHER INFORMATION SECTION

TABLE 1

COUNTY OF FLOYD, VIRGINIA
FINANCIAL TRENDS INFORMATION
GOVERNMENTAL ACTIVITIES EXPENSES BY FUNCTION
Last Nine 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
2011	\$ 1,234,218	\$ 580,392	\$ 3,094,884	\$ 1,155,191	\$ 1,580,615	\$ 5,737,881	\$ 264,853	\$ 416,021	\$ 723,796	\$ 14,787,851
2010	1,670,581	582,654	3,104,849	1,139,165	1,756,824	5,591,957	300,663	339,872	792,376	15,278,941
2009	1,329,648	589,541	3,002,667	1,201,286	1,839,317	5,353,202	357,695	319,489	878,274	14,871,119
2008	1,238,309	614,973	2,963,673	1,142,179	1,716,772	5,656,376	198,542	377,031	989,579	14,897,434
2007	1,135,868	573,381	2,759,112	1,276,181	1,921,832	5,301,824	255,565	746,916	1,190,113	15,160,792
2006	927,876	567,858	2,994,236	1,836,566	1,863,696	5,460,860	344,679	211,288	723,327	14,930,386
2005	1,202,957	371,331	2,749,986	1,490,025	1,855,361	3,696,758	249,907	228,699	727,024	12,572,048
2004	1,012,663	256,957	2,546,802	1,469,729	1,784,591	5,206,933	252,671	754,031	718,053	14,002,430
2003	772,388	318,437	2,188,622	1,590,541	1,781,849	5,333,216	277,856	293,643	576,596	13,133,148

Note: The County implemented GASB 34 on June 30, 2003.
Source: Information derived from the financial report for the relevant year.

TABLE 2

COUNTY OF FLOYD, VIRGINIA
FINANCIAL TRENDS INFORMATION
GOVERNMENTAL ACTIVITIES REVENUES
Last Nine 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		
2011	\$ 669,200	\$ 2,448,965	\$ 15,469	\$ 9,430,383	\$ 2,396,573	\$ 59,097	\$ 7,891	\$ 942,652	\$ 15,970,230	
2010	903,722	2,544,873	72,088	9,690,586	2,169,806	112,664	50,799	905,044	16,449,582	
2009	717,873	2,771,379	353,520	9,382,280	2,170,720	163,721	8,202	1,032,674	16,600,369	
2008	682,316	2,779,406	269,252	9,289,566	2,361,844	167,601	1,257	966,850	16,518,092	
2007	833,089	2,899,183	62,659	8,402,215	2,259,570	115,657	13,351	1,017,261	15,602,985	
2006	349,762	4,694,250	-	7,865,835	2,029,472	157,624	140,402	1,132,051	16,369,396	
2005	361,167	3,074,607	-	7,136,163	1,907,484	86,298	153,280	1,040,850	13,759,849	
2004	280,839	2,421,104	-	8,956,170	1,872,247	94,336	170,253	1,336,857	15,131,806	
2003	253,873	2,379,530	-	6,017,077	1,894,913	106,610	147,485	2,644,767	13,444,255	

Note: The County implemented GASB 34 on June 30, 2003.
Source: Information derived from the financial report for the relevant year.

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
2011	\$ 1,189,294	\$ 570,491	\$ 3,133,541	\$ 1,482,318	\$ 1,577,706	\$ 19,021,947	\$ 242,195	\$ 414,213	\$ 1,731,103	\$ 29,362,808
2010	1,628,664	572,753	2,898,201	1,177,625	1,751,651	20,204,293	269,105	338,392	2,068,342	30,909,026
2009	1,266,567	579,640	3,677,344	1,163,279	1,841,316	21,141,687	326,136	327,908	2,078,232	32,402,109
2008	1,183,135	605,257	2,992,836	1,146,413	1,715,900	19,417,079	1,316,756	377,031	2,126,635	30,881,042
2007	1,128,863	563,480	2,877,355	1,207,529	1,919,653	19,049,744	287,108	706,916	2,166,978	29,907,626
2006	920,395	559,783	2,968,520	1,841,280	1,861,215	17,964,584	344,679	186,217	921,892	27,568,565
2005	1,141,681	365,295	2,823,688	242,501	1,850,806	15,924,702	249,907	218,699	1,146,650	23,963,929
2004	969,791	302,046	2,674,664	226,060	1,808,472	16,180,338	252,671	744,030	1,069,286	24,227,358
2003	753,460	317,434	2,093,701	441,714	1,763,589	15,482,351	277,856	283,642	639,402	22,053,149
2002	701,739	296,484	1,939,784	185,756	1,732,232	14,425,480	241,935	411,734	786,570	20,721,714

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.

Source: Information derived from the financial report for the relevant year.

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
2011	\$ 9,352,323	\$ 2,284,927	\$ 103,143	\$ 369	\$ 98,406	\$ 1,211,318	\$ 27,580	\$ 219,914	\$ 16,377,285	\$ 29,675,265
2010	9,622,323	2,156,204	105,299	21,515	155,864	1,134,792	48,767	267,145	17,755,770	31,267,679
2009	9,282,097	2,142,339	129,507	10,598	204,580	1,147,435	15,140	230,221	18,441,780	31,603,697
2008	9,250,277	2,327,988	160,041	18,329	201,309	960,068	1,135	314,590	17,337,978	30,571,715
2007	8,445,898	2,235,986	175,963	14,983	114,846	1,045,632	19,309	224,419	17,486,068	29,763,104
2006	7,939,696	2,029,472	164,375	18,935	79,359	586,462	309,675	30,148	16,115,388	27,273,510
2005	7,279,817	1,907,484	165,965	15,966	75,617	425,054	227,078	48,578	15,750,468	25,896,027
2004	8,621,865	1,872,247	85,462	12,006	99,305	380,180	324,366	26,754	14,070,406	25,492,591
2003	6,034,706	1,894,913	71,798	12,693	104,145	371,563	293,551	7,488	13,198,031	21,988,888
2002	5,473,840	1,663,570	78,445	12,057	162,068	374,762	230,832	51,559	13,086,742	21,133,875

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.

Source: Information derived from the financial report for the relevant year.

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
2011	\$ 11,698,967	\$ 10,865,523	97.02%	\$ -	\$ 10,865,523	97.02%
2010	10,651,549	10,327,803	96.96%	101,822	10,429,625	97.92%
2009	10,169,940	9,156,946	90.04%	885,315	10,042,261	98.74%
2008	10,000,477	9,324,256	93.24%	621,299	9,945,555	99.45%
2007	9,393,042	9,268,424	98.67%	97,735	9,366,159	99.71%
2006	8,900,635	8,665,202	97.35%	214,993	8,880,195	99.77%
2005	8,099,888	7,780,381	96.06%	313,570	8,093,951	99.93%
2004	7,466,587	7,290,115	97.64%	172,977	7,463,092	99.95%
2003	6,787,806	6,627,377	97.64%	158,316	6,785,693	99.97%
2002	6,269,225	6,123,650	97.68%	144,020	6,267,670	99.98%

(1) Exclusive of penalties and interest.

Source: County Administration

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
2011	\$ 1,685,064,100	\$ 94,384,042	\$ 10,213,298	\$ 56,284,341	\$ 9,685,700	\$ 1,540,093	\$ 1,857,171,574
2010	1,677,140,200	93,824,459	7,233,844	50,096,979	9,685,500	1,668,037	1,839,649,019
2009	1,336,291,100	89,705,582	10,266,338	34,930,266	10,741,328	1,593,199	1,483,527,813
2008	1,319,658,700	97,479,299	10,550,891	36,023,932	10,139,861	938,652	1,474,791,335
2007	1,303,732,200	89,274,994	10,814,820	40,887,653	9,825,560	1,276,053	1,455,811,280
2006	1,275,050,150	85,566,684	10,058,232	44,475,792	9,558,570	1,302,163	1,426,011,591
2005	858,206,303	78,220,972	11,069,200	34,562,975	10,806,010	1,236,871	994,102,331
2004	834,906,091	79,235,147	11,308,357	38,973,214	10,412,764	1,227,486	976,063,059
2003	759,005,537	75,809,194	10,442,662	39,678,493	9,804,464	1,089,617	895,829,967
2002	738,289,895	75,681,742	10,563,406	39,183,104	9,707,384	1,239,698	874,665,229

(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
2011	\$ 0.460	\$ 2.650	\$ 0.460	\$ 1.550	\$ 3.500
2010	0.470	2.700	0.470	1.550	3.500
2009	0.600	2.700	0.600	1.550	3.500
2008	0.600	2.700	0.600	1.550	3.500
2007	0.600	2.700	0.600	1.550	3.500
2006	0.520	2.700	0.520	1.550	3.500
2005	0.640	2.700	0.640	1.550	3.500
2004	0.640	2.180	0.640	1.550	3.500
2003	0.610	2.180	0.610	1.550	3.500
2002	0.560	2.180	0.560	1.550	3.500

Note: Per \$100 of assessed value.

Source: County Administration

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
2011	15,279	\$ 1,857,171,574	\$ 13,991,379	0.75%	\$ 916
2010	15,013	1,839,649,019	14,912,453	0.81%	993
2009	14,821	1,483,527,813	15,094,766	1.02%	1,018
2008	14,789	1,474,791,335	16,124,932	1.09%	1,090
2007	14,789	1,455,811,280	17,077,882	1.17%	1,155
2006	13,874	1,426,011,591	18,381,003	1.29%	1,325
2005	13,874	994,102,331	19,677,633	1.98%	1,418
2004	13,874	976,063,059	20,113,649	2.06%	1,450
2003	13,874	895,829,967	20,101,718	2.24%	1,449
2002	13,874	874,665,229	8,435,284	0.96%	608

(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.

Source: (1) Bureau of the Census, County Administration, and financial report for the relevant year.

COUNTY OF FLOYD, VIRGINIA

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011	\$ 921,074	\$ 673,887	\$ 1,594,961	\$ 29,362,808	5.43%
2010	1,102,313	671,165	1,773,478	30,909,026	5.74%
2009	1,030,166	711,756	1,741,922	32,402,109	5.38%
2008	952,950	808,323	1,761,273	30,881,042	5.70%
2007	948,031	916,003	1,864,034	29,907,626	6.23%
2006	450,664	391,228	841,892	27,568,565	3.05%
2005	436,016	743,354	1,179,370	23,963,929	4.92%
2004	389,373	679,913	1,069,286	24,227,358	4.41%
2003	328,766	310,636	639,402	22,053,149	2.90%
2002	354,433	432,137	786,570	20,721,714	3.80%

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.

Source: Information derived from the financial report for the relevant year.

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 (the "County"), as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as Items 11-1 through 11-3.**

We noted certain other matters that we reported to the County's management in a separate letter dated November 29, 2011

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2011

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

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

Compliance

We have audited the County of Floyd, Virginia's (the "County") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2011. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County of Floyd, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, that is required to be reported in accordance with OMB *Circular A-133* and that is described in the accompanying schedule of findings and questioned costs as item 10-2.

Internal Control over Compliance

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

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

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

The County’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County’s responses and, accordingly, do not express an opinion on these responses.

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



CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2011

COUNTY OF FLOYD, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2011

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, 2011

A. SUMMARY OF AUDITOR’S RESULTS

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

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

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

07-1: Segregation of Duties (Material Weakness)

Condition:

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

Recommendation:

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

Management’s Response – County:

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

COUNTY OF FLOYD, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

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

Management's Response – School Board:

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

10-1: Audit Adjustments (Material Weakness)

Condition:

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

- The School Board did not record balances or activity on its general ledger for certain deposit accounts, namely individual school cafeteria accounts and the lease proceeds account.
- Beginning fund balance for some funds per the general ledger did not agree to the prior year financial report.
- Significant errors in cash entries during the year and at year end were noted and required adjustment.
- Noted material errors in taxes receivable.
- Accounts payable, health insurance claims, short-term debt, and long-term debt were materially incorrect requiring adjustments.
- Current year EDA activity was not tracked or recorded.
- Deferred revenue and allowance for uncollectible accounts was not recorded.

Recommendation:

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

Management's Response:

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

COUNTY OF FLOYD, VIRGINIA

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

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

10-2: Cash Management (Applies to all major programs)

Condition:

Through discussions with management at the Schools, we were made aware that reimbursement requests for expenditures through year end were requested before the cash was disbursed.

Management's Response:

We have improved this process during the year; however, for cash flow purposes and, as approved by the Commonwealth of Virginia Department of Education, we have continued this practice and will explore means of improving compliance with this requirement.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

11-1: Budget Appropriations

Condition:

After audit adjustments, expenditures exceeded budgeted appropriations in the general fund debt service and public safety categories and in the public safety category of expenditures category in the fire and rescue fund.

Recommendation:

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

Management's Response – County:

The Board of Supervisors met in June 2011 and additional budget appropriations were approved for known expenditures at that time. Auditors found additional expenditures during fieldwork.

11-2 Public Accounts

Condition:

All three of the economic development authority accounts and the emergency medical services account at the Bank of Floyd were not marked as public.

Recommendation:

Steps should be taken to ensure that all accounts that should be marked as public are in fact marked as public.

Management Response:

Management agrees with the above finding.

COUNTY OF FLOYD, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

11-3 Conflict of Interest Statements

Condition:

Noted one of the conflict of interest statement out of forty submitted by County related boards and commissions was not dated properly.

Recommendation:

Management should take steps to ensure that all conflict of interest statements are filed timely and filled appropriately to ensure documentation of compliance with the *Code of Virginia*.

Management Response:

Management agrees with the above finding.