

**COUNTY OF PRINCE EDWARD, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2007**



**COUNTY OF PRINCE EDWARD, VIRGINIA**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2007**

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# COUNTY OF PRINCE EDWARD, VIRGINIA

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## Board of Supervisors

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William G. Fore, Jr., Chairman  
Howard F. Simpson, Vice—Chairman

Pattie Cooper—Jones  
Sally W. Gilfillan  
Lacy B. Ward

Robert M. Jones  
James C. Moore  
Charles W. McKay

## Board of Social Services

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William G. Fore, Jr., Chairman  
Karen M. Schinabeck, Vice-Chairman  
Nannie C. Hendricks  
S. Garlan Carmichael  
Zachary Jackson

## County School Board

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Russell L. Dove, Chairman

Dr. Ellery Sedgwick  
Thomas M. Tillerson  
Patsy G. Pelland

Herbert N. Doswell  
Linda Leatherwood  
Susan S. Lawman  
Lawrence C. Varner

## Other Officials

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Judge of Circuit Court  
Clerk of Circuit Court  
Judge of General District Court  
Judge of the Juvenile & Domestic Relations District Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Sheriff  
Superintendent of Schools  
Director of Social Services  
Acting County Administrator

Richard S. Blanton  
Machelle J. Eppes  
Robert G. Woodson, Jr.  
Marvin H. Dunkum, Jr.  
James R. Ennis  
Wyatt L. Overton  
Mable H. Shanaberger  
Travis D. Harris, Jr.  
Dr. Patricia Watkins  
Roma R. Morris  
Sarah Puckett



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Financial Report  
Year Ended June 30, 2007

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report on Financial Statements and Supporting Schedules

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**The Honorable Member of  
The Board of Supervisors  
County of Prince Edward, Virginia**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Prince Edward, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Prince Edward, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Prince Edward, Virginia, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2008 on our consideration of the County of Prince Edward, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress, and the Budgetary Comparison Information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Robinson, Fann, Cox Associates*

Charlottesville, Virginia  
January 9, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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To the Honorable Members of the Board of Supervisors  
To the Citizens of the County of Prince Edward, Virginia

The management of the County of Prince Edward, Virginia, presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage you to read this discussion and analysis in conjunction with the accompanying auditor's opinion on internal controls, the basic financial statements and the notes to the financial statements.

### Financial Highlights

#### Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$8,768,295 (total net assets). Of this amount \$6,428,310 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
- The Governmental activities net assets were \$8,768,295 of the County's total, an increase of \$3,480,766 or 65.8% in comparison with net assets of \$5,287,529 at June 30, 2006.
- The School Board's assets exceeded its liabilities by \$11,804,375 a decrease of \$1,111,280 when compared to the amount on June 30, 2006. However, \$10,765,088 of this amount reflects the School Board's net investment in capital assets leaving \$1,039,287 in unrestricted assets available to meet ongoing obligations. This is a decrease of \$796,815 or 43% in the School Board's unrestricted net assets for the fiscal year.

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses by \$3,122,297 (Exhibit 5) after making direct contributions totaling \$6,657,633 to the School Board.

- At the close of the current fiscal year, the County's Governmental funds reported ending fund balances of \$9,260,842, which is an increase of \$3,122,297 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unreserved fund balance for the general fund was \$9,191,615 or forty-eight and one-tenth of a percent (48.1%) of total general fund expenditures.
- The combined long-term Governmental obligations increased \$613,855 or 4.1% during the current fiscal year. This increase was caused by the additional \$1 million in new debt incurred from a Qualified Zone Academy Bond to be used for school renovations.

## Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the County's basic financial statements. These financial statements are comprised of three (3) components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the financial statements.

This report also contains other information to supplement the basic financial statements. Local governmental accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide the public with both justification from the government that public monies have been used to comply with the desires of the elected officials and whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

**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 statements include all assets and liabilities using the accrual basis of accounting. Both the financial overview and accrual accounting factors are used in the reporting of private-sector business. Government-wide financial reporting consists of two statements: (1) The Statement of Net Assets and (2) The Statement of Activities.

The Statement of Net Assets (exhibit one) presents information on all of the County's assets and liabilities. The difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets net of related debt, restricted and unrestricted. 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 (exhibit two) presents information showing how the County's net assets changed during the 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 this statement for some items which result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenues. The statement of activities presents expenses before revenues, emphasizing that in government revenues are generated for the express purpose of providing services to the public.

The Statement of Net Assets and The Statement of Activities are both divided into two types of activities:

1. **Governmental Activities** - Most of the County's basic services are reported in this column to include: General Administration, Courts, Social Services, Economic Development, and Capital Projects. Governmental activities are supported by primarily by taxes, state and federal grants.
2. **Component Unit** - The County has one component unit, the Prince Edward County Public Schools. While the School System is a legally separate entity, the County of Prince Edward is financially accountable for the School System. A primary government is accountable for an organization if the primary government appoints the majority of the organization's governing body. Financial information for the component unit is reported separately from the financial information presented for the primary government.

## Overview of the Financial Statements: (Continued)

**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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of these funds can be placed in either of three (3) categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** - A *governmental fund* is used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. However, government-wide financial statements are prepared on the accrual basis of accounting while governmental fund financial statements are prepared on the modified accrual basis of accounting. Thus, governmental fund financial statements focus on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Such information is useful in evaluating the County's ability to satisfy near-term financing requirements. Since the focus of governmental funds is narrower than that of government-wide financial statements, a reconciliation between the two methods is provided in exhibits 4 and 6, respectively. By comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the County's near-term financing decisions.

The County has three funds considered major governmental funds - the *General Fund*, *Landfill Construction Fund*, and *School Debt Service Fund*. In addition, the County has one fund considered non-major - the *Recreation Fund*. Information on these funds is contained in exhibits eight and ten through thirteen. This data is then displayed in the governmental fund balance sheet (exhibit 3) and the governmental fund statement of revenues, expenditures, and changes in fund balance (exhibit 5).

**Proprietary funds** - *Proprietary funds* consist of enterprise funds which are established to account for the delivery of goods and services to the public. These funds use the accrual basis of accounting, similar to private businesses. The County has no proprietary funds at this time.

**Fiduciary funds** - *Fiduciary funds* account for assets held by the government as a trustee or agent for another organization. The County is responsible for ensuring the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide statements since the funds are not available to support County activities. Information on these funds are contained in exhibits fourteen and fifteen.

**Notes to the financial statements** - 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 statement and accompanying notes, this report presents certain required information supplements including budgetary comparison schedules and presentation of combining financial statements for the discretely presented component unit School Board. The School Board does not issue separate financial statements.

## Government-wide Financial Analysis

As stated earlier in this discussion, net assets may serve as a useful indicator of a County's financial position over time. For the County in FY2007, assets exceeded liabilities by \$8,768,295 at the close of the fiscal year as presented in the Table below. This was an increase of \$3,480,766 or 65.8% over the FY2006 closing amount of \$5,287,529.

### County of Prince Edward, Virginia

#### Schedule of Assets Liabilities and Net Assets Governmental Activities For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 10,817,417	\$ 7,275,779
Capital assets	<u>14,724,081</u>	<u>13,957,441</u>
Total assets	\$ <u>25,541,498</u>	\$ <u>21,233,220</u>
Long-term liabilities outstanding	\$ 15,618,998	\$ 15,005,143
Current liabilities	<u>1,154,205</u>	<u>940,548</u>
Total liabilities	\$ <u>16,773,203</u>	\$ <u>15,945,691</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 2,339,985	\$ 1,629,446
Unrestricted	<u>6,428,310</u>	<u>3,658,083</u>
Total net assets	\$ <u><u>8,768,295</u></u>	\$ <u><u>5,287,529</u></u>

At the end of FY2007, the County's investment in capital assets, net of related debt is \$2,339,985. These capital assets are used to deliver services to County residents and business; and accordingly, these assets are not available for future spending. Although the important and needed investment in capital assets is reported net of related debt, it should be noted that resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources subject to external restrictions on how they may be used. The County had no restricted net assets at the end of the fiscal year. The remaining balance of net assets in the amount of \$6,428,310 may be used to meet the government's ongoing obligations.



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

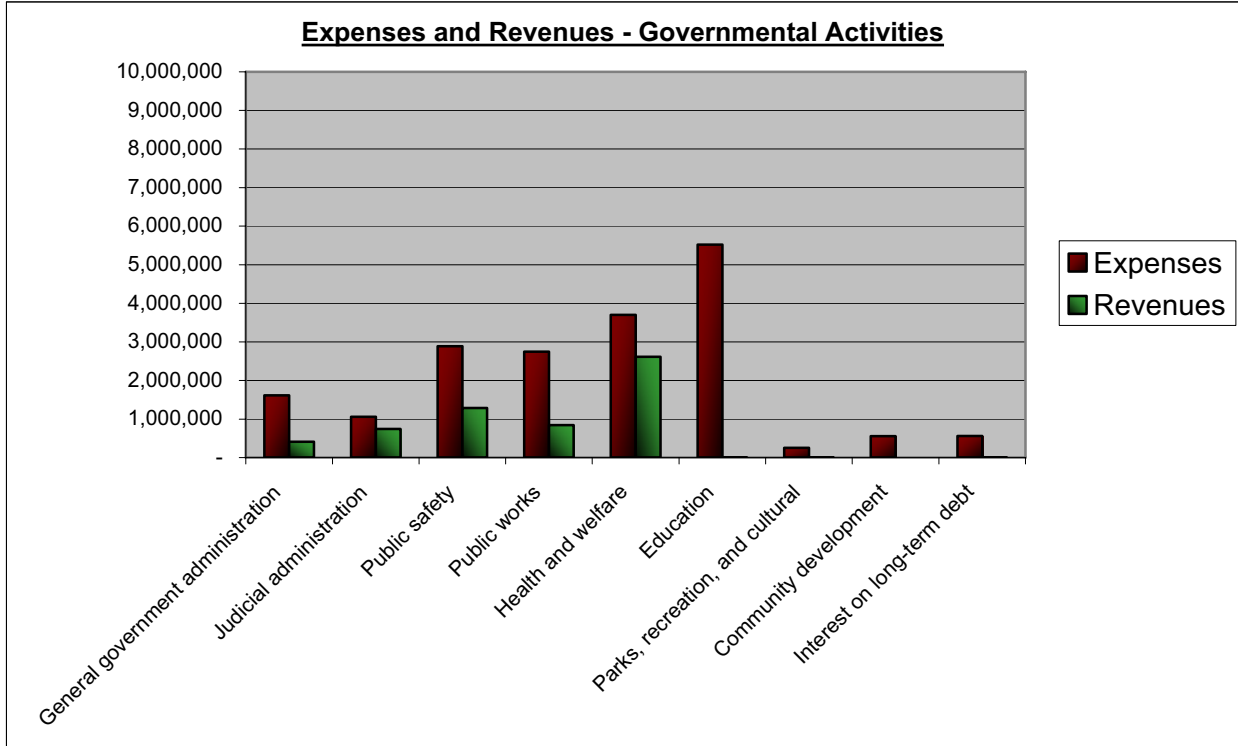
Governmental Activities - Governmental activities increased Prince Edward County's net assets by \$3,480,766. The key elements of this increase are found in exhibit 6 and the table below. The primary causes of this increase were an increase in fund balance of \$3,122,297.

<b>County of Prince Edward, Virginia</b>		
<b>Changes in Net Assets</b>		
<b>Governmental Activities</b>		
<b>For the Years Ended June 30, 2007 and 2006</b>		
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,017,523	\$ 915,181
Operating grants and contributions	4,885,349	4,683,367
General revenues:		
General property taxes	8,988,258	8,197,655
Other local taxes	3,685,401	3,405,363
Commonwealth non-categorical aid	3,086,888	1,309,289
Other general revenues	709,946	538,169
Total revenues	\$ <u>22,373,365</u>	\$ <u>19,049,024</u>
Expenses:		
General government administration	\$ 1,613,434	\$ 1,553,538
Judicial administration	1,060,878	1,337,676
Public safety	2,886,070	2,714,749
Public works	2,745,353	2,555,224
Health and welfare	3,699,915	3,331,152
Education	5,517,861	7,571,463
Parks, recreation, and cultural	253,326	237,633
Community development	556,620	1,237,317
Interest on long-term debt	559,142	556,628
Total expenses	\$ <u>18,892,599</u>	\$ <u>21,095,380</u>
Increase (decrease) in net assets	\$ 3,480,766	\$ (2,046,356)
Net assets-beginning	<u>5,287,529</u>	<u>7,333,885</u>
Net assets - ending	\$ <u><u>8,768,295</u></u>	\$ <u><u>5,287,529</u></u>

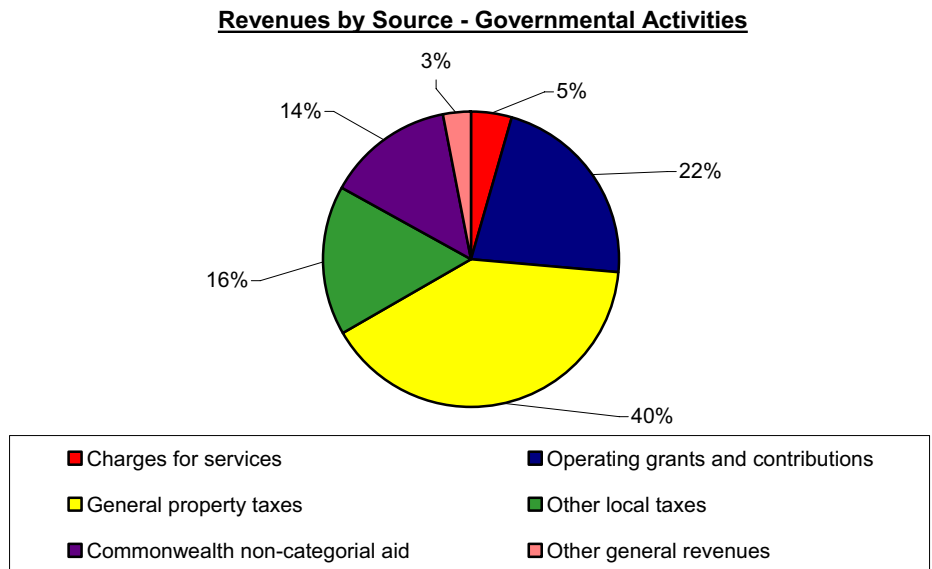
Revenues from governmental activities totaled \$22,373,365 with general property taxes (40.6%), operating grants and contributions (21.8%), and other local taxes (16.6%) comprising 79% of the County's revenues. Expenses for education (29.2%), health and welfare (19.6%), public safety (15.3%) and, public works (14.5%) account for 78.6% of total governmental expenses of \$18,892,599.

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

The chart below compares the revenues and expenses by program for governmental activities. In every category expenses outpace the revenues generated. This is common throughout the Commonwealth because most of the programs are not able to generate revenue. For those programs that can generate revenue (Recreation, Building Inspections etc.) the County has traditionally followed a policy of maintaining associated charges at a minimal level and funding the expenses from other revenue sources.



The below portrays the Sources of Revenue for the Governmental Activities of the County.



## 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 governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements.

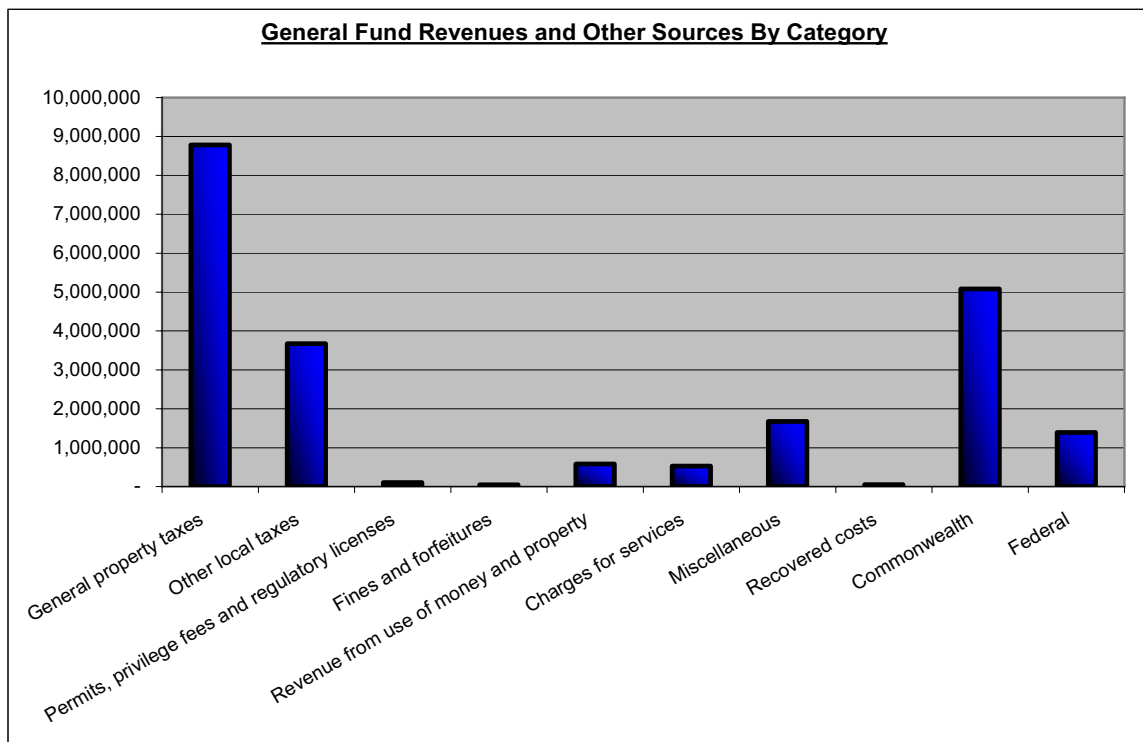
In particular, unreserved fund balances at the end of the fiscal year can be used to measure net resources available for expenditure. Governmental Funds reported a combined ending fund balance of \$9,260,842 an increase of \$3,122,297 when compared to the prior year. Ninety-nine and nine-tenths of a percent (\$9,191,615) of the combined governmental fund balance is unreserved. The remaining one tenth of a percent (\$69,227) of the combined fund balance is reserved to show it is not available for spending because it has been committed for future retiree services and debt payments.

The General Fund is the operating fund of the County. The General Fund reports a fund balance at June 30, 2007 of \$8,774,045. This is an increase from the prior year of \$2,764,875. The increase in the General Fund balance was the result of revenues increasing 13.04% while expenses only increased 3.98%. Three sources of revenue increased significantly in FY07 as compared to FY06 (1) general property taxes increased \$580,191 or 7.1%, (2) other local taxes increased by \$267,611 or 7.9%, and (3) miscellaneous revenues increased \$1,629,753 or 3,611.6%. The dramatic increase in the miscellaneous revenue was primarily the result of the sale of timber and land which totaled \$1,400,444. This is a one-time revenue which cannot be expected to recur in the future.

But even factoring out this one-time sale, revenues exceeded expenditures by \$1,424,906. Ninety-nine and nine tenths of one percent (99.9%) or \$8,765,971 of the total General Fund balance is unreserved, an increase of \$2,756,801 from June 30, 2006. As a measure of the General Fund liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 45.9% of General Fund expenditures, while total fund balance represents 46.0% of that same amount.

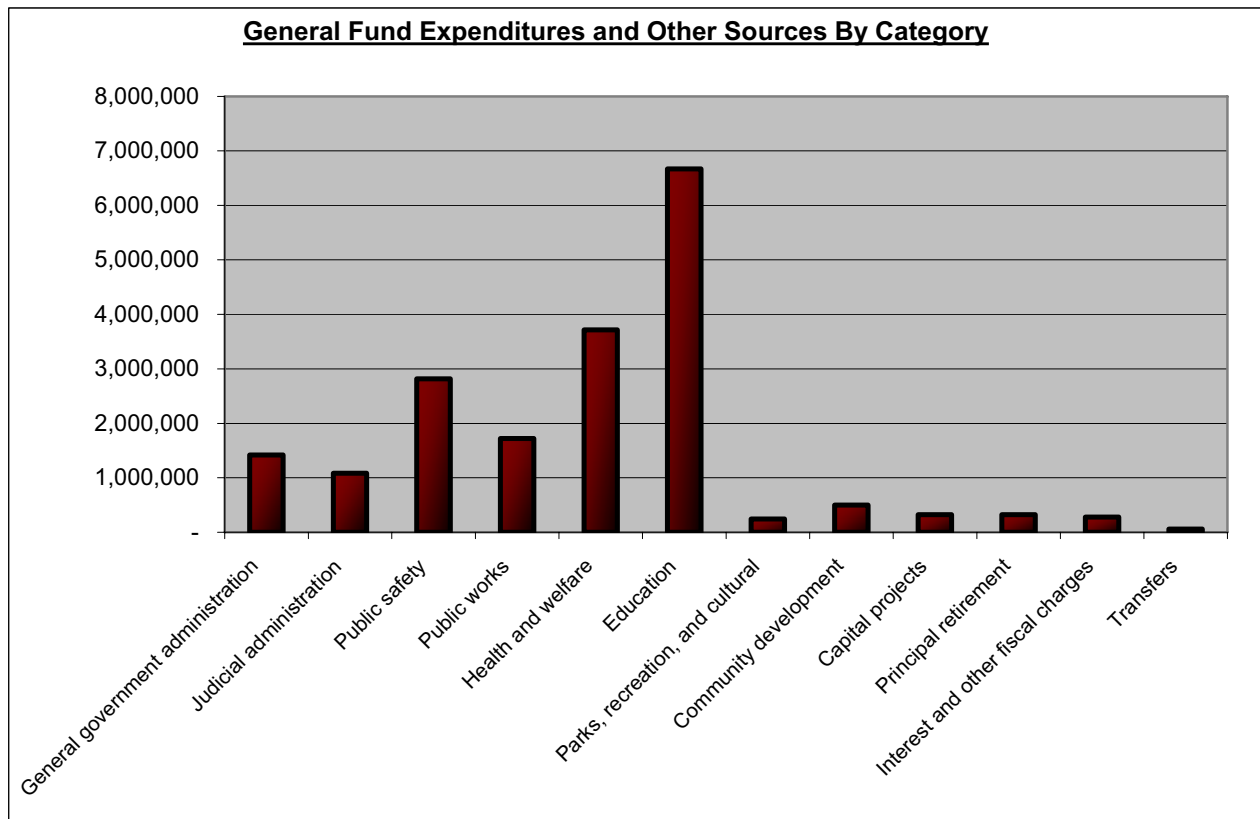
### General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$21,920,644.



## General Fund Revenues and Other Sources by Category

The graph below displays General Fund expenditures and other uses by category. Total expenditures and uses are \$19,155,769 including transfers out of the fund of \$60,425.



## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor in regard to revenues. Revenues were increased by \$1,330,103 or 7.6%, the changes in expenditures were more significant with an increase of \$1,885,701 or 9.6%. The revenue increases (decreases) were as follows:

- \$255,000 in other local taxes.
- \$1,500 in permits, fees, and licenses.
- (\$32,500) in fines and forfeitures.
- \$31,000 in charges for services.
- \$486,568 in miscellaneous.
- \$571,265 in intergovernmental revenues from the Commonwealth.
- \$17,269 in intergovernmental revenues from the Federal Government.

The amendments in other local taxes, miscellaneous revenues and revenues from the Commonwealth accounted for 98.7% of the increase. Due to the uncertainty connected with the changes associated with the new Communications Tax, the original budget was adopted without an estimate of the amount to be collected from this new revenue source. Once reliable information was received this revenue was increased by \$255,000. Miscellaneous revenues were increased by \$489,569 with the VDOT Revenue Sharing fund of revenue of \$481,559 accounting for the majority of this adjustment. This revenue represents the County's 50% match required by VDOT for a road improvement project. A third party was providing these funds, alleviating the County from this obligation. Revenues from the Commonwealth were increased by \$571,265. Increases in the VDOT Revenue Sharing Fund of \$481,559 accounted for the majority of this increase and represented the Commonwealth share of the road improvement project mentioned above.

## General Fund Budgetary Highlights: (Continued)

The Expenditure amendments were as follows:

- \$20,875 in increases in General government administration
- \$79,923 in increases in Judicial administration
- \$371,919 in increases Public Safety
- \$54,046 in increases in Public Works
- \$89,553 in increases in Health and Welfare
- \$1,268,316 in increases in Capital Projects

As can be seen increases in Capital Projects accounted for approximately two-thirds of the increase in the budgeted expenditures. The road improvement project mentioned above accounted for \$963,118 of the increase in the Capital Projects expenditures. This project will not require the County to expend any funds. The entire cost of the project will be paid for by either VDOT or a third party. In addition a federal grant associated with the Moton Museum was received in the amount of \$230,000 causing a similar increase in the Capital Projects expenditures. As in the road improvement case, this did not result in a net increase in cost to the County.

## Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2007, is \$14,724,081 (net of accumulated depreciation) as listed below. This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

County of Prince Edward, Virginia		
Capital Assets		
June 30, 2007 and 2006		
	2007	2006
Land	\$ 993,527	\$ 993,527
Buildings and system	12,288,857	11,029,260
Improvements other than buildings	947,845	1,313,413
Machinery and equipment	257,738	167,078
Construction in progress	236,114	454,163
Net capital assets	<u>\$ 14,724,081</u>	<u>\$ 13,957,441</u>

Additional information on Prince Edward County's capital assets can be found in Note 4 of this report.

Long-term debt - At the close of FY2007, Prince Edward County had total outstanding obligations of \$15,618,998. Of this amount \$10,876,490 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources, i.e., revenue bonds, landfill closure and post-closure liability, compensated absences, and notes payable.

During the fiscal year the County increased its long-term obligations by \$613,855 or 4.1%. The County's obligations decreased \$927,390 while \$1,541,245 in new debt was issued. The new debt consisted of \$1,000,000 for a Qualified Zone Academy Bond (QZAB) and \$541,245 in increase landfill closure and post-closure monitoring costs.

Additional information on the Prince Edward County's long-term debt can be found in Note 7 of this report.

## **Economic Factors Influencing FY2008 Budgets and Tax Rates**

The unemployment rate of the County on June 30, 2007 was 5.2%. This was an increase of .2% year to year. The County's unemployment rate compares unfavorably to the state's average rate of 3.2% and the national average of 4.7% for the same time. The County's population and labor force have been steadily increasing for the past several years. However, the County's manufacturing base and workforce has shrunk with the closing of two manufacturers in the area.

While the manufacturing sector is experiencing challenges, the retail sector is experiencing considerable growth. Prince Edward County has historically been the regional retail center. With the expansion of the local university, certain demographic parameters have been met that have attracted larger national retail businesses to include the food service industry.

Norfolk Southern donated an abandoned rail corridor to the Commonwealth of Virginia. The Commonwealth used this donation to create the High Bridge Trail State Park. This trail, once completed, will serve as a magnet to attract tourists to the area. However, the immediate impact in FY08 will be a decrease in tax revenue associated with Public Service Corporations.

These factors were considered in preparing the County's budget for the 2008 fiscal year.

In order to balance the budget the following adjustments were approved:

- Increased refuse rates from \$30.00 to \$33.00
- Increased the real estate tax rate from \$.50 to \$.57
- Increased the courtroom security fee from \$5.00 to \$10.00

The additional revenues raised by the tax and rate increases mentioned above were not adequate to balance the budget. Approximately \$1.8 million was required to be drawn from the fund balances to balance the County's budget.

## **Requests for Information**

This financial report is designed to provide a general overview of the County of Prince Edward's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administration Office, 111 South Street, Farmville, Virginia 23901.

**BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2007

	<u>Primary Government Governmental Activities</u>	<u>Component Unit School Board</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,528,319	\$ 1,237,397
Receivables (net of allowance for uncollectibles):		
Taxes receivable	578,044	-
Accounts receivable	603,528	-
Interest receivable	107,979	-
Due from primary government	-	426,648
Due from other governmental units	930,320	783,933
Restricted assets:		
Permanently restricted:		
Cash and cash equivalents	69,227	-
Capital assets (net of accumulated depreciation):		
Land	993,527	99,952
Buildings and system	12,288,857	8,841,622
Improvements other than buildings	947,845	386,978
Machinery and equipment	257,738	1,436,536
Construction in progress	236,114	-
	<u>25,541,498</u>	<u>13,213,066</u>
Total assets	\$ 25,541,498	\$ 13,213,066
<b>LIABILITIES</b>		
Accounts payable	\$ 552,417	\$ 44,037
Accrued liabilities	-	1,316,137
Accrued interest payable	115,140	-
Due to other governmental units	60,000	-
Due to component unit	426,648	-
Long-term liabilities:		
Due within one year	997,188	48,517
Due in more than one year	14,621,810	-
	<u>16,773,203</u>	<u>1,408,691</u>
Total liabilities	\$ 16,773,203	\$ 1,408,691
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 2,339,985	\$ 10,765,088
Unrestricted (deficit)	6,428,310	1,039,287
	<u>8,768,295</u>	<u>11,804,375</u>
Total net assets	\$ 8,768,295	\$ 11,804,375

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

COUNTY OF PRINCE EDWARD, VIRGINIA

Statement of Activities  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 1,613,434	\$ 92,490	\$ 316,051	\$ -
Judicial administration	1,060,878	80,026	662,866	-
Public safety	2,886,070	99,282	1,188,679	-
Public works	2,745,353	740,406	105,954	-
Health and welfare	3,699,915	-	2,611,799	-
Education	5,517,861	-	-	-
Parks, recreation, and cultural	253,326	-	-	-
Community development	556,620	5,319	-	-
Interest on long-term debt	559,142	-	-	-
Total government activities	\$ 18,892,599	\$ 1,017,523	\$ 4,885,349	\$ -
Total primary government	\$ 18,892,599	\$ 1,017,523	\$ 4,885,349	\$ -
<b>COMPONENT UNITS:</b>				
School Board	\$ 27,344,731	\$ 628,966	\$ 19,901,991	\$ 138,724
Total component units	\$ 27,344,731	\$ 628,966	\$ 19,901,991	\$ 138,724

General revenues:  
 General property taxes  
 Other local taxes:  
     Local sales and use taxes  
     Consumers' utility taxes  
     Motor vehicle licenses  
     Taxes on recordation and wills  
     Other local taxes  
 Unrestricted revenues from use of money and property  
 Miscellaneous  
 Contributions from the County of Prince Edward, Virginia  
 Grants and contributions not restricted to specific programs

Total general revenues and transfers

Change in net assets  
 Net assets - beginning, as adjusted (Note 13)

Net assets - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government		Component Unit	
Governmental Activities	Total	School Board	
\$ (1,204,893)	\$ (1,204,893)	\$	-
(317,986)	(317,986)		-
(1,598,109)	(1,598,109)		-
(1,898,993)	(1,898,993)		-
(1,088,116)	(1,088,116)		-
(5,517,861)	(5,517,861)		-
(253,326)	(253,326)		-
(551,301)	(551,301)		-
(559,142)	(559,142)		-
<u>\$ (12,989,727)</u>	<u>\$ (12,989,727)</u>	<u>\$</u>	<u>-</u>
<u>\$ (12,989,727)</u>	<u>\$ (12,989,727)</u>	<u>\$</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>(6,675,050)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>(6,675,050)</u>
\$ 8,988,258	\$ 8,988,258	\$	-
2,555,696	2,555,696		-
438,853	438,853		-
223,727	223,727		-
276,472	276,472		-
190,653	190,653		-
593,476	593,476		57,927
116,470	116,470		-
-	-		5,505,843
<u>3,086,888</u>	<u>3,086,888</u>		<u>-</u>
<u>\$ 16,470,493</u>	<u>\$ 16,470,493</u>	<u>\$</u>	<u>5,563,770</u>
\$ 3,480,766	\$ 3,480,766	\$	(1,111,280)
<u>5,287,529</u>	<u>5,287,529</u>	<u>\$</u>	<u>12,915,655</u>
<u>\$ 8,768,295</u>	<u>\$ 8,768,295</u>	<u>\$</u>	<u>11,804,375</u>

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## **Fund Financial Statements**

Balance Sheet  
 Governmental Funds  
 June 30, 2007

	<u>General</u>	<u>School Debt Service</u>	<u>Landfill Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,151,604	\$ -	\$ 351,327	\$ 25,390	\$ 8,528,321
Receivables (net of allowance for uncollectibles):					
Taxes receivable	578,044	-	-	-	578,044
Accounts receivable	554,602	-	48,927	-	603,529
Interest receivable	107,979	-	-	-	107,979
Due from other governmental units	930,320	-	-	-	930,320
Restricted assets:					
Permanently restricted:					
Cash and cash equivalents	8,074	61,153	-	-	69,227
<b>Total assets</b>	<b>\$ 10,330,623</b>	<b>\$ 61,153</b>	<b>\$ 400,254</b>	<b>\$ 25,390</b>	<b>\$ 10,817,420</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 552,420	\$ -	\$ -	\$ -	\$ 552,420
Due to other governmental unit	60,000	-	-	-	60,000
Due to component unit	426,648	-	-	-	426,648
Deferred revenue	517,460	-	-	-	517,460
<b>Total liabilities</b>	<b>\$ 1,556,528</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,556,528</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Debt service	\$ -	\$ 61,153	\$ -	\$ -	\$ 61,153
Retiree benefits	8,074	-	-	-	8,074
<b>Unreserved, reported in:</b>					
General fund	8,765,971	-	-	-	8,765,971
Capital projects funds	-	-	400,254	25,390	425,644
<b>Total fund balances</b>	<b>\$ 8,774,045</b>	<b>\$ 61,153</b>	<b>\$ 400,254</b>	<b>\$ 25,390</b>	<b>\$ 9,260,842</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,330,573</b>	<b>\$ 61,153</b>	<b>\$ 400,254</b>	<b>\$ 25,390</b>	<b>\$ 10,817,370</b>

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



Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 June 30, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 9,260,842
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,724,081
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	517,460
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(15,734,088)</u>
Net assets of governmental activities	<u>\$ 8,768,295</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2007

	General	School Debt Service	Landfill Construction Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
General property taxes	\$ 8,781,315	\$ -	\$ -	\$ -	\$ 8,781,315
Other local taxes	3,672,974	-	-	-	3,672,974
Permits, privilege fees, and regulatory licenses	107,344	-	-	-	107,344
Fines and forfeitures	46,112	-	-	-	46,112
Revenue from the use of money and property	583,456	728	9,102	191	593,477
Charges for services	531,369	-	286,976	-	818,345
Miscellaneous	1,674,879	-	-	-	1,674,879
Recovered costs	51,218	-	-	-	51,218
Intergovernmental revenues:					
Commonwealth	5,079,154	-	-	-	5,079,154
Federal	1,392,823	-	-	-	1,392,823
<b>Total revenues</b>	<b>\$ 21,920,644</b>	<b>\$ 728</b>	<b>\$ 296,078</b>	<b>\$ 191</b>	<b>\$ 22,217,641</b>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 1,416,441	\$ -	\$ -	\$ -	\$ 1,416,441
Judicial administration	1,084,329	-	-	-	1,084,329
Public safety	2,815,986	-	-	-	2,815,986
Public works	1,723,931	-	-	-	1,723,931
Health and welfare	3,714,420	-	-	-	3,714,420
Education	6,669,651	-	-	-	6,669,651
Parks, recreation, and cultural	243,368	-	-	-	243,368
Community development	501,123	-	-	-	501,123
Capital projects	324,432	-	-	-	324,432
Debt service:					
Principal retirement	323,958	-	-	-	323,958
Interest and other fiscal charges	277,705	-	-	-	277,705
<b>Total expenditures</b>	<b>\$ 19,095,344</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,095,344</b>
Excess (deficiency) of revenues over (under) expenditures	\$ 2,825,300	\$ 728	\$ 296,078	\$ 191	\$ 3,122,297
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ -	\$ 60,425	\$ -	\$ -	\$ 60,425
Transfers out	(60,425)	-	-	-	(60,425)
<b>Total other financing sources (uses)</b>	<b>\$ (60,425)</b>	<b>\$ 60,425</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Net change in fund balances	\$ 2,764,875	\$ 61,153	\$ 296,078	\$ 191	\$ 3,122,297
Fund balances - beginning	6,009,170	-	104,176	25,199	6,138,545
<b>Fund balances - ending</b>	<b>\$ 8,774,045</b>	<b>\$ 61,153</b>	<b>\$ 400,254</b>	<b>\$ 25,390</b>	<b>\$ 9,260,842</b>

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

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2007

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

Net change in fund balances - total governmental funds	\$ 3,122,297
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	208,964
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	368,022
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.	<u>(218,517)</u>
Change in net assets of governmental activities	<u>\$ 3,480,766</u>

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

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2007

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>349,893</u>
Total assets	\$ <u><u>349,893</u></u>
<b>LIABILITIES</b>	
Accrued liabilities	\$ 188,869
Amounts held for social services clients	2,281
Amounts held for Piedmont Alcohol Safety Action Program	<u>158,743</u>
Total liabilities	\$ <u><u>349,893</u></u>

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

# COUNTY OF PRINCE EDWARD, VIRGINIA

## Notes to Financial Statements As of June 30, 2007

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### **Note 1—Summary of Significant Accounting Policies:**

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#### Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments. This statement, known as the “Reporting Model” statement, affects the way the County prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management’s Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).

#### Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its components unit. For the most part, effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Statement of Activities - The new government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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.

## COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

#### A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Prince Edward, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

#### B. Individual Component Unit Disclosures

Blended Component Units - The County has no blended component units.

Discretely Presented Component Units - The component unit columns in the combined financial statements include the financial data of the County's component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Prince Edward County School Board operates the elementary and secondary public schools in the County. School Board members are appointed by the Board of Supervisors. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School board and provides significant funding to operate the public schools, since the School Board does not have separate taxing powers.

## COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### C. Related Organizations

The County's officials are also responsible for appointing the member of the boards of other organizations, but the county's accountability for these organizations do not extend beyond making the appointment. The Board of Supervisors appoints the board members of the Prince Edward County Industrial Development Authority.

#### D. Jointly Governed Organizations

The County, in conjunction with other localities, has created the Central Virginia Regional Library, the Piedmont Regional Jail and Crossroads Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$130,111 to the regional library and \$65,940 to the Crossroads Community Services Board.

#### E. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The government-wide Statement of Activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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

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

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

**a. General Fund**

The General Fund is the primary operating fund of the County. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

**b. Landfill Construction Fund**

The Landfill Construction Fund accounts for financial resources received from outside the County used for the acquisition or construction of landfill construction. This fund is considered a major fund for government-wide reporting purposes.

**c. Debt Service Fund**

The Debt Service Fund accounts for the sinking fund required to be maintained by Qualified Zone Academy Bonds. This fund is considered a major fund for reporting purposes.



## COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### E. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

##### 2. Fiduciary Funds (Trust and Agency Funds)

Fiduciary Funds (Trust and Agency Funds) account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

#### F. Budgets and Budgetary Accounting:

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

1. 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 means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Watershed Construction Fund, Recreation Fund and the Landfill Capital Projects Funds of the primary government and the School Fund and School Cafeteria Fund and School Capital Projects Fund of the School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all county units.
8. Budget data presented in the accompanying financial statements includes the original and legally amended budgets at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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**Note 1—Summary of Significant Accounting Policies: (Continued)**

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G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$288,809 at June 30, 2007 and is composed solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) 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. Interest incurred during the construction phase of capital assets of business–type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2007 was immaterial.

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

<u>Assets</u>	<u>Years</u>
Structures, lines & accessories	50
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	8
Police vehicles	3

## COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### I. Compensated Absences

Vested or accumulated vacation leave are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

#### J. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### K. Fund Equity

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

#### L. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

#### M. Use of Estimates

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

#### N. Restricted & Unrestricted Net Assets

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

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 2—Deposits and Investments:**

Deposits:

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan Institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments:

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

Custodial Credit Risk (Investments):

The County has no policy regarding investment custodial credit risk.

The County’s investments at June 30, 2007 were held by the County or in the County’s name by the County’s custodial banks.

Credit Risk of Debt Securities:

The County’s investment policy allows for any investments which are in accordance with the *Code of Virginia*. The County’s rated debt investments as of June 30, 2007 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

**Locality's Rated Debt Investments**

Rated Debt Investments Value	Fair Quality Ratings				
	AAA	AA	A	A1	Unrated
Money market Mutual Fund	\$ 154,776	\$ -	\$ -	\$ -	\$ -
State Non-Arbitrage Pool	28,124	-	-	-	-
Repurchase Agreements-Underlying:					
U.S. Agency Securities	1,106,067	-	-	-	-
Total	\$ 1,288,967	\$ -	\$ -	\$ -	\$ -

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 2—Deposits and Investments: (Continued)**

Concentration of Credit Risk:

The County's investment policy states the importance of diversification within its portfolio. Excessive concentration of any type of investment or excessive transactions with a financial institution is prohibited.

The County had investments at June 30, 2007, with more than 5 percent of the total in the securities underlying the repurchase agreements with BB&T. This investment represented 86 percent of total investments.

Interest Rate Risk:

The County investment policy prohibits investments that have a maturity date of greater than five years. Investments with a maturity date of between six months and five years are authorized on a individual basis determined by the time required to make a withdraw without incurring penalties.

**Investment Maturities (in years)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10 Years +</u>
Repurchase Agreements:					
U.S. Agencies	\$ 1,106,067	\$ 1,106,067	\$ -	\$ -	\$ -
Total	\$ 1,106,067	\$ 1,106,067	\$ -	\$ -	\$ -

**Note 3—Due From Other Governmental Units:**

Amounts due from other governments are detailed as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Commonwealth of Virginia		
School funds	\$ -	\$ 40,026
State sales taxes	-	484,779
Shared expenses	173,133	-
Social services funds	63,190	-
Comprehensive Services	493,430	-
Shared revenues	103,612	-
Other	-	-
Federal Government:		
School funds	-	259,128
Social services funds	99,955	-
	<u>\$ 933,320</u>	<u>\$ 783,933</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 4—Capital Assets:**

The following is a summary of changes in the capital assets for the fiscal year ending June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 993,527	\$ -	\$ -	\$ 993,527
Construction-in-progress	<u>454,163</u>	<u>1,611,399</u>	<u>1,829,448</u>	<u>236,114</u>
Totals	<u>\$ 1,447,690</u>	<u>\$ 1,611,399</u>	<u>\$ 1,829,448</u>	<u>\$ 1,229,641</u>
Capital assets, being depreciated:				
Buildings	\$ 14,213,466	\$ 2,081,857	\$ 608,778	\$ 15,686,545
Improvements other than buildings	2,634,211	-	-	2,634,211
Equipment	<u>1,078,875</u>	<u>208,964</u>	<u>-</u>	<u>1,287,839</u>
Total capital assets being depreciated	<u>\$ 17,926,552</u>	<u>\$ 2,290,821</u>	<u>\$ 608,778</u>	<u>\$ 19,608,595</u>
Less accumulated depreciation for:				
Buildings	\$ 3,184,206	\$ 390,232	\$ 176,750	\$ 3,397,688
Improvements other than buildings	1,320,798	365,568	-	1,686,366
Equipment	<u>911,797</u>	<u>118,304</u>	<u>-</u>	<u>1,030,101</u>
Total accumulated depreciation	<u>\$ 5,416,801</u>	<u>\$ 874,104</u>	<u>\$ 176,750</u>	<u>\$ 6,114,155</u>
Total capital assets being depreciated, net	<u>\$ 12,509,751</u>	<u>\$ 1,416,717</u>	<u>\$ 432,028</u>	<u>\$ 13,494,440</u>
Governmental activities capital assets, net	<u><u>\$ 13,957,441</u></u>	<u><u>\$ 3,028,116</u></u>	<u><u>\$ 2,261,476</u></u>	<u><u>\$ 14,724,081</u></u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

Note 4—Capital Assets: (Continued)

The following is a summary of changes in School Board capital assets during the year:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 99,952	\$ -	\$ -	\$ 99,952
Totals	<u>\$ 99,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,952</u>
Capital assets, being depreciated:				
Buildings	\$ 16,359,946	\$ 608,778	\$ 252,408	\$ 16,716,316
Improvements other than buildings	703,247	-	-	703,247
Equipment	<u>3,627,223</u>	<u>262,714</u>	<u>-</u>	<u>3,889,937</u>
Total capital assets being depreciated	<u>\$ 20,690,416</u>	<u>\$ 871,492</u>	<u>\$ 252,408</u>	<u>\$ 21,309,500</u>
Less accumulated depreciation for:				
Buildings	\$ 7,300,092	\$ 720,024	\$ 145,422	\$ 7,874,694
Improvements other than buildings	299,393	16,876	-	316,269
Equipment	<u>2,111,329</u>	<u>342,072</u>	<u>-</u>	<u>2,453,401</u>
Total accumulated depreciation	<u>\$ 9,710,814</u>	<u>\$ 1,078,972</u>	<u>\$ 145,422</u>	<u>\$ 10,644,364</u>
Total capital assets being depreciated, net	<u>\$ 10,979,602</u>	<u>\$ (207,480)</u>	<u>\$ 106,986</u>	<u>\$ 10,665,136</u>
Governmental activities capital assets, net	<u><u>\$ 11,079,554</u></u>	<u><u>\$ (207,480)</u></u>	<u><u>\$ 106,986</u></u>	<u><u>\$ 10,765,088</u></u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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**Note 4—Capital Assets: (Continued)**

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Primary Government: (Continued)

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

Governmental activities:

General government	\$	273,151
Judicial administration		3,205
Public safety		66,474
Public works		376,300
Education		145,422
Health & Welfare		4,372
Community development		<u>5,180</u>
Total	\$	<u>874,104</u>
Component Unit-School Board	\$	<u>1,078,972</u>

**Note 5—Defined Benefit Pension Plan:**

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A. Plan Description

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan  
Administering Entity: Virginia Retirement System (System)

The County contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of participating law enforcement officers and firefighters). Employees who retire with a reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature.

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



COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 5—Defined Benefit Pension Plan: (Continued)**

**B. Funding Policy**

Primary Government:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed this 5% member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended June 30, 2007 was 6.83% of the annual covered payroll.

Discretely Presented Component Unit-School Board:

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The employer has assumed this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2007 was 4.64% of the annual covered payroll.

**C. Annual Pension Cost**

	<u>Primary Government</u>	<u>Discretely Presented Component Unit School Board Non-Professional Retirement Plan</u>
Contribution rate:		
Employer	6.83%	4.64%
Plan members <sup>1</sup>	5.00%	5.00%
Annual pension cost	\$ 206,481	\$ 37,699
Contributions made	\$ 206,481	\$ 37,699
Actuarial valuation date	06/30/06	06/30/06
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	20 years	20 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return <sup>2</sup>	7.5%	7.5%
Projected salary increases *		
Non-LEO	3.75% - 5.60%	3.75% - 5.60%
LEO employees	3.50% - 4.75%	3.50% - 4.75%
Cost-of-Living adjustments	2.5%	2.5%

<sup>1</sup> This member contribution has been assumed by the employer.

<sup>2</sup> Includes inflation at 3.00%

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 5—Defined Benefit Pension Plan: (Continued)**

C. Annual Pension Cost: (Continued)

**Three-Year Trend Information**

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government:				
County	06/30/05	\$ 142,856	100%	\$ -
	06/30/06	150,748	100%	-
	06/30/07	206,481	100%	-
Discretely Presented Component Unit:				
School Board Non-Professional	06/30/05	\$ 6,929	100%	\$ -
	06/30/06	7,650	100%	-
	06/30/07	37,699	100%	-

(1) Employer portion only

D. Discretely Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Prince Edward County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. That report may be obtained by writing to the System at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required to contribute 5.0% of their annual covered salary and Prince Edward County School Board is required to contribute at an actuarially determined rate. The current rate is 9.20% of annual covered payroll. The contribution requirements of plan members and Prince Edward School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2007 and 2006 were \$1,189,431 and \$726,052 respectively, equal to the required contributions for each year.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 6—Compensated Absences:**

In accordance with GASB statement 16 “Accounting and Financial Reporting Principal for claims and Judgments and Compensated Absences,” the County has accrued the liability arising from outstanding claims and judgments and compensated absences.

County employees earn vacation and sick leave at various rates. The County had outstanding accrued vacation pay as follows:

Primary Government \$ 416,823

**Note 7—Long-Term Debt:**

Primary Government:

Annual requirements to amortize long-term obligations and related interest are as follows:

<b>Primary Government</b>				
<u>Year</u>	<u>VRS Early Retirement</u>		<u>County Bonds &amp; Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 37,370	\$ 26,675	\$ 915,783	\$ 499,838
2009	40,360	23,685	915,322	452,634
2010	43,589	20,456	848,231	405,835
2011	47,076	16,969	788,383	361,981
2012	50,842	13,203	719,677	320,503
2013-2017	123,489	13,879	2,782,455	1,171,801
2018-2022	-	-	904,959	667,796
2023-2027	-	-	754,387	495,060
2028-2032	-	-	670,988	326,572
2033-2037	-	-	850,464	147,096
2038	-	-	118,620	3,899
	<u>\$ 342,726</u>	<u>\$ 114,867</u>	<u>\$ 10,269,269</u>	<u>\$ 4,853,015</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 7—Long—Term Debt: (Continued)**

Primary Government: (Continued)

The following is summary of long-term debt transactions of the County for the year ended June 30, 2007:

	<b>Amounts Payable at July 1, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Amounts Payable at June 30, 2007</b>	<b>Payable Due Within One Year</b>
Primary Government:					
Revenue bonds	\$ 1,673,400	-	\$ 96,574	\$ 1,576,826	\$ 102,363
General obligation bonds	5,151,308	-	495,853	4,655,455	532,205
Premium on bond issuance	35,949	-	2,353	33,596	2,353
Qualified zone academy bonds	1,116,857	1,000,000	-	2,116,857	-
Courthouse construction bonds	4,192,967	-	227,385	3,965,582	228,715
Literary fund loans payable	157,500	-	52,500	105,000	52,500
Early retirement obligation	377,328	-	34,602	342,726	37,370
Landfill post-closure monitoring	1,529,888	541,245	-	2,071,133	-
Landfill corrective action plan	335,000	-	-	335,000	-
Compensated absences	434,946	-	18,123	416,823	41,682
<b>Total Primary Government</b>	<b>\$ 15,005,143</b>	<b>\$ 1,541,245</b>	<b>\$ 927,390</b>	<b>\$ 15,618,998</b>	<b>\$ 997,188</b>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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**Note 7—Long—Term Debt: (Continued)**

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Primary Government: (Continued)

General obligation bonds:

\$1,893,607 Virginia Public School Authority Bonds 1991A, issued July 31, 1991, maturing annually through July 15, 2011 with interest payable semiannually at rates from 4.85% to 6.60%.	\$ 574,121
\$450,000 Virginia Public School Authority Bonds, issued November 20, 1991, maturing annually through December 15, 2011 with interest payable semi-annually at rates from 5.5% to 7.5%.	95,000
\$3,800,000 Virginia Public School Authority Bonds, issued November 18, 1993, maturing annually through December 15, 2013 with interest payable semi-annually at rates from 4.475% to 7.5%.	550,000
\$4,211,116 Virginia Public School Authority Bonds 1997 I, issued November 20, 1997, maturing annually through July 15, 2017 with interest payable semi-annually at rates from 4.35% to 5.35%.	2,471,334
\$1,000,000 Virginia Public School Authority Bonds issued May 11, 2006, maturing annually through July 15, 2026 with interest payable semi-annually at rates from 4.1% to 5.1%.	965,000
Plus: Premium on issuance	<u>33,596</u>
Total general obligation bonds	<u>\$ 4,689,051</u>
Revenue bonds (payable from General Fund property rentals):	
\$1,370,000 dated July 15, 1998 issued through Rural Development, interest only on July 15, 1999 and 2000, then combined monthly payments of \$6,508 of principal and interest through May 15, 2038, includes interest at 4.75%.	\$ 1,244,653
\$1,000,000 Taxable Revenue Note dated December 17, 1998 due in combined annual installments of \$104,651 including principal and interest through December 17, 2010, includes interest at 6.25%.	<u>332,173</u>
Total revenue bonds (payable from General Fund property rentals)	<u>\$ 1,576,826</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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**Note 7—Long—Term Debt: (Continued)**

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Primary Government: (Continued)

Courthouse construction bonds:

\$3,500,000 issued July 1, 1998, due in annual installments of principal through July 1, 2017, interest payable semi-annually at 3.85% to 4.85%. \$ 2,000,000

\$2,130,000 dated July 15, 1998 issued through Rural Development interest only due July 15, 1999 and 2000, then combined monthly payments of \$10,118 of principal and interest through May 15, 2038, includes interest at 4.75%. 1,965,582

Total Courthouse Construction Bonds \$ 3,965,582

State Literary Fund Loan:

\$1,042,239, issued May 13, 1988, due in annual installments of \$52,500 through July 15, 2008. \$ 105,000

\$576,882 General Obligation Refunding Note (Retirement Obligation) dated July 30, 1998 due in combined annual installments of principal and interest of \$61,985 through July 30, 2013, includes interest at 6.66%. \$ 342,726

Qualified zone academy bonds:

\$1,116,857 Qualified Zone Academy Bond, issued December 29, 2005, maturing December 29, 2020. Annual payments of \$60,425 are required to be placed in a sinking fund that will be used to pay the debt in 2020. \$ 1,116,857

\$1,000,000 Qualified Zone Academy Bonds, issued December 13, 2006, maturing December 13, 2022. Annual payments of \$49,728 are required to be placed in a sinking fund that will be used to pay the debt in 2022. 1,000,000

Total qualified zone academy bonds \$ 2,116,857

Landfill closure and post-closure care liability \$ 2,071,133

Landfill corrective action plan liability \$ 335,000

Compensated absences payable \$ 416,823

Total primary government long-term debt \$ 15,618,998

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

**Note 7—Long—Term Debt: (Continued)**

Component Unit - School Board:

The following is a summary of long-term debt transactions of the Component Unit- School Board for the year ended June 30, 2007:

	<u>Amounts Payable at July 1, 2006</u>	<u>Addition</u>	<u>Deletions</u>	<u>Amounts Payable at June 30, 2007</u>	<u>Payable Due Within One Year</u>
Compensated Absences	\$ 97,034	\$ -	\$ 48,517	\$ 48,517	\$ 48,517

Details of Long-Term Undebtedness:

Compensated absences liability	\$ <u>48,517</u>
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**Note 8—Litigation:**

At June 30, 2007, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

**Note 9—Contingent Liabilities:**

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

**Note 10—Surety Bonds:**

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	\$
Machelle J. Eppes, Clerk of the Circuit Court	360,000
Mable H. Shanaberger, Treasurer	400,000
Wyatt L. Overton, Commissioner of the Revenue	3,000
Travis D. Harris, Jr., Sheriff	30,000
United State Fidelity and Guaranty Company - Surety	
Clerk and Deputy Clerk of the School Board	50,000
Aetna Casualty and Surety Company - Surety	
Roma Morris, Director of Social Services	100,000
Fidelity and Deposit Company of Maryland - Surety	
County Administrator	2,000

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements  
As of June 30, 2007 (Continued)

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**Note 11—Landfill Closure and Postclosure Care Cost:**

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State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County records a portion of this closure and postclosure care liability in each period based on landfill capacity as of each balance sheet date. The \$541,245 reported as landfill closure costs represents the cumulative amount reported to date based on the use of 26% of the landfill capacity. Additionally, the \$1,229,477 reported as landfill postclosure costs represents the cumulative amount reported to date based on the use of 26% of the total landfill capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,954,780 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. Actual cost may be higher due to inflation, changes in technology or changes in regulation.

Annually, the County demonstrates its ability to fund landfill costs by providing financial assurance to the Virginia Department of Environmental Quality.

**Note 12—Risk Management:**

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The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and natural disasters. The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association 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 County continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage.

**Note 13—Restatement of Net Assets:**

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Beginning net assets were adjusted to properly report the subsidy portion of the 2005 Qualified Zone Academy Bond as a long-term liability.

Beginning Net Assets, June 30, 2006	\$	5,633,249
Qualified Zone Academy bond adjustment		<u>(345,720)</u>
Beginning net assets, June 30, 2006, adjusted	\$	<u><u>5,287,529</u></u>



**REQUIRED SUPPLEMENTARY INFORMATION**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 7,578,950	\$ 7,578,950	\$ 8,781,315	\$ 1,202,365
Other local taxes	2,936,500	3,191,500	3,672,974	481,474
Permits, privilege fees, and regulatory licenses	56,000	57,500	107,344	49,844
Fines and forfeitures	63,010	30,510	46,112	15,602
Revenue from the use of money and property	410,000	410,000	583,456	173,456
Charges for services	425,300	456,300	531,369	75,069
Miscellaneous	79,120	565,689	1,674,879	1,109,190
Recovered costs	53,000	53,000	51,218	(1,782)
Intergovernmental revenues:				
Commonwealth	4,548,703	5,119,968	5,079,154	(40,814)
Federal	1,311,364	1,328,633	1,392,823	64,190
Total revenues	\$ 17,461,947	\$ 18,792,050	\$ 21,920,644	\$ 3,128,594
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 1,579,930	\$ 1,600,805	\$ 1,416,441	\$ 184,364
Judicial administration	1,185,239	1,265,162	1,084,329	180,833
Public safety	2,720,978	3,163,964	2,815,986	347,978
Public works	1,788,185	1,842,231	1,723,931	118,300
Health and welfare	3,683,612	3,773,165	3,714,420	58,745
Education	6,862,390	6,862,390	6,669,651	192,739
Parks, recreation, and cultural	259,611	259,611	243,368	16,243
Community development	575,279	575,279	501,123	74,156
Capital projects	365,000	1,633,318	324,432	1,308,886
Debt service:				
Principal retirement	419,318	419,318	323,958	95,360
Interest and other fiscal charges	229,445	229,445	277,705	(48,260)
Total expenditures	\$ 19,668,987	\$ 21,624,688	\$ 19,095,344	\$ 2,529,344
Excess (deficiency) of revenues over (under) expenditures	\$ (2,207,040)	\$ (2,832,638)	\$ 2,825,300	\$ 5,657,938
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (50,000)	\$ (50,000)	\$ (60,425)	\$ (10,425)
Total other financing sources and uses	\$ (50,000)	\$ (50,000)	\$ (60,425)	\$ (10,425)
Net change in fund balances	\$ (2,257,040)	\$ (2,882,638)	\$ 2,764,875	\$ 5,647,513
Fund balances - beginning	2,257,040	2,882,638	6,009,170	3,126,532
Fund balances - ending	\$ -	\$ -	\$ 8,774,045	\$ 8,774,045

Schedule of Pension Funding Progress for the Virginia Retirement System  
Last Three Fiscal Years

**County:**

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2)/(3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	\$ 9,453,403	\$ 10,063,745	\$ 610,342	93.94%	\$ 3,372,008	18.10%
6/30/2005	9,773,008	11,701,883	1,928,875	83.52%	3,541,406	54.47%
6/30/2006	10,447,772	12,239,492	1,791,720	85.36%	3,899,665	45.95%

**School Board Non-Professionals:**

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2)/(3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2004	\$ 1,844,887	\$ 1,731,561	(113,326)	106.54%	\$ 675,512	(16.78%)
6/30/2005	1,916,254	1,931,880	15,626	99.19%	666,914	2.34%
6/30/2006	2,066,368	2,056,992	(9,376)	100.46%	679,353	(1.38%)

**OTHER SUPPLEMENTARY INFORMATION**

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## **Combining and Individual Fund Statements and Schedules**

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Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

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	<u>Capital Projects Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>25,390</u>
Total assets	\$ <u><u>25,390</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Fund balances:	
Unreserved:	
Designated for subsequent expenditure	\$ <u>25,390</u>
Total fund balances	\$ <u>25,390</u>
Total liabilities and fund balances	\$ <u><u>25,390</u></u>

Capital Projects Fund - Landfill Construction Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 9,102	\$ 4,102
Charges for services	<u>300,000</u>	<u>300,000</u>	<u>286,976</u>	<u>(13,024)</u>
Total revenues	<u>\$ 305,000</u>	<u>\$ 305,000</u>	<u>\$ 296,078</u>	<u>\$ (8,922)</u>
<b>EXPENDITURES</b>				
Current:				
Capital projects	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 305,000</u>	<u>\$ 305,000</u>	<u>\$ 296,078</u>	<u>\$ (8,922)</u>
Net change in fund balances	\$ 305,000	\$ 305,000	\$ 296,078	\$ (8,922)
Fund balances - beginning	<u>440,000</u>	<u>685,000</u>	<u>104,176</u>	<u>(580,824)</u>
Fund balances - ending	<u><u>\$ 745,000</u></u>	<u><u>\$ 990,000</u></u>	<u><u>\$ 400,254</u></u>	<u><u>\$ (589,746)</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds - Capital Projects  
 For the Year Ended June 30, 2007

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	<u>Capital Projects Funds</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ <u>191</u>
Total revenues	\$ <u>191</u>
<b>EXPENDITURES</b>	
Total expenditures	\$ <u>-</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>191</u>
Net change in fund balances	\$ 191
Fund balances - beginning	<u>25,199</u>
Fund balances - ending	<u><u>25,390</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Capital Projects Funds  
 For the Year Ended June 30, 2007

	<b>Recreation Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 100	\$ 100	\$ 191	\$ 91
Total revenues	\$ 100	\$ 100	\$ 191	\$ 91
<b>EXPENDITURES</b>				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 100	\$ 100	\$ 191	\$ 91
Net change in fund balances	\$ 100	\$ 100	\$ 191	\$ 91
Fund balances - beginning	-	-	25,199	25,199
Fund balances - ending	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 25,390</u>	<u>\$ 25,290</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special welfare:				
Assets:				
Cash	\$ 4,458	\$ 19,388	\$ 21,565	\$ 2,281
Liabilities:				
Amounts held for social service clients	\$ 4,458	\$ 19,388	\$ 21,565	\$ 2,281
Piedmont Court Services:				
Assets:				
Cash	\$ 159,304	\$ 479,630	\$ 450,065	\$ 188,869
Liabilities:				
Amounts held for others	\$ 159,304	\$ 479,630	\$ 450,065	\$ 188,869
Undistributed local sales tax:				
Assets:				
Cash	\$ -	\$ 377,598	\$ 377,598	\$ -
Liabilities:				
Sales tax payable to towns	\$ -	\$ 377,598	\$ 377,598	\$ -
Fiscal Agent Holdings:				
Assets:				
Cash	\$ 156,424	\$ 420,211	\$ 417,892	\$ 158,743
Liabilities:				
Amounts held for others:				
Piedmont ASAP	\$ 156,424	\$ 420,211	\$ 417,892	\$ 158,743
Total Liabilities	\$ 156,424	\$ 420,211	\$ 417,892	\$ 158,743
Totals -- All agency funds				
Assets:				
Cash	\$ 320,186	\$ 1,296,827	\$ 1,267,120	\$ 349,893
Total assets	\$ 320,186	\$ 1,296,827	\$ 1,267,120	\$ 349,893
Liabilities:				
Amounts held for social service clients	\$ 4,458	\$ 19,388	\$ 21,565	\$ 2,281
Amounts held for others	159,304	479,630	450,065	188,869
Sales tax payable to towns	-	377,598	377,598	-
Amounts held for others	156,424	420,211	417,892	158,743
Total liabilities	\$ 320,186	\$ 1,296,827	\$ 1,267,120	\$ 349,893

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

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2007

	<u>Agency Funds</u>			
	<u>Special Welfare</u>	<u>Piedmont Alcohol Safety Action Program</u>	<u>Piedmont Court Services</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,281	\$ 158,743	\$ 188,869	\$ 349,893
Total assets	<u>\$ 2,281</u>	<u>\$ 158,743</u>	<u>\$ 188,869</u>	<u>\$ 349,893</u>
<b>LIABILITIES</b>				
Amounts held for others	\$ -	\$ -	\$ 188,869	\$ 188,869
Amounts held for social services clients	2,281	-	-	2,281
Amounts held for Piedmont Alcohol Safety Action Program	-	158,743	-	158,743
Total liabilities	<u>\$ 2,281</u>	<u>\$ 158,743</u>	<u>\$ 188,869</u>	<u>\$ 349,893</u>

Capital Assets Used in the Operation of Governmental Funds  
 Comparative Schedules by Source  
 June 30, 2007

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	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 993,527	\$ 993,527
Buildings	15,686,545	14,213,466
Machinery and equipment	1,287,839	1,078,875
Improvements other than buildings	2,634,211	2,634,211
Construction in progress	<u>236,114</u>	<u>454,163</u>
Total governmental funds capital assets	<u>\$ 20,838,236</u>	<u>\$ 19,374,242</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 18,784,947	\$ 18,461,060
Capital projects fund	<u>2,053,289</u>	<u>1,817,175</u>
Total governmental funds capital assets	<u>\$ 20,838,236</u>	<u>\$ 20,278,235</u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 June 30, 2007

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
<b>General government administration:</b>						
Board of supervisors	\$ 701,527	\$ 9,653,158	\$ 595,762	\$ 8,723	\$ -	\$ 10,959,170
County administrator	-	-	-	24,237	-	24,237
Treasurer	-	-	-	6,999	-	6,999
<b>Total general government administration</b>	<b>\$ 701,527</b>	<b>\$ 9,653,158</b>	<b>\$ 595,762</b>	<b>\$ 39,959</b>	<b>\$ -</b>	<b>\$ 10,990,406</b>
<b>Judicial administration:</b>						
Clerk of Circuit Court	\$ -	\$ -	\$ -	\$ 8,126	\$ -	\$ 8,126
Commonwealth's Attorney	-	-	-	6,999	-	6,999
<b>Total judicial administration</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,125</b>	<b>\$ -</b>	<b>\$ 15,125</b>
<b>Public safety:</b>						
Sheriff	\$ -	\$ -	\$ -	\$ 612,359	\$ -	\$ 612,359
Building inspections	-	-	-	44,779	-	44,779
Animal control	6,500	50,000	-	40,058	-	96,558
<b>Total public safety</b>	<b>\$ 6,500</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ 697,196</b>	<b>\$ -</b>	<b>\$ 753,696</b>
<b>Public works:</b>						
Sanitation and waste removal	\$ 243,500	\$ 8,900	\$ 2,038,449	\$ 316,375	\$ -	\$ 2,607,224
Maintenance of buildings and grounds	10,000	50,000	-	120,775	-	180,775
<b>Total public works</b>	<b>\$ 253,500</b>	<b>\$ 58,900</b>	<b>\$ 2,038,449</b>	<b>\$ 437,150</b>	<b>\$ -</b>	<b>\$ 2,787,999</b>
<b>Education:</b>						
Schools	\$ -	\$ 5,816,887	\$ -	\$ -	\$ 236,114	\$ 6,053,001
<b>Total education</b>	<b>\$ -</b>	<b>\$ 5,816,887</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 236,114</b>	<b>\$ 6,053,001</b>
<b>Health and welfare:</b>						
Social services	\$ -	\$ -	\$ -	\$ 67,859	\$ -	\$ 67,859
<b>Total health and welfare</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 67,859</b>	<b>\$ -</b>	<b>\$ 67,859</b>
<b>Parks, recreation, and cultural:</b>						
Museums	\$ 23,000	\$ 22,600	\$ -	\$ -	\$ -	\$ 45,600
<b>Total parks, recreation, and cultural</b>	<b>\$ 23,000</b>	<b>\$ 22,600</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,600</b>
<b>Community development:</b>						
Community development	\$ 9,000	\$ 85,000	\$ -	\$ 30,550	\$ -	\$ 124,550
<b>Total community development</b>	<b>\$ 9,000</b>	<b>\$ 85,000</b>	<b>\$ -</b>	<b>\$ 30,550</b>	<b>\$ -</b>	<b>\$ 124,550</b>
<b>Total governmental funds capital assets</b>	<b>\$ 993,527</b>	<b>\$ 15,686,545</b>	<b>\$ 2,634,211</b>	<b>\$ 1,287,839</b>	<b>\$ 236,114</b>	<b>\$ 20,838,236</b>



Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 For the Year Ended June 30, 2007

Function and Activity	Governmental Funds Capital Assets July 1, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
General government administration:				
Board of supervisors	\$ 10,959,170	\$ -	\$ -	\$ 10,959,170
County administrator	24,237	-	-	24,237
Treasurer	-	6,999	-	6,999
Total general government administration	<u>\$ 10,983,407</u>	<u>\$ 6,999</u>	<u>\$ -</u>	<u>\$ 10,990,406</u>
Judicial administration:				
Clerk of Circuit Court	\$ -	\$ 8,126	\$ -	\$ 8,126
Commonwealth's Attorney	-	6,999	-	6,999
Total judicial administration	<u>\$ -</u>	<u>\$ 15,125</u>	<u>\$ -</u>	<u>\$ 15,125</u>
Public safety:				
Sheriff	\$ 544,725	\$ 67,634	\$ -	\$ 612,359
Building inspections	44,779	-	-	44,779
Animal control	96,558	-	-	96,558
Total public safety	<u>\$ 686,062</u>	<u>\$ 67,634</u>	<u>\$ -</u>	<u>\$ 753,696</u>
Public works:				
Sanitation and waste removal	\$ 2,518,568	\$ 88,656	\$ -	\$ 2,607,224
Maintenance of buildings and grounds	180,775	-	-	180,775
Total public works	<u>\$ 2,699,343</u>	<u>\$ 88,656</u>	<u>\$ -</u>	<u>\$ 2,787,999</u>
Education:				
Schools	\$ 4,797,971	\$ 1,863,808	\$ (608,778)	\$ 6,053,001
Total education	<u>\$ 4,797,971</u>	<u>\$ 1,863,808</u>	<u>\$ (608,778)</u>	<u>\$ 6,053,001</u>
Health and welfare:				
Social services	\$ 67,859	\$ -	\$ -	\$ 67,859
Total health and welfare	<u>\$ 67,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,859</u>
Parks, recreation, and cultural:				
Museums	\$ 45,600	\$ -	\$ -	\$ 45,600
Total parks, recreation, and cultural	<u>\$ 45,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,600</u>
Community development:				
Community development	\$ 94,000	\$ 30,550	\$ -	\$ 124,550
Total community development	<u>\$ 94,000</u>	<u>\$ 30,550</u>	<u>\$ -</u>	<u>\$ 124,550</u>
<b>Total governmental funds capital assets</b>	<u><u>\$ 19,374,242</u></u>	<u><u>\$ 2,072,772</u></u>	<u><u>\$ (608,778)</u></u>	<u><u>\$ 20,838,236</u></u>

Combining Balance Sheet  
 Discretely Presented Component Unit - School Board  
 June 30, 2007

	<u>School Operating Fund</u>	<u>School Cafeteria Fund</u>	<u>School Capital Projects Fund</u>	<u>Underground Storage Tank Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 128,000	\$ 283,591	\$ 805,806	\$ 20,000	\$ 1,237,397
Due from primary government	426,648	-	-	-	426,648
Due from other governmental units	783,933	-	-	-	783,933
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,338,581</u>	<u>\$ 283,591</u>	<u>\$ 805,806</u>	<u>\$ 20,000</u>	<u>\$ 2,447,978</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 41,851	\$ 2,186	\$ -	\$ -	\$ 44,037
Accrued liabilities	1,296,730	19,407	-	-	1,316,137
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 1,338,581</u>	<u>\$ 21,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,360,174</u>
Fund balances:					
Unreserved:					
Designated for subsequent expenditure	\$ -	\$ 261,998	\$ 851,272	\$ 20,000	\$ 1,133,270
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>\$ -</u>	<u>\$ 261,998</u>	<u>\$ 851,272</u>	<u>\$ 20,000</u>	<u>\$ 1,133,270</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 1,338,581</u>	<u>\$ 283,591</u>	<u>\$ 851,272</u>	<u>\$ 20,000</u>	<u>\$ 2,493,444</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 1,133,270
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,765,090
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(142,502)</u>
Net assets of governmental activities	<u>\$ 11,755,858</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2007

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 6,658	\$ -	\$ 51,269	\$ 57,927
Charges for services	280,840	316,651	-	597,491
Miscellaneous	5,302	23,747	-	29,049
Recovered costs	19,155	4,267	-	23,422
Intergovernmental revenues:				
Local government	6,657,633	-	-	6,657,633
Commonwealth	17,182,950	17,073	-	17,200,023
Federal	2,201,832	638,860	-	2,840,692
Total revenues	<u>\$ 26,354,370</u>	<u>\$ 1,000,598</u>	<u>\$ 51,269</u>	<u>\$ 27,406,237</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 25,438,938	\$ 1,048,061	\$ -	\$ 26,486,999
Capital projects	-	-	1,876,404	1,876,404
Debt service:				
Principal retirement	585,309	-	-	585,309
Interest and other fiscal charges	280,123	-	-	280,123
Total expenditures	<u>\$ 26,304,370</u>	<u>\$ 1,048,061</u>	<u>\$ 1,876,404</u>	<u>\$ 29,228,835</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 50,000</u>	<u>\$ (47,463)</u>	<u>\$ (1,825,135)</u>	<u>\$ (1,822,598)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ 50,000	\$ -	\$ 50,000
Transfers out	(50,000)	-	-	(50,000)
Proceeds of general obligation bonds	-	-	1,000,000	1,000,000
Bond issue costs	-	-	22,732	22,732
Total other financing sources and uses	<u>\$ (50,000)</u>	<u>\$ 50,000</u>	<u>\$ 1,022,732</u>	<u>\$ 1,022,732</u>
Net change in fund balances	\$ -	\$ 2,537	\$ (802,403)	\$ (799,866)
Fund balances - beginning	-	259,461	1,653,675	1,913,136
Fund balances - ending	<u>\$ -</u>	<u>\$ 261,998</u>	<u>\$ 851,272</u>	<u>\$ 1,113,270</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ (799,866)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. (640,498)

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. 280,567

Change in net assets of governmental activities \$ (1,159,797)

COUNTY OF PRINCE EDWARD, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2007

	<b>School Operating Fund</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 6,658	\$ 1,658
Charges for services	148,362	104,362	280,840	176,478
Miscellaneous	123,979	123,979	5,302	(118,677)
Intergovernmental revenues:				
Local government	6,850,372	6,850,372	6,657,633	(192,739)
Commonwealth	17,381,972	17,381,972	17,182,950	(199,022)
Federal	2,341,518	2,385,518	2,201,832	(183,686)
Total revenues	<u>\$ 26,879,203</u>	<u>\$ 26,879,203</u>	<u>\$ 26,354,370</u>	<u>\$ (524,833)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 25,953,385	\$ 25,953,385	\$ 25,438,938	\$ 514,447
Capital projects	-	-	-	-
Debt service:				
Principal retirement	<u>925,818</u>	<u>925,818</u>	<u>865,432</u>	<u>60,386</u>
Total expenditures	<u>\$ 26,879,203</u>	<u>\$ 26,879,203</u>	<u>\$ 26,304,370</u>	<u>\$ 574,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	(50,000)	(50,000)
Proceeds of general obligation bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

School Cafeteria Fund				School Capital Projects			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,269	\$ 51,269
-	265,000	316,651	51,651	-	-	-	-
-	-	23,747	23,747	-	-	-	-
-	-	-	-	-	-	-	-
15,317	15,317	17,073	-	-	-	-	-
800,000	800,000	638,860	1,756	-	-	-	-
<u>\$ 815,317</u>	<u>\$ 1,080,317</u>	<u>\$ 1,000,598</u>	<u>\$ 81,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,269</u>	<u>\$ 51,269</u>
\$ 865,317	\$ 1,389,778	\$ 1,048,061	\$ 341,717	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,000,000	2,867,432	1,899,136	968,296
-	-	-	-	-	-	-	-
<u>\$ 865,317</u>	<u>\$ 1,389,778</u>	<u>\$ 1,048,061</u>	<u>\$ 341,717</u>	<u>\$ 1,000,000</u>	<u>\$ 2,867,432</u>	<u>\$ 1,899,136</u>	<u>\$ 968,296</u>
<u>\$ (50,000)</u>	<u>\$ (309,461)</u>	<u>\$ (47,463)</u>	<u>\$ 423,138</u>	<u>\$ (1,000,000)</u>	<u>\$ (2,867,432)</u>	<u>\$ (1,847,867)</u>	<u>\$ 1,019,565</u>
\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	2,867,432	1,000,000	(1,867,432)
<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,867,432</u>	<u>\$ 1,000,000</u>	<u>\$ (1,867,432)</u>
\$ -	\$ (259,461)	\$ 2,537	\$ 423,138	\$ (1,000,000)	\$ -	\$ (847,867)	\$ (847,867)
-	197,165	197,165	-	-	-	1,653,675	1,653,675
<u>\$ -</u>	<u>\$ (62,296)</u>	<u>\$ 199,702</u>	<u>\$ 423,138</u>	<u>\$ (1,000,000)</u>	<u>\$ -</u>	<u>\$ 805,808</u>	<u>\$ 805,808</u>

Capital Assets Used in the Operation of Governmental Funds -  
 Discretely Presented Component Unit - School Board  
 Comparative Schedules by Source  
 June 30, 2007

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	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land	\$ 99,952	\$ 99,952
Buildings	16,716,316	16,359,946
Machinery and equipment	3,889,937	3,627,223
Improvements other than buildings	<u>703,247</u>	<u>703,247</u>
Total governmental funds capital assets	<u>\$ 21,409,452</u>	<u>\$ 20,790,368</u>
Investments in governmental funds capital assets by source:		
Special revenue funds	<u>\$ 21,409,452</u>	<u>\$ 20,790,368</u>
Total governmental funds capital assets	<u>\$ 21,409,452</u>	<u>\$ 20,790,368</u>

Capital Assets Used in the Operation of Governmental Funds -  
 Discretely Presented Component Unit - School Board  
 Schedule of Changes By Function and Activity  
 For the Year Ended June 30, 2007

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Function and Activity	Governmental Funds Capital Assets July 1, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
Education:				
Schools	\$ 20,790,368	\$ 871,492	\$ (252,408)	\$ 21,409,452
Total governmental funds capital assets	<u>\$ 20,790,368</u>	<u>\$ 871,492</u>	<u>\$ (252,408)</u>	<u>\$ 21,409,452</u>

Capital Assets Used in the Operation of Governmental Funds -  
 Discretely Presented Component Unit - School Board  
 Schedule by Function and Activity  
 June 30, 2007

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<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Education:					
Schools	\$ 99,952	\$ 16,716,316	\$ 703,247	\$ 3,889,937	\$ 21,409,452
Total governmental funds capital assets	<u>\$ 99,952</u>	<u>\$ 16,716,316</u>	<u>\$ 703,247</u>	<u>\$ 3,889,937</u>	<u>\$ 21,409,452</u>



## **Supporting Schedules**

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Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2007

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,194,000	\$ 5,194,000	\$ 5,115,857	\$ (78,143)
Real and personal public service corporation taxes	147,900	147,900	242,689	94,789
Personal property taxes	1,668,650	1,668,650	2,738,632	1,069,982
Mobile home taxes	43,000	43,000	52,940	9,940
Machinery and tools taxes	70,000	70,000	72,001	2,001
Merchants' capital taxes	355,400	355,400	378,652	23,252
Penalties	75,000	75,000	122,330	47,330
Interest	25,000	25,000	58,214	33,214
<b>Total general property taxes</b>	<b>\$ 7,578,950</b>	<b>\$ 7,578,950</b>	<b>\$ 8,781,315</b>	<b>\$ 1,202,365</b>
Other local taxes:				
Local sales and use taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,555,696	\$ 155,696
Communications tax	-	255,000	153,199	(101,801)
Consumers' utility taxes	237,500	237,500	382,290	144,790
Gross receipts tax	15,000	15,000	56,563	41,563
E-911 telephone taxes	25,000	25,000	19,542	(5,458)
Motor vehicle licenses	220,000	220,000	223,727	3,727
Cable television franchise taxes	5,000	5,000	5,485	485
Taxes on recordation and wills	34,000	34,000	276,472	242,472
<b>Total other local taxes</b>	<b>\$ 2,936,500</b>	<b>\$ 3,191,500</b>	<b>\$ 3,672,974</b>	<b>\$ 481,474</b>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 8,000	\$ 8,000	\$ 13,280	\$ 5,280
Permits and other licenses	48,000	49,500	94,064	44,564
<b>Total permits, privilege fees, and regulatory licenses:</b>	<b>\$ 56,000</b>	<b>\$ 57,500</b>	<b>\$ 107,344</b>	<b>\$ 49,844</b>
Fines and forfeitures:				
Court fines and forfeitures	\$ 63,010	\$ 30,510	\$ 46,112	\$ 15,602
Revenue from use of money and property:				
Revenue from use of money	\$ 125,000	\$ 125,000	\$ 318,608	\$ 193,608
Revenue from use of property	285,000	285,000	264,848	(20,152)
<b>Total revenue from use of money and property</b>	<b>\$ 410,000</b>	<b>\$ 410,000</b>	<b>\$ 583,456</b>	<b>\$ 173,456</b>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Charges for services:				
Court costs	\$ 2,200	\$ 2,200	\$ 2,778	\$ 578
Charges for law library	8,500	8,500	9,258	758
Charges for courthouse maintenance	12,000	12,000	12,355	355
Charges for Commonwealth's Attorney	1,000	1,000	1,185	185
Miscellaneous fees	5,000	6,000	8,912	2,912
Charges for cannery	5,000	5,000	5,319	319
Charges for other protection	1,600	31,600	38,132	6,532
Charges for sanitation and waste removal	390,000	390,000	453,430	63,430
Total charges for services	<u>\$ 425,300</u>	<u>\$ 456,300</u>	<u>\$ 531,369</u>	<u>\$ 75,069</u>
Miscellaneous revenue:				
Expenditure refunds	\$ 68,000	\$ 68,000	\$ 86,857	\$ 18,857
Insurance recoveries	-	-	16,329	16,329
Sale of property	-	-	1,299,816	1,299,816
Miscellaneous	11,120	497,689	271,877	(225,812)
Total miscellaneous revenue	<u>\$ 79,120</u>	<u>\$ 565,689</u>	<u>\$ 1,674,879</u>	<u>\$ 1,109,190</u>
Recovered costs:				
Other recovered costs	\$ 20,000	\$ 20,000	\$ 18,218	\$ (1,782)
Circuit court judge	33,000	33,000	33,000	-
Total recovered costs	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 51,218</u>	<u>\$ (1,782)</u>
Total revenue from local sources	<u>\$ 11,601,880</u>	<u>\$ 12,343,449</u>	<u>\$ 15,448,667</u>	<u>\$ 3,105,218</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 7,800	\$ 7,800	\$ 7,823	\$ 23
Wine taxes	8,200	8,200	8,200	-
Motor vehicle carriers' tax	86,400	86,400	52,304	(34,096)
Mobile home titling tax	20,000	20,000	59,888	39,888
Timber sales	-	-	54,219	54,219
Motor vehicle rental tax	1,200	1,200	-	(1,200)
State recordation tax	130,000	130,000	58,877	(71,123)
Personal property tax relief funds	1,305,350	1,305,350	1,331,756	26,406
Total noncategorical aid	<u>\$ 1,558,950</u>	<u>\$ 1,558,950</u>	<u>\$ 1,573,067</u>	<u>\$ 14,117</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 240,000	\$ 276,881	\$ 387,922	\$ 111,041
Sheriff	840,000	844,898	989,039	144,141
Commissioner of revenue	89,000	89,000	101,467	12,467
Treasurer	88,000	88,000	113,169	25,169
Medical examiner	600	600	-	(600)
Registrar/electoral board	40,000	40,000	47,196	7,196
Clerk of the Circuit Court	210,000	212,500	274,944	62,444
Total shared expenses	<u>\$ 1,507,600</u>	<u>\$ 1,551,879</u>	<u>\$ 1,913,737</u>	<u>\$ 361,858</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Categorical aid: (Continued)				
Other categorical aid:				
Emergency medical services	\$ 8,200	\$ 21,258	\$ 13,058	\$ (8,200)
Welfare administration and assistance	557,004	557,004	595,784	38,780
Litter control grant	5,000	5,000	5,954	954
Comprehensive services act	800,000	800,000	831,341	31,341
Tobacco commission grant	-	-	34,175	34,175
Victim-witness grant	47,189	47,189	9,159	(38,030)
Fire program funds	-	32,369	32,369	-
Other categorical	64,760	546,319	70,510	(475,809)
Total other categorical aid	<u>\$ 1,482,153</u>	<u>\$ 2,009,139</u>	<u>\$ 1,592,350</u>	<u>\$ (416,789)</u>
Total categorical aid	<u>\$ 2,989,753</u>	<u>\$ 3,561,018</u>	<u>\$ 3,506,087</u>	<u>\$ (54,931)</u>
Total revenue from the Commonwealth	<u>\$ 4,548,703</u>	<u>\$ 5,119,968</u>	<u>\$ 5,079,154</u>	<u>\$ (40,814)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 54,219</u>	<u>\$ 14,219</u>
Revenue from the Federal Government:				
Categorical aid:				
Welfare administration and assistance	\$ 1,221,364	\$ 1,221,364	\$ 1,184,674	\$ (36,690)
Juvenile justice assistance	-	1,769	2,035	266
Victim witness	-	15,500	36,634	21,134
FEMA preparedness grant	-	-	9,436	9,436
Homeland security planning grant	50,000	50,000	89,412	39,412
Other	-	-	16,413	16,413
Total categorical aid	<u>\$ 1,271,364</u>	<u>\$ 1,288,633</u>	<u>\$ 1,338,604</u>	<u>\$ 49,971</u>
Total revenue from the federal government	<u>\$ 1,311,364</u>	<u>\$ 1,328,633</u>	<u>\$ 1,392,823</u>	<u>\$ 64,190</u>
Total General Fund	<u><u>\$ 17,461,947</u></u>	<u><u>\$ 18,792,050</u></u>	<u><u>\$ 21,920,644</u></u>	<u><u>\$ 3,128,594</u></u>
<b>Capital Projects Fund:</b>				
<b>Landfill Construction Fund:</b>				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 9,102</u>	<u>\$ 4,102</u>
Charges for services:				
Tipping fees - non-county users	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 286,976</u>	<u>\$ (13,024)</u>
Total revenue from local sources	<u>\$ 305,000</u>	<u>\$ 305,000</u>	<u>\$ 296,078</u>	<u>\$ (8,922)</u>
Total Landfill Construction Fund	<u><u>\$ 305,000</u></u>	<u><u>\$ 305,000</u></u>	<u><u>\$ 296,078</u></u>	<u><u>\$ (8,922)</u></u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive - (Negative)
<b>Recreation Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 100	\$ 100	\$ 191	\$ 91
Total revenue from local sources	\$ 100	\$ 100	\$ 191	\$ 91
Total Recreation Fund	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 191</u>	<u>\$ 91</u>
<b>Debt Service Fund:</b>				
<b>School Debt Service</b>				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 728	\$ 728
Total revenue from local sources	\$ -	\$ -	\$ 728	\$ 728
Total School Debt Service Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728</u>	<u>\$ 728</u>
Total Primary Government	<u>\$ 17,767,047</u>	<u>\$ 19,097,150</u>	<u>\$ 22,217,641</u>	<u>\$ 3,120,491</u>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 5,000	\$ 5,000	\$ 6,658	\$ 1,658
Charges for services:				
Charges for education	\$ 148,362	\$ 104,362	\$ 280,840	\$ 176,478
Miscellaneous revenue:				
Other miscellaneous	\$ 123,979	\$ 123,979	\$ 5,302	\$ (118,677)
Recovered costs:				
Other recovered costs	\$ 28,000	\$ 28,000	\$ 19,155	\$ (8,845)
Total revenue from local sources	<u>\$ 305,341</u>	<u>\$ 261,341</u>	<u>\$ 311,955</u>	<u>\$ 50,614</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Prince Edward, Virginia	\$ 6,850,372	\$ 6,850,372	\$ 6,657,633	\$ (192,739)
Total revenues from local governments	<u>\$ 6,850,372</u>	<u>\$ 6,850,372</u>	<u>\$ 6,657,633</u>	<u>\$ (192,739)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,268,178	\$ 3,268,178	\$ 2,924,970	\$ (343,208)
Basic school aid	11,035,960	11,035,960	8,055,263	(2,980,697)
Other state funds	<u>3,077,834</u>	<u>3,077,834</u>	<u>6,202,717</u>	<u>3,124,883</u>
Total categorical aid	<u>\$ 17,381,972</u>	<u>\$ 17,381,972</u>	<u>\$ 17,182,950</u>	<u>\$ (199,022)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 870,197	\$ 870,197	\$ 831,513	\$ (38,684)
Adult basic education	-	-	8,405	8,405
Title II	192,506	192,506	134,223	(58,283)
Title VI-B, special education flow-through	16,900	104,623	758,312	653,689
Reding first	222,014	222,014	256,852	34,838
Title II-D	87,723	-	-	-
Vocational education	777,650	777,650	-	(777,650)
Title II - part D	16,106	16,106	3,385	(12,721)
Title VI, special programs	-	-	38,974	38,974
Title VI, innovative programs	-	-	3,932	3,932
Title VI-B, pre-school	20,800	20,800	20,394	(406)
Title IV-A	21,735	21,735	12,683	(9,052)
Title V-A	14,577	14,577	-	(14,577)
JR ROTC	-	44,000	52,793	8,793
Sliver	10,000	10,000	-	(10,000)
AP Grants	-	-	52	52
Career and technical grant	71,310	71,310	59,174	(12,136)
Gear up	20,000	20,000	21,140	1,140
Total categorical aid	<u>\$ 2,341,518</u>	<u>\$ 2,385,518</u>	<u>\$ 2,201,832</u>	<u>\$ (183,686)</u>
Total School Operating Fund	<u><u>\$ 26,879,203</u></u>	<u><u>\$ 26,879,203</u></u>	<u><u>\$ 26,354,370</u></u>	<u><u>\$ (524,833)</u></u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ 265,000	\$ 316,651	\$ 51,651
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 23,747	\$ 23,747

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board:</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Cafeteria Fund: (Continued)</b>				
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 4,267	\$ 4,267
Total revenue from local sources	\$ -	\$ 265,000	\$ 344,665	\$ 79,665
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 15,317	\$ 15,317	\$ 17,073	\$ 1,756
Total categorical aid	\$ 15,317	\$ 15,317	\$ 17,073	\$ 1,756
Total revenue from the Commonwealth	\$ 15,317	\$ 15,317	\$ 17,073	\$ 1,756
Revenue from the federal government:				
Categorical aid: (continued)				
School food program	\$ 800,000	\$ 800,000	\$ 638,860	\$ (161,140)
Total federal categorical aid	\$ 800,000	\$ 800,000	\$ 638,860	\$ (161,140)
Total School Cafeteria Fund	<u>\$ 815,317</u>	<u>\$ 1,080,317</u>	<u>\$ 1,000,598</u>	<u>\$ (79,719)</u>
<b>Capital Projects Fund:</b>				
<b>School Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 51,269	\$ 51,269
Total revenue from local sources	\$ -	\$ -	\$ 51,269	\$ 51,269
Total School Capital Improvements Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,269</u>	<u>\$ 51,269</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 27,694,520</u>	<u>\$ 27,959,520</u>	<u>\$ 27,406,237</u>	<u>\$ (553,283)</u>



Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2007

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 140,500	\$ 140,500	\$ 122,947	\$ 17,553
General and financial administration:				
County administrator	462,390	462,390	430,573	31,817
Legal services	49,050	49,050	31,677	17,373
Commissioner of revenue	301,229	301,229	269,811	31,418
Treasurer	344,561	344,561	340,505	4,056
Independent Auditor	41,200	41,200	30,750	10,450
Assessor	12,000	21,875	21,875	-
Other general and financial administration	130,200	130,200	61,344	68,856
Total general and financial administration	\$ 1,340,630	\$ 1,350,505	\$ 1,186,535	\$ 163,970
Board of elections:				
Electoral board and officials	\$ 10,078	\$ 21,078	\$ 19,231	\$ 1,847
Registrar	88,722	88,722	87,728	994
Total board of elections	\$ 98,800	\$ 109,800	\$ 106,959	\$ 2,841
Total general government administration	\$ 1,579,930	\$ 1,600,805	\$ 1,416,441	\$ 184,364
Judicial administration:				
Courts:				
Circuit court	\$ 64,605	\$ 64,605	\$ 58,844	\$ 5,761
General district court	19,948	19,948	16,577	3,371
Office of the magistrates	4,350	4,350	4,021	329
Clerk of the circuit court	522,315	524,815	400,119	124,696
Piedmont Court Services	5,000	5,000	4,515	485
Victim and witness assistance	55,597	55,597	54,198	1,399
Total courts	\$ 671,815	\$ 674,315	\$ 538,274	\$ 136,041
Commonwealth's attorney:				
Commonwealth's attorney	\$ 513,424	\$ 590,847	\$ 546,055	\$ 44,792
Total judicial administration	\$ 1,185,239	\$ 1,265,162	\$ 1,084,329	\$ 180,833
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,718,098	\$ 1,980,193	\$ 1,737,277	\$ 242,916
Emergency operations center	85,000	85,000	59,448	25,552
Terrorism prevention	-	-	15,000	(15,000)
Total law enforcement and traffic control	\$ 1,803,098	\$ 2,065,193	\$ 1,811,725	\$ 268,468

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Fire and rescue services:				
Fire department	\$ 499,300	\$ 626,994	\$ 556,879	\$ 70,115
Ambulance and rescue services	78,000	83,224	83,224	-
Forestry service	8,000	8,000	7,127	873
Total fire and rescue services	<u>\$ 585,300</u>	<u>\$ 718,218</u>	<u>\$ 647,230</u>	<u>\$ 70,988</u>
Correction and detention:				
County operated institutions	\$ 130,000	\$ 177,150	\$ 161,384	\$ 15,766
Inspections:				
Building	\$ 89,755	\$ 90,578	\$ 90,577	\$ 1
Other protection:				
Animal control	\$ 111,225	\$ 111,225	\$ 104,710	\$ 6,515
Medical examiner (coroner)	1,600	1,600	360	1,240
Total other protection	<u>\$ 112,825</u>	<u>\$ 112,825</u>	<u>\$ 105,070</u>	<u>\$ 7,755</u>
Total public safety	<u>\$ 2,720,978</u>	<u>\$ 3,163,964</u>	<u>\$ 2,815,986</u>	<u>\$ 362,978</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,017,300	\$ 1,031,482	\$ 989,295	\$ 42,187
VDOT revenue sharing	5,775	5,775	3,431	2,344
Biosolids	64,760	64,760	59,172	5,588
Total sanitation and waste removal	<u>\$ 1,087,835</u>	<u>\$ 1,102,017</u>	<u>\$ 1,051,898</u>	<u>\$ 50,119</u>
Maintenance of general buildings and grounds:				
General properties	\$ 700,350	\$ 740,214	\$ 672,033	\$ 68,181
Total public works	<u>\$ 1,788,185</u>	<u>\$ 1,842,231</u>	<u>\$ 1,723,931</u>	<u>\$ 118,300</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 165,219	\$ 173,454	\$ 164,605	\$ 8,849
Mental health and mental retardation:				
Chapter X board	\$ 65,940	\$ 65,940	\$ 65,940	-

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Welfare:				
Welfare administration and assistance	\$ 2,260,297	\$ 2,260,297	\$ 2,210,402	\$ 49,895
Comprehensive services act	1,106,500	1,186,823	1,186,823	-
Other welfare programs	85,656	86,651	86,650	1
Total welfare	<u>\$ 3,452,453</u>	<u>\$ 3,533,771</u>	<u>\$ 3,483,875</u>	<u>\$ 49,896</u>
Total health and welfare	<u>\$ 3,683,612</u>	<u>\$ 3,773,165</u>	<u>\$ 3,714,420</u>	<u>\$ 58,745</u>
Education:				
Other instructional costs:				
Contributions to community college	\$ 12,018	\$ 12,018	\$ 12,018	-
Contribution to County School Board	6,850,372	6,850,372	6,657,633	192,739
Total education	<u>\$ 6,862,390</u>	<u>\$ 6,862,390</u>	<u>\$ 6,669,651</u>	<u>\$ 192,739</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 82,500	\$ 82,500	\$ 82,500	-
Cultural enrichment:				
Museums	\$ 47,000	\$ 47,000	\$ 30,757	\$ 16,243
Contribution to regional library	\$ 130,111	\$ 130,111	\$ 130,111	-
Total parks, recreation, and cultural	<u>\$ 259,611</u>	<u>\$ 259,611</u>	<u>\$ 243,368</u>	<u>\$ 16,243</u>
Community development:				
Planning and community development:				
Planning	\$ 201,709	\$ 201,709	\$ 155,474	\$ 46,235
Community development	105,000	105,000	95,000	10,000
Economic development	133,775	133,775	122,340	11,435
Total planning and community development	<u>\$ 440,484</u>	<u>\$ 440,484</u>	<u>\$ 372,814</u>	<u>\$ 67,670</u>
Environmental management:				
Soil and water conservation	\$ 11,975	\$ 11,975	\$ 11,975	-
Cooperative extension program:				
Cooperative extension program	\$ 65,133	\$ 65,133	\$ 62,671	\$ 2,462
Cannery	57,687	57,687	53,663	4,024
Total cooperative extension program	<u>\$ 122,820</u>	<u>\$ 122,820</u>	<u>\$ 116,334</u>	<u>\$ 6,486</u>
Total community development	<u>\$ 575,279</u>	<u>\$ 575,279</u>	<u>\$ 501,123</u>	<u>\$ 74,156</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Capital projects:				
Landfill construction	\$ 140,000	\$ 140,000	\$ 138,364	\$ 1,636
Sandy River project	\$ 150,000	\$ 165,000	\$ 66,636	\$ 98,364
Industrial site development	75,000	75,000	30,550	44,450
Other capital projects	-	1,253,318	88,882	1,164,436
Total capital projects	<u>\$ 365,000</u>	<u>\$ 1,633,318</u>	<u>\$ 324,432</u>	<u>\$ 1,308,886</u>
Debt service:				
Principal retirement	\$ 419,318	\$ 419,318	\$ 323,958	\$ 95,360
Interest and other fiscal charges	229,445	229,445	277,705	(48,260)
Total debt service	<u>\$ 648,763</u>	<u>\$ 648,763</u>	<u>\$ 601,663</u>	<u>\$ 47,100</u>
Total General Fund	<u>\$ 19,668,987</u>	<u>\$ 21,624,688</u>	<u>\$ 19,096,875</u>	<u>\$ 2,542,813</u>
Total Primary Government	<u>\$ 19,668,987</u>	<u>\$ 21,624,688</u>	<u>\$ 19,096,875</u>	<u>\$ 2,542,813</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>Special revenue funds:</b>				
<b>School Operating Fund:</b>				
Education:				
Instruction	\$ 20,648,940	\$ 20,648,940	\$ 20,101,748	\$ 547,192
Administration, attendance, and health	1,565,270	1,565,270	1,466,247	99,023
Pupil transportation services	1,571,767	1,571,767	1,823,512	(251,745)
Operation and maintenance services	1,990,408	1,990,408	1,869,447	120,961
Facilities	177,000	177,000	177,984	(984)
Total education	<u>\$ 25,953,385</u>	<u>\$ 25,953,385</u>	<u>\$ 25,438,938</u>	<u>\$ 514,447</u>
Debt service:				
Principal retirement	\$ 925,818	\$ 925,818	\$ 865,432	\$ 60,386
Total School Fund	<u>\$ 26,879,203</u>	<u>\$ 26,879,203</u>	<u>\$ 26,304,370</u>	<u>\$ 574,833</u>
<b>Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 865,317	\$ 1,389,778	\$ 1,048,061	\$ 341,717
Total Cafeteria Fund	<u>\$ 865,317</u>	<u>\$ 1,389,778</u>	<u>\$ 1,048,061</u>	<u>\$ 341,717</u>
<b>School Capital Projects Fund:</b>				
Capital projects expenditures:				
Capital projects expenditures	\$ 1,000,000	\$ 2,867,432	\$ 1,899,136	\$ 968,296
Total School Capital Projects Fund	<u>\$ 1,000,000</u>	<u>\$ 2,867,432</u>	<u>\$ 1,899,136</u>	<u>\$ 968,296</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 28,744,520</u>	<u>\$ 31,136,413</u>	<u>\$ 29,251,567</u>	<u>\$ 1,884,846</u>

## **Statistical Section**

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Net Assets by Component  
 Last Five Fiscal Years  
 (accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 1,065,286	\$ 1,304,995	\$ 1,993,396	\$ 1,975,166	\$ 2,339,985
Restricted	328,102	383,489	78,102	-	-
Unrestricted	<u>8,133,619</u>	<u>6,463,558</u>	<u>5,262,386</u>	<u>3,658,083</u>	<u>6,428,310</u>
Total governmental activities net assets	<u>\$ 9,527,007</u>	<u>\$ 8,152,042</u>	<u>\$ 7,333,884</u>	<u>\$ 5,633,249</u>	<u>\$ 8,768,295</u>
Primary government					
Invested in capital assets, net of related debt	\$ 1,065,286	\$ 1,304,995	\$ 1,993,396	\$ 1,975,166	\$ 2,339,985
Restricted	328,102	383,489	78,102	-	-
Unrestricted	<u>8,133,619</u>	<u>6,463,558</u>	<u>5,262,386</u>	<u>3,658,083</u>	<u>6,428,310</u>
Total primary government net assets	<u>\$ 9,527,007</u>	<u>\$ 8,152,042</u>	<u>\$ 7,333,884</u>	<u>\$ 5,633,249</u>	<u>\$ 8,768,295</u>

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34

Changes in Net Assets  
Last Five Fiscal Years  
(accrual basis of accounting)

	2003	2004	2005	2006	2007
<b>Expenses</b>					
Governmental activities:					
General government	\$ 1,479,482	\$ 1,359,503	\$ 1,542,517	\$ 1,553,538	\$ 1,613,434
Judicial administration	1,087,424	1,083,127	1,239,534	1,337,676	1,060,878
Public safety	2,011,592	2,242,895	2,449,038	2,714,749	2,886,070
Public works	1,998,378	2,858,160	2,203,917	2,555,224	2,745,353
Health and welfare	2,408,468	2,889,853	3,343,298	3,331,152	3,699,915
Education	5,729,449	6,076,565	5,920,107	7,571,463	5,517,861
Parks, recreation and cultural	166,063	252,780	189,991	237,633	253,326
Community development	337,413	603,178	458,214	1,237,317	556,620
Interest on long-term debt	702,790	710,252	575,931	556,628	559,142
Total governmental activities expenses	\$ 15,921,059	\$ 18,076,313	\$ 17,922,547	\$ 21,095,380	\$ 18,892,599
Total primary government expenses	\$ 15,921,059	\$ 18,076,313	\$ 17,922,547	\$ 21,095,380	\$ 18,892,599
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
General government	\$ 50,306	\$ 56,590	\$ 51,368	\$ 93,202	\$ 92,490
Judicial administration	102,336	131,772	117,534	92,089	80,026
Public safety	4,864	8,515	6,165	2,472	99,282
Public works	782,863	774,880	583,083	722,738	740,406
Community development	3,015	5,340	6,624	4,680	5,319
Operating grants and contributions	3,787,838	4,055,742	4,808,345	4,683,367	4,885,349
Capital grants and contributions	283,683	-	-	-	-
Total governmental activities program revenues	\$ 5,014,905	\$ 5,032,839	\$ 5,573,119	\$ 5,598,548	\$ 5,902,872
Total primary government program revenues	\$ 5,014,905	\$ 5,032,839	\$ 5,573,119	\$ 5,598,548	\$ 5,902,872
Net (expense) / revenue					
Governmental activities	\$ (10,906,154)	\$ (13,043,474)	\$ (12,349,428)	\$ (15,496,832)	\$ (12,989,727)
Total primary government net expense	\$ (10,906,154)	\$ (13,043,474)	\$ (12,349,428)	\$ (15,496,832)	\$ (12,989,727)
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 6,180,542	\$ 6,427,034	\$ 6,335,709	\$ 8,197,655	\$ 8,988,258
Local sales and use taxes	2,019,229	2,217,895	2,258,289	2,402,247	2,555,696
Taxes on recordation and wills	92,022	106,792	162,805	207,670	276,472
Motor vehicle licenses taxes	211,787	224,999	231,477	232,757	223,727
Consumer utility taxes	463,849	477,800	474,912	476,527	438,853
Other local taxes	130,972	99,681	80,675	86,162	190,653
Unrestricted grants and contributions	1,600,560	1,607,274	1,391,668	1,655,009	3,086,888
Unrestricted revenues from use of money and property	454,866	422,119	427,756	493,043	593,476
Miscellaneous	176,139	84,915	167,979	45,126	116,470
Gain (loss) on disposal of capital assets	129,547	-	-	-	-
Total governmental activities	\$ 11,459,513	\$ 11,668,509	\$ 11,531,270	\$ 13,796,196	\$ 16,470,493
Total primary government	\$ 11,459,513	\$ 11,668,509	\$ 11,531,270	\$ 13,796,196	\$ 16,470,493
<b>Change in Net Assets</b>					
Governmental activities	\$ 553,359	\$ (1,374,965)	\$ (818,158)	\$ (1,700,636)	\$ 3,480,766
Total primary government	\$ 553,359	\$ (1,374,965)	\$ (818,158)	\$ (1,700,636)	\$ 3,480,766

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34



Governmental Activities Tax Revenues by Source  
 Last Five Fiscal Years  
*(accrual basis of accounting)*

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Local sales and use Tax</u>	<u>Consumer Utility Tax</u>	<u>Motor Vehicle License Tax</u>	<u>Recordation and Wills Tax</u>	<u>Total</u>
2007	\$ 8,988,258	\$ 2,555,696	\$ 438,853	\$ 223,727	\$ 276,472	\$ 12,483,006
2006	8,197,655	2,402,247	476,527	232,757	207,670	11,516,856
2005	6,335,709	2,258,289	474,912	231,477	162,805	9,463,192
2004	6,427,034	2,217,895	477,800	224,999	106,792	9,454,520
2003	6,180,542	2,019,229	463,849	211,787	92,022	8,967,429

Note: Accrual-basis financial information is available back to fiscal year 2003 when the County implemented GASB 34

COUNTY OF PRINCE EDWARD, VIRGINIA

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
General fund					
Reserved	\$ -	\$ 175,000	\$ 100,000	\$ -	\$ 78,096
Unreserved	<u>6,962,499</u>	<u>7,445,238</u>	<u>7,124,015</u>	<u>7,308,688</u>	<u>7,317,871</u>
Total general fund	<u>\$ 6,962,499</u>	<u>\$ 7,620,238</u>	<u>\$ 7,224,015</u>	<u>\$ 7,308,688</u>	<u>\$ 7,395,967</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Capital projects funds	<u>2,542,874</u>	<u>202,374</u>	<u>230,124</u>	<u>755,996</u>	<u>1,190,891</u>
Total all other governmental funds	<u>\$ 2,542,874</u>	<u>\$ 202,374</u>	<u>\$ 230,124</u>	<u>\$ 755,996</u>	<u>\$ 1,190,891</u>

Table 4

<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 328,102	\$ 383,489	\$ 78,102	\$ -	\$ 8,074
<u>7,293,997</u>	<u>5,509,187</u>	<u>5,119,772</u>	<u>6,009,170</u>	<u>8,765,971</u>
<u>\$ 7,622,099</u>	<u>\$ 5,892,676</u>	<u>\$ 5,197,874</u>	<u>\$ 6,009,170</u>	<u>\$ 8,774,045</u>
\$ -	\$ -	\$ -	\$ -	\$ 61,153
<u>1,622,573</u>	<u>1,649,621</u>	<u>806,100</u>	<u>129,375</u>	<u>425,644</u>
<u>\$ 1,622,573</u>	<u>\$ 1,649,621</u>	<u>\$ 806,100</u>	<u>\$ 129,375</u>	<u>\$ 486,797</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	1998	1999	2000	2001
<b>Revenues</b>				
General property taxes	\$ 5,720,702	\$ 6,331,247	\$ 6,181,484	\$ 6,225,800
Other local taxes	2,535,359	2,567,900	2,725,219	2,808,137
Permits, privilege fees and regulatory licenses	41,289	48,118	36,715	48,966
Fines and forfeitures	3,647	3,144	2,839	2,107
Revenue from use of money and property	631,345	553,916	728,023	764,259
Charges for services	657,535	673,301	742,648	810,167
Miscellaneous	172,337	49,939	36,433	67,092
Recovered costs	23,640	24,825	26,325	28,225
Intergovernmental:				
Commonwealth	2,365,159	2,478,490	3,318,253	4,218,447
Federal	788,335	1,314,327	1,712,830	1,612,154
<b>Total revenues</b>	<b>\$ 12,939,348</b>	<b>\$ 14,045,207</b>	<b>\$ 15,510,769</b>	<b>\$ 16,585,354</b>
<b>Expenditures</b>				
General government administration	\$ 700,340	\$ 766,125	\$ 868,925	\$ 920,519
Judicial administration	824,598	861,801	912,225	1,049,819
Public safety	1,158,443	1,397,166	1,564,451	1,863,432
Public works	793,608	781,697	1,102,156	1,235,853
Health and welfare	1,705,280	1,684,790	2,156,344	2,371,188
Education	4,358	4,516	4,682	4,961
Parks, recreation and cultural	108,078	131,208	110,714	122,040
Community development	258,161	303,180	304,915	356,377
Capital projects	4,165,176	6,098,005	3,170,906	1,616,236
Debt service				
Principal	41,562	1,273,616	188,218	316,773
Interest and other fiscal charges	6,740	507,557	224,328	504,319
<b>Total expenditures</b>	<b>\$ 9,766,344</b>	<b>\$ 13,809,661</b>	<b>\$ 10,607,864</b>	<b>\$ 10,361,517</b>
Excess of revenues over (under) expenditures	\$ 3,173,004	\$ 235,546	\$ 4,902,905	\$ 6,223,837
<b>Other financing sources (uses)</b>				
Transfers in	\$ 150,000	\$ 1,113,059	\$ 1,022,629	\$ 590,148
Transfers out	(4,620,750)	(5,879,366)	(6,294,007)	(6,284,859)
<b>Total other financing sources (uses)</b>	<b>\$ (3,520,750)</b>	<b>\$ (1,918,307)</b>	<b>\$ (5,271,378)</b>	<b>\$ (5,613,292)</b>
Net change in fund balances	\$ (347,746)	\$ (1,682,761)	\$ (368,473)	\$ 610,545
Debt service as a percentage of noncapital expenditures	0.86%	23.10%	5.55%	9.39%

Table 5

	2002	2003	2004	2005	2006	2007
\$	6,079,463	\$ 6,054,082	\$ 6,330,673	\$ 6,386,661	\$ 8,201,124	\$ 8,781,315
	2,808,410	2,917,859	3,127,167	3,208,158	3,405,363	3,672,974
	63,239	50,306	56,590	51,368	93,202	107,344
	15,312	79,411	107,077	85,142	59,473	46,112
	598,207	454,866	422,119	427,756	493,044	593,477
	807,846	813,667	813,430	628,264	762,506	818,345
	34,931	176,139	84,915	167,979	45,126	1,674,879
	28,050	900	46,437	44,837	60,363	51,218
	4,344,252	4,720,867	4,403,526	5,043,573	5,171,085	5,079,154
	1,019,173	951,214	1,259,490	1,156,441	1,190,522	1,392,823
\$	15,798,883	\$ 16,219,311	\$ 16,651,424	\$ 17,200,179	\$ 19,481,808	\$ 22,217,641
\$	1,078,789	\$ 1,110,602	\$ 1,136,088	\$ 1,243,224	\$ 1,238,135	\$ 1,416,441
	1,046,627	1,084,838	1,091,812	1,266,333	1,404,563	1,084,329
	2,271,557	2,056,274	2,252,676	2,343,621	2,651,956	2,815,986
	1,230,497	1,318,370	1,958,893	1,582,784	1,688,418	1,723,931
	2,250,466	2,386,741	2,872,126	3,356,131	3,377,252	3,714,420
	5,215	6,157,120	6,433,828	6,270,528	6,600,608	6,669,651
	157,526	166,063	252,780	189,991	237,633	243,368
	321,141	339,302	600,203	455,360	449,727	501,123
	368,481	296,641	893,222	1,381,092	1,062,351	324,432
	527,039	531,491	540,477	339,822	330,766	323,958
	351,881	339,055	321,694	309,616	305,828	277,705
\$	9,609,219	\$ 15,786,497	\$ 18,353,799	\$ 18,738,502	\$ 19,347,237	\$ 19,095,344
\$	6,189,664	\$ 432,814	\$ (1,702,375)	\$ (1,538,323)	\$ 134,571	\$ 3,122,297
\$	14,000	\$ 13,625	\$ 13,250	\$ 11,163	\$ -	\$ 60,425
	(5,985,525)	(13,625)	(13,250)	(11,163)	-	(60,425)
\$	(5,667,490)	\$ 225,000	\$ -	\$ -	\$ -	\$ -
\$	522,174	\$ 657,814	\$ (1,702,375)	\$ (1,538,323)	\$ 134,571	\$ 3,122,297
	9.51%	5.62%	4.94%	3.74%	3.48%	3.21%

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General Governmental Tax Revenues by Source  
 Last Ten Fiscal Years  
*(modified accrual basis of accounting)*

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Record-ation and Wills Tax	E911 Tax	Total
2006	\$ 8,781,315	\$ 2,555,696	\$ 382,290	\$ 223,727	\$ 276,472	\$ 19,542	\$ 12,239,042
2006	8,201,124	2,402,247	476,527	232,757	207,670	33,792	11,554,117
2005	6,386,661	2,258,289	474,912	231,477	162,805	31,204	9,545,348
2004	6,330,673	2,217,895	477,800	224,999	106,792	47,294	9,405,453
2003	6,054,082	2,019,229	463,849	211,787	92,022	66,620	8,907,589
2002	6,079,463	1,958,214	442,177	211,526	73,902	66,361	8,831,643
2001	6,225,800	1,964,305	459,177	203,715	51,470	59,556	8,964,023
2000	6,181,484	1,921,675	399,263	200,028	69,115	67,964	8,839,529
1999	6,331,247	1,851,267	381,613	191,990	58,972	25,761	8,840,850
1998	5,720,702	1,857,853	380,772	185,210	50,256	-	8,194,793

COUNTY OF PRINCE EDWARD, VIRGINIA

Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (3)	Mobile Homes	Machinery and Tools
2006	\$ 1,024,107,050	\$ 93,758,150	\$ 11,698,180	1,714,300
2006	997,370,300	89,093,880	11,629,405	1,653,500
2005	959,147,690	78,767,055	12,733,114	4,208,100
2004	946,718,690	81,415,295	12,963,864	4,890,600
2003	670,116,679	78,911,086	11,803,479	4,580,050
2002	645,903,795	78,059,631	11,688,459	6,770,400
2001	624,380,855	73,982,080	11,349,709	4,098,050
2000	609,563,039	70,405,410	10,286,359	4,130,000
1999	591,114,895	64,500,205	8,946,594	3,998,800
1998	577,202,498	61,325,488	8,073,788	4,009,400

(1) Real estate is assessed at 100% of fair market value.

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

(3) Personal property is assessed at 100% of fair market value as of January 1, 1995.

Source: Commissioner of Revenue



Table 7

	<b>Merchants' Capital</b>	<b>Public Service (2)</b>	<b>Total Taxable Assessed Value</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
\$	62,842,849	\$ 47,870,560	\$ 1,241,991,089	\$ 1,241,991,089	100.00%
	52,094,300	58,424,956	1,204,266,341	1,204,266,341	100.00%
	49,215,525	59,024,452	1,163,095,936	1,163,095,936	100.00%
	49,462,150	64,434,722	1,159,885,321	1,159,885,321	100.00%
	42,548,400	48,985,337	856,945,031	856,945,031	100.00%
	50,320,367	49,153,652	841,896,304	841,896,304	100.00%
	45,769,680	50,063,311	809,643,685	809,643,685	100.00%
	41,799,024	48,340,775	784,524,607	784,524,607	100.00%
	46,664,750	49,476,050	764,701,294	764,701,294	100.00%
	41,784,000	55,621,551	748,016,725	748,016,725	100.00%

Property Tax Rates (1)  
 Direct and Overlapping Governments  
 Last Ten Fiscal Years

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2007	\$ 0.50	\$ 4.20	\$ 0.50	\$ 4.20	\$ 0.70
2006	0.50	4.20	0.50	4.20	0.70
2005	0.43	3.20	0.43	3.20	0.70
2004	0.43	3.20	0.43	3.20	0.70
2003	0.59	3.20	0.59	3.20	0.70
2002	0.59	3.20	0.59	3.20	0.70
2001	0.59	3.20	0.59	3.20	0.70
2000	0.59	3.20	0.59	3.20	0.70
1999	0.59	3.20	0.59	3.20	0.70
1998	0.59	3.20	0.59	3.20	0.70

(1) Per \$100 of assessed value

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases			
2007	\$ 8,654,633	\$ 105,000	\$ 4,036,409	\$ -	\$ 12,796,042	4.74%	627
2006	9,380,224	157,500	2,444,551	-	11,982,275	4.44%	587
2005	9,105,504	210,000	1,764,512	13,536	11,093,552	3.98%	549
2004	9,852,024	262,500	1,850,708	30,819	11,996,051	4.09%	603
2003	10,614,315	315,000	1,933,824	47,265	12,910,404	4.22%	639
2002	11,390,182	458,300	2,010,352	62,916	13,921,750	4.34%	696
2001	12,171,702	601,600	2,093,547	77,810	14,944,659	4.44%	758
2000	12,975,808	744,900	2,166,349	-	15,887,057	4.70%	811
1999	13,664,555	888,200	2,218,000	24,067	16,794,822	4.88%	861
1998	14,859,028	1,031,500	-	54,707	15,945,235	4.33%	835

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 11

Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2007	\$ 12,453,316	\$ 69,227	\$ 12,384,089	1.00%	627
2006	11,982,275	-	11,982,275	0.96%	587
2005	11,080,017	-	11,080,017	0.95%	549
2004	11,965,235	-	11,965,235	1.03%	601
2003	13,540,048	-	13,540,048	1.58%	670
2002	14,768,495	-	14,768,495	1.75%	738
2001	15,394,882	-	15,394,882	1.90%	781
2000	16,440,224	-	16,440,224	2.10%	839
1999	17,325,829	-	17,325,829	2.27%	889
1998	15,890,528	-	15,890,528	2.12%	832

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, Literary Fund Loans, excludes revenue bonds, capital leases, and compensated absences.

Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
1998	20,400	\$ 270,138,000	\$ 13,242	31.9	2,591	5.20%
1999	20,200	279,004,000	13,812	31.9	2,617	5.50%
2000	19,900	293,412,000	14,744	31.9	2,720	5.40%
2001	20,200	306,255,000	15,161	31.9	2,669	5.90%
2002	20,000	320,610,000	16,031	31.9	2,649	5.80%
2003	19,720	336,641,000	17,071	31.9	2,616	4.00%
2004	19,600	338,059,000	17,248	31.5	2,624	3.40%
2005	19,500	344,234,000	17,653	31.5	2,617	3.90%
2006	19,100	368,157,000	17,971	31.5	2,621	5.20%
2007	20,846	379,316,000	18,557	31.9	2,577	5.20%

Source: Weldon Cooper Center, Annual school report - prepared by the county, [www.fedstats.gov](http://www.fedstats.gov)

COUNTY OF PRINCE EDWARD, VIRGINIA

Full-time Equivalent Government Employees by Function  
Last Ten Fiscal Years

Function	1997	1998	1999	2000	2001
General government	17.0	16.0	16.0	17.0	18.0
Judicial administration	16.0	17.0	17.0	18.0	19.0
Public safety					
Sheriffs department	19.0	18.0	21.0	22.0	24.0
Animal control	1.0	1.0	1.0	1.0	1.0
Building official	-	-	-	-	-
Public works					
General maintenance	5.0	6.0	7.0	6.0	7.0
Refuse Collection & Disposal	1.0	1.0	1.0	1.0	2.0
Biosolids	-	-	-	-	-
Health and welfare					
Department of social services		22.0	28.0	31.0	29.0
Culture and recreation					
Parks and recreation	1.0	1.0	-	-	-
Community development	1.0	1.0	1.0	1.0	1.0
Planning	1.0	1.0	1.0	1.0	1.0
Economic Development	-	-	-	-	-
Cannery	-	-	-	-	-
Extension	1.0	1.0	1.0	1.0	1.0
Totals	<u>63.0</u>	<u>85.0</u>	<u>94.0</u>	<u>99.0</u>	<u>103.0</u>

Source: Individual County departments

Table 12

2002	2003	2004	2005	2006	2007
18.0	18.0	18.0	18.0	19.0	17.0
19.0	18.0	19.0	21.0	23.0	25.0
22.0	25.0	25.0	25.0	26.0	30.5
1.0	1.0	2.0	2.0	2.0	2.0
-	-	-	-	-	2.0
7.0	7.0	7.0	7.0	7.0	7.5
2.0	2.0	2.0	2.0	2.0	15.5
-	-	-	-	-	1.0
30.0	32.0	31.0	30.0	31.0	31.0
-	-	-	-	-	-
1.0	-	1.0	1.0	1.0	-
1.0	1.0	1.0	1.0	1.0	2.0
-	-	1.0	1.0	1.0	1.5
-	-	1.5	1.5	1.5	1.5
1.0	1.0	-	-	-	1.0
<u>102.0</u>	<u>105.0</u>	<u>108.5</u>	<u>109.5</u>	<u>114.5</u>	<u>137.5</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Operating Indicators by Function  
Last Ten Fiscal Years (1)

Function	1997	1998	1999	2000	2001
Public safety					
Sheriffs department:					
Physical arrests	-	-	-	-	-
Civil papers	-	-	-	-	-
Building inspections:					
Permits issued	197	392	422	416	352
Public works					
Landfill:					
Refuse collected (tons/day)	49	60	61	74	80
Recycling (tons/day)	5	5	5	6	5
Health and welfare					
Department of Social Services:					
Caseload	-	-	-	-	-
Community development					
Planning:					
Zoning permits issued	-	-	-	-	-
Component Unit - School Board					
Education:					
Number of teachers	207	212	206	206	213
Local expenditures per pupil	-	-	-	-	-

Source: Individual County departments

(1) Information has been reported where available.



Table 13

2002	2003	2004	2005	2006	2007
-	-	628	825	1,167	1,127.0
-	-	13,894	9,982	9,660	9,700.0
386	301	360	322	430	416.0
78	81	90	70	77	91.0
5	4	9	10	12	11.0
-	3,835	4,735	5,194	5,114	5,298.0
-	-	-	266	246	242.0
216	212	211	232	238	229.5
-	-	-	-	2,506	2,623.0

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**Compliance**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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To the Board of Supervisors  
County of Prince Edward, Virginia

We have audited the financial statements of the County of Prince Edward, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County of Prince Edward, Virginia's basic financial statements and have issued our report thereon, dated January 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Prince Edward, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, we noted other matters involving internal control and its operation that we have reported to management of the County of Prince Edward, Virginia in a separate letter dated January 9, 2008.

This report is intended solely for the information and use of the Board of Supervisors and management, and it is not intended to be and should not be used by anyone other than these specified parties.

*Rofman, Fann, Cox Associates*

Charlottesville, Virginia  
January 9, 2008

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

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To the Board of Supervisors  
County of Prince Edward, Virginia

### Compliance

We have audited the compliance of the County of Prince Edward, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. County of Prince Edward's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of County of Prince Edward's management. Our responsibility is to express an opinion on County of Prince Edward's compliance based on our audit.

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

In our opinion, County of Prince Edward, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

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

*Internal Control Over Compliance (Continued)*

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

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

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

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

*Robinson, Fann, Cox Associates*  
Charlottesville, Virginia  
January 9, 2008



COUNTY OF PRINCE EDWARD, VIRGINIA

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 26,302
Temporary Assist to Needy Families (TANF)	93.558	223,154
Refugee and Entrant Assistance - Discretionary Grants	93.566	246
Low Income Home Energy Assistance	93.568	23,334
Payments to States for Child Care Assistance	93.575	62,974
Chafee Education and Training Program	93.599	217
Child Care and Development Fund	93.596	76,394
Adoption Incentive Payments Program	93.603	2,026
Child Welfare Services - State Grants	93.645	51
Foster Care - Title IV-E	93.658	134,363
Adoption Assistance	93.659	36,608
Social Services Block Grant	93.667	136,840
Independent Living	93.674	300
State Children's Insurance Program	93.767	447
Medical Assistance Program (Title XIX)	93.778	204,766
State Fraud Free	93.000	10,961
Total Dept. Health & Human Services-pass through		\$ 938,983
Total Department Health and Human Services		\$ 938,983
Department of Homeland Security		
Pass Through Payments:		
Homeland security planning grant	97.004	\$ 89,412
Emergency management preparedness grant	97.042	9,436
Total Department of Homeland Security - pass-through payments		\$ 98,848
Total Department of Homeland Security		\$ 98,848
Pass Through Payments:		
Department of Agriculture:		
Food Distribution	10.555	\$ 53,587
Department of Education:		
National school breakfast program	10.553	\$ 126,416
National school lunch program	10.555	512,444
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	245,691
Total Department of Agriculture - pass-through payments		\$ 938,138
Total Department of Agriculture		\$ 938,138

COUNTY OF PRINCE EDWARD, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2007

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of the Interior:		
Direct payments:		
Bureau of Land Management:		
Payments inLieu of Taxes	12.112	\$ 54,219
Total Department of Housing and Urban Development		<u>54,219</u>
Pass Through Payments:		
Department of Criminal Justice Service:		
Crime victims assistance	16.575	\$ 36,634
Juvenile justice assistance	16.738	2,035
Criminal justice grant	16.000	<u>10,060</u>
Total Department of Justice - pass-through		<u>\$ 48,729</u>
Total Department of Justice		<u>\$ 48,729</u>
Department of Transportation:		
Pass through payments:		
Ground transportation safety grant	20.607	\$ 6,353
Total Department of Transportation - pass-through		<u>\$ 6,353</u>
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title I: Educationally deprived children	84.010	\$ 831,513
Title VI-B: Handicapped state grants	84.027	758,312
Vocational Education: Basic grants to states	84.048	59,174
Title VI-B: Handicapped preschool incentive grant	84.173	20,394
Drug free schools and communities	84.186	12,683
Literacy challenge grant	84.318	3,385
Adult literacy services	84.002	8,405
Title VI: Improving school programs state block grant	84.298	3,932
Reading first	84.357	256,852
Title VI: Rural and low income schools	84.358	38,974
AP Grants	84.330	52
Title II-A	84.367	134,223
Gear-up	84.000	21,140
JROTC	84.000	<u>52,793</u>
Total Department of Education		<u>\$ 2,201,832</u>
Total Federal Assistance		<u>\$ 4,287,102</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

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Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Prince Edward, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the County's basic financial statements.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund \$ 1,392,823

Total primary government \$ 1,392,823

Component Unit Public Schools:

School Operating Fund \$ 2,840,692

Total component unit public schools \$ 2,840,692

Total federal expenditures per basic financial statements \$ 4,233,515

Non-cash expenditures - value of donated commodities \$ 53,587

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 4,287,102

**COUNTY OF PRINCE EDWARD, VIRGINIA**

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

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**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No
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Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553	Nutrition Cluster - School Breakfast Program
10.555	Nutrition Cluster - National School Lunch Program
10.555	Nutrition Cluster - Food Distribution
84.010	Title I: Educationally Deprived Children

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
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Auditee qualified as low-risk auditee?	Yes
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**Section II - Financial Statement Findings**

There are no financial statement findings to report.

**Section III - Federal Award Findings and Questioned Costs**

There are no federal award findings and questioned costs to report.