

COUNTY OF PRINCE EDWARD, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

COUNTY OF PRINCE EDWARD, VIRGINIA

FINANCIAL REPORT

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COUNTY OF PRINCE EDWARD, VIRGINIA

Board of Supervisors

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

Mattie P. Wiley
James R. Wilck
Howard M. Campbell

Robert M. Jones
Don C. Gantt, Jr.
Charles W. McKay

Board of Social Services

Karen M. Schinabeck, Chairman
Howard F. Simpson, Vice-Chairman
Alice Rucker
S. Garlan Carmichael
Zachary Jackson

County School Board

Russell L. Dove, Chairman

Dr. Ellery Sedgwick
Thomas M. Tillerson
Dr. Osa S. Dowdy

Harriett E. Fentress
Linda Leatherwood
Susan S. Lawman
Dr. Lawrence C. Varner

Other Officials

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
County Administrator

Richard S. Blanton
Machelle J. Eppes
Robert G. Woodson, Jr.
Marvin H. Dunkum, Jr.
James R. Ennis
Beverly M. Booth
Mable H. Shanaberger
Travis D. Harris, Jr.
Dr. K. David Smith
Roma R. Morris
Wade Bartlett

COUNTY OF PRINCE EDWARD, VIRGINIA

Financial Report
Year Ended June 30, 2010

Table of Contents

	<u>Page</u>
FINANCIAL SECTION:	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	13
Exhibit 2 Statement of Activities	14-15
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	16
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	17
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	18
Exhibit 6 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Exhibit 7 Statement of Fund Net Assets—Proprietary Funds	20
Exhibit 8 Statement of Revenues, Expenses and Changes in Fund Net Assets—Proprietary Funds	21
Exhibit 9 Statement of Cash Flows—Proprietary Funds	22
Exhibit 10 Statement of Fiduciary Net Assets—Fiduciary Funds	23
Notes to Financial Statements	24-52
<u>Required Supplementary Information</u>	
Exhibit 11 Schedule of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—General Fund	53
Exhibit 12 Schedule of Funding Progress for the Virginia Retirement System	54
Exhibit 13 Schedule of Funding Progress for Other Post-Employment Benefits	55

COUNTY OF PRINCE EDWARD, VIRGINIA

Financial Report
Year Ended June 30, 2010

Table of Contents (Continued)

	<u>Page</u>
FINANCIAL SECTION: (CONTINUED)	
<u>Other Supplementary Information:</u>	
Combining and Individual Fund Statements and Schedules:	
Exhibit 14 Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—Capital Projects Fund	56
Exhibit 15 Balance Sheet—Nonmajor Governmental Funds	57
Exhibit 16 Statement of Revenues, Expenditures and Changes in Fund Balances—Non-major Governmental Funds—Capital Projects	58
Exhibit 17 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Nonmajor Capital Projects Funds	59
Exhibit 18 Combining Statement of Fiduciary Net Assets—Fiduciary Funds	60
Exhibit 19 Combining Statement of Changes in Fiduciary Assets and Liabilities— Agency Funds	61
Exhibit 20 Combining Balance Sheet—Discretely Presented Component Unit—School Board	62
Exhibit 21 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Discretely Presented Component Unit-School Board	63
Exhibit 22 Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Discretely Presented Component Unit— School Board	64-65

COUNTY OF PRINCE EDWARD, VIRGINIA

Financial Report
Year Ended June 30, 2010

Table of Contents (Continued)

	<u>Page</u>
FINANCIAL SECTION: (CONTINUED)	
<u>Supporting Schedules:</u>	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	66-71
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	72-75
<u>Statistical Section:</u>	
Table 1 Net Assets by Component	76
Table 2 Changes in Net Assets	77-78
Table 3 Governmental Activities Tax Revenues by Source	79
Table 4 Fund Balances of Governmental Funds	80-81
Table 5 Changes in Fund Balances of Governmental Funds	82-83
Table 6 General Governmental Tax Revenues by Source	84
Table 7 Assessed Value and Estimated Actual Value of Taxable Property	85-86
Table 8 Property Tax Rates	87
Table 9 Property Tax Levies and Collections	88
Table 10 Principal Property Taxpayers	89
Table 11 Ratios of Outstanding Debt by Types	90
Table 12 Ratio of Net General Debt to Assessed Value and Net Bonded Debt per Capita	91
Table 13 Demographic and Economic Statistics	92
Table 14 Full-time Equivalent Government Employees by Function	93-94
Table 15 Operating Indicators by Function	95-96

COUNTY OF PRINCE EDWARD, VIRGINIA

Financial Report
Year Ended June 30, 2010

Table of Contents (Continued)

	<u>Page</u>
COMPLIANCE AND OTHER MATTERS:	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	97-98
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	99-100
Schedule of Expenditures of Federal Awards	101-102
Notes to Schedule Expenditures of Federal Awards	103
Schedule of Findings and Questioned Costs	104

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Prince Edward's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *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. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Prince Edward, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010, 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 should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of Pension Funding Progress and Schedule of Funding Progress for Other Post-Employment Benefits as identified in the accompanying table of contents are not required parts 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 inquiries 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 opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, the combining and individual fund statements and schedules listed in the table of contents as other supplementary information, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the County's basic financial statements. The combining and individual fund statements and schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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 \$4,774,509 (total net assets). This was an increase of \$917,793 or 23.8% compared to the ending amount of \$3,856,716 on June 30, 2009. This increase was primarily due the increase in the capital assets of the Business-type Activities. \$1,388,546 of the Net Assets is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.
- The Governmental activities net assets were \$4,073,018 of the County's total, an increase of \$185,641 or 4.8% in comparison with net assets of \$3,887,377 at June 30, 2009. Cash and cash equivalents decreased from \$8,806,906 in FY09 to \$8,340,494 at the end of FY10. This is a decrease of \$466,412 or 5.3%.
- The School Board's assets exceeded its liabilities by \$10,763,591 a decrease of \$599,730 when compared to the amount on June 30, 2009. However, \$10,576,110 of this amount reflects the School Board's net investment in capital assets leaving \$187,481 in unrestricted assets available to meet ongoing obligations. This is a decrease of \$389,917 or 68% in the School Board's unrestricted net assets for the fiscal year.
- In 2009, the County began operating its own utility system. The system consists of water and sewer lines and a sewer pump station purchased from the Town of Farmville. Business-Type Activities Net Assets were \$701,491.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$62,871 (Exhibit 5) after making direct contributions totaling \$7,439,598 to the School Board.

- At the close of the current fiscal year, the County's Governmental funds reported ending fund balances of \$9,823,164, which is a decrease of \$62,871 in comparison with the prior fiscal year.
- At the close of the current fiscal year, the unreserved fund balance for the general fund was \$8,774,360 or 42.9% of total general fund expenditures excluding capital projects.
- The combined long-term Governmental obligations increased \$263,276 during the current fiscal year. Details of this increase can be found under the long-term debt section of the management discussion and analysis and in Note 8 of the report.

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 primarily by taxes, state and federal grants.
2. **Business-Type Activities** - The County has two business-type activities: Water and Sewer. It is the intent of the County to recover all or a significant portion of the costs associated with providing these services through user fees and charges to customers receiving these services.
3. **Component Unit** - The County has two component units, the Prince Edward County Public Schools and the Industrial Development Authority. While the Component Units are legally separate entities, the County of Prince Edward is financially accountable for them. 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 units 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, 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 eleven and fourteen through seventeen. 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 two proprietary funds (Water and Sewer) at this time.

Enterprise funds are used to report the same functions as the business-type activities in the government-wide financial statements. Water and Sewer Funds are presented on the statements as major funds (Exhibits 7 - 9). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business. The intent of the governing body is to finance these services primarily through user charges and fees.

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 is contained in exhibits eighteen and nineteen.

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 FY2010, assets exceeded liabilities by \$4,774,509 at the close of the fiscal year as presented in the Table below. This was an increase of \$917,793 or 23.8% over the FY2009 ending amount of \$3,856,716.

County of Prince Edward, Virginia

Schedule of Assets Liabilities and Net Assets For the Years Ended June 30, 2010 and 2009

	Governmental Activities (1)		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 11,012,506	\$ 11,439,183	\$ 11,377	\$ 5,024	\$ 11,023,883	\$ 11,444,207
Capital assets	<u>12,011,133</u>	<u>12,773,048</u>	<u>3,351,144</u>	<u>1,250,000</u>	<u>15,362,277</u>	<u>14,023,048</u>
Total assets	\$ <u>23,023,639</u>	\$ <u>24,212,231</u>	\$ <u>3,362,521</u>	\$ <u>1,255,024</u>	\$ <u>26,386,160</u>	\$ <u>25,467,255</u>
Long-term liabilities outstanding	\$ 18,426,791	\$ 19,406,543	\$ 2,500,000	\$ 1,281,482	\$ 20,926,791	\$ 20,688,025
Current liabilities	<u>523,830</u>	<u>918,311</u>	<u>161,030</u>	<u>4,203</u>	<u>684,860</u>	<u>922,514</u>
Total liabilities	\$ <u>18,950,621</u>	\$ <u>20,324,854</u>	\$ <u>2,661,030</u>	\$ <u>1,285,685</u>	\$ <u>21,611,651</u>	\$ <u>21,610,539</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 2,534,819	\$ 2,459,199	\$ 851,144	\$ (31,482)	\$ 3,385,963	\$ 2,427,717
Unrestricted	<u>1,538,199</u>	<u>1,428,178</u>	<u>(149,653)</u>	<u>821</u>	<u>1,388,546</u>	<u>1,428,999</u>
Total net assets	\$ <u>4,073,018</u>	\$ <u>3,887,377</u>	\$ <u>701,491</u>	\$ <u>(30,661)</u>	\$ <u>4,774,509</u>	\$ <u>3,856,716</u>

(1) The information presented for current and other assets and current liabilities does not agree to the figures reported on Exhibit 1. The Auditor of Public Accounts required the tax amount assessed on January 1, 2010 but not due until December 5, 2010 to be reported as a receivable, artificially inflating the asset (taxes receivable) and liability (deferred revenue) totals.

At the end of FY2010, the County's investment in capital assets, net of related debt is \$3,385,963. 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 \$1,388,546 may be used to meet the government's ongoing obligations. While the unrestricted net asset amount is approximately \$1.4 million, Prince Edward County has more than \$8.3 million in cash and cash equivalents that are unrestricted and are available to meet current obligations. The difference between the two amounts is due to the inclusion of capital assets and long-term liabilities in the net asset amount.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities increased Prince Edward County's net assets by \$185,641. The key elements of this increase are found in exhibits 2 and 6 and the table below. While revenues decreased from the previous year by \$1,501,273 due to the national economic downturn, expenses were reduced by \$4,722,497. The net effect was a slight increase in the County's net assets.

County of Prince Edward, Virginia

Changes in Net Assets

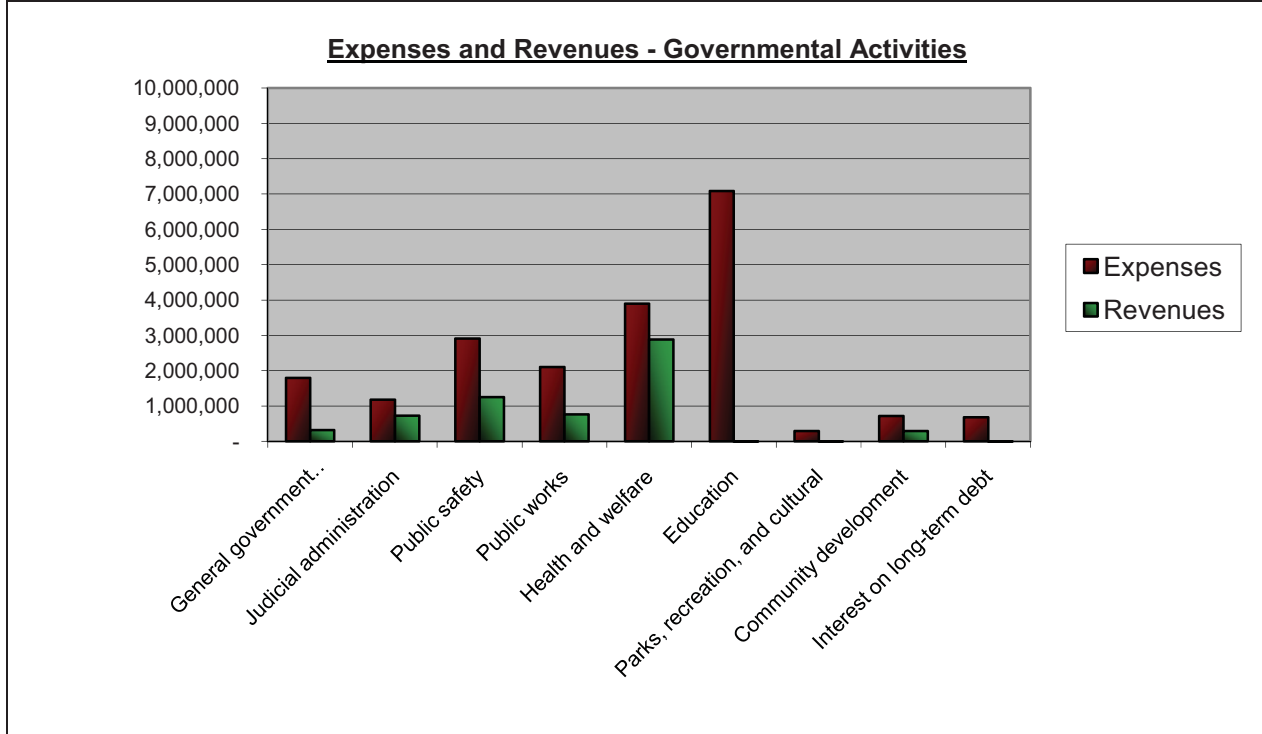
For the Years Ended June 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 973,851	\$ 1,019,637	\$ 9,002	\$ -	\$ 982,853	\$ 1,019,637
Operating grants and contributions	5,272,050	5,662,902	-	-	5,272,050	5,662,902
Capital grants and contributions	-	-	21,750	6,000	21,750	6,000
General revenues:						
General property taxes	9,925,117	10,338,674	-	-	9,925,117	10,338,674
Other local taxes	3,349,561	3,815,476	-	-	3,349,561	3,815,476
Commonwealth non-categorical aid	1,619,326	1,325,103	-	-	1,619,326	1,325,103
Other general revenues	556,663	1,001,453	250	-	556,913	1,001,453
Total revenues	\$ 21,696,568	\$ 23,163,245	\$ 31,002	\$ 6,000	\$ 21,727,570	\$ 23,169,245
Expenses:						
General government administration	\$ 1,795,153	\$ 1,878,951	\$ -	\$ -	\$ 1,795,153	\$ 1,878,951
Judicial administration	1,175,955	1,557,012	-	-	1,175,955	1,557,012
Public safety	2,910,454	2,718,405	-	-	2,910,454	2,718,405
Public works	2,105,782	2,641,623	-	-	2,105,782	2,641,623
Health and welfare	3,894,723	3,948,690	-	-	3,894,723	3,948,690
Education	7,082,604	7,039,437	-	-	7,082,604	7,039,437
Parks, recreation, and cultural	293,485	3,274,724	-	-	293,485	3,274,724
Community development	721,676	1,618,525	-	-	721,676	1,618,525
Interest on long-term debt	676,992	701,954	-	-	676,992	701,954
Water fund	-	-	69,875	31,512	69,875	31,512
Sewer fund	-	-	83,078	29,800	83,078	29,800
Total expenses	\$ 20,656,824	\$ 25,379,321	\$ 152,953	\$ 61,312	\$ 20,809,777	\$ 25,440,633
Transfers	\$ (854,103)	\$ (24,651)	854,103	24,651	-	-
Increase (decrease) in net assets	\$ 185,641	\$ (2,240,727)	\$ 732,152	\$ (30,661)	\$ 917,793	\$ (2,271,388)
Net assets-beginning	3,887,377	6,128,104	(30,661)	-	3,856,716	6,128,104
Net assets - ending	\$ 4,073,018	\$ 3,887,377	\$ 701,491	\$ (30,661)	\$ 4,774,509	\$ 3,856,716

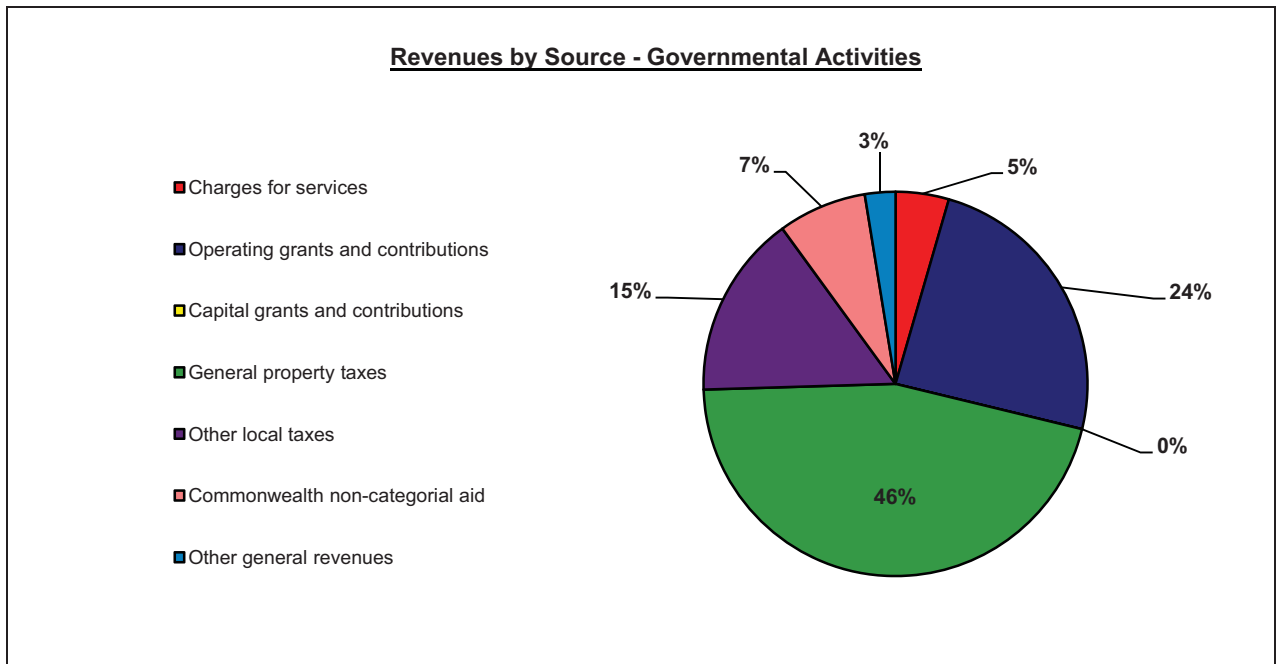
Revenues from governmental activities totaled \$21,696,568 with general property taxes (45.8%), operating grants and contributions (24.3%), and other local taxes (15.5%) comprising 85.6% of the County's revenues. Expenses for education (34.3%), health and welfare (18.9%), public safety (14.1%) and, public works (10.2%) account for 77.5% of total governmental expenses of \$20,656,824.

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



Business-Type Activities increased the County’s net assets by \$732,152. However, the transfer of \$854,103 from Governmental Activities accounts for this entire increase.

Financial Analysis of the County's Funds

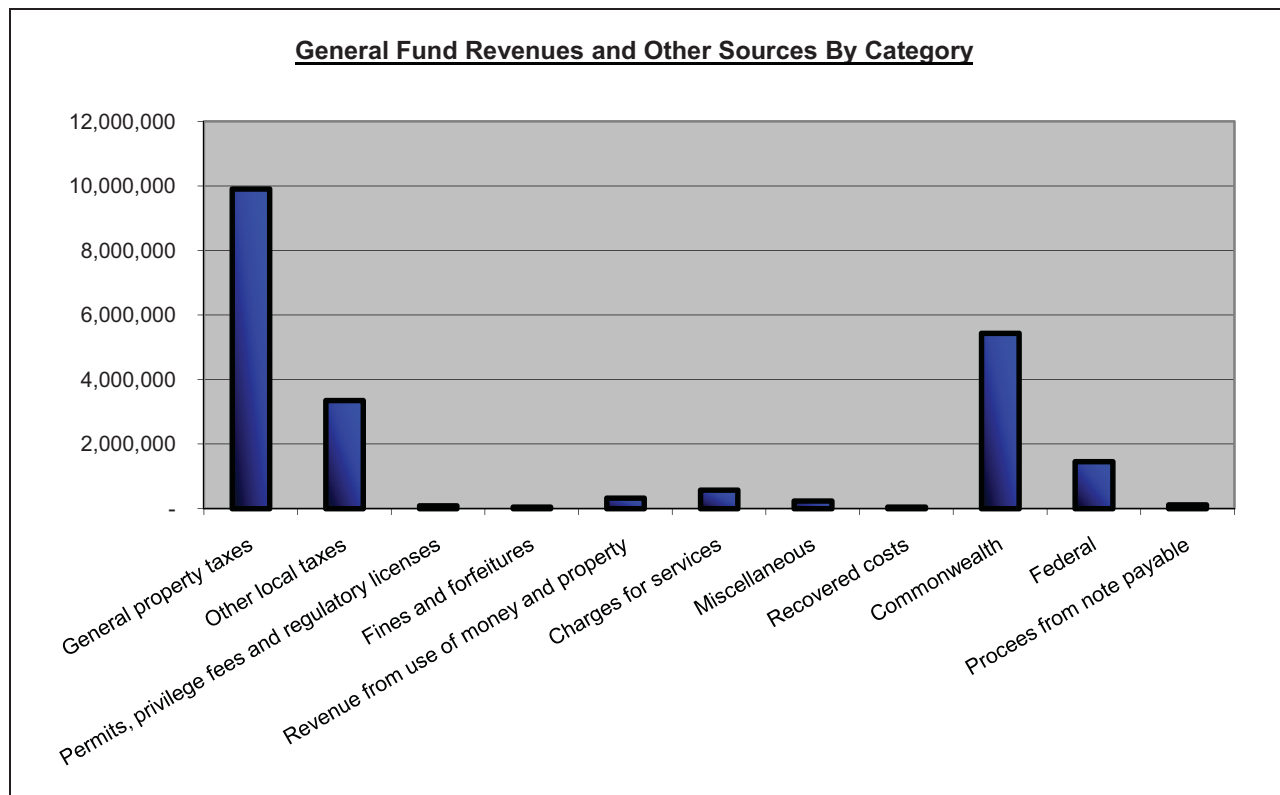
As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 \$9,823,164 a decrease of \$62,871 when compared to the prior year. Approximately 96 percent (\$9,413,989) of the combined governmental fund balance is unreserved. The remaining four percent (\$409,175) 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, 2010 of \$8,775,466. This is a decrease from the prior year of \$443,845. The decrease in the General Fund was offset somewhat by an increase in the fund balance of the Landfill Construction Fund in the amount of \$262,611. Total revenues in the General Fund decreased by \$1,806,620 from the previous fiscal year. Decreases in revenues from the Commonwealth (\$565,823), the sale of land (\$589,113), and from reimbursements for prior expenses (\$346,878) accounted for 83.1% of this revenue decrease. While revenues from local sources did decline by approximately \$487,000 this amount only represents a 3.2% reduction compared to the collections in FY09. 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 42.9% of General Fund expenditures excluding capital projects. Total fund balance represents the same due to the minimal amount of reserved fund balance reported.

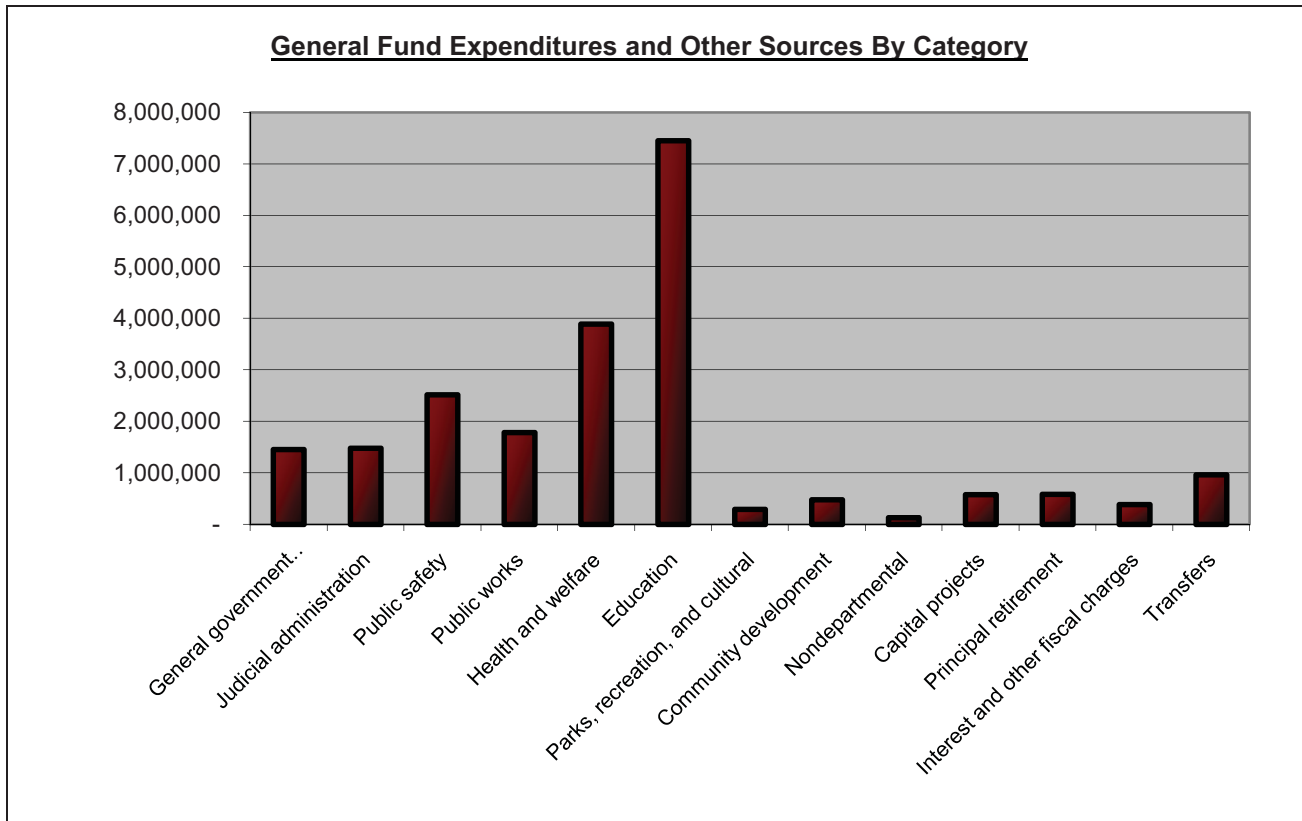
General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are \$21,570,441.



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 \$22,014,286 including transfers out of the fund of \$964,256.



General Fund Budgetary Highlights

The final amended General Fund budget saw revenues increase by \$900,379 over the original budgeted amount. The final expenditure budget reflected an increase of \$966,463 when compared to the original budget. The revenue increases (decreases) were as follows:

- \$5,642 in recovered costs.
- \$872,989 in intergovernmental revenues from the Commonwealth.
- \$21,748 in intergovernmental revenues from the Federal Government.

The significant increase in budgeted revenues from the Commonwealth can be attributed primarily from grant funds received from the Commonwealth, primarily funds from the Tobacco Commission, Virginia Department of Transportation (VDOT) and Virginia Information Technology Agency (VITA).

The Expenditure amendments were as follows:

- \$4,114 increase in General government administration
- \$31,803 increase in Judicial administration
- \$112,811 increase Public Safety
- \$10,500 increase in Public Works
- \$14,500 increase in Parks, Recreation, and Culture
- \$5,473 decrease in Community Development
- \$136,603 increase in Non Departmental
- \$714,339 increase in Capital Projects
- \$52,734 decrease in debt service

General Fund Budgetary Highlights: (Continued)

As can be seen increases in Capital Projects accounted for approximately 75% of the increase in the budgeted expenditures. Grants from the Tobacco Commission to upgrade the cannery and STEPs buildings accounted for the majority of the capital projects increase with grants from VDOT and VITA accounting for the remainder.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2010, is \$15,362,277 (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, 2010 and 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 499,949	\$ 499,949	\$ -	\$ -	\$ 499,949	\$ 499,949
Buildings and system Improvements other than buildings	10,225,010	10,805,561	-	-	10,225,010	10,805,561
Machinery and equipment	924,451	1,214,001	-	-	924,451	1,214,001
Utility plant in service	361,723	253,537	-	-	361,723	253,537
Construction in progress	-	-	2,432,360	-	2,432,360	-
	-	-	918,784	1,250,000	918,784	1,250,000
Net capital assets	<u>\$ 12,011,133</u>	<u>\$ 12,773,048</u>	<u>\$ 3,351,144</u>	<u>\$ 1,250,000</u>	<u>\$ 15,362,277</u>	<u>\$ 14,023,048</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 FY2010, Prince Edward County had total outstanding obligations of \$20,926,791. Of this amount \$13,670,767 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, retirement note obligation and compensated absences.

During the fiscal year the County's long-term obligations increased by \$238,766 or 1.2%. This increase was a result of an increase in landfill closure and postclosure liability and an increase in the outstanding debt for the County's Water and Sewer operations.

Additional information on the Prince Edward County's long-term debt can be found in Note 8 of this report.

Economic Factors Influencing FY2011 Budgets and Tax Rates

The unemployment rate of the County on June 30, 2010 was 10.9%. This was an increase of .6% year to year. The County's unemployment rate compares unfavorably to the state's average rate of 7.1% and the national average of 9.6% for the same time.

Because the local economy is heavily influenced by Healthcare, and state governmental employment Prince Edward County has been sheltered from the worse impacts of the economic disruption. But there have been some negative impacts. Revenues from the local sales tax are projected to decline \$100,000 or 3.8% in FY11. This is in addition to a decrease of \$200,000 in the prior year. Real Estate Tax collections were expected to fall by \$130,000 due to lower collection rates. But personal property taxes were expected to increase due to increasing values for used cars. Overall local revenues were expected to remain flat. The greatest challenge to the General Governments FY11 budget was a reduction in revenues to be received from the Commonwealth. It was projected Prince Edward County would experience a reduction of more than \$663,000 in state revenues. Additionally, the state reduced funding to the Prince Edward County Schools by approximately \$900,000.

These factors were considered in preparing the County's budget for the 2011 fiscal year.

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

- No pay increases for any local government employee
- Decreasing the Comprehensive Services budget by \$100,000
- Various actions to reduce expenditures throughout the budget
- Reduce the local contribution to schools by \$55,481 to reflect lower debt payments
- Delay Capital Expenditures
- Increase the Real Estate Tax Rate by \$.02 to raise \$300,000 in revenues
- Increase the Motor Vehicle License Tax to raise \$190,000 in revenues

The actions to reduce and hold expenditures steady coupled with the additional revenues raised by the tax and rate increases mentioned above were adequate to balance the 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, 2010

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents	\$ 8,329,117	\$ 11,377	\$ 8,340,494	\$ 236,291	\$ 112,165
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,552,832	-	12,552,832	-	-
Accounts receivable	160,939	-	160,939	-	-
Note receivable	150,000	-	150,000	-	420,000
Due from primary government	-	-	-	208,341	-
Due from component unit	4,578	-	4,578	-	-
Due from other governmental units	988,203	-	988,203	967,862	-
Prepaid expenses	18,166	-	18,166	167,489	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	409,175	-	409,175	-	-
Capital assets (net of accumulated depreciation):					
Land	499,949	-	499,949	99,952	535,194
Buildings and system	10,225,010	-	10,225,010	8,715,014	-
Improvements other than buildings	924,451	-	924,451	350,640	512,311
Machinery and equipment	361,723	-	361,723	1,410,504	-
Utility plant in service	-	2,432,360	2,432,360	-	-
Construction in progress	-	918,784	918,784	-	-
Total assets	\$ 34,624,143	\$ 3,362,521	\$ 37,986,664	\$ 12,156,093	\$ 1,579,670
LIABILITIES					
Reconciled overdraft	\$ -	\$ 5,192	\$ 5,192	\$ -	\$ -
Accounts payable	153,932	149,624	303,556	58,617	-
Accrued liabilities	-	-	-	1,285,075	-
Deposits	-	-	-	-	50,000
Accrued interest payable	136,004	6,214	142,218	-	-
Due to primary government	-	-	-	-	4,578
Due to component unit	208,341	-	208,341	-	-
Deferred revenue	11,626,057	-	11,626,057	-	-
Long-term liabilities:					
Due within one year	1,153,755	-	1,153,755	-	-
Due in more than one year	17,245,317	2,500,000	19,745,317	-	-
Other post-employment benefits	27,719	-	27,719	48,810	-
Total liabilities	\$ 30,551,125	\$ 2,661,030	\$ 33,212,155	\$ 1,392,502	\$ 54,578
NET ASSETS					
Invested in capital assets, net of related debt	\$ 2,534,819	\$ 851,144	\$ 3,385,963	\$ 10,576,110	\$ 535,194
Unrestricted (deficit)	1,538,199	(149,653)	1,388,546	187,481	989,898
Total net assets	\$ 4,073,018	\$ 701,491	\$ 4,774,509	\$ 10,763,591	\$ 1,525,092

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, 2010

<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>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,795,153	\$ 100	\$ 316,431	\$ -
Judicial administration	1,175,955	77,250	652,918	-
Public safety	2,910,454	135,014	1,121,588	-
Public works	2,105,782	749,031	12,024	-
Health and welfare	3,894,723	-	2,881,450	-
Education	7,082,604	-	-	-
Parks, recreation, and cultural	293,485	-	4,995	-
Community development	721,676	12,456	282,644	-
Interest on longterm debt	676,992	-	-	-
Total governmental activities	\$ 20,656,824	\$ 973,851	\$ 5,272,050	\$ -
Business-type activities:				
Water	\$ 69,875	\$ 1,289	\$ -	\$ 13,500
Sewer	83,078	7,713	-	8,250
Total business-type activities	\$ 152,953	\$ 9,002	\$ -	\$ 21,750
Total primary government	\$ 20,809,777	\$ 982,853	\$ 5,272,050	\$ 21,750
COMPONENT UNITS:				
School Board	\$ 28,908,054	\$ 595,616	\$ 20,631,665	\$ -
Industrial Development Authority	116,421	-	2,536	-
Total component units	\$ 29,024,475	\$ 595,616	\$ 20,634,201	\$ -

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
 Gain on disposal of capital assets
 Transfers

Total general revenues and transfers

Change in net assets
 Net assets - beginning

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Unit		
Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	
\$ (1,478,622)	\$ -	\$ (1,478,622)	\$ -	\$ -	
(445,787)	-	(445,787)	-	-	
(1,653,852)	-	(1,653,852)	-	-	
(1,344,727)	-	(1,344,727)	-	-	
(1,013,273)	-	(1,013,273)	-	-	
(7,082,604)	-	(7,082,604)	-	-	
(288,490)	-	(288,490)	-	-	
(426,576)	-	(426,576)	-	-	
(676,992)	-	(676,992)	-	-	
<u>\$ (14,410,923)</u>	<u>\$ -</u>	<u>\$ (14,410,923)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (55,086)	\$ (55,086)	\$ -	\$ -	
-	(67,115)	(67,115)	-	-	
<u>\$ -</u>	<u>\$ (122,201)</u>	<u>\$ (122,201)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (14,410,923)</u>	<u>\$ (122,201)</u>	<u>\$ (14,533,124)</u>	<u>\$ -</u>	<u>\$ -</u>	
-	-	-	\$ (7,680,773)	\$ -	
-	-	-	-	(113,885)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,680,773)</u>	<u>\$ (113,885)</u>	
\$ 9,925,117	\$ -	\$ 9,925,117	\$ -	\$ -	
2,526,302	-	2,526,302	-	-	
387,557	-	387,557	-	-	
313,778	-	313,778	-	-	
121,912	-	121,912	-	-	
12	-	12	-	-	
329,506	-	329,506	10,674	324	
126,880	250	127,130	-	1,551	
-	-	-	7,070,369	-	
1,619,326	-	1,619,326	-	-	
100,277	-	100,277	-	13,516	
(854,103)	854,103	-	-	-	
<u>\$ 14,596,564</u>	<u>\$ 854,353</u>	<u>\$ 15,450,917</u>	<u>\$ 7,081,043</u>	<u>\$ 15,391</u>	
\$ 185,641	\$ 732,152	\$ 917,793	\$ (599,730)	\$ (98,494)	
3,887,377	(30,661)	3,856,716	11,363,321	1,623,586	
<u>\$ 4,073,018</u>	<u>\$ 701,491</u>	<u>\$ 4,774,509</u>	<u>\$ 10,763,591</u>	<u>\$ 1,525,092</u>	

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2010

	<u>General</u>	<u>School Debt Service</u>	<u>Landfill Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 7,730,426	\$ -	\$ 571,767	\$ 26,924	\$ 8,329,117
Receivables (net of allowance for uncollectibles):					
Taxes receivable	12,552,832	-	-	-	12,552,832
Accounts receivable	120,001	-	40,938	-	160,939
Notes receivable	150,000	-	-	-	150,000
Due from component unit	4,578	-	-	-	4,578
Due from other governmental units	988,203	-	-	-	988,203
Prepaid items	18,166	-	-	-	18,166
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	1,106	408,069	-	-	409,175
Total assets	\$ 21,565,312	\$ 408,069	\$ 612,705	\$ 26,924	\$ 22,613,010
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 153,932	\$ -	\$ -	\$ -	\$ 153,932
Due to component unit	208,341	-	-	-	208,341
Deferred revenue	12,427,573	-	-	-	12,427,573
Total liabilities	\$ 12,789,846	\$ -	\$ -	\$ -	\$ 12,789,846
Fund balances:					
Reserved for:					
Debt service	\$ -	\$ 408,069	\$ -	\$ -	\$ 408,069
Retiree benefits	1,106	-	-	-	1,106
Unreserved, reported in:					
General fund	8,774,360	-	-	-	8,774,360
Capital projects funds	-	-	612,705	26,924	639,629
Total fund balances	\$ 8,775,466	\$ 408,069	\$ 612,705	\$ 26,924	\$ 9,823,164
Total liabilities and fund balances	\$ 21,565,312	\$ 408,069	\$ 612,705	\$ 26,924	\$ 22,613,010

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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 9,823,164

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 19,807,678	
Less: accumulated depreciation	<u>(7,796,545)</u>	<u>12,011,133</u>

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Deferred revenue		801,516
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and loans payable, including premium on bonds	\$ (13,960,067)	
Interest payable	(136,004)	
Compensated absences	(549,468)	
Other post-employment benefits	(27,719)	
Landfill closure, postclosure and corrective action cost liability	<u>(3,889,537)</u>	<u>(18,562,795)</u>

Net assets of governmental activities		<u>\$ 4,073,018</u>
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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, 2010

	General	School Debt Service	Landfill Construction Fund	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 9,911,626	\$ -	\$ -	\$ -	\$ 9,911,626
Other local taxes	3,349,561	-	-	-	3,349,561
Permits, privilege fees, and regulatory licenses	86,207	-	-	-	86,207
Fines and forfeitures	47,822	-	-	-	47,822
Revenue from the use of money and property	320,677	8,204	619	6	329,506
Charges for services	566,894	-	272,928	-	839,822
Miscellaneous	231,167	-	-	-	231,167
Recovered costs	45,111	-	-	-	45,111
Intergovernmental revenues:					
Commonwealth	5,432,928	-	-	-	5,432,928
Federal	1,458,448	-	-	-	1,458,448
Total revenues	\$ 21,450,441	\$ 8,204	\$ 273,547	\$ 6	\$ 21,732,198
EXPENDITURES					
Current:					
General government administration	\$ 1,453,038	\$ -	\$ -	\$ -	\$ 1,453,038
Judicial administration	1,482,540	-	-	-	1,482,540
Public safety	2,516,411	-	-	-	2,516,411
Public works	1,786,034	-	-	-	1,786,034
Health and welfare	3,890,975	-	-	-	3,890,975
Education	7,451,833	-	-	-	7,451,833
Parks, recreation, and cultural	293,159	-	-	-	293,159
Community development	478,134	-	-	-	478,134
Nondepartmental	136,046	-	-	-	136,046
Capital projects	581,921	-	10,936	-	592,857
Debt service:					
Principal retirement	589,253	-	-	-	589,253
Interest and other fiscal charges	390,686	-	-	-	390,686
Total expenditures	\$ 21,050,030	\$ -	\$ 10,936	\$ -	\$ 21,060,966
Excess (deficiency) of revenues over (under) expenditures	\$ 400,411	\$ 8,204	\$ 262,611	\$ 6	\$ 671,232
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 110,153	\$ -	\$ -	\$ 110,153
Transfers out	(964,256)	-	-	-	(964,256)
Proceeds of note payable	120,000	-	-	-	120,000
Total other financing sources (uses)	\$ (844,256)	\$ 110,153	\$ -	\$ -	\$ (734,103)
Net change in fund balances	\$ (443,845)	\$ 118,357	\$ 262,611	\$ 6	\$ (62,871)
Fund balances - beginning	9,219,311	289,712	350,094	26,918	9,886,035
Fund balances - ending	<u>\$ 8,775,466</u>	<u>\$ 408,069</u>	<u>\$ 612,705</u>	<u>\$ 26,924</u>	<u>\$ 9,823,164</u>

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, 2010

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

Net change in fund balances - total governmental funds \$ (62,871)

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.

Capital asset additions	\$	386,047	
Capital asset deletions		(4,010)	
Net transfer of joint tenancy assets		(483,837)	
Depreciation expense		(660,115)	(761,915)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 13,490

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.

(Increase) decrease in landfill closure, postclosure and corrective action cost liability	\$	(27,037)	
Issuance of long-term debt		(120,000)	
Principal payments and premium amortization		1,138,828	991,791

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.

(Increase) decrease accrued interest payable	\$	17,185	
(Increase) decrease in compensated absences		1,880	
(Increase) decrease in other post-employment benefits		(13,919)	5,146

Change in net assets of governmental activities \$ 185,641

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

Statement of Fund Net Assets
 Proprietary Funds
 June 30, 2010

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,377	\$ -	\$ 11,377
Total current assets	\$ 11,377	\$ -	\$ 11,377
Noncurrent assets:			
Capital assets:			
Utility plant in service	\$ 1,241,000	\$ 1,241,000	\$ 2,482,000
Less accumulated depreciation	(24,820)	(24,820)	(49,640)
Construction in progress	918,784	-	918,784
Total capital assets	\$ 2,134,964	\$ 1,216,180	\$ 3,351,144
Total noncurrent assets	\$ 2,134,964	\$ 1,216,180	\$ 3,351,144
Total assets	\$ 2,146,341	\$ 1,216,180	\$ 3,362,521
LIABILITIES			
Current liabilities:			
Reconciled overdraft	\$ -	\$ 5,192	\$ 5,192
Accounts payable	149,261	363	149,624
Accrued interest payable	3,107	3,107	6,214
Total current liabilities	\$ 152,368	\$ 8,662	\$ 161,030
Noncurrent liabilities:			
Line of credit	\$ 1,250,000	\$ 1,250,000	\$ 2,500,000
Total noncurrent liabilities	\$ 1,250,000	\$ 1,250,000	\$ 2,500,000
Total liabilities	\$ 1,402,368	\$ 1,258,662	\$ 2,661,030
NET ASSETS			
Invested in capital assets, net of related debt	\$ 884,964	\$ (33,820)	\$ 851,144
Unrestricted	(140,991)	(8,662)	(149,653)
Total net assets	\$ 743,973	\$ (42,482)	\$ 701,491

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2010

	Enterprise Funds		
	Water	Sewer	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 1,289	\$ -	\$ 1,289
Sewer revenues	-	7,713	7,713
Miscellaneous	250	-	250
Total operating revenues	<u>\$ 1,539</u>	<u>\$ 7,713</u>	<u>\$ 9,252</u>
OPERATING EXPENSES			
Contractual services	\$ 8,169	\$ 5,457	\$ 13,626
Other supplies and expenses	1,980	821	2,801
Professional services	-	17,074	17,074
Depreciation	24,820	24,820	49,640
Total operating expenses	<u>\$ 34,969</u>	<u>\$ 48,172</u>	<u>\$ 83,141</u>
Operating income (loss)	<u>\$ (33,430)</u>	<u>\$ (40,459)</u>	<u>\$ (73,889)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	\$ (34,906)	\$ (34,906)	\$ (69,812)
Income before contributions and transfers	<u>\$ (68,336)</u>	<u>\$ (75,365)</u>	<u>\$ (143,701)</u>
Capital contributions and construction grants			
Connection fees	\$ 13,500	\$ 8,250	\$ 21,750
Transfers in	\$ 811,995	\$ 42,108	\$ 854,103
Change in net assets	<u>\$ 757,159</u>	<u>\$ (25,007)</u>	<u>\$ 732,152</u>
Total net assets - beginning	(13,186)	(17,475)	(30,661)
Total net assets - ending	<u><u>\$ 743,973</u></u>	<u><u>\$ (42,482)</u></u>	<u><u>\$ 701,491</u></u>

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Funds		
	Water	Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,539	\$ 7,713	\$ 9,252
Payments to suppliers	138,197	(22,989)	115,208
Net cash provided (used) by operating activities	\$ 139,736	\$ (15,276)	\$ 124,460
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	\$ 811,995	\$ 42,108	\$ 854,103
Connection fees	13,500	8,250	21,750
Net cash provided (used) by noncapital financing activities	\$ 825,495	\$ 50,358	\$ 875,853
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	\$ (1,534,784)	\$ (616,000)	\$ (2,150,784)
Debt issuance costs	-	-	-
Proceeds from indebtedness	609,259	609,259	1,218,518
Interest payments	(33,353)	(33,353)	(66,706)
Net cash provided (used) by capital and related financing activities	\$ (958,878)	\$ (40,094)	\$ (998,972)
Net increase (decrease) in cash and cash equivalents	\$ 6,353	\$ (5,012)	\$ 1,341
Cash and cash equivalents - beginning	5,024	(180)	4,844
Cash and cash equivalents - ending	\$ 11,377	\$ (5,192)	\$ 6,185
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (33,430)	\$ (40,459)	\$ (73,889)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	24,820	24,820	49,640
Increase (decrease) in accounts payable	148,346	363	148,709
Total adjustments	\$ 173,166	\$ 25,183	\$ 198,349
Net cash provided (used) by operating activities	\$ 139,736	\$ (15,276)	\$ 124,460

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>559,170</u>
Total assets	\$ <u><u>559,170</u></u>
LIABILITIES	
Accrued liabilities	\$ 307,065
Amounts held for social services clients	4,362
Amounts held for Piedmont Alcohol Safety Action Program	<u>247,743</u>
Total liabilities	\$ <u><u>559,170</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, 2010

Note 1—Summary of Significant Accounting Policies:

Financial Statement Presentation

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 Activities) 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 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.

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.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

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 GASB 34 reporting model; governments provide budgetary comparison information in their annual reports, including the original budget, 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.

The Prince Edward County Industrial Development Authority was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of Prince Edward County on October 21, 1971 pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.2-4900), et. seq., of the Code of Virginia (1950), as amended. The Authority is authorized to issue revenue bonds; acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade inducing enterprise to locate and remain in Virginia.

The Authority is governed by seven directors appointed by the Board of Supervisors of Prince Edward County. The Authority is fiscally dependent on the County. Complete financial statements of the Authority may be obtained at the Authority's administrative office.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

C. 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 \$166,559 to the regional library and \$62,643 to the Crossroads Community Services Board.

D. 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 reflects 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.

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.

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

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

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 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 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 reporting purposes.

c. Recreation Fund

The recreation fund accounts for financial resources received for use in capital projects related to recreation.

d. 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.

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.

3. Proprietary Funds

Proprietary Funds account for activities similar to those found in the private business sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise Funds.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

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

3. Proprietary Funds: (Continued)

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. Currently the County's Water and Sewer Funds are accounted for as enterprise funds.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees and facility fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

E. 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 total appropriation can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments and between County departments (excluding the Constitutional Officers); 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, Recreation Fund, Landfill Capital Projects Fund, and the Water and Sewer 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.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

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

E. Budgets and Budgetary Accounting: (continued)

8. Budgetary 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.

F. 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 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 \$437,523 at June 30, 2010 and is comprised 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.

G. 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, 2010 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, 2010 (Continued)

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

H. 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.

I. 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 and premiums on debt issuances are 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.

J. 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.

K. 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.

L. 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.

M. Restricted Assets

The County reports restricted assets of \$409,175 of which \$408,069 is to be used for debt service on QZAB bonds and \$1,106 is for retiree insurance.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 2—Deposits and Investments:

Deposits:

All cash of the primary government and its discretely presented component units are maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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, 2010 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, 2010 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

<u>County's Rated Debt Investments</u>	
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>
	<u>AAA</u>
US Government Money Market	
U.S. Agencies Securities	\$ <u>162,357</u>
Total	\$ <u><u>162,357</u></u>

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 no concentration of credit risk at June 30, 2010.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 2—Deposits and Investments: (Continued)

Interest Rate Risk:

The County's 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 an individual basis determined by the time required to make a withdrawal without incurring penalties.

The County had no interest rate risk at June 30, 2010.

Note 3—Due From Other Governmental Units:

Amounts due from other governments are detailed as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Component Unit	\$ 4,578	\$ -
Commonwealth of Virginia		
School funds	-	16,557
State sales taxes	-	450,701
Local sales tax	398,044	-
Communication tax	55,019	-
Shared expenses	162,119	-
Social services funds	77,794	-
Comprehensive services	91,111	-
Shared revenues	96,187	-
Federal Government:		
School funds	-	500,604
Social services funds	107,929	-
	<u>\$ 992,781</u>	<u>\$ 967,862</u>

Note 4—Notes Receivable:

On March 24, 2010 the County issued a note receivable in the amount of \$150,000 to Southside Training Employment and Placement Services, Inc. This note is payable upon demand and bears no interest.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 5—Capital Assets:

The following is a summary of changes in the capital assets for the fiscal year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 499,949	\$ -	\$ -	\$ 499,949
Capital assets, being depreciated:				
Buildings	\$ 14,520,728	\$ 151,325	\$ 565,645	\$ 14,106,408
Improvements other than buildings	3,748,449	-	20,048	3,728,401
Equipment	1,414,311	234,722	176,113	1,472,920
Total capital assets being depreciated	\$ 19,683,488	\$ 386,047	\$ 761,806	\$ 19,307,729
Less accumulated depreciation for:				
Buildings	\$ 3,715,167	\$ 248,039	\$ 81,808	\$ 3,881,398
Improvements other than buildings	2,534,448	285,540	16,038	2,803,950
Equipment	1,160,774	126,536	176,113	1,111,197
Total accumulated depreciation	\$ 7,410,389	\$ 660,115	\$ 273,959	\$ 7,796,545
Total capital assets being depreciated, net	\$ 12,273,099	\$ (274,068)	\$ 487,847	\$ 11,511,184
Governmental activities capital assets, net	\$ 12,773,048	\$ (274,068)	\$ 487,847	\$ 12,011,133

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 5—Capital Assets: (Continued)

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 99,952	\$ -	\$ -	\$ 99,952
Capital assets, being depreciated:				
Buildings	\$ 17,899,987	\$ 565,645	\$ -	\$ 18,465,632
Improvements other than buildings	720,057	-	-	720,057
Equipment	4,797,630	275,683	-	5,073,313
Total capital assets being depreciated	\$ 23,417,674	\$ 841,328	\$ -	\$ 24,259,002
Less accumulated depreciation for:				
Buildings	\$ 9,130,378	\$ 620,240	\$ -	\$ 9,750,618
Improvements other than buildings	351,701	17,716	-	369,417
Equipment	3,249,623	413,186	-	3,662,809
Total accumulated depreciation	\$ 12,731,702	\$ 1,051,142	\$ -	\$ 13,782,844
Total capital assets being depreciated, net	\$ 10,685,972	\$ (209,814)	\$ -	\$ 10,476,158
Governmental activities capital assets, net	\$ 10,785,924	\$ (209,814)	\$ -	\$ 10,576,110

Enterprise Funds (Business-type) Activities

The following is a summary of changes in Business-type capital assets during the year:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,250,000	\$ 2,150,784	\$ 2,482,000	\$ 918,784
Capital assets, being depreciated:				
Utility plant in service	\$ -	\$ 2,482,000	\$ -	\$ 2,482,000
Less accumulated depreciation for:				
Utility plant in service	\$ -	\$ 49,640	\$ -	\$ 49,640
Total capital assets being depreciated, net	\$ -	\$ 2,432,360	\$ -	\$ 2,432,360
Business-type activities capital assets, net	\$ 1,250,000	\$ 4,583,144	\$ 2,482,000	\$ 3,351,144

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 5—Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:	
General government administration	\$ 276,012
Judicial administration	4,820
Public safety	80,258
Public works	272,360
Health & Welfare	7,858
Community development	<u>18,807</u>
Total	\$ <u>660,115</u>
Component Unit-School Board	\$ <u>1,051,142</u>

Note 6—Defined Benefit Pension Plan:

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)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 6—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 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. 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, 2010 was 9.26% of annual covered payroll.

Discretely Presented Component Unit - School Board (Non-professional)

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. 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, 2010 was 6.24% of annual covered payroll.

C. Annual Pension Cost

Primary Government

For fiscal year 2010, County's annual pension cost of \$430,761 (does not include employee share of \$232,592 which was assumed by the County) was equal to the County's required and actual contributions.

Three-Year Trend for County - Primary Government

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 303,273	100%	\$ -
June 30, 2009	427,618	100%	-
June 30, 2010	430,761	100%	-

(1) Employer portion only

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 6—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

Discretely Presented Component Unit - School Board (Non-professional)

For fiscal year 2010, School Board’s annual pension cost of \$50,279 (does not include employee share of \$41,204 which was assumed by the School Board) was equal to the School Board’s required and actual contributions.

Three-Year Trend for County - Component Unit School Board

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 35,376	100%	\$ -
June 30, 2009	52,167	100%	-
June 30, 2010	50,279	100%	-

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

D. Funded Status and Funding Progress

Primary Government

As of June 30, 2009, the most recent actuarial valuation date, the plan was 81.94% funded. The actuarial accrued liability for benefits was \$16,519,733, and the actuarial value of assets was \$13,536,023, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,983,710. The covered payroll (annual payroll of active employees covered by the plan) was \$4,607,540, and ratio of the UAAL to the covered payroll was 64.80%.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 6—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress: (Continued)

Discretely Presented Component Unit - School Board (Non-professional)

As of June 30, 2009, the most recent actuarial valuation date, the plan was 90.95% funded. The actuarial accrued liability for benefits was \$2,997,454, and the actuarial value of assets was \$2,726,302, resulting in an unfunded actuarial accrued liability (UAAL) of \$271,152. The covered payroll (annual payroll of active employees covered by the plan) was \$836,759, and ratio of the UAAL to the covered payroll was 32.41%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

E. Professional Employees - Discretely Presented Component Unit School Board:

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 General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 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 10.30% of annual covered payroll. The contribution requirements of plan members and Prince Edward County 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, 2010, 2009, and 2008 were \$1,185,190, \$1,232,572, and \$1,386,390 respectively, equal to the required contributions for each year.

Note 7—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 compensated absences as follows:

Primary Government	\$ <u>549,468</u>
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COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 8—Long-Term Debt:

Primary Government:

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

Primary Government				
Year	VRS Early Retirement		Bonds & Notes	
	Principal	Interest	Principal	Interest
2011	\$ 47,076	\$ 16,969	\$ 1,048,875	\$ 513,503
2012	50,842	13,203	985,633	461,887
2013	54,909	9,136	825,156	419,808
2014	65,526	4,743	838,064	382,049
2015	-	-	831,662	344,226
2016-2020	-	-	3,273,629	1,188,729
2021-2025	-	-	1,807,259	657,490
2026-2030	-	-	700,293	391,745
2031-2035	-	-	773,534	224,026
2036-2038	-	-	516,753	38,383
	<u>\$ 218,353</u>	<u>\$ 44,051</u>	<u>11,600,858</u>	<u>\$ 4,621,846</u>

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2010:

	Amounts Payable at July 1, 2009	Additions	Deletions	Amounts Payable at June 30, 2010	Payable Due Within One Year
Primary Government:					
Revenue bonds	\$ 1,365,961	\$ -	\$ 115,014	\$ 1,250,947	\$ 85,741
General obligation bonds (VPSA)	3,599,040	-	501,646	3,097,394	469,539
General obligation bonds	2,800,000	-	142,669	2,657,331	148,491
Premium on bond issuance	27,023	-	3,024	23,999	2,857
Qualified zone academy bonds	2,116,857	-	-	2,116,857	-
Courthouse construction bonds	3,506,758	-	231,572	3,275,186	233,104
Early retirement obligation	263,256	-	44,903	218,353	47,076
Other long-term obligation	1,300,000	120,000	100,000	1,320,000	112,000
Landfill closure and post-closure monitoring	3,534,916	24,744	-	3,559,660	-
Landfill corrective action plan	327,584	2,293	-	329,877	-
Other post-employment benefits	13,800	13,919	-	27,719	-
Compensated absences	551,348	-	1,880	549,468	54,947
Total Primary Government	<u>\$ 19,406,543</u>	<u>\$ 160,956</u>	<u>\$ 1,140,708</u>	<u>\$ 18,426,791</u>	<u>\$ 1,153,755</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 8—Long-Term Debt: (Continued)

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 semi-annually at rates from 4.85% to 6.60%.	\$ 241,239
\$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%.	35,000
\$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%.	160,000
\$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%.	1,846,155
\$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%.	815,000
Plus: Premium on issuance	23,999
\$2,800,000 general obligation bond issued January 27, 2009, maturing annually through June 30, 2024 with interest payable semi-annually at a rate of 3.68%.	2,657,331
Total general obligation bonds	<u>\$ 5,778,724</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%.	\$ 1,186,502
\$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%.	64,445
Total revenue bonds (payable from General Fund property rentals)	<u>\$ 1,250,947</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 8—Long-Term Debt: (Continued)

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%. \$ 1,400,000

\$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%. 1,875,186

Total Courthouse Construction Bonds \$ 3,275,186

State Literary Fund Loan:

\$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%. \$ 218,353

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

Other long-term obligations:

\$1,500,000 note payable issued May 29, 2007, due in annual principal installments of \$100,000 and semi-annual interest payments at 4.61%, maturing July 31, 2021 \$ 1,200,000

\$120,000 note payable issued March 2010, due in annual principal installments of \$12,000 bearing no interest, maturing March 2020. 120,000

Total other long-term obligations \$ 1,320,000

Landfill closure and post-closure care liability \$ 3,559,660

Landfill corrective action plan liability \$ 329,877

Compensated absences payable \$ 549,468

Other post-employment benefits \$ 27,719

Total general long-term obligation debt \$ 18,426,791

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 8—Long-Term Debt: (Continued)

Enterprise Activities:

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

Year	Primary Government	
	Line of Credit	
	Principal	Interest
2011	\$ -	\$ 74,582
2012	<u>2,500,000</u>	<u>37,292</u>
	<u>\$ 2,500,000</u>	<u>\$ 186,456</u>

The following is a summary of long-term debt transactions of the Enterprise Activities for the year ended June 30, 2010:

	Amounts Payable at July 1, 2009	Additions	Deletions	Amounts Payable at June 30, 2010	Payable Due Within One Year
Primary Government:					
Line of credit	\$ <u>1,281,482</u>	\$ <u>1,218,518</u>	\$ -	\$ <u>2,500,000</u>	\$ -
Total Primary Government	\$ <u>1,281,482</u>	\$ <u>1,218,518</u>	\$ -	\$ <u>2,500,000</u>	\$ -

Line of Credit:

Line of credit not to exceed \$2,500,000, issued December 23, 2008, interest payable semi-annually beginning May 30, 2009 at a variable rate of 64% of 3-Year LIBOR plus 176 basis points. Final maturity, November 30, 2011.

\$ 2,500,000

Total enterprise long-term debt

\$ 2,500,000

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 8—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, 2010:

	<u>Amounts Payable at July 1, 2009</u>	<u>Addition</u>	<u>Deletions</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Payable Due Within One Year</u>
Other post-employment benefits	\$ 24,300	\$ 24,510	\$ -	\$ 48,810	\$ -

Note 9—Litigation:

At June 30, 2010, 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 10—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 11—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
Beverly M. Booth, 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, 2010 (Continued)

Note 12—Landfill Closure and Postclosure Care Cost:

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 County opened a new cell in 2008. The amounts reported as closure and postclosure care liabilities at June 30, 2010 were \$1,798,893 and \$1,760,768, respectively. Furthermore, the County reports \$329,877 as corrective action liability. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. Actual cost may be higher due to inflation, changes in technology or changes in regulation.

The County has demonstrated financial assurance requirements for closure, postclosure and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code. The County intends to fund these costs from accumulated funds held in the general fund.

Note 13—Risk Management:

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.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 14—Other Post-Employment Benefits Program:

County:

Background

Beginning in fiscal year 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description:

In addition to the pension benefits described in Note 5, the County provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from County service at age 60 or older and have 30 years of service with the County, may elect one of two health insurance options through the County's plan. On one plan the County pays 100% of the premium, up to age 65, at which time coverage ceases. The other plan requires the retiree to pay 100% of the premium; however, the retiree may remain on the plan indefinitely. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy:

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the County pays 100% of the health insurance premium for retirees up to Medicare eligibility. Retirees may opt to choose an Advantage 65 plan, which they are required to cover 100% of the premium for. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65, with the exception of the Advantage 65 plan which can continue indefinitely.

C. Annual OPEB Cost and Net OPEB Obligation:

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the County's amount actually contributed to the plan, and changes in the County's net OPEB obligation:

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 14—Other Post-Employment Benefits Program: (Continued)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Annual required contribution	\$ 30,100
Interest on net OPEB obligation	621
Adjustment to annual required contribution	<u>(502)</u>
Annual OPEB cost (expense)	\$ 30,219
Estimated contributions made	<u>(16,300)</u>
Increase in net OPEB obligation	\$ <u>13,919</u>
Net OPEB obligation - beginning of year	<u>13,800</u>
Net OPEB obligation - end of year	<u><u>\$ 27,719</u></u>

For 2010, the County's expected cash payment of \$16,300 was \$13,919 less than the OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 30,100	54.00%	\$ 13,800
June 30, 2010	30,219	53.94%	27,719

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2009 is as follows:

Actuarial accrued liability (AAL)	\$ 329,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	329,000
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	4,435,146
UAAL as a percentage of covered payroll	7.42%

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 14—Other Post-Employment Benefits Program: (Continued)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 10.00 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. Both rates included a 2.50 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2008 was 30 years.

Cost Method

The entry age normal cost method is used to determine the plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 14—Other Post-Employment Benefits Program: (Continued)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Interest Assumptions

	<u>Unfunded</u>
Discount rate	4.5%
Health cost trend assumption	10.0%
Payroll growth	2.5%

School Board:

A. Plan Description:

In addition to the pension benefits described in Note 5, the School Board provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from the School Board at age 60 with 30 years of service or age 65 with 5 years of service receive a \$1.50 credit per year of service (capped at \$45 per month) toward the retiree's health insurance premium. The retiree is responsible for the remaining premium. Coverage ceases at age 65 unless a Medicare Complementary plan is chosen. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees receive a credit for each year of service (capped at \$45 per month) which offsets the cost of their premium. Retirees are responsible for the remaining premium and the premium of their spouse. Coverage ceases when retirees reach the age of 65 unless Medicare Complementary coverage is selected.

C. Annual OPEB Cost and Net OPEB Obligation:

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the School Board's amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 14—Other Post-Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Annual required contribution	\$ 58,000
Interest on net OPEB obligation	1,094
Adjustment to annual required contribution	<u>(884)</u>
Annual OPEB cost (expense)	\$ 58,210
Estimated contributions made	<u>(33,700)</u>
Increase in net OPEB obligation	\$ <u>24,510</u>
Net OPEB obligation - beginning of year	<u>24,300</u>
Net OPEB obligation - end of year	<u><u>\$ 48,810</u></u>

For 2010, the School Board's expected cash payment of \$33,700 was \$24,510 less than the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 58,000	58.00%	\$ 24,300
June 30, 2010	58,210	57.89%	48,810

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2008 is as follows:

Actuarial accrued liability (AAL)	\$ 834,700
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	834,700
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	823,715
UAAL as a percentage of covered payroll	101.33%

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 14—Other Post-Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.50 percent investment rate of return and an annual healthcare cost trend rate of 10.00 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. Both rates included a 2.50 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2008 was 30 years.

Cost Method

The entry age normal cost method is used to determine the plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 14—Other Post-Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Interest Assumptions

	<u>Unfunded</u>
Discount rate	4.5%
Health cost trend assumption	10.0%
Payroll growth	2.5%

Note 15—Subsequent Events:

Subsequent to June 30, 2010, the County issues an additional line of credit related to water plant construction in the amount of \$2,100,000. This line of credit is due in November 2011.

Note 16—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue is comprised of the following:

A. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled \$12,401,020 at June 30, 2010.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2010, but paid in advance by the taxpayers totaled \$26,553 at June 30, 2010.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Financial Statements
As of June 30, 2010 (Continued)

Note 17—Interfund Transfers:

Interfund transfers for the year ended June 30, 2010 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,457,934
VPA Fund	483,333	-
School Fund	128,000	-
Debt Service Fund	110,153	-
Water Fund	811,995	-
Sewer Fund	42,108	-
Retirement Benefits Fund	10,345	-
School Construction Fund	-	128,000
Total	<u>\$ 1,585,934</u>	<u>\$ 1,585,934</u>

Transfers were made for operational expenditures.

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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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
General property taxes	\$ 9,598,624	\$ 9,598,624	\$ 9,911,626	\$ 313,002
Other local taxes	3,345,000	3,345,000	3,349,561	4,561
Permits, privilege fees, and regulatory licenses	87,170	87,170	86,207	(963)
Fines and forfeitures	30,700	30,700	47,822	17,122
Revenue from the use of money and property	427,497	427,497	320,677	(106,820)
Charges for services	545,150	545,150	566,894	21,744
Miscellaneous	179,413	179,413	231,167	51,754
Recovered costs	40,000	45,642	45,111	(531)
Intergovernmental revenues:				
Commonwealth	5,544,059	6,417,048	5,432,928	(984,120)
Federal	1,327,880	1,349,628	1,458,448	108,820
Total revenues	\$ 21,125,493	\$ 22,025,872	\$ 21,450,441	\$ (575,431)
EXPENDITURES				
Current:				
General government administration	\$ 1,567,553	\$ 1,571,667	\$ 1,453,038	\$ 118,629
Judicial administration	1,540,082	1,571,885	1,482,540	89,345
Public safety	2,746,877	2,859,688	2,516,411	343,277
Public works	1,886,058	1,896,558	1,786,034	110,524
Health and welfare	3,958,228	3,958,228	3,890,975	67,253
Education	7,980,760	7,980,760	7,451,833	528,927
Parks, recreation, and cultural	280,659	295,159	293,159	2,000
Community development	640,148	634,675	478,134	156,541
Nondepartmental	148,108	284,711	136,046	148,665
Capital projects	102,500	816,839	581,921	234,918
Debt service:				
Principal retirement	526,259	473,525	589,253	(115,728)
Interest and other fiscal charges	348,919	348,919	390,686	(41,767)
Total expenditures	\$ 21,726,151	\$ 22,692,614	\$ 21,050,030	\$ 1,642,584
Excess (deficiency) of revenues over (under) expenditures	\$ (600,658)	\$ (666,742)	\$ 400,411	\$ 1,067,153
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 120,000	\$ 120,000	\$ -	\$ (120,000)
Transfers out	(1,408,406)	(822,621)	(964,256)	(141,635)
Issuance of notes payable	1,218,518	-	120,000	120,000
Total other financing sources and uses	\$ (69,888)	\$ (702,621)	\$ (844,256)	\$ (141,635)
Net change in fund balances	\$ (670,546)	\$ (1,369,363)	\$ (443,845)	\$ 925,518
Fund balances - beginning	670,546	1,369,363	9,219,311	7,849,948
Fund balances - ending	\$ -	\$ -	\$ 8,775,466	\$ 8,775,466

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

County:

Valuation as of (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets at % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Covered Payroll (4)/(6) (7)
6/30/2007	\$ 11,757,714	\$ 13,512,619	\$ 1,754,905	87.01%	\$ 4,259,711	41.20%
6/30/2008	13,079,253	15,722,548	2,643,295	83.19%	4,435,146	59.60%
6/30/2009	13,536,023	16,519,733	2,983,710	81.94%	4,604,540	64.80%

School Board Non-Professionals:

Valuation as of (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets at % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Covered Payroll (4)/(6) (7)
6/30/2007	\$ 2,367,416	\$ 2,509,979	\$ 142,563	94.32%	\$ 779,962	18.28%
6/30/2008	2,644,568	2,789,504	144,936	94.80%	823,715	17.60%
6/30/2009	2,726,302	2,997,454	271,152	90.95%	836,759	32.41%

Schedule of Funding Progress for Other Post-Employment Benefits
Last Two 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)
7/1/2008	\$ -	\$ 329,000	\$ 329,000	0.00%	\$ 4,435,146	7.42%
7/1/2009	-	329,000	329,000	0.00%	4,607,540	7.14%

School Board:

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)
7/1/2008	\$ -	\$ 834,700	\$ 834,700	0.00%	\$ 823,715	101.33%
7/1/2009	-	834,700	834,700	0.00%	836,759	99.75%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

Capital Projects Fund - Landfill Construction Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 500	\$ 500	\$ 619	\$ 119
Charges for services	<u>275,000</u>	<u>275,000</u>	<u>272,928</u>	<u>(2,072)</u>
Total revenues	<u>\$ 275,500</u>	<u>\$ 275,500</u>	<u>\$ 273,547</u>	<u>\$ (1,953)</u>
EXPENDITURES				
Current:				
Capital projects	\$ -	\$ -	\$ 10,936	\$ (10,936)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,936</u>	<u>\$ (10,936)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 275,500</u>	<u>\$ 275,500</u>	<u>\$ 262,611</u>	<u>\$ (12,889)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (275,500)</u>	<u>\$ (275,500)</u>	<u>\$ -</u>	<u>\$ 275,500</u>
Net change in fund balances	\$ -	\$ -	\$ 262,611	\$ 262,611
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>350,094</u>	<u>350,094</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 612,705</u></u>	<u><u>\$ 612,705</u></u>

Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	<u>Capital Projects Recreation Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u>26,924</u>
Total assets	\$ <u><u>26,924</u></u>
LIABILITIES AND FUND BALANCES	
Fund balances:	
Unreserved:	
Designated for subsequent expenditure	\$ <u>26,924</u>
Total fund balances	\$ <u>26,924</u>
Total liabilities and fund balances	\$ <u><u>26,924</u></u>

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds - Capital Projects - Recreation Fund
 For the Year Ended June 30, 2010

	<u>Capital Projects Recreation Fund</u>
REVENUES	
Revenue from the use of money and property	\$ <u>6</u>
Total revenues	\$ <u>6</u>
EXPENDITURES	
Total expenditures	\$ <u>-</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>6</u>
Net change in fund balances	\$ 6
Fund balances - beginning	<u>26,918</u>
Fund balances - ending	<u><u>26,924</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2010

	<u>Recreation Fund</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 6	\$ 6
Total revenues	\$ -	\$ -	\$ 6	\$ 6
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 6	\$ 6
Net change in fund balances	\$ -	\$ -	\$ 6	\$ 6
Fund balances - beginning	-	-	26,918	26,918
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,924</u>	<u>\$ 26,924</u>

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	<u>Agency Funds</u>			<u>Total</u>
	<u>Special Welfare</u>	<u>Piedmont Court Services</u>	<u>Piedmont Alcohol Safety Action Program</u>	
ASSETS				
Cash and cash equivalents	\$ 4,362	\$ 307,065	\$ 247,743	\$ 559,170
Total assets	<u>\$ 4,362</u>	<u>\$ 307,065</u>	<u>\$ 247,743</u>	<u>\$ 559,170</u>
LIABILITIES				
Amounts held for others	\$ -	\$ 307,065	-	\$ 307,065
Amounts held for social services clients	4,362	-	-	4,362
Amounts held for Piedmont Alcohol Safety Action Program	<u>-</u>	<u>-</u>	<u>247,743</u>	<u>247,743</u>
Total liabilities	<u>\$ 4,362</u>	<u>\$ 307,065</u>	<u>\$ 247,743</u>	<u>\$ 559,170</u>

Combining Statement of Changes in Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special welfare:				
Assets:				
Cash and cash equivalents	\$ 3,367	\$ 17,434	\$ 16,439	\$ 4,362
Liabilities:				
Amounts held for social service clients	\$ 3,367	\$ 17,434	\$ 16,439	\$ 4,362
Piedmont Court Services:				
Assets:				
Cash and cash equivalents	\$ 268,777	\$ 505,851	\$ 467,563	\$ 307,065
Liabilities:				
Amounts held for others	\$ 268,777	\$ 505,851	\$ 467,563	\$ 307,065
Undistributed local sales tax:				
Assets:				
Cash and cash equivalents	\$ -	\$ 333,936	\$ 333,936	\$ -
Liabilities:				
Sales tax payable to towns	\$ -	\$ 333,936	\$ 333,936	\$ -
Fiscal Agent Holdings - Piedmont ASAP:				
Assets:				
Cash and cash equivalents	\$ 252,008	\$ 501,513	\$ 505,778	\$ 247,743
Liabilities:				
Amounts held for others:				
Piedmont ASAP	\$ 252,008	\$ 501,513	\$ 505,778	\$ 247,743
Total Liabilities	\$ 252,008	\$ 501,513	\$ 505,778	\$ 247,743
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 524,152	\$ 1,358,734	\$ 1,323,716	\$ 559,170
Total assets	\$ 524,152	\$ 1,358,734	\$ 1,323,716	\$ 559,170
Liabilities:				
Amounts held for social service clients	\$ 3,367	\$ 17,434	\$ 16,439	\$ 4,362
Amounts held for others	268,777	505,851	467,563	307,065
Sales tax payable to towns	-	333,936	333,936	-
Amounts held for Piedmont ASAP	252,008	501,513	505,778	247,743
Total liabilities	\$ 524,152	\$ 1,358,734	\$ 1,323,716	\$ 559,170

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

Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2010

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Underground Storage Tank Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ 216,291	\$ -	\$ 20,000	\$ 236,291
Due from primary government	208,341	-	-	-	208,341
Due from other governmental units	967,862	-	-	-	967,862
Prepaid items	167,489	-	-	-	167,489
Total assets	\$ 1,343,692	\$ 216,291	\$ -	\$ 20,000	\$ 1,579,983
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 58,617	\$ -	\$ -	\$ -	\$ 58,617
Accrued liabilities	1,285,075	-	-	-	1,285,075
Total liabilities	\$ 1,343,692	\$ -	\$ -	\$ -	\$ 1,343,692
Fund balances:					
Unreserved:					
Designated for subsequent expenditure	\$ -	\$ 216,291	\$ -	\$ 20,000	\$ 236,291
Total fund balances	\$ -	\$ 216,291	\$ -	\$ 20,000	\$ 236,291
Total liabilities and fund balances	\$ 1,343,692	\$ 216,291	\$ -	\$ 20,000	\$ 1,579,983

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

Total fund balances per above	\$	236,291
-------------------------------	----	---------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 24,358,954	
Less: accumulated depreciation	(13,782,844)	10,576,110

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Other post-employment benefits	\$ (48,810)	(48,810)
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Net assets of governmental activities	\$	10,763,591
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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2010

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Underground Storage Tank Fund	Total Governmental Funds
REVENUES					
Revenue from the use of money and property	\$ 10,554	\$ -	\$ 120	\$ -	\$ 10,674
Charges for services	348,320	247,296	-	-	595,616
Miscellaneous	-	-	-	-	-
Recovered costs	61,896	-	-	-	61,896
Intergovernmental revenues:					
Local government	7,439,598	-	-	-	7,439,598
Commonwealth	15,452,975	16,487	-	-	15,469,462
Federal	4,223,913	938,290	-	-	5,162,203
Total revenues	<u>\$ 27,537,256</u>	<u>\$ 1,202,073</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ 28,739,449</u>
EXPENDITURES					
Current:					
Education	\$ 26,925,368	\$ 1,159,778	\$ -	\$ -	\$ 28,085,146
Capital projects	-	-	279,821	-	279,821
Debt service:					
Principal retirement	478,324	-	-	-	478,324
Interest and other fiscal charges	261,564	-	-	-	261,564
Total expenditures	<u>\$ 27,665,256</u>	<u>\$ 1,159,778</u>	<u>\$ 279,821</u>	<u>\$ -</u>	<u>\$ 29,104,855</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (128,000)</u>	<u>\$ 42,295</u>	<u>\$ (279,701)</u>	<u>\$ -</u>	<u>\$ (365,406)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 128,000	\$ -	\$ -	\$ -	\$ 128,000
Transfers out	-	-	(128,000)	-	(128,000)
Total other financing sources and uses	<u>\$ 128,000</u>	<u>\$ -</u>	<u>\$ (128,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 42,295	\$ (407,701)	\$ -	\$ (365,406)
Fund balances - beginning	-	173,996	407,701	20,000	601,697
Fund balances - ending	<u>\$ -</u>	<u>\$ 216,291</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 236,291</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	\$ (365,406)
--	--------------

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.

Capital asset additions	\$ 275,683
Net transfer of joint tenancy assets	483,837
Depreciation expense	<u>(969,334)</u>
	<u>(209,814)</u>

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.

(Increase) decrease in other post employment benefits	<u>(24,510)</u>	<u>(24,510)</u>
Change in net assets of governmental activities	<u>\$ (599,730)</u>	

COUNTY OF PRINCE EDWARD, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2010

	School Operating Fund				School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of								
money and property	\$ 6,000	\$ 6,000	\$ 10,554	\$ 4,554	\$ -	\$ -	\$ -	\$ -
Charges for services	83,500	83,500	348,320	264,820	256,611	256,611	247,296	(9,315)
Miscellaneous	57,000	57,000	-	(57,000)	-	-	-	-
Recovered costs	25,000	25,000	61,896	36,896	3,000	3,000	-	(3,000)
Intergovernmental revenues:								
Local government	7,968,525	7,968,525	7,439,598	(528,927)	-	-	-	-
Commonwealth	17,557,105	17,557,105	15,452,975	(2,104,130)	15,389	15,389	16,487	-
Federal	2,092,972	2,909,807	4,223,913	1,314,106	750,000	817,256	938,290	121,034
Total revenues	\$ 27,790,102	\$ 28,606,937	\$ 27,537,256	\$ (1,069,681)	\$ 1,025,000	\$ 1,092,256	\$ 1,202,073	\$ 108,719
EXPENDITURES								
Current:								
Education	\$ 26,940,060	\$ 27,756,895	\$ 26,925,368	\$ 831,527	\$ 1,025,000	\$ 1,092,256	\$ 1,159,778	\$ (67,522)
Capital projects	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	588,478	588,478	478,324	110,154	-	-	-	-
Interest and other fiscal charges	261,564	261,564	261,564	-	-	-	-	-
Total expenditures	\$ 27,790,102	\$ 28,606,937	\$ 27,665,256	\$ 941,681	\$ 1,025,000	\$ 1,092,256	\$ 1,159,778	\$ (67,522)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (128,000)	\$ (128,000)	\$ -	\$ -	\$ 42,295	\$ 41,197
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ -	\$ -	\$ 128,000	\$ 128,000	\$ -	\$ -	\$ -	\$ -
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources and uses	\$ -	\$ -	\$ 128,000	\$ 128,000	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,295	\$ 41,197
Fund balances - beginning	-	-	-	-	-	-	173,996	173,996
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,291	\$ 215,193

School Capital Projects Fund				Underground Storage Tank Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ -	\$ -	\$ 120	\$ 120	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	279,702	279,821	(119)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 279,702</u>	<u>\$ 279,821</u>	<u>\$ (119)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ (279,702)	\$ (279,701)	\$ 1	\$ -	\$ -	\$ -	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	(128,000)	(128,000)	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (128,000)</u>	<u>\$ (128,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ (279,702)	\$ (407,701)	\$ (127,999)	\$ -	\$ -	\$ -	-
-	279,702	407,701	127,999	-	-	20,000	20,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 6,176,725	\$ 6,176,725	\$ 6,062,380	\$ (114,345)
Real and personal public service corporation taxes	240,000	240,000	238,792	(1,208)
Personal property taxes	2,452,468	2,452,468	2,828,957	376,489
Mobile home taxes	57,623	57,623	39,128	(18,495)
Machinery and tools taxes	30,000	30,000	32,713	2,713
Merchants' capital taxes	431,808	431,808	461,973	30,165
Penalties	140,000	140,000	161,383	21,383
Interest	70,000	70,000	86,300	16,300
Total general property taxes	<u>\$ 9,598,624</u>	<u>\$ 9,598,624</u>	<u>\$ 9,911,626</u>	<u>\$ 313,002</u>
Other local taxes:				
Local sales and use taxes	\$ 2,600,000	\$ 2,600,000	\$ 2,526,302	\$ (73,698)
Consumers' utility taxes	280,000	280,000	297,025	17,025
Gross receipts tax	65,000	65,000	90,532	25,532
E-911 telephone taxes	-	-	12	12
Motor vehicle licenses	264,500	264,500	313,778	49,278
Taxes on recordation and wills	135,500	135,500	121,912	(13,588)
Total other local taxes	<u>\$ 3,345,000</u>	<u>\$ 3,345,000</u>	<u>\$ 3,349,561</u>	<u>\$ 4,561</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 15,000	\$ 15,000	\$ 14,468	\$ (532)
Permits and other licenses	72,170	72,170	71,739	(431)
Total permits, privilege fees, and regulatory licenses	<u>\$ 87,170</u>	<u>\$ 87,170</u>	<u>\$ 86,207</u>	<u>\$ (963)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 30,700	\$ 30,700	\$ 47,822	\$ 17,122
Revenue from use of money and property:				
Revenue from use of money	\$ 162,649	\$ 162,649	\$ 55,829	\$ (106,820)
Revenue from use of property	264,848	264,848	264,848	-
Total revenue from use of money and property	<u>\$ 427,497</u>	<u>\$ 427,497</u>	<u>\$ 320,677</u>	<u>\$ (106,820)</u>
Charges for services:				
Court costs	\$ 2,250	\$ 2,250	\$ 2,167	\$ (83)
Charges for law library	10,000	10,000	11,327	1,327
Charges for courthouse maintenance	10,000	10,000	9,071	(929)
Charges for Commonwealth's Attorney	1,000	1,000	1,160	160
Miscellaneous fees	7,000	7,000	6,187	(813)
Charges for cannery	5,000	5,000	7,326	2,326
Charges for other protection	54,900	54,900	53,553	(1,347)
Charges for sanitation and waste removal	455,000	455,000	476,103	21,103
Total charges for services	<u>\$ 545,150</u>	<u>\$ 545,150</u>	<u>\$ 566,894</u>	<u>\$ 21,744</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Miscellaneous revenue:				
Expenditure refunds	\$ 72,000	\$ 72,000	\$ 75,032	\$ 3,032
Insurance recoveries	-	-	10,274	10,274
Sale of property	85,000	85,000	104,287	19,287
Miscellaneous	22,413	22,413	41,574	19,161
Total miscellaneous revenue	<u>\$ 179,413</u>	<u>\$ 179,413</u>	<u>\$ 231,167</u>	<u>\$ 51,754</u>
Recovered costs:				
Other recovered costs	\$ 5,000	\$ 10,642	\$ 10,111	\$ (531)
Circuit court judge	35,000	35,000	35,000	-
Total recovered costs	<u>\$ 40,000</u>	<u>\$ 45,642</u>	<u>\$ 45,111</u>	<u>\$ (531)</u>
Total revenue from local sources	<u>\$ 14,253,554</u>	<u>\$ 14,259,196</u>	<u>\$ 14,559,065</u>	<u>\$ 299,869</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 50,000	\$ 50,000	\$ 63,722	\$ 13,722
Mobile home titling tax	30,000	30,000	30,513	513
Motor vehicle rental tax	-	-	1,964	1,964
State recordation tax	35,000	35,000	39,927	4,927
Communications tax	340,000	340,000	325,958	(14,042)
Personal property tax relief funds	1,305,350	1,305,350	1,305,350	-
State budget reduction - Aid to the Commonwealth	-	-	(148,108)	(148,108)
Total noncategorical aid	<u>\$ 1,760,350</u>	<u>\$ 1,760,350</u>	<u>\$ 1,619,326</u>	<u>\$ (141,024)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 421,768	\$ 421,768	\$ 385,005	\$ (36,763)
Sheriff	1,081,490	1,081,490	940,406	(141,084)
Commissioner of revenue	106,168	106,168	98,265	(7,903)
Treasurer	117,323	117,323	108,700	(8,623)
Registrar/electoral board	49,000	49,000	42,794	(6,206)
Clerk of the Circuit Court	290,129	316,262	267,913	(48,349)
Total shared expenses	<u>\$ 2,065,878</u>	<u>\$ 2,092,011</u>	<u>\$ 1,843,083</u>	<u>\$ (248,928)</u>
Other categorical aid:				
Emergency medical services	\$ 14,000	\$ 14,000	\$ 15,689	\$ 1,689
Welfare administration and assistance	759,605	759,605	920,634	161,029
Litter control grant	6,000	6,000	5,924	(76)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Record preservation grant	\$ -	\$ 4,995	\$ 4,995	\$ -
Comprehensive services act	815,833	815,833	649,581	(166,252)
Tobacco commission grant	-	689,358	193,510	(495,848)
Victim-witness grant	45,793	45,793	45,793	-
Fire program funds	35,000	35,000	36,817	1,817
Other categorical	41,600	194,103	97,576	(96,527)
Total other categorical aid	<u>\$ 1,717,831</u>	<u>\$ 2,564,687</u>	<u>\$ 1,970,519</u>	<u>\$ (594,168)</u>
Total categorical aid	<u>\$ 3,783,709</u>	<u>\$ 4,656,698</u>	<u>\$ 3,813,602</u>	<u>\$ (843,096)</u>
Total revenue from the Commonwealth	<u>\$ 5,544,059</u>	<u>\$ 6,417,048</u>	<u>\$ 5,432,928</u>	<u>\$ (984,120)</u>
Revenue from the federal government:				
Payments in lieu of taxes	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 66,672</u>	<u>\$ 51,672</u>
Revenue from the Federal Government:				
Categorical aid:				
Welfare administration and assistance	\$ 1,312,880	\$ 1,312,880	\$ 1,311,235	\$ (1,645)
Ed Byrne memorial justice assistance grant (JAG)	-	-	52,123	52,123
Emergency management performance grant	-	-	9,436	9,436
Bulletproof vest partnership program	-	1,948	588	(1,360)
Alcohol open container requirement grant	-	19,800	18,394	(1,406)
Total categorical aid	<u>\$ 1,312,880</u>	<u>\$ 1,334,628</u>	<u>\$ 1,391,776</u>	<u>\$ 57,148</u>
Total revenue from the federal government	<u>\$ 1,327,880</u>	<u>\$ 1,349,628</u>	<u>\$ 1,458,448</u>	<u>\$ 108,820</u>
Total General Fund	<u><u>\$ 21,125,493</u></u>	<u><u>\$ 22,025,872</u></u>	<u><u>\$ 21,450,441</u></u>	<u><u>\$ (575,431)</u></u>
Capital Projects Funds:				
Landfill Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 619</u>	<u>\$ 119</u>
Charges for services:				
Tipping fees - non-county users	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 272,928</u>	<u>\$ (2,072)</u>
Total revenue from local sources	<u>\$ 275,500</u>	<u>\$ 275,500</u>	<u>\$ 273,547</u>	<u>\$ (1,953)</u>
Total Landfill Construction Fund	<u><u>\$ 275,500</u></u>	<u><u>\$ 275,500</u></u>	<u><u>\$ 273,547</u></u>	<u><u>\$ (1,953)</u></u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds: (Continued)				
Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 6	\$ 6
Total revenue from local sources	\$ -	\$ -	\$ 6	\$ 6
Total Recreation Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>
Debt Service Fund:				
School Debt Service				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 8,204	\$ 8,204
Total revenue from local sources	\$ -	\$ -	\$ 8,204	\$ 8,204
Total School Debt Service Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,204</u>	<u>\$ 8,204</u>
Total Primary Government	<u>\$ 21,400,993</u>	<u>\$ 22,301,372</u>	<u>\$ 21,732,198</u>	<u>\$ (569,174)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 6,000	\$ 6,000	\$ 10,554	\$ 4,554
Charges for services:				
Charges for education	\$ 83,500	\$ 83,500	\$ 348,320	\$ 264,820
Miscellaneous revenue:				
Other miscellaneous	\$ 57,000	\$ 57,000	\$ -	\$ (57,000)
Recovered costs:				
Other recovered costs	\$ 25,000	\$ 25,000	\$ 61,896	\$ 36,896
Total revenue from local sources	<u>\$ 171,500</u>	<u>\$ 171,500</u>	<u>\$ 420,770</u>	<u>\$ 249,270</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Prince Edward, Virginia	\$ 7,968,525	\$ 7,968,525	\$ 7,439,598	\$ (528,927)
Total revenues from local governments	<u>\$ 7,968,525</u>	<u>\$ 7,968,525</u>	<u>\$ 7,439,598</u>	<u>\$ (528,927)</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 2,687,309	\$ 2,687,309	\$ 2,564,534	\$ (122,775)
Basic school aid	7,886,187	7,886,187	7,490,296	(395,891)
Other state funds	6,983,609	6,983,609	5,398,145	(1,585,464)
Total categorical aid	<u>\$ 17,557,105</u>	<u>\$ 17,557,105</u>	<u>\$ 15,452,975</u>	<u>\$ (2,104,130)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 978,224	\$ 1,083,104	\$ 986,659	\$ (96,445)
Title I, neglected and delinquent children	-	-	92,570	92,570
Title I - ARRA	-	259,228	181,738	(77,490)
Title II	187,173	187,173	105,251	(81,922)
Title VI-B, special education flow-through	761,555	761,555	711,167	(50,388)
Title VI-B, special education flow-through - ARRA	-	365,378	297,267	(68,111)
Safe and drug free schools	15,839	15,839	11,141	(4,698)
Title II - part D	7,974	7,974	-	(7,974)
Title VI-B, pre-school	20,394	20,394	19,728	(666)
Title IV-A	-	75,045	24,679	(50,366)
Title VI-B, pre-school - ARRA	-	12,304	12,304	-
Title V-A	6,813	6,813	6,941	128
JROTC	50,000	50,000	61,830	11,830
State fiscal stabilization funds	-	-	1,575,360	1,575,360
Vocational education	65,000	65,000	137,278	72,278
Total categorical aid	<u>\$ 2,092,972</u>	<u>\$ 2,909,807</u>	<u>\$ 4,223,913</u>	<u>\$ 1,314,106</u>
Total School Operating Fund	<u>\$ 27,790,102</u>	<u>\$ 28,606,937</u>	<u>\$ 27,537,256</u>	<u>\$ (1,069,681)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 256,611	\$ 256,611	\$ 247,296	\$ (9,315)
Recovered costs:				
Other recovered costs	\$ 3,000	\$ 3,000	\$ -	\$ (3,000)
Total revenue from local sources	<u>\$ 259,611</u>	<u>\$ 259,611</u>	<u>\$ 247,296</u>	<u>\$ (12,315)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 15,389	\$ 15,389	\$ 16,487	\$ 1,098
Total categorical aid	<u>\$ 15,389</u>	<u>\$ 15,389</u>	<u>\$ 16,487</u>	<u>\$ 1,098</u>
Total revenue from the Commonwealth	<u>\$ 15,389</u>	<u>\$ 15,389</u>	<u>\$ 16,487</u>	<u>\$ 1,098</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
School nutrition program	\$ 750,000	\$ 817,256	\$ 938,290	\$ 121,034
Total federal categorical aid	\$ 750,000	\$ 817,256	\$ 938,290	\$ 121,034
Total School Cafeteria Fund	<u>\$ 1,025,000</u>	<u>\$ 1,092,256</u>	<u>\$ 1,202,073</u>	<u>\$ 109,817</u>
Capital Projects Fund:				
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 120	\$ 120
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 120</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 120</u>
Total School Capital Improvements Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120</u>	<u>\$ 120</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 28,815,102</u>	<u>\$ 29,699,193</u>	<u>\$ 28,739,449</u>	<u>\$ (959,744)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 119,534	\$ 123,034	\$ 109,075	\$ 13,959
General and financial administration:				
County administrator	498,505	498,505	470,513	27,992
Legal services	66,471	66,471	43,164	23,307
Commissioner of revenue	277,947	283,961	264,728	19,233
Treasurer	369,074	363,060	350,998	12,062
Independent Auditor	36,000	36,000	33,000	3,000
Assessor	15,000	15,000	3,761	11,239
Other general and financial administration	74,000	74,000	61,910	12,090
Total general and financial administration	\$ 1,336,997	\$ 1,336,997	\$ 1,228,074	\$ 108,923
Board of elections:				
Electoral board and officials	\$ 19,425	\$ 19,425	\$ 24,370	\$ (4,945)
Registrar	91,597	92,211	91,519	692
Total board of elections	\$ 111,022	\$ 111,636	\$ 115,889	\$ (4,253)
Total general government administration	\$ 1,567,553	\$ 1,571,667	\$ 1,453,038	\$ 118,629
Judicial administration:				
Courts:				
Circuit court	\$ 53,094	\$ 53,094	\$ 49,795	\$ 3,299
General district court	18,700	18,700	16,923	1,777
Office of the magistrates	4,575	4,575	4,680	(105)
Clerk of the circuit court	448,483	480,286	449,933	30,353
Law library	4,750	4,750	5,464	(714)
Sheriff - courts	340,285	340,285	321,475	18,810
Victim and witness assistance	56,673	56,673	56,139	534
Total courts	\$ 926,560	\$ 958,363	\$ 904,409	\$ 53,954
Commonwealth's attorney:				
Commonwealth's attorney	\$ 613,522	\$ 613,522	\$ 578,131	\$ 35,391
Total judicial administration	\$ 1,540,082	\$ 1,571,885	\$ 1,482,540	\$ 89,345
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,661,161	\$ 1,685,451	\$ 1,686,212	\$ (761)
Emergency operations center	25,000	25,000	17,185	7,815
Terrorism prevention	-	-	290	-
Other law enforcement	-	5,000	5,000	-
Total law enforcement and traffic control	\$ 1,686,161	\$ 1,715,451	\$ 1,708,687	\$ 7,054

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	\$ 487,800	\$ 567,518	\$ 382,359	\$ 185,159
Ambulance and rescue services	76,500	76,500	76,500	-
Forestry service	12,829	12,829	12,040	789
Total fire and rescue services	<u>\$ 577,129</u>	<u>\$ 656,847</u>	<u>\$ 470,899</u>	<u>\$ 185,948</u>
Correction and detention:				
County operated institutions	\$ 270,000	\$ 273,803	\$ 120,170	\$ 153,633
Inspections:				
Building	\$ 95,350	\$ 95,350	\$ 94,142	\$ 1,208
Other protection:				
Animal control	\$ 117,737	\$ 117,737	\$ 122,233	\$ (4,496)
Medical examiner (coroner)	500	500	280	220
Total other protection	<u>\$ 118,237</u>	<u>\$ 118,237</u>	<u>\$ 122,513</u>	<u>\$ (4,276)</u>
Total public safety	<u>\$ 2,746,877</u>	<u>\$ 2,859,688</u>	<u>\$ 2,516,411</u>	<u>\$ 343,567</u>
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	\$ 1,142,468	\$ 1,142,468	\$ 1,120,114	\$ 22,354
Litter control	5,000	5,000	6,003	(1,003)
Biosolids	63,603	63,603	62,675	928
Total sanitation and waste removal	<u>\$ 1,211,071</u>	<u>\$ 1,211,071</u>	<u>\$ 1,188,792</u>	<u>\$ 22,279</u>
Maintenance of general buildings and grounds:				
General properties	\$ 674,987	\$ 685,487	\$ 597,242	\$ 88,245
Total public works	<u>\$ 1,886,058</u>	<u>\$ 1,896,558</u>	<u>\$ 1,786,034</u>	<u>\$ 110,524</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 165,218	\$ 165,218	\$ 137,393	\$ 27,825
Mental health and mental retardation:				
Chapter X board	\$ 62,643	\$ 62,643	\$ 62,643	-
Welfare:				
Welfare administration and assistance	\$ 2,555,625	\$ 2,555,625	\$ 2,730,247	\$ (174,622)
Comprehensive services act	1,101,000	1,101,000	887,450	213,550
Other welfare programs	73,742	73,742	73,242	500
Total welfare	<u>\$ 3,730,367</u>	<u>\$ 3,730,367</u>	<u>\$ 3,690,939</u>	<u>\$ 39,428</u>
Total health and welfare	<u>\$ 3,958,228</u>	<u>\$ 3,958,228</u>	<u>\$ 3,890,975</u>	<u>\$ 67,253</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to community college	\$ 12,235	\$ 12,235	\$ 12,235	\$ -
Contribution to County School Board	7,968,525	7,968,525	7,439,598	528,927
Total education	<u>\$ 7,980,760</u>	<u>\$ 7,980,760</u>	<u>\$ 7,451,833</u>	<u>\$ 528,927</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 98,100	\$ 98,100	\$ 98,100	\$ -
Cultural enrichment:				
Museums	\$ 30,500	\$ 30,500	\$ 28,500	\$ 2,000
Contribution to regional library	\$ 152,059	\$ 166,559	\$ 166,559	\$ -
Total parks, recreation, and cultural	<u>\$ 280,659</u>	<u>\$ 295,159</u>	<u>\$ 293,159</u>	<u>\$ 2,000</u>
Community development:				
Planning and community development:				
Planning	\$ 187,747	\$ 187,747	\$ 176,522	\$ 11,225
Community development	44,250	44,250	44,250	-
Contribution to Industrial Development Auth.	75,440	75,440	-	75,440
Economic development	215,018	180,656	131,456	49,200
Tourism	-	39,390	28,016	11,374
Total planning and community development	<u>\$ 522,455</u>	<u>\$ 527,483</u>	<u>\$ 380,244</u>	<u>\$ 147,239</u>
Environmental management:				
Soil and water conservation	\$ 11,465	\$ 11,465	\$ 11,465	\$ -
Cooperative extension program:				
Cooperative extension program	\$ 62,312	\$ 51,812	\$ 46,219	\$ 5,593
Cannery	43,916	43,915	40,206	3,709
Total cooperative extension program	<u>\$ 106,228</u>	<u>\$ 95,727</u>	<u>\$ 86,425</u>	<u>\$ 9,302</u>
Total community development	<u>\$ 640,148</u>	<u>\$ 634,675</u>	<u>\$ 478,134</u>	<u>\$ 156,541</u>
Nondepartmental:				
Other nondepartmental	\$ 148,108	\$ 284,711	\$ 136,046	\$ 148,665
Total nondepartmental	<u>\$ 148,108</u>	<u>\$ 284,711</u>	<u>\$ 136,046</u>	<u>\$ 148,665</u>
Capital projects:				
Sandy River reservoir project	\$ 40,000	\$ 40,000	\$ 29,526	\$ 10,474
Morton Museum	-	-	6,100	(6,100)
Other capital projects	62,500	776,839	546,295	230,544
Total capital projects	<u>\$ 102,500</u>	<u>\$ 816,839</u>	<u>\$ 581,921</u>	<u>\$ 234,918</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 526,259	\$ 473,525	\$ 589,253	\$ (115,728)
Interest and other fiscal charges	348,919	348,919	390,686	(41,767)
Total debt service	<u>\$ 875,178</u>	<u>\$ 822,444</u>	<u>\$ 979,939</u>	<u>\$ (157,495)</u>
Total General Fund	<u>\$ 21,726,151</u>	<u>\$ 22,692,614</u>	<u>\$ 21,050,030</u>	<u>\$ 1,642,874</u>
Capital Projects Fund:				
Landfill Construction Fund				
Capital projects expenditures:				
Landfill construction	\$ -	\$ -	\$ 10,936	\$ (10,936)
Total Landfill Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,936</u>	<u>\$ (10,936)</u>
Total Capital Projects Fund	<u>-</u>	<u>-</u>	<u>10,936</u>	<u>(10,936)</u>
Total Primary Government	<u>\$ 21,726,151</u>	<u>\$ 22,692,614</u>	<u>\$ 21,060,966</u>	<u>\$ 1,631,938</u>
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction	\$ 21,474,190	\$ 22,198,326	\$ 21,429,031	\$ 769,295
Administration, attendance, and health	1,513,615	1,513,615	1,538,657	(25,042)
Pupil transportation services	1,835,500	1,928,199	2,045,763	(117,564)
Operation and maintenance services	1,968,450	1,968,450	1,764,497	203,953
School food program	10,580	10,580	9,695	885
Facilities	137,725	137,725	137,725	-
Total education	<u>\$ 26,940,060</u>	<u>\$ 27,756,895</u>	<u>\$ 26,925,368</u>	<u>\$ 831,527</u>
Debt service:				
Principal retirement	\$ 588,478	\$ 588,478	\$ 478,324	\$ 110,154
Interest and other fiscal charges	261,564	261,564	261,564	-
Total debt service	<u>\$ 850,042</u>	<u>\$ 850,042</u>	<u>\$ 739,888</u>	<u>\$ 110,154</u>
Total School Operating Fund	<u>\$ 27,790,102</u>	<u>\$ 28,606,937</u>	<u>\$ 27,665,256</u>	<u>\$ 941,681</u>
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 1,025,000	1,092,256	\$ 1,159,778	\$ (67,522)
Total Cafeteria Fund	<u>\$ 1,025,000</u>	<u>\$ 1,092,256</u>	<u>\$ 1,159,778</u>	<u>\$ (67,522)</u>
School Capital Projects Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ -	\$ 279,702	\$ 279,821	\$ (119)
Total School Capital Projects Fund	<u>\$ -</u>	<u>\$ 279,702</u>	<u>\$ 279,821</u>	<u>\$ (119)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 28,815,102</u>	<u>\$ 29,978,895</u>	<u>\$ 29,104,855</u>	<u>\$ 874,040</u>

Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 6
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	7 - 10
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	11 - 12
Demographic and Economic Information This table offers demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	13
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	14-15

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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

	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 2,912,203	\$ 2,459,199	\$ 2,534,819
Restricted	328,102	383,489	78,102	-	-	-	-	-
Unrestricted	8,133,619	6,463,558	5,262,386	3,658,083	6,428,310	3,215,901	1,428,178	1,538,199
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>	<u>\$ 6,128,104</u>	<u>\$ 3,887,377</u>	<u>\$ 4,073,018</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (31,482)	\$ 851,144
Unrestricted	-	-	-	-	-	-	821	(149,653)
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,661)</u>	<u>\$ 701,491</u>
Primary government								
Invested in capital assets, net net of related debt	\$ 1,065,286	\$ 1,304,995	\$ 1,993,396	\$ 1,975,166	\$ 2,339,985	\$ 2,912,203	\$ 2,427,717	\$ 3,385,963
Restricted	328,102	383,489	78,102	-	-	-	-	-
Unrestricted	8,133,619	6,463,558	5,262,386	3,658,083	6,428,310	3,215,901	1,428,999	1,388,546
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>	<u>\$ 6,128,104</u>	<u>\$ 3,856,716</u>	<u>\$ 4,774,509</u>

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

COUNTY OF PRINCE EDWARD, VIRGINIA

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

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

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

Table 2

	2007	2008	2009	2010
\$	1,613,434	\$ 1,888,328	\$ 1,878,951	\$ 1,795,153
	1,060,878	1,247,739	1,557,012	1,175,955
	2,886,070	2,920,779	2,718,405	2,910,454
	2,745,353	4,498,020	2,641,623	2,105,782
	3,699,915	4,009,487	3,948,690	3,894,723
	5,517,861	7,558,263	7,039,437	7,082,604
	253,326	1,842,051	3,274,724	293,485
	556,620	1,201,635	1,618,525	721,676
	559,142	521,152	701,954	676,992
\$	<u>18,892,599</u>	<u>\$ 25,687,454</u>	<u>\$ 25,379,321</u>	<u>\$ 20,656,824</u>
\$	-	\$ -	\$ 31,512	\$ 69,875
	-	-	29,800	83,078
\$	-	\$ -	\$ 61,312	\$ 152,953
\$	<u>18,892,599</u>	<u>\$ 25,687,454</u>	<u>\$ 25,440,633</u>	<u>\$ 20,809,777</u>
\$	92,490	\$ 100	\$ 100	\$ 100
	80,026	62,306	79,865	77,250
	99,282	207,114	161,311	135,014
	740,406	888,006	758,965	749,031
	5,319	12,044	19,396	12,456
	4,885,349	5,567,251	5,662,902	5,272,050
	-	180,000	-	-
\$	<u>5,902,872</u>	<u>\$ 6,916,821</u>	<u>\$ 6,682,539</u>	<u>\$ 6,245,901</u>
\$	-	\$ -	\$ -	\$ 1,289
	-	-	-	7,713
	-	-	6,000	21,750
\$	-	\$ -	\$ 6,000	\$ 30,752
\$	<u>5,902,872</u>	<u>\$ 6,916,821</u>	<u>\$ 6,688,539</u>	<u>\$ 6,276,653</u>
\$	(12,989,727)	\$ (18,770,633)	\$ (18,696,782)	\$ (14,410,923)
\$	<u>(12,989,727)</u>	<u>\$ (18,770,633)</u>	<u>\$ (18,752,094)</u>	<u>\$ (14,533,124)</u>
\$	8,988,258	\$ 9,898,122	\$ 10,338,674	\$ 9,925,117
	2,555,696	2,890,586	2,683,336	2,526,302
	276,472	201,608	159,537	121,912
	223,727	201,203	276,176	313,778
	438,853	344,009	371,824	387,557
	190,653	357,262	324,603	12
	3,086,888	1,467,887	1,325,103	1,619,326
	593,476	639,211	450,348	329,506
	116,470	130,554	451,992	126,880
	-	-	99,113	100,277
	-	-	(24,651)	(854,103)
\$	<u>16,470,493</u>	<u>\$ 16,130,442</u>	<u>\$ 16,456,055</u>	<u>\$ 14,596,564</u>
\$	-	\$ -	\$ -	\$ 250
	-	-	24,651	854,103
\$	-	\$ -	\$ 24,651	\$ 854,353
\$	<u>16,470,493</u>	<u>\$ 16,130,442</u>	<u>\$ 16,480,706</u>	<u>\$ 15,450,917</u>
\$	3,480,766	\$ (2,640,191)	\$ (2,240,727)	\$ 185,641
	-	-	(30,661)	732,152
\$	<u>3,480,766</u>	<u>\$ (2,640,191)</u>	<u>\$ (2,271,388)</u>	<u>\$ 917,793</u>

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

Fiscal Year	Property Tax	Local sales and use Tax	Consumer Utility Tax	Motor Vehicle License Tax	Recordation and Wills Tax	Total
2010	\$ 9,925,117	\$ 2,526,302	\$ 387,557	\$ 313,778	\$ 121,912	\$ 13,274,666
2009	10,338,674	2,683,336	371,824	276,176	159,537	13,829,547
2008	9,898,122	2,890,586	344,009	201,203	201,608	13,535,528
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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund					
Reserved	\$ -	\$ 78,096	\$ 328,102	\$ 383,489	\$ 78,102
Unreserved	<u>7,308,688</u>	<u>7,317,871</u>	<u>7,293,997</u>	<u>5,509,187</u>	<u>5,119,772</u>
Total general fund	<u>\$ 7,308,688</u>	<u>\$ 7,395,967</u>	<u>\$ 7,622,099</u>	<u>\$ 5,892,676</u>	<u>\$ 5,197,874</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Capital projects funds	<u>755,996</u>	<u>1,190,891</u>	<u>1,622,573</u>	<u>1,649,621</u>	<u>806,100</u>
Total all other governmental funds	<u>\$ 755,996</u>	<u>\$ 1,190,891</u>	<u>\$ 1,622,573</u>	<u>\$ 1,649,621</u>	<u>\$ 806,100</u>

Table 4

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ 8,074	\$ 11,486	\$ 12,078	\$ 1,106
<u>6,009,170</u>	<u>8,765,971</u>	<u>8,788,927</u>	<u>9,207,233</u>	<u>8,774,360</u>
<u>\$ 6,009,170</u>	<u>\$ 8,774,045</u>	<u>\$ 8,800,413</u>	<u>\$ 9,219,311</u>	<u>\$ 8,775,466</u>
\$ -	\$ 61,153	\$ 174,097	\$ 289,712	\$ 408,069
<u>129,375</u>	<u>425,644</u>	<u>77,047</u>	<u>377,012</u>	<u>639,629</u>
<u>\$ 129,375</u>	<u>\$ 486,797</u>	<u>\$ 251,144</u>	<u>\$ 666,724</u>	<u>\$ 1,047,698</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2001	2002	2003	2004
Revenues				
General property taxes	\$ 6,225,800	\$ 6,079,463	\$ 6,054,082	\$ 6,330,673
Other local taxes	2,808,137	2,808,410	2,917,859	3,127,167
Permits, privilege fees and regulatory licenses	48,966	63,239	50,306	56,590
Fines and forfeitures	2,107	15,312	79,411	107,077
Revenue from use of money and property	764,259	598,207	454,866	422,119
Charges for services	810,167	807,846	813,667	813,430
Miscellaneous	67,092	34,931	176,139	84,915
Recovered costs	28,225	28,050	900	46,437
Intergovernmental:				
Commonwealth	4,218,447	4,344,252	4,720,867	4,403,526
Federal	1,612,154	1,019,173	951,214	1,259,490
Total revenues	<u>\$ 16,585,354</u>	<u>\$ 15,798,883</u>	<u>\$ 16,219,311</u>	<u>\$ 16,651,424</u>
Expenditures				
General government administration	\$ 920,519	\$ 1,078,789	\$ 1,110,602	\$ 1,136,088
Judicial administration	1,049,819	1,046,627	1,084,838	1,091,812
Public safety	1,863,432	2,271,557	2,056,274	2,252,676
Public works	1,235,853	1,230,497	1,318,370	1,958,893
Health and welfare	2,371,188	2,250,466	2,386,741	2,872,126
Education	4,961	5,215	6,157,120	6,433,828
Parks, recreation and cultural	122,040	157,526	166,063	252,780
Community development	356,377	321,141	339,302	600,203
Capital projects	1,616,236	368,481	296,641	893,222
Nondepartmental	-	-	-	-
Debt service				
Principal	316,773	527,039	531,491	540,477
Interest and other fiscal charges	504,319	351,881	339,055	321,694
Total expenditures	<u>\$ 10,361,517</u>	<u>\$ 9,609,219</u>	<u>\$ 15,786,497</u>	<u>\$ 18,353,799</u>
Excess of revenues over (under) expenditures	<u>\$ 6,223,837</u>	<u>\$ 6,189,664</u>	<u>\$ 432,814</u>	<u>\$ (1,702,375)</u>
Other financing sources (uses)				
Transfers in	\$ 590,148	\$ 14,000	\$ 13,625	\$ 13,250
Transfers out	(6,284,859)	(5,985,525)	(13,625)	(13,250)
Issuance of debt	-	304,035	225,000	-
Total other financing sources (uses)	<u>\$ (5,613,292)</u>	<u>\$ (5,667,490)</u>	<u>\$ 225,000</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 610,545</u>	<u>\$ 522,174</u>	<u>\$ 657,814</u>	<u>\$ (1,702,375)</u>
Debt service as a percentage of noncapital expenditures	9.39%	9.51%	5.62%	4.94%

Note: Does not include discretely presented component unit.

Table 5

	2005	2006	2007	2008	2009	2010
\$	6,386,661	\$ 8,201,124	\$ 8,781,315	\$ 9,869,179	\$ 10,097,051	\$ 9,911,626
	3,208,158	3,405,363	3,672,974	3,994,668	3,815,476	3,349,561
	51,368	93,202	107,344	100,805	106,200	86,207
	85,142	59,473	46,112	29,824	44,006	47,822
	427,756	493,044	593,477	639,211	450,348	329,506
	628,264	762,506	818,345	985,037	869,431	839,822
	167,979	45,126	1,674,879	201,265	1,041,105	231,167
	44,837	60,363	51,218	236,973	99,018	45,111
	5,043,573	5,171,085	5,079,154	5,744,492	5,674,148	5,432,928
	1,156,441	1,190,522	1,392,823	1,290,645	1,313,858	1,458,448
\$	<u>17,200,179</u>	<u>\$ 19,481,808</u>	<u>\$ 22,217,641</u>	<u>\$ 23,092,099</u>	<u>\$ 23,510,641</u>	<u>\$ 21,732,198</u>
\$	1,243,224	\$ 1,238,135	\$ 1,416,441	\$ 1,626,034	\$ 1,620,699	\$ 1,453,038
	1,266,333	1,404,563	1,084,329	1,178,889	1,382,779	1,482,540
	2,343,621	2,651,956	2,815,986	3,020,666	2,846,153	2,516,411
	1,582,784	1,688,418	1,723,931	2,033,140	1,864,186	1,786,034
	3,356,131	3,377,252	3,714,420	4,061,932	3,915,282	3,890,975
	6,270,528	6,600,608	6,669,651	7,749,894	7,446,574	7,451,833
	189,991	237,633	243,368	230,159	307,159	293,159
	455,360	449,727	501,123	1,018,825	1,409,598	478,134
	1,381,092	1,062,351	324,432	1,675,064	3,911,158	592,857
	-	-	-	1,517	-	136,046
	339,822	330,766	323,958	431,078	438,613	589,253
	309,616	305,828	277,705	274,186	309,311	390,686
\$	<u>18,738,502</u>	<u>\$ 19,347,237</u>	<u>\$ 19,095,344</u>	<u>\$ 23,301,384</u>	<u>\$ 25,451,512</u>	<u>\$ 21,060,966</u>
\$	<u>(1,538,323)</u>	<u>\$ 134,571</u>	<u>\$ 3,122,297</u>	<u>\$ (209,285)</u>	<u>\$ (1,940,871)</u>	<u>\$ 671,232</u>
\$	11,163	\$ -	\$ 60,425	\$ 310,153	\$ 332,153	\$ 110,153
	(11,163)	-	(60,425)	(310,153)	(356,804)	(964,256)
	-	-	-	-	2,800,000	120,000
\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,775,349</u>	<u>\$ (734,103)</u>
\$	<u>(1,538,323)</u>	<u>\$ 134,571</u>	<u>\$ 3,122,297</u>	<u>\$ (209,285)</u>	<u>\$ 834,478</u>	<u>\$ (62,871)</u>
	3.74%	3.48%	3.21%	3.17%	3.06%	4.89%

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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	Communication Taxes (1)(2)	Consumer Utility Tax (1)	Motor Vehicle License Tax	Recordation and Wills Tax	E911 Tax (1)	Gross Receipts Tax	Total
2010	\$ 9,911,626	\$ 2,526,302	-	\$ 297,025	\$ 313,778	\$ 121,912	\$ 12	\$ 90,532	\$ 13,261,187
2009	10,097,051	2,683,336	324,603	306,766	276,176	159,537	-	65,058	13,912,527
2008	9,869,179	2,890,586	357,262	281,464	201,203	201,608	-	-	13,801,302
2007	8,781,315	2,555,696	153,199	382,290	223,727	276,472	19,542	-	12,392,241
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

(1) Commencing in 2007 all consumer utility taxes including E-911 taxes, as they relates to communication companies were remitted to the Commonwealth. The County receives a payment from the Commnowealth representing the respective share of the communication taxes.

(2) Effective for the FY 2010 audit report, communications tax is reported as non-categorical state aid.

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 (1)	Mobile Homes	Machinery and Tools
2010	\$ 1,528,365,240	\$ 94,930,963	\$ 10,293,720	\$ 770,925
2009	1,042,385,745	104,258,239	12,209,314	879,950
2008	1,068,933,045	94,814,825	12,224,444	1,058,750
2007	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

(1) Real estate and personal property are assessed at 100% of fair market value.

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

Source: Commissioner of Revenue

Table 7

Merchants' Capital	Public Service (2)	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 65,748,650	\$ 67,095,810	\$ 1,767,205,308	\$ 1,767,205,308	100.00%
50,551,200	43,708,760	1,253,993,208	1,253,993,208	100.00%
64,869,815	46,056,568	1,287,957,447	1,287,957,447	100.00%
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%

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

Fiscal Years	Direct Rates				
	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital
2010	\$ 0.40	\$ 4.50	\$ 0.40	\$ 4.20	\$ 0.70
2009	0.57	4.50	0.57	4.20	0.70
2008	0.57	4.50	0.57	4.20	0.70
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

(1) Per \$100 of assessed value

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2010	\$ 11,443,731	\$ 10,682,795	93.35%	\$ 379,748	\$ 11,062,543	96.67%	\$ 1,364,269	11.92%
2009	11,332,401	10,896,001	96.15%	279,186	11,175,187	98.61%	1,208,244	10.66%
2008	11,278,872	10,651,203	94.44%	277,008	10,928,211	96.89%	730,041	6.47%
2007	9,946,229	9,704,342	97.57%	215,446	9,919,788	99.73%	669,701	6.73%
2006	9,565,060	9,100,303	95.14%	316,083	9,416,386	98.45%	572,612	5.99%
2005	7,479,811	7,186,612	96.08%	271,698	7,458,310	99.71%	317,312	4.24%
2004	7,543,391	7,205,591	95.52%	238,777	7,444,368	98.69%	388,357	5.15%
2003	7,329,472	6,954,555	94.88%	355,504	7,310,059	99.74%	370,848	5.06%
2002	7,174,125	6,774,216	94.43%	303,613	7,077,829	98.66%	449,036	6.26%
2001	6,883,157	6,444,453	93.63%	342,510	6,786,963	98.60%	514,308	7.47%

(1) Exclusive of penalties and interest.

(2) Includes twenty years real estate and four years personal property taxes.

(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

Principal Property Taxpayers
 Current Year and the Period Nine Years Prior

Taxpayer	Fiscal Year 2010		Fiscal Year 2001	
	2009 Assessed Valuation	% of Total Assessed Valuation	2000 Assessed Valuation	% of Total Assessed Valuation
Southside Holding	\$ 3,118,900	0.25%	\$ 962,500	N/A
Southside Community Nursing	12,739,500	0.99%	5,562,700	N/A
Statewide Realty Co.	960,300	0.08%	1,820,100	N/A
Southgate Associates II	4,733,200	0.39%	4,130,600	N/A
Wright, Shelton	2,001,200	0.17%	1,268,200	N/A
Davis, Clyde J.	4,152,200	0.36%	3,849,400	N/A
Garnett, James	1,493,400	0.17%	1,351,900	N/A
Landon G. Atkins Revocable Trust	793,700	0.09%	3,880,800	N/A
Longwood Village Shopping Center	6,832,300	0.84%	7,076,700	N/A
Farmville Partners, LLC	4,778,400	0.61%	914,150	N/A
	<u>\$ 41,603,100</u>	<u>3.96%</u>	<u>\$ 30,817,050</u>	<u>N/A</u>

Note: Information regarding total assessment for 2001 is unavailable.
 Source: Commissioner of Revenue

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases	Other Notes/Bonds			
2010	\$ 5,778,724	\$ -	\$ 8,181,343	\$ -	\$ 2,500,000	\$ 16,460,067	4.06%	736
2009	6,426,063	-	8,552,832	-	1,281,482	16,260,377	4.01%	745
2008	7,890,333	52,500	5,296,677	-	-	13,239,510	3.49%	623
2007	8,654,633	105,000	4,036,409	-	-	12,796,042	3.37%	614
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	3.01%	581
2004	9,852,024	262,500	1,850,708	30,819	-	11,996,051	3.48%	615
2003	10,614,315	315,000	1,933,824	47,265	-	12,910,404	3.82%	659
2002	11,390,182	458,300	2,010,352	62,916	-	13,921,750	4.14%	706
2001	12,171,702	601,600	2,093,547	77,810	-	14,944,659	4.66%	747

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 13

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)
2010	\$ 11,170,767	\$ 406,089	\$ 10,764,678	0.61%	481
2009	12,049,678	\$ 301,790	\$ 11,747,888	0.94%	538
2008	10,059,690	174,097	9,885,593	0.77%	453
2007	10,876,490	69,227	10,807,263	0.87%	508
2006	11,982,275	-	11,982,275	0.96%	575
2005	11,080,017	-	11,080,017	0.95%	580
2004	11,965,235	-	11,965,235	1.03%	614
2003	13,540,048	-	13,540,048	1.58%	691
2002	14,768,495	-	14,768,495	1.75%	749
2001	15,394,882	-	15,394,882	1.90%	770

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13

(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, and Literary Fund Loans; excludes revenue bonds, capital leases, and compensated absences.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (1)	Per Capita Personal Income (1)	Median Age	School Enrollment	Unemployment Rate
2010	22,370	\$ 405,000,000	\$ 18,105	31.4	2,666	9.30%
2009	21,823	405,000,000	19,228	31.9	2,482	10.30%
2008	21,254	379,316,000	18,557	31.9	2,548	6.20%
2007	20,846	379,316,000	18,557	31.9	2,577	5.20%
2006	19,100	368,157,000	17,971	31.5	2,621	5.20%
2005	19,500	344,234,000	17,653	31.5	2,617	3.90%
2004	19,600	338,059,000	17,248	31.5	2,624	3.40%
2003	19,720	336,641,000	17,071	31.9	2,616	4.00%
2002	20,000	320,610,000	16,031	31.9	2,649	5.80%
2001	20,200	306,255,000	15,161	31.9	2,669	5.90%

Source: Virginia Employment Commission, Annual school report - prepared by the School Board, www.fedstats.gov

(1) Information is not updated annually

COUNTY OF PRINCE EDWARD, VIRGINIA

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

Function	2001	2002	2003	2004	2005
General government	18.0	18.0	18.0	18.0	18.0
Judicial administration	19.0	19.0	18.0	19.0	21.0
Public safety					
Sheriffs department	24.0	22.0	25.0	25.0	25.0
Animal control	1.0	1.0	1.0	2.0	2.0
Building official	-	-	-	-	-
Public works					
General maintenance	7.0	7.0	7.0	7.0	7.0
Refuse Collection & Disposal	2.0	2.0	2.0	2.0	2.0
Biosolids	-	-	-	-	-
Health and welfare					
Department of social services	29.0	30.0	32.0	31.0	30.0
Culture and recreation					
Parks and recreation	-	-	-	-	-
Community development					
Planning	1.0	1.0	-	1.0	1.0
Economic Development	-	-	-	1.0	1.0
Cannery	-	-	-	1.5	1.5
Extension	1.0	1.0	1.0	-	-
Totals	103.0	102.0	105.0	108.5	109.5

Source: Individual County departments

Table 14

2006	2007	2008	2009	2010
19.0	17.0	17.0	17.0	17.0
23.0	25.0	25.0	25.0	22.5
26.0	30.5	30.5	30.5	31.0
2.0	2.0	2.0	2.0	2.0
-	2.0	2.0	2.0	2.0
7.0	7.5	7.5	7.5	6.5
2.0	15.5	15.5	15.5	13.0
-	1.0	1.0	1.0	1.0
31.0	31.0	31.0	31.0	32.0
-	-	-	-	-
1.0	-	-	-	-
1.0	2.0	2.0	2.0	2.0
1.0	1.5	2.0	2.0	2.0
1.5	1.5	1.5	1.5	1.5
-	1.0	1.0	1.0	1.0
114.5	137.5	138.0	138.0	133.5

COUNTY OF PRINCE EDWARD, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years (1)

Function	2001	2002	2003	2004	2005
Public safety					
Sheriffs department:					
Physical arrests	-	-	-	628.0	825.0
Civil papers	-	-	-	13,894.0	9,982.0
Building inspections:					
Permits issued (2)	352.0	386.0	301.0	360.0	322.0
Public works					
Landfill:					
Refuse collected (tons/day)	80.1	78.3	80.6	90.0	70.5
Recycling (tons/day)	5.4	5.1	4.3	9.3	10.3
Health and welfare					
Department of Social Services:					
Caseload	-	-	3,835.0	4,735.0	5,194.0
Community development					
Planning:					
Zoning permits issued	-	-	-	-	266.0
Component Unit - School Board					
Education:					
Number of teachers	213.0	216.0	212.0	211.0	232.0
Local expenditures per pupil	-	-	-	-	-

Source: Individual County departments

(1) Information has been reported where available.

(2) The County implemented the issuance of trade permits in the fiscal year 2009.

Table 15

2006	2007	2008	2009	2010
1,167.0	1,127.0	1,629.0	2,164.0	1,396.0
9,660.0	9,700.0	7,718.0	9,890.0	9,124.0
430.0	416.0	558.0	784.0	642.0
76.9	91.0	89.0	80.0	78.0
12.0	11.0	9.0	13.0	13.0
5,114.0	5,298.0	7,065.0	8,100.0	8,817.0
246.0	242.0	194.0	119.0	112.0
238.0	229.5	235.7	228.0	224.0
2,506.2	2,623.0	2,840.0	2,718.0	2,858.0

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Compliance

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Prince Edward, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Prince Edward, Virginia's basic financial statements and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *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 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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, Farmer Cox Associates

Charlottesville, Virginia
December 28, 2010

**Report on Compliance with Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal Control Over
Compliance In Accordance with OMB Circular A-133
Independent Auditor's Report**

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

Compliance

We have audited County of Prince Edward, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Prince Edward, Virginia's major federal programs for the year ended June 30, 2010. County of Prince Edward, Virginia'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, Virginia's management. Our responsibility is to express an opinion on County of Prince Edward, Virginia'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, Virginia'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, Virginia's compliance with those requirements.

In our opinion, County of Prince Edward, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

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

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

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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, Farmer, Cox Associates

Charlottesville, Virginia
December 28, 2010

COUNTY OF PRINCE EDWARD, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting safe and stable families	93.556	0950109/0950110	\$ 10,854
Temporary Assistance to Needy Families (TANF)	93.558	0400109/0400110	242,530
Refugee and Entrant Assistance - state administered programs	93.566	0500109/0500110	711
Low-income Home Energy Assistance	93.568	0600409/0600410	14,997
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	94,039
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	98,576
ARRA - Child care and development block grant	93.713	0740109/0780109	36,968
Chafee Education and Training Vouchers Program	93.599	09160108	1,664
Child Welfare Services - State Grants	93.645	0900109/0900110	631
Foster Care - Title IV-E	93.658	1100109/1100110	147,550
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	10,563
Adoption Assistance	93.659	1120109/1120110	45,317
ARRA - Adoption Assistance	93.659	1120109/1120110	4,130
Social Services Block Grant	93.667	1000109/1000110	74,400
Chafee Foster Care Independence Program	93.674	9150109/9150110	2,396
Children's Health Insurance Program	93.767	0540109/0540110	14,254
Medical Assistance Program	93.778	1200109/1200110	<u>180,782</u>
Total Department of Health and Human Services			\$ <u>980,362</u>
Pass Through Payments:			
Department of Agriculture:			
Food Distribution - Child Nutrition Cluster	10.555	10.555/2010	\$ 98,235
Department of Education:			
Child Nutrition Cluster:			
National school breakfast program	10.553	10.553/2010	175,698
National school lunch program	10.555	10.555/2010	600,080
Fresh fruits and vegetables program	10.582	10.582/2010	64,277
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110 0040109/0040110	320,313
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110 0040109/0040110	<u>10,560</u>
Total Department of Agriculture			\$ <u>1,269,163</u>
Department of the Interior:			
Direct payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226		\$ <u>66,672</u>
Total Department of the Interior			\$ <u>66,672</u>

COUNTY OF PRINCE EDWARD, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607		\$ <u>588</u>
Pass Through Payments:			
Department of Criminal Justice Services:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09SUB9033	\$ <u>52,123</u>
Total Department of Justice			\$ <u>52,711</u>
Department of Transportation:			
Pass through payments:			
National Highway Traffic Safety Administration (NHTSA):			
Alcohol open container requirements	20.607	154AL 10 50221	\$ <u>18,394</u>
Total Department of Transportation - pass-through			\$ <u>18,394</u>
Department of Homeland Security			
Pass Through Payments:			
Department of Homeland Security:			
Emergency Management Performance Grant	97.042	n/a	\$ <u>9,436</u>
Total Department of Homeland Security			\$ <u>9,436</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I, part A Cluster:			
Title I: Grants to local educational agencies	84.010	S010A080046	\$ 986,659
ARRA - Title I: Grants to local educational agencies	84.389	S389A090046	181,738
Title I: State agency program for neglected and delinquent children	84.013	S013A080046	92,570
Special Education Cluster:			
Special education grants to states	84.027	H027A090107	711,167
ARRA - Special education grants to states	84.391	H391A090107	297,267
Special education - preschool grants	84.173	H173A090112	19,728
ARRA - Special education - preschool grants	84.392	H392A090112	12,304
Career and Technical Education: Basic grants to states	84.048	V047A090046	137,278
Safe and Drug-free schools and communities - state grants	84.186	Q186A070048	11,141
Twenty-first century community learning centers	84.287	S287C090047	24,679
State grants for innovative programs	84.298	S298A070047	6,941
Improving teacher quality state grant	84.367	S367A080044	105,251
ARRA - State fiscal stabilization fund - education state grants	84.394	S394A090047	1,575,360
JROTC	84.000	n/a	<u>61,830</u>
Total Department of Education			\$ <u>4,223,913</u>
Total Expenditures of Federal Awards			\$ <u><u>6,620,651</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

COUNTY OF PRINCE EDWARD, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note 1 - General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Prince Edward, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Prince Edward, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Prince Edward, Virginia.

Note 2 - Basis of Accounting

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-81, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

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 \$ 1,458,448

Total primary government \$ 1,458,448

Component Unit Public Schools:

School Operating Fund \$ 4,223,913

School Cafeteria Fund 938,290

Total component unit public schools \$ 5,162,203

Total federal expenditures per basic financial statements \$ 6,620,651

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 6,620,651

COUNTY OF PRINCE EDWARD, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
	SNAP Cluster:
10.561	State administrative matching grants for the supplemental nutrition assistance program
10.561	ARRA - State administrative matching grants for the supplemental nutrition assistance program - ARRA
	Title I, part A Cluster:
84.010	Title I: Grants to local educational agencies
84.389	ARRA - Title I: Grants to local educational agencies
	Special Education Cluster:
84.027	Special education grants to states
84.391	ARRA - Special education grants to states
84.173	Special education - preschool grants
84.392	ARRA - Special education - preschool grants
84.394	ARRA - State Fiscal Stabilization Fund - Education State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes

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.

Section IV - Prior Year Federal Award Findings and Questioned Costs

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