

COUNTY OF LUNENBURG, VIRGINIA



ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2010

COUNTY OF LUNENBURG, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LUNENBURG, VIRGINIA

Board of Supervisors

Alvester L. Edmonds, Chairperson

Jane G. Atkinson, Vice-Chairperson
Frank W. Bacon
David E. Wingold

Charles R. Slayton
George E. Ingram
Edward Pennington

Department of Social Services

Karen H. Wilkinson, Chairperson

Sidney B. Chappell, Jr.
Atlas Robinson
Charles R. Slayton
C. B. Haskins, Jr.

Linda Walker
Annie L. Mason
Mary Beth Gregory

County School Board

Donald B. Carnes, Chairperson

Kathy P. Coffee, Vice-Chairperson
James W. Duffy
Atlas Stokes Robinson

Janis T. Whitehead
Beverley P. Hawthorne
Elizabeth R. Williams

Other Officials

Judge of the Circuit Court.....	Richard S. Blanton
Clerk of the Circuit Court.....	Gordon F. Erby
Commonwealth's Attorney	Robert E. Clement
Commissioner of the Revenue	Patricia M. Adams
Treasurer, Acting	Amona Currin
Sheriff.....	Arthur Townsend
Superintendent of Schools.....	Dora Wynn
Director of Social Services.....	Dorothy A. Newcomb
County Administrator.....	Catherine Giorgetti

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LUNENBURG, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
<u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	10
Exhibit 2 Statement of Activities	11
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	12
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Exhibit 5 Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	14
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Exhibit 7 Statement of Fiduciary Net Assets—Fiduciary Funds	16
Notes to Financial Statements	17-43

COUNTY OF LUNENBURG, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
<u>Required Supplementary Information:</u>	
Exhibit 8 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual–General Fund	44
Exhibit 9 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–County Special Revenue Fund	45
Exhibit 10 Schedule of Funding Progress–Virginia Retirement System	46
Exhibit 11 Schedule of Funding Progress–Retiree Healthcare Plan	47
<u>Other Supplementary Information:</u>	
Combining and Individual Fund Statements and Schedules:	
Exhibit 12 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–County Debt Service Fund	48
Exhibit 13 Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual–County Capital Projects Fund	49
Exhibit 14 Statement of Changes in Assets and Liabilities–Agency Funds	50
Discretely Presented Component Unit School Board:	
Exhibit 15 Combining Balance Sheet	51
Exhibit 16 Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Governmental Funds	52
Exhibit 17 Schedule of Revenues, Expenditures and Changes in Fund Balances–Budget and Actual	53
Discretely Presented Component Unit Industrial Development Authority:	
Exhibit 18 Statement of Net Assets	54
Exhibit 19 Statement of Revenues, Expenses and Changes in Net Assets	55
Exhibit 20 Statement of Cash Flows	56

COUNTY OF LUNENBURG, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

Other Supplementary Information: (Continued)

	<u>Page</u>
Supporting Schedules:	
Schedule 1 Schedule of Revenues–Budget and Actual–Governmental Funds	57-62
Schedule 2 Schedule of Expenditures–Budget and Actual–Governmental Funds	63-66
Other Statistical Tables:	
Table 1 Government-Wide Expense by Function–Last Eight Fiscal Years	67
Table 2 Government-Wide Revenue–Last Eight Fiscal Years	68
Table 3 Governmental Expenditures by Function–Last Ten Fiscal Years	69
Table 4 Governmental Revenues by Source–Last Ten Fiscal Years	70
Table 5 Property Tax Levies and Collections–Last Ten Fiscal Years	71
Table 6 Assessed Value of Taxable Property–Last Ten Fiscal Years	72
Table 7 Property Tax Rates–Last Ten Fiscal Years	73
Table 8 Ratio of Net General Obligation Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	74
<u>Compliance:</u>	
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>	75-76
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	77-78
Schedule of Expenditures of Federal Awards	79-80
Notes to Schedule of Expenditures of Federal Awards	81
Schedule of Findings and Questioned Costs	82-83
Schedule of Prior Year Findings and Questioned Costs	84

THIS PAGE LEFT BLANK INTENTIONALLY

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, Virginia

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lunenburg, 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 Lunenburg, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lunenburg, 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 January 5, 2011, on our consideration of the County of Lunenburg, 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.

The Management's Discussion and Analysis, budgetary comparison information, and the schedules of pension funding progress and funding progress for the retiree healthcare plan as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of 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 of Lunenburg, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and 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 basic financial statements of the County of Lunenburg, Virginia. The combining and individual fund financial 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 section 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.

Roberta, Tamm, Cox Assite

Richmond, Virginia
January 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**To the Honorable Members of the Board of Supervisors
To the Citizens of Lunenburg County
County of Lunenburg, Virginia**

As management of the County of Lunenburg, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2010. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$8,400,146 (net assets).

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 of \$506,837 (Exhibit 5) after making contributions totaling \$2,985,579 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$6,254,764, a decrease of \$506,837 in comparison with the prior year.
- < At the end of the current fiscal year, unreserved fund balance for the general fund was \$5,041,766 or 47% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased \$641,057 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The Government-wide financial statements include not only the County of Lunenburg, Virginia itself (known as the primary government), but also a legally separate school district and industrial development authority for which the County of Lunenburg, Virginia is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

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

Overview of the Financial Statements (Continued)

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The County has four major governmental funds – the General Fund, the County Special Revenue Fund, the County Debt Service Fund and the County Capital Projects Fund.

Fiduciary funds - The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units - School Board and Industrial Development Authority. Neither issues separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$8,400,146 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Lunenburg, Virginia's Net Assets			
	Governmental Activities		
	2010	2009	
Current and other assets	\$ 6,777,488	\$ 7,290,786	
Capital assets	20,022,574	20,336,308	
Total assets	\$ 26,800,062	\$ 27,627,094	
Current liabilities	\$ 406,986	\$ 516,444	
Long-term liabilities outstanding	17,992,930	18,633,987	
Total liabilities	\$ 18,399,916	\$ 19,150,431	
Net assets:			
Invested in capital assets, net of related debt	\$ 4,569,645	\$ 3,942,872	
Unrestricted	3,830,501	4,533,791	
Total net assets	\$ 8,400,146	\$ 8,476,663	

Government-wide Financial Analysis (Continued)

The County's net assets decreased by \$76,517 during the current fiscal year. The following table summarizes the County's Statement of Activities:

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 287,780	\$ 152,202
Operating grants and contributions	4,197,527	3,524,726
General revenues:		
General property taxes	5,394,155	5,558,933
Other local taxes	640,729	889,096
Grants and other contributions not restricted	1,287,101	1,099,010
Other general revenues	310,778	348,004
Total revenues	<u>\$ 12,118,070</u>	<u>\$ 11,571,971</u>
Expenses:		
General government administration	\$ 1,158,659	\$ 1,060,810
Judicial administration	770,596	1,012,121
Public safety	1,851,410	1,680,314
Public works	1,434,191	1,813,739
Health and welfare	2,058,065	2,345,844
Education	3,622,849	3,343,586
Parks, recreation, and cultural	133,242	
Community development	487,960	1,150,648
Interest and other fiscal charges	677,615	706,413
Total expenses	<u>\$ 12,194,587</u>	<u>\$ 13,113,475</u>
Change in net assets	<u>\$ (76,517)</u>	<u>\$ (1,541,504)</u>
Beginning of year	<u>8,476,663</u>	<u>10,018,167</u>
End of year	<u>\$ 8,400,146</u>	<u>\$ 8,476,663</u>

Financial Analysis of the County's Funds

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

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$6,254,764, a decrease of \$506,837 in comparison with the prior year. Approximately 81% of this total amount constitutes unreserved General Fund balance, which is available for spending at the County's discretion.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the county had a negative fund balance of \$667,621.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increases of \$1,067,083, all of which resulted from the County receiving a Homeland Security Grant that had not been budgeted.

During the year, budgetary estimates exceeded revenues and other sources exceeded by \$871,177 and budgetary estimates were greater than expenditures and other uses by \$1,054,570. The resulting positive variance for change in fund balance was \$183,393.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2010 amounts to \$20,022,574 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$15,188,031. Of this amount, \$9,207,323 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., lease revenue bonds and capital leases).

The County's total debt decreased by \$641,057 during the current fiscal year.

Additional information on the County of Lunenburg, Virginia's long-term debt can be found in the notes of this report.

Economic Factors and Next Year's Budgets and Rates

- < The unemployment rate for the County was 10.6 percent compared to the state's average unemployment rate of 7.1 percent.
- < Inflationary trends in the region compare to national indices.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

The fiscal year 2011 budget increased by approximately 2.7 percent. There was no change in tax rates for the year.

Requests for Information

This financial report is designed to provide a general overview of the County of Lunenburg, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 11413 Courthouse Road, Lunenburg, Virginia 23952.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lunenburg, Virginia
Statement of Net Assets
June 30, 2010

	Primary Government Governmental Activities	Component Units School Board	IDA
ASSETS			
Cash and cash equivalents	\$ 5,424,950	\$ 513,698	\$ 33,125
Receivables (net of allowance for uncollectibles):			
Taxes receivable	495,405	-	-
Accounts receivable	25,271	-	-
Due from other governmental units	831,862	433,115	-
Capital assets (net of accumulated depreciation):			
Land	279,656	37,807	-
Buildings	9,317,710	-	-
Equipment	1,217,886	744,165	-
Jointly owned assets	9,207,322	3,085,318	-
Total assets	<u>\$ 26,800,062</u>	<u>\$ 4,814,103</u>	<u>\$ 33,125</u>
LIABILITIES			
Accounts payable	\$ 84,829	\$ 30,852	\$ -
Accrued interest payable	298,545	-	-
Due to other governmental units	-	402,263	-
Unearned revenue	23,612	-	-
Long-term liabilities:			
Due within one year	945,201	-	-
Due in more than one year	17,047,729	15,700	-
Total liabilities	<u>\$ 18,399,916</u>	<u>\$ 448,815</u>	<u>\$ -</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 4,569,645	\$ 3,867,290	\$ -
Unrestricted (deficit)	3,830,501	497,998	33,125
Total net assets	<u>\$ 8,400,146</u>	<u>\$ 4,365,288</u>	<u>\$ 33,125</u>
 Total Liabilities and Net Assets	 <u>\$ 26,800,062</u>	 <u>\$ 4,814,103</u>	 <u>\$ 33,125</u>

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

County of Lunenburg, Virginia
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units School Board IDA
PRIMARY GOVERNMENT:						
Governmental activities:						
General government administration	\$ 1,158,659	\$ -	\$ 259,280	\$ -	\$ (899,379)	\$ -
Judicial administration	770,596	40,226	357,930	-	(372,440)	-
Public safety	1,851,410	36,005	1,614,060	-	(201,345)	-
Public works	1,434,191	200,501	-	-	(1,233,690)	-
Health and welfare	2,058,065	-	1,502,863	-	(555,202)	-
Education	3,622,849	-	-	-	(3,622,849)	-
Parks, recreation, and cultural	133,242	-	-	-	(133,242)	-
Community development	487,960	11,048	463,394	-	(13,518)	-
Interest on long-term debt	677,615	-	-	-	(677,615)	-
Total governmental activities	\$ 12,194,587	\$ 287,780	\$ 4,197,527	\$ -	\$ (7,709,280)	\$ -
Total primary government	\$ 12,194,587	\$ 287,780	\$ 4,197,527	\$ -	\$ (7,709,280)	\$ -
COMPONENT UNITS:						
School Board	\$ 17,302,410	\$ 306,002	\$ 13,512,567	\$ -	\$ -	\$ (3,483,841)
IDA	19,861	19,293	-	-	-	(568)
Total component units	\$ 17,322,271	\$ 325,295	\$ 13,512,567	\$ -	\$ -	\$ (3,483,841)
General revenues:						
General property taxes	\$ 5,394,155	\$ -			\$ -	\$ -
Local sales and use taxes	374,783	-			-	-
Consumer's utility taxes	189,510	-			-	-
Other local taxes	76,436	-			-	-
Unrestricted revenues from use of money and property	166,291	-			-	50
Miscellaneous	144,487	-			98,440	-
Grants and contributions not restricted to specific programs	1,287,101	-			-	-
Payment from Lunenburg County	-	-			3,667,102	-
Total general revenues	\$ 7,632,763	\$ -			\$ 3,765,542	\$ 50
Change in net assets	\$ (76,517)	\$ -			\$ 281,701	\$ (518)
Net assets - beginning	8,476,663				4,083,587	33,643
Net assets - ending	\$ 8,400,146	\$ -			\$ 4,365,288	\$ 33,125

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

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lunenburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>County Special Revenue</u>	<u>County Debt Service</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 4,355,299	\$ 1,057,692	\$ 679,580	\$ -	\$ 6,092,571
Receivables (net of allowance for uncollectibles):					
Taxes receivable	495,405	-	-	-	495,405
Accounts receivable	10,193	15,078	-	-	25,271
Due from other governmental units	631,007	200,855	-	-	831,862
Total assets	<u>\$ 5,491,904</u>	<u>\$ 1,273,625</u>	<u>\$ 679,580</u>	<u>\$ -</u>	<u>\$ 7,445,109</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 12,243	\$ 72,586	\$ -	\$ -	\$ 84,829
Reconciled overdraft payable	-	-	-	667,621	667,621
Deferred revenue	437,895	-	-	-	437,895
Total liabilities	<u>\$ 450,138</u>	<u>\$ 72,586</u>	<u>\$ -</u>	<u>\$ 667,621</u>	<u>\$ 1,190,345</u>
Fund balances:					
Reserved for:					
Airport commission	\$ -	\$ 5,819	\$ -	\$ -	\$ 5,819
E911	-	471,292	-	-	471,292
Voting machine	-	18,949	-	-	18,949
Asset forfeiture	-	18,570	-	-	18,570
Economic development	-	209,681	-	-	209,681
Solid waste management	-	659,037	-	-	659,037
Debt service	-	-	679,580	-	679,580
Unreserved, reported in:					
General fund	5,041,766	-	-	-	5,041,766
Special revenue funds	-	(182,309)	-	-	(182,309)
Capital projects funds	-	-	-	(667,621)	(667,621)
Total fund balances	<u>\$ 5,041,766</u>	<u>\$ 1,201,039</u>	<u>\$ 679,580</u>	<u>\$ (667,621)</u>	<u>\$ 6,254,764</u>
Total liabilities and fund balances	<u>\$ 5,491,904</u>	<u>\$ 1,273,625</u>	<u>\$ 679,580</u>	<u>\$ -</u>	<u>\$ 7,445,109</u>

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

County of Lunenburg, Virginia
 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	\$ 6,254,764
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,022,574
---	------------

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	414,283
--	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bonds	\$(5,887,125)	
General obligation bonds	(9,472,221)	
Capital leases	(93,583)	
Landfill postclosure liability	(2,463,802)	
Compensated absences	(76,199)	
Accrued interest payable	(298,545)	(18,291,475)

Net assets of governmental activities	\$ 8,400,146
---------------------------------------	--------------

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

County of Lunenburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	<u>General</u>	<u>County Special Revenue</u>	<u>County Debt Service</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 5,311,432	\$ -	\$ -	\$ -	\$ 5,311,432
Other local taxes	445,630	195,099	-	-	640,729
Permits, privilege fees, and regulatory licenses	30,566	-	-	-	30,566
Fines and forfeitures	22,632	-	-	-	22,632
Revenue from the use of money and property	160,580	4,800	-	911	166,291
Charges for services	23,033	211,549	-	-	234,582
Miscellaneous	84,009	60,478	-	-	144,487
Recovered costs	38,257	-	-	-	38,257
Intergovernmental revenues:					
Lunenburg School Board	-	-	47,395	-	47,395
Commonwealth	2,724,178	1,429,870	-	-	4,154,048
Federal	1,330,580	-	-	-	1,330,580
Total revenues	<u>\$ 10,170,897</u>	<u>\$ 1,901,796</u>	<u>\$ 47,395</u>	<u>\$ 911</u>	<u>\$ 12,120,999</u>
EXPENDITURES					
Current:					
General government administration	\$ 1,101,518	\$ 5,327	\$ -	\$ -	\$ 1,106,845
Judicial administration	563,350	-	-	-	563,350
Public safety	2,330,431	226,458	-	-	2,556,889
Public works	222,146	813,877	-	-	1,036,023
Health and welfare	1,174,816	883,697	-	-	2,058,513
Education	2,988,721	-	-	-	2,988,721
Parks, recreation, and cultural	133,242	-	-	-	133,242
Community development	272,737	211,349	-	-	484,086
Capital projects	54,852	-	-	6,919	61,771
Debt service:					
Principal retirement	-	44,430	880,923	-	925,353
Interest and other fiscal charges	-	3,902	709,141	-	713,043
Total expenditures	<u>\$ 8,841,813</u>	<u>\$ 2,189,040</u>	<u>\$ 1,590,064</u>	<u>\$ 6,919</u>	<u>\$ 12,627,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,329,084</u>	<u>\$ (287,244)</u>	<u>\$ (1,542,669)</u>	<u>\$ (6,008)</u>	<u>\$ (506,837)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 551,269	\$ 1,271,353	\$ -	\$ 1,822,622
Transfers out	(1,822,622)	-	-	-	(1,822,622)
Total other financing sources (uses)	<u>\$ (1,822,622)</u>	<u>\$ 551,269</u>	<u>\$ 1,271,353</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ (493,538)	\$ 264,025	\$ (271,316)	\$ (6,008)	\$ (506,837)
Fund balances - beginning	5,535,304	937,014	950,896	(661,613)	6,761,601
Fund balances - ending	<u>\$ 5,041,766</u>	<u>\$ 1,201,039</u>	<u>\$ 679,580</u>	<u>\$ (667,621)</u>	<u>\$ 6,254,764</u>

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

County of Lunenburg, Virginia
 Reconciliation of the 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	\$	(506,837)
--	----	-----------

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. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 869,545	
Transfer of joint tenancy assets	(681,523)	
Depreciation expense	<u>(501,756)</u>	(313,734)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		82,723
--	--	--------

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. The following is a summary of items supporting this adjustment:

Principal retirement on lease revenue bonds	\$ 199,400	
Principal retirement on general obligation bonds	681,523	
Principal retirement on capital leases	44,430	
Increase of landfill postclosure liability	<u>(322,962)</u>	602,391

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 interest payable	\$ 20,274	
Amortization of bond issuance premium	15,154	
(Increase) decrease in accrued leave	<u>23,512</u>	58,940

Change in net assets of governmental activities	\$	<u>(76,517)</u>
---	----	-----------------

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

County of Lunenburg, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 4,349
LIABILITIES	
Amounts held for others	\$ (8,160)
Reconciled overdraft payable	8,160
Amounts held for social services clients	4,349
Total liabilities	\$ 4,349

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

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2010

Note 1—Summary of Significant Accounting Policies:

The County of Lunenburg, Virginia (the "County") is governed by an elected seven member Board of Supervisors. The County provides a full range of services for its citizens. These services include police, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County of Lunenburg, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

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 component units. For the most part, the 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 units. 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.

COUNTY OF LUNENBURG, VIRGINIA

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

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

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 are 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.

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 a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's 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 Lunenburg (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 that it is legally separate from the government.

COUNTY OF LUNENBURG, VIRGINIA

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

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

B. Individual Component Unit Disclosures

Blended Component Units. The County has no blended component units at June 30, 2010.

Discretely Presented Component Units. The School Board members are elected by the citizens of Lunenburg County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2010.

The Industrial Development Authority of Lunenburg County is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2010. The Industrial Development Authority of Lunenburg County does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

None

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.

COUNTY OF LUNENBURG, VIRGINIA

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

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

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

COUNTY OF LUNENBURG, VIRGINIA

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

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

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

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund, County Special Revenue Fund, County Debt Service Fund, and County Capital Projects fund as major governmental funds.

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.

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds account for debt service expenditures for the County including the school system. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund.

The County reports the following nonmajor governmental funds:

Fiduciary Funds (Trust and Agency Funds) - account for assets held by the County 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.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

COUNTY OF LUNENBURG, VIRGINIA

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$347,163 at June 30, 2010 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, 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. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. 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 the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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>
Building Improvements	40
Furniture, Vehicles, and Office Equipment	5-20
Buses	10

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as expenses in the Statement of Activities and long-term obligations in the Statement of Net Assets. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Retirement Plan

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

K. Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

L. 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.

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

N. 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, business-type activities, or proprietary fund type statement of net assets. 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 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.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, 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 or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; However, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Expenditures exceeded appropriations in the following funds at June 30, 2010:

County Special Revenue	\$426,495
County Debt Service	3,845

Note 3—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia 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).

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

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.

	Fair Quality Ratings			
	AAA	AA+	A+	Unrated
State Non-Arbitrage Pool	\$ 287,621	\$ -	\$ -	\$ -
Corporate Debt	50,784	-	50,108	-
Municipal/Public Bonds	1,373,566	25,037	-	165,417
Total	\$ 1,711,971	\$ 25,037	\$ 50,108	\$ 165,417

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
Municipal/Public Bonds	\$ 1,564,020	\$ 1,564,020
Corporate Debt	100,892	100,892
Total	\$ 1,664,912	\$ 1,664,912

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the SNAP is the same as the value of the pool shares.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 4—Due to/from Other Governments:

At June 30, 2010, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
Lunenburg County School Board	\$ 402,263	\$ -
Commonwealth of Virginia:		
Local sales tax	62,641	-
Welfare	25,554	-
Rolling stock tax	5	-
State Sales Tax	-	260,960
Wireless grant	7,167	-
Constitutional officer reimbursements	98,774	-
Recordation tax	4,117	-
Comprehensive services act	157,219	-
Communications tax	36,469	-
Federal Government:		
School fund grants	-	172,155
Welfare	37,653	-
Total due from other governments	\$ <u>831,862</u>	\$ <u>433,115</u>

At June 30, 2010, amounts due to other local governments are as follows:

Other Local Governments:		
County of Lunenburg	\$ <u>-</u>	\$ <u>402,263</u>

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 5—Capital Assets:

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

Primary Government:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 279,656	\$ -	\$ -	\$ 279,656
Total capital assets not subject to depreciation	\$ 279,656	\$ -	\$ -	\$ 279,656
Capital assets subject to depreciation:				
Buildings	\$ 10,778,443	\$ -	\$ -	\$ 10,778,443
Equipment	1,853,075	869,545	-	2,722,620
Jointly owned assets	13,212,440	-	472,796	12,739,644
Total capital assets being depreciated	\$ 25,843,958	\$ 869,545	\$ 472,796	\$ 26,240,707
Less accumulated depreciation for:				
Buildings	\$ 1,187,939	\$ 272,794	\$ -	\$ 1,460,733
Equipment	1,275,772	228,962	-	1,504,734
Jointly owned assets	3,323,595	339,819	131,092	3,532,322
Total accumulated depreciation	\$ 5,787,306	\$ 841,575	\$ 131,092	\$ 6,497,789
Total capital assets being depreciated, net	\$ 20,056,652	\$ 27,970	\$ 341,704	\$ 19,742,918
Governmental capital assets, net	\$ 20,336,308	\$ 27,970	\$ 341,704	\$ 20,022,574

Component Unit - School Board:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 37,807	\$ -	\$ -	\$ 37,807
Total capital assets not subject to depreciation	\$ 37,807	\$ -	\$ -	\$ 37,807
Capital assets subject to depreciation:				
Equipment	\$ 2,418,961	\$ 212,441	\$ -	\$ 2,631,402
Jointly owned assets	3,796,181	472,796	-	4,268,977
Total capital assets being depreciated	\$ 6,215,142	\$ 685,237	\$ -	\$ 6,900,379
Less accumulated depreciation for:				
Equipment	\$ 1,697,692	\$ 189,545	\$ -	\$ 1,887,237
Jointly owned assets	954,931	97,636	(131,092)	1,183,659
Total accumulated depreciation	\$ 2,652,623	\$ 287,181	\$ (131,092)	\$ 3,070,896
Total capital assets being depreciated, net	\$ 3,562,519	\$ 398,056	\$ 131,092	\$ 3,829,483
Governmental capital assets, net	\$ 3,600,326	\$ 398,056	\$ 131,092	\$ 3,867,290

COUNTY OF LUNENBURG, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:

General government administration	\$	6,454
Judicial administration		229,320
Public safety		154,556
Public works		74,442
Health and welfare		17,567
Education		339,819
Community development		<u>19,417</u>

Total Governmental activities	\$	<u>841,575</u>
-------------------------------	----	----------------

Component Unit School Board	\$	<u>287,181</u>
-----------------------------	----	----------------

Note 6—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>
Primary Government:		
General	\$ -	\$ 1,822,622
County special revenue	551,269	-
County debt service fund	<u>1,271,353</u>	<u>-</u>
Total Primary Government	\$ <u>1,822,622</u>	\$ <u>1,822,622</u>
Component Unit:		
School operating	\$ -	\$ 611,351
School special revenue	<u>611,351</u>	<u>-</u>
Total Component Unit School Board	\$ <u>611,351</u>	\$ <u>611,351</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2010:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 99,711	\$ -	\$ 23,512	\$ 76,199	\$ 7,620
Capital lease	138,013	-	44,430	93,583	22,369
Lease revenue bonds payable	6,086,525	-	199,400	5,887,125	207,359
Landfill post closure care	2,140,840	322,962	-	2,463,802	-
Total incurred by County	\$ 8,465,089	\$ 322,962	\$ 267,342	\$ 8,520,709	\$ 237,348
Incurred by School Board:					
General obligation bonds	\$ 9,888,846	\$ -	\$ 681,523	\$ 9,207,323	\$ 707,853
Add deferred amounts for:					
Issuance premium	280,052	-	15,154	264,898	-
Total incurred by School Board	\$ 10,168,898	\$ -	\$ 696,677	\$ 9,472,221	\$ 707,853
Total Governmental Obligations	\$ 18,633,987	\$ 322,962	\$ 964,019	\$ 17,992,930	\$ 945,201

The remainder of this page left blank intentionally.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue Bonds	
	Principal	Interest
2011	\$ 207,359	\$ 224,496
2012	215,363	216,500
2013	223,414	208,190
2014	360,514	199,570
2015	373,666	185,784
2016	387,872	171,494
2017	403,136	156,658
2018	418,458	141,234
2019	434,842	125,224
2020	451,292	108,584
2021	467,810	91,312
2022	486,399	73,404
2023	468,000	54,784
2024	485,000	37,186
2025	504,000	18,951
Total	\$ <u>5,887,125</u>	\$ <u>2,013,371</u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2011	\$ 707,853	\$ 419,506
2012	730,600	379,632
2013	452,132	349,017
2014	466,603	327,912
2015	480,464	305,529
2016	495,491	281,730
2017	515,959	257,145
2018	531,905	231,550
2019	463,209	205,115
2020	479,722	183,403
2021	496,771	160,948
2022	509,177	137,724
2023	526,765	113,899
2024	543,859	90,171
2025	560,678	66,126
2026	577,735	41,362
2027	214,500	25,065
2028	221,200	17,021
2029	232,700	8,726
Total	\$ <u>9,207,323</u>	\$ <u>3,601,581</u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term indebtedness are as follows:

General Obligations:

Incurred by County:

Capital Lease Obligations:

\$115,300 Capital lease issued July 21, 2008, secured by a leasehold interest in the equipment. Due in annual installments of \$25,176 (principal plus interest) at 3.00% interest rate.	\$	<u>93,583</u>
Total Capital Lease Obligations	\$	<u>93,583</u>

Lease Revenue Bonds:

\$6,354,000 Lease revenue bond, Series 2004, issued December 13, 2004, due in varying installments of principal and interest through February 1, 2025, interest at 3.76%.	\$	5,553,000
\$400,000 Public facility lease revenue bond, Series 2007, issued June 29, 2008, due in varying installments of principal and interest through February 1, 2022, interest at 4.7%		<u>334,125</u>
Total lease revenue bonds	\$	<u>5,887,125</u>
Landfill post closure cost (payable from the General Fund)	\$	<u>2,463,802</u>
Compensated absences (payable from the General Fund)		<u>76,199</u>
Total incurred by County	\$	<u>8,520,709</u>

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term indebtedness are as follows: (Continued)

General Obligations: (continued)

Incurred by School Board:

General Obligation Bonds:

\$907,919 General Obligation Refunding Note, Series 1998, issued July 30, 1998, due in annual installments of \$85,162, through July 30, 2017, interest at 6.59%. \$ 516,705

\$4,127,773, Virginia Public School Authority bonds issued July 31, 1991, due in varying semi-annual installments of principal and interest through July 15, 2011; interest payable semi-annually at rates ranging from 4.85% to 6.60% per annum. 573,521

\$750,000 School Bonds 2003B Series issued March 15, 2003 due in varying annual installments through February 1, 2029, interest at various rates. 305,000

\$5,856,256 School Bonds 2005A Series issued October 25, 2005, due in varying annual installments through January 15, 2006, interest at various rates. Face amount of bonds outstanding, \$4,899,997 plus unamortized issuance premium of \$264,898. 5,164,895

\$3,020,000 School Bonds 2005B Series issued October 25, 2005, due in varying annual installments through February 1, 2029, interest at 3.75%. 2,912,100

Total General Obligation Bonds \$ 9,472,221

Total Incurred by School Board \$ 9,472,221

Total General Obligations, Primary Government \$ 17,992,930

Component Unit-School Board:

	Amounts Payable at July 1, 2009			Amounts Payable at June 30, 2010		Amounts Due Within One Year
		Increases	Decreases			
Component Unit-School Board:						
OPEB liability	\$ 11,700	\$ 71,500	\$ 67,500	\$ 15,700	\$	-
Total Component Unit-School Board	\$ 11,700	\$ 71,500	\$ 67,500	\$ 15,700	\$	-

COUNTY OF LUNENBURG, VIRGINIA

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

Note 8—Capital Lease:

The government has entered into a lease agreement as lessee for financing the acquisition of Landfill equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

	<u>Primary Government</u>
Asset:	
Equipment	\$ 115,300
Less: accumulated depreciation	<u>23,060</u>
Total	<u>\$ 92,240</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2011	\$ 25,176
2012	25,176
2013	25,176
2014	<u>25,176</u>
Total minimum lease payments	\$ 100,704
Less: amount representing interest	<u>(7,121)</u>
Present value of minimum lease payments	<u>\$ 93,583</u>

The remainder of this page left blank intentionally.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 9—Closure and Postclosure Costs:

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 30 years. The \$2,463,802 was reported as landfill closure and postclosure care liability at June 30, 2010, and it represents the cumulative amount to date based on the estimated capacity of the landfill. The County will recognize the remaining amount of the estimated cost of closure and postclosure care of \$3,079,752 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. The County expects to close the landfill in the year 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has demonstrated financial assurance requirements for closure, post-closure care, 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.

Note 10—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 totaling \$437,895 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2010 but paid in advance by the taxpayers totaled \$23,612 at June 30, 2010.

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$414,283 at June 30, 2010.

Note 11—Commitments and Contingent Liabilities:

Federal programs in which the County and its discretely presented component units participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, 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, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 12—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 the County.

Note 13 —Risk Management:

The County and Component Unit School Board are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates with other Virginia localities in public entity risk pools for the provision of insurance coverage. The County receives workers' compensation, liability and property loss coverage through the Virginia Association of Counties Group Self Insurance Risk Pool. The School Board receives its workers' compensation coverage from the School Systems of Virginia and all other coverage from commercial carriers. The County pays an annual premium to the pool for insurance through member premiums. There have been no reductions in any insurance coverage from the previous year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The remainder of this page left blank intentionally.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 14 – Defined Benefit Pension Plan:

Primary Government and Discretely Presented Component Unit-School Board:

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, Virginia 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their 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 and School Board's non-professional contribution rates for the fiscal year ended 2010 were 8.25% and 6.72% of annual covered payroll, respectively.

The Lunenburg County School Board professional employees current rate is 8.81%, (July 2009 through March 2010 and zero (0.00%) April through June 2010) of annual covered payroll. The contribution requirements of plan members and Lunenburg 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 \$654,847, \$732,608, and \$848,508, respectively, and equal to the required contributions for each year.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 14 – Defined Benefit Pension Plan (Continued):

Primary Government and Discretely Presented Component Unit-School Board: (continued)

C. Annual Pension Cost

For fiscal year 2010, the County's annual pension cost of \$298,927 (which includes the portion of the employee share assumed by the County which was \$112,803) was equal to the County's required and actual contributions.

For fiscal year 2010, the County School Board's annual pension cost for the Board's non-professional employees was \$78,871 (which includes the portion of the employee share assumed by the Board which was \$33,648) which was equal to the Board's required and actual contributions.

Three Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2010	\$ 186,124	100%	\$ -
June 30, 2009	188,165	100%	-
June 30, 2008	117,882	100%	-
School Board:			
Non-Professional:			
June 30, 2010	\$ 45,223	100%	\$ -
June 30, 2009	46,891	100%	-
June 30, 2008	43,743	100%	-

(1) Employer portion only

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 and 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 County's and School Board'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.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 14 —Defined Benefit Pension Plan (Continued):

Primary Government and Discretely Presented Component Unit-School Board: (continued)

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 85.59% funded. The actuarial accrued liability for benefits was \$10,119,407, and the actuarial value of assets was \$8,661,357, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,458,050. The covered payroll (annual payroll of active employees covered by the plan) was \$2,295,316, and ratio of the UAAL to covered payroll was 63.52%.

As of June 30, 2009, the most recent actuarial valuation date, the School Board's Non-Professional plan was 97.30% funded. The actuarial accrued liability for benefits was \$1,838,302, and the actuarial value of assets was \$1,788,680, resulting in an unfunded actuarial accrued liability (UAAL) of \$49,622. The covered payroll (annual payroll of active employees covered by the plan) was \$697,500, and ratio of the UAAL to the covered payroll was 7.11%.

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.

Note 15 —Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Gordon F. Erby, Clerk of the Circuit Court	\$ 150,000
Amona Currin, Treasurer	400,000
Patricia M. Adams, Commissioner of the Revenue	3,000
Arthur Townsend, Sheriff	30,000
Fidelity and Deposit Company of Maryland-Surety:	
Thomas Palmore, Clerk of the Board	10,000
Linda Brame, Clerk of Textbook Fund	10,000
Mary B. Leistra, Deputy Clerk of the Board	10,000
Dora Wynn, School Superintendent	10,000
All School Board Employees-blanket bond	2,500
Western Surety Company:	
Dorothy A. Newcomb, Director of Social Services	100,000
VA Risk Pool:	
All Social Services Employees-Blanket Bond	1,000,000

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 16-Postemployment Benefits Other Than Pensions:

A. Plan Description

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits, such as the School Board retiree health benefit subsidy. Historically, the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the School Board 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 School Board. This funding methodology mirrors the funding approach used for pension benefits.

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65.

B. Funding Policy

The School Board's retirees pay 100% of the premiums. The Schools currently have 12 retirees on their plan.

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)*. The School Board has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 16-Postemployment Benefits Other Than Pensions (Continued):

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

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

	SCHOOLS
Annual required contribution	\$ 71,500
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	\$ 71,500
Estimated Contributions made	(67,500)
Increase in net OPEB obligation	4,000
Net OPEB obligation-beginning of year	11,700
Net OPEB obligation-end of year	\$ 15,700

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Schools:			
6/30/2009	\$ 71,500	83.64%	\$ 11,700
6/30/2010	71,500	94.41%	15,700

D. Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$648,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$6,281,700, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.32%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, 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.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 16-Postemployment Benefits Other Than Pensions (Continued):

E. Methods and Assumptions

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

F. Cost Method

In the January 1, 2009 actuarial valuation, the projected unit credit method with linear pro-rata to assumed benefit commencement was used.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females.

Coverage elections -The actuary assumed that 15% of eligible retirees who qualify will elect coverage.

Based on the historical and expected returns of the School Board's short-term investment portfolio, a discount rate of 4.0% was used. The 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, 2009 was thirty years.

COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

NOTE 17-OTHER POST-EMPLOYMENT BENEFITS (OPEB):

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 14.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$64,656, \$89,809, and \$95,560, respectively and equaled the required contributions for each year.

THIS PAGE LEFT BLANK INTENTIONALLY

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.

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lunenburg, Virginia
General 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</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
General property taxes	\$ 5,336,519	\$ 5,336,519	\$ 5,311,432	\$ (25,087)
Other local taxes	445,000	445,000	445,630	630
Permits, privilege fees, and regulatory licenses	47,300	47,300	30,566	(16,734)
Fines and forfeitures	11,000	11,000	22,632	11,632
Revenue from the use of money and property	273,000	273,000	160,580	(112,420)
Charges for services	16,997	16,997	23,033	6,036
Miscellaneous	55,904	55,904	84,009	28,105
Recovered costs	73,922	73,922	38,257	(35,665)
Intergovernmental revenues:				
Commonwealth	3,036,460	3,036,460	2,724,178	(312,282)
Federal	678,889	1,745,972	1,330,580	(415,392)
Total revenues	<u>\$ 9,974,991</u>	<u>\$ 11,042,074</u>	<u>\$ 10,170,897</u>	<u>\$ (871,177)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,047,106	\$ 1,047,106	\$ 1,101,518	\$ (54,412)
Judicial administration	665,600	665,600	563,350	102,250
Public safety	1,448,746	2,515,829	2,330,431	185,398
Public works	236,408	236,408	222,146	14,262
Health and welfare	1,482,978	1,482,978	1,174,816	308,162
Education	3,242,096	3,242,096	2,988,721	253,375
Parks, recreation, and cultural	133,242	133,242	133,242	-
Community development	331,960	331,960	272,737	59,223
Capital projects	225,000	225,000	54,852	170,148
Total expenditures	<u>\$ 8,813,136</u>	<u>\$ 9,880,219</u>	<u>\$ 8,841,813</u>	<u>\$ 1,038,406</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,161,855</u>	<u>\$ 1,161,855</u>	<u>\$ 1,329,084</u>	<u>\$ 167,229</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (1,838,786)	\$ (1,838,786)	\$ (1,822,622)	\$ 16,164
Total other financing sources and uses	<u>\$ (1,838,786)</u>	<u>\$ (1,838,786)</u>	<u>\$ (1,822,622)</u>	<u>\$ 16,164</u>
Net change in fund balances	\$ (676,931)	\$ (676,931)	\$ (493,538)	\$ 183,393
Fund balances - beginning	676,931	676,931	5,535,304	4,858,373
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,041,766</u>	<u>\$ 5,041,766</u>

County of Lunenburg, Virginia
Special Revenue 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</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Other local taxes	\$ 200,000	\$ 200,000	\$ 195,099	\$ (4,901)
Revenue from the use of money and property	12,487	12,487	4,800	(7,687)
Charges for services	111,363	111,363	211,549	100,186
Miscellaneous	12,500	12,500	60,478	47,978
Intergovernmental revenues:				
Commonwealth	663,000	853,862	1,429,870	576,008
Total revenues	<u>\$ 999,350</u>	<u>\$ 1,190,212</u>	<u>\$ 1,901,796</u>	<u>\$ 711,584</u>
EXPENDITURES				
Current:				
General government administration	\$ 5,000	\$ 5,000	\$ 5,327	\$ (327)
Public safety	153,487	224,349	226,458	(2,109)
Public works	790,396	790,396	813,877	(23,481)
Health and welfare	597,500	597,500	883,697	(286,197)
Community development	25,300	145,300	211,349	(66,049)
Debt service:				
Principal retirement	-	-	44,430	(44,430)
Interest and other fiscal charges	-	-	3,902	(3,902)
Total expenditures	<u>\$ 1,571,683</u>	<u>\$ 1,762,545</u>	<u>\$ 2,189,040</u>	<u>\$ (426,495)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (572,333)</u>	<u>\$ (572,333)</u>	<u>\$ (287,244)</u>	<u>\$ 285,089</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 567,533	\$ 567,533	\$ 551,269	\$ (16,264)
Total other financing sources and uses	<u>\$ 567,533</u>	<u>\$ 567,533</u>	<u>\$ 551,269</u>	<u>\$ (16,264)</u>
Net change in fund balances	\$ (4,800)	\$ (4,800)	\$ 264,025	\$ 268,825
Fund balances - beginning	4,800	4,800	937,014	932,214
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,201,039</u>	<u>\$ 1,201,039</u>

County of Lunenburg, Virginia

Schedule of Funding Progress-Virginia Retirement System

For the Year Ended June 30, 2010

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
County:						
6/30/2009	\$ 8,661,357	\$ 10,119,407	\$ 1,458,050	85.59%	\$ 2,295,316	63.52%
6/30/2008	8,597,453	9,808,123	1,210,670	87.66%	2,305,173	52.52%
6/30/2007	7,803,838	8,694,484	890,646	89.76%	2,484,267	35.85%
6/30/2006	6,937,067	6,824,870	(112,197)	101.64%	1,989,633	-5.64%
6/30/2005	6,444,066	6,921,374	477,308	93.10%	1,904,059	25.07%
6/30/2004	6,207,632	5,860,399	(347,233)	105.93%	2,022,227	-17.17%
6/30/2003	6,061,282	5,587,357	(473,925)	108.48%	1,968,288	-24.08%
6/30/2002	5,946,521	5,128,269	(818,252)	115.96%	1,968,318	-41.57%
6/30/2001	5,686,878	4,670,289	(1,016,589)	121.77%	1,835,615	-55.38%
6/30/2000	5,123,915	4,147,015	(976,900)	123.60%	1,665,583	-58.70%
School Board Non-Professionals:						
6/30/2009	\$ 1,788,680	\$ 1,838,302	\$ 49,622	97.30%	\$ 697,500	7.11%
6/30/2008	1,806,988	1,835,642	28,654	98.44%	724,927	3.95%
6/30/2007	1,608,962	1,613,978	5,016	99.69%	709,429	0.71%
6/30/2006	1,391,349	1,460,314	68,965	95.28%	676,728	10.19%
6/30/2005	1,271,916	1,372,535	100,619	92.67%	651,643	15.44%
6/30/2004	1,257,074	1,205,371	(51,703)	104.29%	644,622	-8.02%
6/30/2003	1,206,800	1,082,201	(124,599)	111.51%	592,662	-21.02%
6/30/2002	1,164,546	1,003,382	(161,164)	116.06%	599,933	-26.86%
6/30/2001	1,098,996	899,754	(199,242)	122.14%	595,092	-33.48%
6/30/2000	971,695	786,116	(185,579)	123.60%	545,161	-34.00%

County of Lunenburg, Virginia
 Schedule of Funding Progress - Retiree Healthcare Plan
 For the Year Ended June 30, 2010

Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Excess Funded) Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll ((b-a)/c)
School Board: 1/1/2009	\$ -	\$ 648,500	\$ 648,500	0.00%	\$ 6,281,700	10.32%

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

***COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES***

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lunenburg, Virginia
County Debt Service 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</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Intergovernmental revenues:				
Lunenburg School Board	300,000	300,000	47,395	(252,605)
Total revenues	<u>\$ 302,000</u>	<u>\$ 302,000</u>	<u>\$ 47,395</u>	<u>\$ (254,605)</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 880,923	\$ 880,923	\$ 880,923	\$ -
Interest and other fiscal charges	692,330	705,296	709,141	(3,845)
Total expenditures	<u>\$ 1,573,253</u>	<u>\$ 1,586,219</u>	<u>\$ 1,590,064</u>	<u>\$ (3,845)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,271,253)</u>	<u>\$ (1,284,219)</u>	<u>\$ (1,542,669)</u>	<u>\$ (258,450)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,271,253	\$ 1,271,253	\$ 1,271,353	\$ 100
Total other financing sources and uses	<u>\$ 1,271,253</u>	<u>\$ 1,271,253</u>	<u>\$ 1,271,353</u>	<u>\$ 100</u>
Net change in fund balances	\$ -	\$ (12,966)	\$ (271,316)	\$ (258,350)
Fund balances - beginning	-	12,966	950,896	937,930
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 679,580</u>	<u>\$ 679,580</u>

County of Lunenburg, Virginia
County Capital Projects 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				
Other local taxes	\$ 42,376	\$ 42,376	\$ -	\$ (42,376)
Revenue from the use of money and property	-	-	911	911
Charges for services	286,000	286,000	-	(286,000)
Total revenues	<u>\$ 328,376</u>	<u>\$ 328,376</u>	<u>\$ 911</u>	<u>\$ (327,465)</u>
EXPENDITURES				
Capital projects	\$ 328,376	\$ 328,376	\$ 6,919	\$ 321,457
Total expenditures	<u>\$ 328,376</u>	<u>\$ 328,376</u>	<u>\$ 6,919</u>	<u>\$ 321,457</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,008)</u>	<u>\$ (6,008)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,008)</u>	<u>\$ (6,008)</u>
Fund balances - beginning	-	-	(661,613)	(661,613)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (667,621)</u>	<u>\$ (667,621)</u>

County of Lunenburg, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 5,966	\$ 28,707	\$ 30,324	\$ 4,349
Liabilities:				
Amounts held for social services clients	\$ 5,966	\$ 28,707	\$ 30,324	\$ 4,349
Cell Tower Escrow:				
Liabilities:				
Reconciled overdraft payable	\$ 8,100	\$ -	\$ 60	\$ 8,160
Amounts held for others	(8,100)	-	(60)	(8,160)
Total liabilities	\$ -	\$ -	\$ -	\$ -
Totals -- All Agency Funds				
Assets:				
Cash	\$ 5,966	\$ 28,707	\$ 30,324	\$ 4,349
Total assets	\$ 5,966	\$ 28,707	\$ 30,324	\$ 4,349
Liabilities:				
Amounts held for others	\$ (8,100)	\$ -	\$ (60)	\$ (8,160)
Reconciled overdraft payable	8,100	-	60	8,160
Amounts held for social services clients	5,966	28,707	30,324	4,349
Total liabilities	\$ 5,966	\$ 28,707	\$ 30,324	\$ 4,349

THIS PAGE LEFT BLANK INTENTIONALLY

***DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD***

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lunenburg, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2010

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 513,698	\$ 513,698
Due from other governmental units	433,115	-	433,115
Total assets	<u>\$ 433,115</u>	<u>\$ 513,698</u>	<u>\$ 946,813</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 30,852	\$ -	\$ 30,852
Due to other governmental units	402,263	-	402,263
Total liabilities	<u>\$ 433,115</u>	<u>\$ -</u>	<u>\$ 433,115</u>
Fund balances:			
Unreserved:			
Undesignated	\$ -	\$ 513,698	\$ 513,698
Total fund balances	<u>\$ -</u>	<u>\$ 513,698</u>	<u>\$ 513,698</u>
Total liabilities and fund balances	<u>\$ 433,115</u>	<u>\$ 513,698</u>	<u>\$ 946,813</u>

Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:

Total fund balances per above	\$ 513,698
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,867,290
Long-term liabilities, including OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(15,700)
Net assets of governmental activities	<u>\$ 4,365,288</u>

County of Lunenburg, Virginia
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 Special Revenue Fund	Total Governmental Funds
REVENUES			
Charges for services	\$ -	\$ 306,002	\$ 306,002
Miscellaneous	98,440	-	98,440
Intergovernmental revenues:			
Local government	2,985,579	-	2,985,579
Commonwealth	10,382,766	-	10,382,766
Federal	3,078,627	51,174	3,129,801
Total revenues	<u>\$ 16,545,412</u>	<u>\$ 357,176</u>	<u>\$ 16,902,588</u>
EXPENDITURES			
Current:			
Education	\$ 15,919,040	\$ 949,790	\$ 16,868,830
Capital projects	15,021	-	15,021
Total expenditures	<u>\$ 15,934,061</u>	<u>\$ 949,790</u>	<u>\$ 16,883,851</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 611,351</u>	<u>\$ (592,614)</u>	<u>\$ 18,737</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 611,351	\$ 611,351
Transfers out	(611,351)	-	(611,351)
Total other financing sources and uses	<u>\$ (611,351)</u>	<u>\$ 611,351</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 18,737	\$ 18,737
Fund balances - beginning	-	494,961	494,961
Fund balances - ending	<u>\$ -</u>	<u>\$ 513,698</u>	<u>\$ 513,698</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 \$ 18,737

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 outlay	\$ 212,441	
Transfer of joint tenancy assets	681,523	
Depreciation expense	<u>(627,000)</u>	266,964

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. (4,000)

Change in net assets of governmental activities \$ 281,701

County of Lunenburg, 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 Special Revenue Fund		
	Budgeted Amounts		Variance with	Budgeted Amounts		Variance with
	Original	Final	Final Budget Positive (Negative)	Original	Final	Final Budget Positive (Negative)
REVENUES						
Charges for services	\$ 2,100	\$ 2,100	\$ -	\$ 283,084	\$ 283,084	\$ 306,002
Miscellaneous	91,551	91,551	98,440	-	-	-
Intergovernmental revenues:						
Local government	3,238,954	3,238,954	2,985,579	-	-	-
Commonwealth	11,284,196	11,284,196	10,382,766	-	-	-
Federal	2,514,972	3,356,412	3,078,627	-	-	51,174
Total revenues	\$ 17,131,773	\$ 17,973,213	\$ 16,545,412	\$ 283,084	\$ 283,084	\$ 357,176
						\$ 74,092
EXPENDITURES						
Current:						
Education	\$ 16,522,865	\$ 17,364,305	\$ 15,919,040	\$ 876,857	\$ 955,416	\$ 949,790
Capital projects	15,135	15,135	15,021	-	-	-
Total expenditures	\$ 16,538,000	\$ 17,379,440	\$ 15,934,061	\$ 876,857	\$ 955,416	\$ 949,790
						\$ 5,626
Excess (deficiency) of revenues over (under) expenditures	\$ 593,773	\$ 593,773	\$ 611,351	\$ (593,773)	\$ (672,332)	\$ (592,614)
						\$ 79,718
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ -	\$ -	\$ 593,773	\$ 593,773	\$ 611,351
Transfers out	(593,773)	(593,773)	(611,351)	-	-	-
Total other financing sources and uses	\$ (593,773)	\$ (593,773)	\$ (611,351)	\$ 593,773	\$ 593,773	\$ 611,351
						\$ 17,578
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ (78,559)	\$ 18,737
Fund balances - beginning	-	-	-	-	-	494,961
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ (78,559)	\$ 513,698
						\$ 592,257

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lunenburg, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2010

ASSETS

Current assets:

Cash and cash equivalents

\$ 33,125

Total assets

\$ 33,125**NET ASSETS**

Unrestricted

\$ 33,125

Total net assets

\$ 33,125

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

County of Lunenburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Assets
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2010

OPERATING REVENUES

Charges for services:

Contributions from local government

\$ 19,293

Total operating revenues

\$ 19,293**OPERATING EXPENSES**

Contractual services

\$ 68

Other charges

500

Tax incentives

19,293

Total operating expenses

\$ 19,861

Operating income (loss)

\$ (568)**NONOPERATING REVENUES (EXPENSES)**

Investment earnings

\$ 50

Total nonoperating revenues (expenses)

\$ 50

Change in net assets

\$ (518)

Total net assets - beginning

33,643

Total net assets - ending

\$ 33,125

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

County of Lunenburg, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 19,293
Payments for operating activities	(19,861)
Net cash provided (used) by operating activities	<u>\$ (568)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ 50
Net cash provided (used) by investing activities	<u>\$ 50</u>

Net increase (decrease) in cash and cash equivalents \$ (518)

Cash and cash equivalents - beginning	33,643
Cash and cash equivalents - ending	<u><u>\$ 33,125</u></u>

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$ (568)
Net cash provided (used) by operating activities	<u><u>\$ (568)</u></u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPORTING SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

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

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 2,805,519	\$ 2,805,519	\$ 3,041,856	\$ 236,337
Real and personal public service corporation taxes	150,000	150,000	114,112	(35,888)
Personal property taxes	2,300,000	2,300,000	2,147,797	(152,203)
Penalties	80,000	80,000	-	(80,000)
Interest	1,000	1,000	7,667	6,667
Total general property taxes	<u>\$ 5,336,519</u>	<u>\$ 5,336,519</u>	<u>\$ 5,311,432</u>	<u>\$ (25,087)</u>
Other local taxes:				
Local sales and use taxes	\$ 350,000	\$ 350,000	\$ 374,783	\$ 24,783
Consumption tax	25,000	25,000	23,205	(1,795)
Taxes on recordation and wills	70,000	70,000	47,642	(22,358)
Total other local taxes	<u>\$ 445,000</u>	<u>\$ 445,000</u>	<u>\$ 445,630</u>	<u>\$ 630</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 12,000	\$ 12,000	\$ 8,780	\$ (3,220)
Transfer fees	600	600	381	(219)
Permits and other licenses	34,700	34,700	21,405	(13,295)
Total permits, privilege fees, and regulatory licenses	<u>\$ 47,300</u>	<u>\$ 47,300</u>	<u>\$ 30,566</u>	<u>\$ (16,734)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 11,000	\$ 11,000	\$ 22,632	\$ 11,632
Total fines and forfeitures	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 22,632</u>	<u>\$ 11,632</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 200,000	\$ 200,000	\$ 106,459	\$ (93,541)
Revenue from use of property	73,000	73,000	54,121	(18,879)
Total revenue from use of money and property	<u>\$ 273,000</u>	<u>\$ 273,000</u>	<u>\$ 160,580</u>	<u>\$ (112,420)</u>
Charges for services:				
Sheriff's fees	\$ 647	\$ 647	\$ 646	\$ (1)
Courthouse security fees	13,000	13,000	15,977	2,977
Law library fees	1,000	1,000	1,196	196
Charges for Commonwealth's Attorney	550	550	421	(129)
Charges for correction and detention	1,800	1,800	4,793	2,993
Total charges for services	<u>\$ 16,997</u>	<u>\$ 16,997</u>	<u>\$ 23,033</u>	<u>\$ 6,036</u>
Miscellaneous revenue:				
Miscellaneous	\$ 55,904	\$ 55,904	\$ 84,009	\$ 28,105
Total miscellaneous revenue	<u>\$ 55,904</u>	<u>\$ 55,904</u>	<u>\$ 84,009</u>	<u>\$ 28,105</u>
Recovered costs:				
Piedmont Regional Jail	\$ 25,000	\$ 25,000	\$ 11,463	\$ (13,537)
Town of Victoria/Town of Kenbridge	15,000	15,000	15,000	-
Circuit court reimbursement	33,922	33,922	-	(33,922)
School resource officer	-	-	11,794	11,794
Total recovered costs	<u>\$ 73,922</u>	<u>\$ 73,922</u>	<u>\$ 38,257</u>	<u>\$ (35,665)</u>
Total revenue from local sources	<u>\$ 6,259,642</u>	<u>\$ 6,259,642</u>	<u>\$ 6,116,139</u>	<u>\$ (143,503)</u>

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

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 12,000	\$ 12,000	\$ -	\$ (12,000)
Wine taxes	12,000	12,000	-	(12,000)
Motor vehicle carriers' tax	300	300	-	(300)
Mobile home titling tax	45,000	45,000	14,133	(30,867)
Rolling stock tax	9,000	9,000	5	(8,995)
Recordation tax	16,000	16,000	8,378	(7,622)
Auto rental tax	3,600	3,600	294	(3,306)
Personal property tax relief funds	1,048,232	1,048,232	1,048,232	-
Total noncategorical aid	\$ 1,146,132	\$ 1,146,132	\$ 1,071,042	\$ (75,090)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 222,511	\$ 222,511	\$ 173,835	\$ (48,676)
Sheriff	746,461	746,461	633,746	(112,715)
Commissioner of revenue	90,522	90,522	77,827	(12,695)
Treasurer	101,742	101,742	85,445	(16,297)
Registrar/electoral board	48,830	48,830	43,090	(5,740)
Clerk of the Circuit Court	157,193	157,193	158,756	1,563
Total shared expenses	\$ 1,367,259	\$ 1,367,259	\$ 1,172,699	\$ (194,560)
Other categorical aid:				
Public assistance and welfare administration	\$ 461,851	\$ 461,851	\$ 343,881	\$ (117,970)
Payment in lieu of taxes/prison	-	-	41,902	41,902
Anti-drug grant	-	-	4,786	4,786
SRO grant	20,000	20,000	25,000	5,000
Animal friendly plates	125	125	131	6
Local Law Enforcement Block Grant	-	-	500	500
Law enforcement grant	-	-	298	298
Emergency medical services	-	-	11,160	11,160
Victim-witness grant	33,751	33,751	17,415	(16,336)
Clerk's technology	44,704	44,704	7,924	(36,780)
Fire programs fund	38,000	38,000	27,440	(10,560)
State aid reductions	(75,362)	(75,362)	-	75,362
Total other categorical aid	\$ 523,069	\$ 523,069	\$ 480,437	\$ (42,632)
Total categorical aid	\$ 1,890,328	\$ 1,890,328	\$ 1,653,136	\$ (237,192)
Total revenue from the Commonwealth	\$ 3,036,460	\$ 3,036,460	\$ 2,724,178	\$ (312,282)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 678,889	\$ 678,889	\$ 505,481	\$ (173,408)
Byrne JAG grants	-	-	31,414	31,414
FEMA/Homeland Security grants	-	1,067,083	787,739	(279,344)
Transportation safety grant	-	-	5,946	5,946
Total categorical aid	\$ 678,889	\$ 1,745,972	\$ 1,330,580	\$ (415,392)
Total revenue from the federal government	\$ 678,889	\$ 1,745,972	\$ 1,330,580	\$ (415,392)
Total General Fund	\$ 9,974,991	\$ 11,042,074	\$ 10,170,897	\$ (871,177)

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

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Other local taxes:				
Business license tax	\$ -	\$ -	\$ 5,589	\$ 5,589
Utility taxes	200,000	200,000	189,510	(10,490)
Total other local taxes	\$ 200,000	\$ 200,000	\$ 195,099	\$ (4,901)
Revenue from use of money and property:				
Revenue from the use of money	\$ 12,487	\$ 12,487	\$ 800	\$ (11,687)
Revenue from the use of property	-	-	4,000	4,000
Total revenue from use of money and property	\$ 12,487	\$ 12,487	\$ 4,800	\$ (7,687)
Charges for services:				
Landfill fees	\$ 41,363	\$ 41,363	\$ 46,218	\$ 4,855
Convenience sites	50,000	50,000	154,283	104,283
Environmental management	20,000	20,000	11,048	(8,952)
Total charges for services	\$ 111,363	\$ 111,363	\$ 211,549	\$ 100,186
Miscellaneous revenue:				
Miscellaneous	\$ 12,500	\$ 12,500	\$ 60,478	\$ 47,978
Total miscellaneous revenue	\$ 12,500	\$ 12,500	\$ 60,478	\$ 47,978
Total revenue from local sources	\$ 336,350	\$ 336,350	\$ 471,926	\$ 135,576
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 100,000	\$ 100,000	\$ 216,059	\$ 116,059
Total noncategorical aid	\$ 100,000	\$ 100,000	\$ 216,059	\$ 116,059
Categorical aid:				
Litter control grant	\$ 7,500	\$ 7,500	\$ 6,125	\$ (1,375)
Aviation fees	3,500	3,500	6,200	2,700
Tobacco funds	-	120,000	451,069	331,069
Forfeited assets	-	-	277	277
Wireless grant	52,000	52,000	43,852	(8,148)
Comprehensive Services Act program	500,000	500,000	653,501	153,501
Other categorical aid	-	70,862	52,787	(18,075)
Total categorical aid	\$ 563,000	\$ 753,862	\$ 1,213,811	\$ 459,949
Total revenue from the Commonwealth	\$ 663,000	\$ 853,862	\$ 1,429,870	\$ 576,008
Total County Special Revenue Fund	\$ 999,350	\$ 1,190,212	\$ 1,901,796	\$ 711,584

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

Schedule 1
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Debt Service Fund:				
County Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Total revenue from use of money and property	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Total revenue from local sources	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Intergovernmental revenue:				
Revenues from local governments:				
Contribution from Lunenburg School Board	\$ 300,000	\$ 300,000	\$ 47,395	\$ (252,605)
Total revenues from local governments	\$ 300,000	\$ 300,000	\$ 47,395	\$ (252,605)
Total County Debt Service Fund	\$ 302,000	\$ 302,000	\$ 47,395	\$ (254,605)
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Other local taxes:				
Payment in lieu of taxes-prison	\$ 42,376	\$ 42,376	\$ -	\$ (42,376)
Total other local taxes	\$ 42,376	\$ 42,376	\$ -	\$ (42,376)
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 911	\$ 911
Total revenue from use of money and property	\$ -	\$ -	\$ 911	\$ 911
Charges for services:				
Courthouse fees	\$ 286,000	\$ 286,000	\$ -	\$ (286,000)
Total charges for services	\$ 286,000	\$ 286,000	\$ -	\$ (286,000)
Total revenue from local sources	\$ 328,376	\$ 328,376	\$ 911	\$ (327,465)
Total County Capital Projects Fund	\$ 328,376	\$ 328,376	\$ 911	\$ (327,465)
Total Primary Government	\$ 11,604,717	\$ 12,862,662	\$ 12,120,999	\$ (741,663)

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

Schedule 1
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	\$ 2,100	\$ 2,100	\$ -	\$ (2,100)
Miscellaneous revenue:				
Miscellaneous	\$ 91,551	\$ 91,551	\$ 98,440	\$ 6,889
Total revenue from local sources	\$ 93,651	\$ 93,651	\$ 98,440	\$ 4,789
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Lunenburg, Virginia	\$ 3,238,954	\$ 3,238,954	\$ 2,985,579	\$ (253,375)
Total revenues from local governments	\$ 3,238,954	\$ 3,238,954	\$ 2,985,579	\$ (253,375)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,555,771	\$ 1,555,771	\$ 1,484,692	\$ (71,079)
Basic school aid	6,138,485	6,138,485	5,529,443	(609,042)
Remedial summer education	104,128	104,128	78,463	(25,665)
Regular foster care	-	-	4,650	4,650
Gifted and talented	56,490	56,490	55,413	(1,077)
Remedial education	261,111	261,111	256,133	(4,978)
Enrollment loss	20,062	20,062	78,322	58,260
Special education	803,417	803,417	788,102	(15,315)
Textbook payment	148,783	148,783	-	(148,783)
GED funding	7,859	7,859	7,859	-
Vocational education	194,578	194,578	192,647	(1,931)
School fringes	833,545	833,545	700,672	(132,873)
Early reading intervention	31,382	31,382	36,210	4,828
School food program	17,434	17,434	15,472	(1,962)
Homebound	21,534	21,534	20,200	(1,334)
Vocational education - equipment	8,869	8,869	4,173	(4,696)
Adult education	2,754	2,754	-	(2,754)
Mentor teacher program	668	668	1,854	1,186
Lottery proceeds	114,073	114,073	142,166	28,093
At risk payments	472,390	472,390	541,137	68,747
Technology refunds	154,000	154,000	154,000	-
Assistive technology	5,000	5,000	-	(5,000)
Tobacco funds	29,000	29,000	-	(29,000)
Primary class size	231,894	231,894	228,873	(3,021)
Foster care - special education	14,677	14,677	12,917	(1,760)
Standards of Learning algebra readiness	29,588	29,588	29,588	-

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

Schedule 1
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
English as a second language	\$ 26,704	\$ 26,704	\$ 19,780	\$ (6,924)
Total categorical aid	\$ 11,284,196	\$ 11,284,196	\$ 10,382,766	\$ (901,430)
Total revenue from the Commonwealth	\$ 11,284,196	\$ 11,284,196	\$ 10,382,766	\$ (901,430)
Revenue from the federal government:				
Categorical aid:				
School food program	\$ 555,391	\$ 555,391	\$ 595,879	\$ 40,488
Title I	550,651	550,651	694,984	144,333
Title I, ARRA	-	841,440	224,497	(616,943)
Drug free schools	10,269	10,269	6,343	(3,926)
Title V-library	4,507	4,507	-	(4,507)
Title VI-Rural	-	-	67,629	67,629
School improvement grant	126,734	126,734	129,367	2,633
Title VIB	430,845	430,845	430,245	(600)
Title VIB, ARRA	-	-	166,637	166,637
Preschool grant	14,485	14,485	8,522	(5,963)
Preschool grant, ARRA	-	-	9,397	9,397
21st century learning grant	-	-	164,487	164,487
Title II, part a-teacher quality	16,583	16,583	133,780	117,197
Education technology state grants	5,190	5,190	5,571	381
High schools that work	10,000	10,000	-	(10,000)
Language acquisition	7,177	7,177	-	(7,177)
Carl Perkins Grant	43,303	43,303	43,800	497
State fiscal stabilization funds	739,837	739,837	397,489	(342,348)
Total categorical aid	\$ 2,514,972	\$ 3,356,412	\$ 3,078,627	\$ (277,785)
Total revenue from the federal government	\$ 2,514,972	\$ 3,356,412	\$ 3,078,627	\$ (277,785)
Total School Operating Fund	\$ 17,131,773	\$ 17,973,213	\$ 16,545,412	\$ (1,427,801)
School Special Revenue Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 283,084	\$ 283,084	\$ 265,142	\$ (17,942)
Textbook fees	-	-	40,860	40,860
Total charges for services	\$ 283,084	\$ 283,084	\$ 306,002	\$ 22,918
Total revenue from local sources	\$ 283,084	\$ 283,084	\$ 306,002	\$ 22,918
Revenue from the federal government:				
Categorical aid:				
Commodities	\$ -	\$ -	\$ 51,174	\$ 51,174
Total categorical aid	\$ -	\$ -	\$ 51,174	\$ 51,174
Total revenue from the federal government	\$ -	\$ -	\$ 51,174	\$ 51,174
Total School Special Revenue Fund	\$ 283,084	\$ 283,084	\$ 357,176	\$ 74,092
Total Discretely Presented Component Unit - School Board	\$ 17,414,857	\$ 18,256,297	\$ 16,902,588	\$ (1,353,709)

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

Schedule 2
Page 1 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 51,770	\$ 51,770	\$ 48,247	\$ 3,523
General and financial administration:				
County administrator	\$ 225,033	\$ 225,033	\$ 279,795	\$ (54,762)
Professional services	93,475	93,475	190,555	(97,080)
Commissioner of revenue	205,419	205,419	196,635	8,784
Treasurer	233,991	233,991	200,011	33,980
Other general and financial administration	142,904	142,904	89,045	53,859
Total general and financial administration	\$ 900,822	\$ 900,822	\$ 956,041	\$ (55,219)
Board of elections:				
Electoral board and officials	\$ 26,070	\$ 26,070	\$ 25,704	\$ 366
Registrar	68,444	68,444	71,526	(3,082)
Total board of elections	\$ 94,514	\$ 94,514	\$ 97,230	\$ (2,716)
Total general government administration	\$ 1,047,106	\$ 1,047,106	\$ 1,101,518	\$ (54,412)
Judicial administration:				
Courts:				
Circuit court	\$ 44,428	\$ 44,428	\$ 12,154	\$ 32,274
General district court	7,250	7,250	5,832	1,418
Special Magistrates	1,950	1,950	1,171	779
Juvenile and domestic relations court	64,450	64,450	41,111	23,339
Victim witness	36,686	36,686	35,624	1,062
Commissioner of accounts	500	500	-	500
Youth and family services	300	300	-	300
Sheriff	13,000	13,000	9,682	3,318
Clerk of the circuit court	233,960	233,960	240,360	(6,400)
Total courts	\$ 402,524	\$ 402,524	\$ 345,934	\$ 56,590
Commonwealth's attorney:				
Commonwealth's attorney	\$ 263,076	\$ 263,076	\$ 217,416	\$ 45,660
Total commonwealth's attorney	\$ 263,076	\$ 263,076	\$ 217,416	\$ 45,660
Total judicial administration	\$ 665,600	\$ 665,600	\$ 563,350	\$ 102,250
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,118,697	\$ 1,118,697	\$ 1,073,106	\$ 45,591
Total law enforcement and traffic control	\$ 1,118,697	\$ 1,118,697	\$ 1,073,106	\$ 45,591
Fire and rescue services:				
Fire department	\$ 164,655	\$ 1,231,738	\$ 1,096,867	\$ 134,871
Total fire and rescue services	\$ 164,655	\$ 1,231,738	\$ 1,096,867	\$ 134,871
Correction and detention:				
Payments to Regional Jail	\$ 21,000	\$ 21,000	\$ 20,478	\$ 522
Total correction and detention	\$ 21,000	\$ 21,000	\$ 20,478	\$ 522
Inspections:				
Building	\$ 82,463	\$ 82,463	\$ 81,800	\$ 663
Total inspections	\$ 82,463	\$ 82,463	\$ 81,800	\$ 663

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

Schedule 2
Page 2 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 61,431	\$ 61,431	\$ 58,120	\$ 3,311
Medical examiner	500	500	60	440
Total other protection	<u>\$ 61,931</u>	<u>\$ 61,931</u>	<u>\$ 58,180</u>	<u>\$ 3,751</u>
Total public safety	<u>\$ 1,448,746</u>	<u>\$ 2,515,829</u>	<u>\$ 2,330,431</u>	<u>\$ 185,398</u>
Public works:				
Maintenance of general buildings and grounds:				
General properties	\$ 236,408	\$ 236,408	\$ 222,146	\$ 14,262
Total maintenance of general buildings and grounds	<u>\$ 236,408</u>	<u>\$ 236,408</u>	<u>\$ 222,146</u>	<u>\$ 14,262</u>
Total public works	<u>\$ 236,408</u>	<u>\$ 236,408</u>	<u>\$ 222,146</u>	<u>\$ 14,262</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 100,588	\$ 100,588	\$ 83,900	\$ 16,688
Total health	<u>\$ 100,588</u>	<u>\$ 100,588</u>	<u>\$ 83,900</u>	<u>\$ 16,688</u>
Mental health and mental retardation:				
Crossroad Board	\$ 51,000	\$ 51,000	\$ 51,000	\$ -
Total mental health and mental retardation	<u>\$ 51,000</u>	<u>\$ 51,000</u>	<u>\$ 51,000</u>	<u>\$ -</u>
Welfare:				
Public assistance and welfare administration	\$ 1,285,740	\$ 1,285,740	\$ 1,000,908	\$ 284,832
Other Social Services	45,650	45,650	39,008	6,642
Total welfare	<u>\$ 1,331,390</u>	<u>\$ 1,331,390</u>	<u>\$ 1,039,916</u>	<u>\$ 291,474</u>
Total health and welfare	<u>\$ 1,482,978</u>	<u>\$ 1,482,978</u>	<u>\$ 1,174,816</u>	<u>\$ 308,162</u>
Education:				
Other instructional costs:				
Contributions to Community College	\$ 3,142	\$ 3,142	\$ 3,142	\$ -
Contribution to County School Board	\$ 3,238,954	\$ 3,238,954	\$ 2,985,579	\$ 253,375
Total education	<u>\$ 3,242,096</u>	<u>\$ 3,242,096</u>	<u>\$ 2,988,721</u>	<u>\$ 253,375</u>
Parks, recreation, and cultural:				
Library:				
Contribution to regional library	\$ 133,242	\$ 133,242	\$ 133,242	\$ -
Total library	<u>\$ 133,242</u>	<u>\$ 133,242</u>	<u>\$ 133,242</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 133,242</u>	<u>\$ 133,242</u>	<u>\$ 133,242</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 79,551	\$ 79,551	\$ 98,046	\$ (18,495)
Economic development	166,306	166,306	108,126	58,180
Total planning and community development	<u>\$ 245,857</u>	<u>\$ 245,857</u>	<u>\$ 206,172</u>	<u>\$ 39,685</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 7,000	\$ 7,000	\$ 7,000	\$ -
Total environmental management	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ 7,000</u>	<u>\$ -</u>

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

Schedule 2
Page 3 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 79,103	\$ 79,103	\$ 59,565	\$ 19,538
Total cooperative extension program	\$ 79,103	\$ 79,103	\$ 59,565	\$ 19,538
Total community development	\$ 331,960	\$ 331,960	\$ 272,737	\$ 59,223
Capital projects:				
Capital improvements	\$ 225,000	\$ 225,000	\$ 54,852	\$ 170,148
Total capital projects	\$ 225,000	\$ 225,000	\$ 54,852	\$ 170,148
Total General Fund	\$ 8,813,136	\$ 9,880,219	\$ 8,841,813	\$ 1,038,406
Special Revenue Fund:				
County Special Revenue Fund:				
General Government Administration:				
Board of elections:				
Voting machine	\$ 5,000	\$ 5,000	\$ 5,327	\$ (327)
Total general government administration	\$ 5,000	\$ 5,000	\$ 5,327	\$ (327)
Public Safety:				
Sheriff:				
E-911 system	\$ 153,487	\$ 224,349	\$ 214,744	\$ 9,605
Asset forfeiture	-	-	11,714	(11,714)
Total Sheriff	\$ 153,487	\$ 224,349	\$ 226,458	\$ (2,109)
Total public safety	\$ 153,487	\$ 224,349	\$ 226,458	\$ (2,109)
Public Works:				
Sanitation and waste removal:				
Refuse collection	\$ 739,396	\$ 739,396	\$ 775,166	\$ (35,770)
Convenience sites	51,000	51,000	38,711	12,289
Total public works	\$ 790,396	\$ 790,396	\$ 813,877	\$ (23,481)
Health and welfare:				
Welfare and social services:				
Comprehensive services	\$ 597,500	\$ 597,500	\$ 883,697	\$ (286,197)
Total welfare and social services	\$ 597,500	\$ 597,500	\$ 883,697	\$ (286,197)
Total health and welfare	\$ 597,500	\$ 597,500	\$ 883,697	\$ (286,197)
Community Development:				
Airport Commission	\$ 25,300	\$ 25,300	\$ 53,292	\$ (27,992)
Tobacco grant	-	120,000	158,057	(38,057)
Total community development	\$ 25,300	\$ 145,300	\$ 211,349	\$ (66,049)
Debt Service:				
Principal retirement	\$ -	\$ -	\$ 44,430	\$ (44,430)
Interest and fiscal charges	-	-	3,902	(3,902)
Total debt service	\$ -	\$ -	\$ 48,332	\$ (48,332)
Total County Special Revenue Fund	\$ 1,571,683	\$ 1,762,545	\$ 2,189,040	\$ (426,495)

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

Schedule 2
Page 4 of 4

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Debt Service Fund:				
County Debt Service Fund:				
Debt service:				
Principal retirement	\$ 880,923	\$ 880,923	\$ 880,923	\$ -
Interest and other fiscal charges	692,330	705,296	709,141	(3,845)
Total debt service	\$ 1,573,253	\$ 1,586,219	\$ 1,590,064	\$ (3,845)
Total County Debt Service Fund	\$ 1,573,253	\$ 1,586,219	\$ 1,590,064	\$ (3,845)
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
Capital projects	\$ 328,376	\$ 328,376	\$ 6,919	\$ 321,457
Total capital projects	\$ 328,376	\$ 328,376	\$ 6,919	\$ 321,457
Total County Capital Projects Fund	\$ 328,376	\$ 328,376	\$ 6,919	\$ 321,457
Total Primary Government	\$ 12,286,448	\$ 13,557,359	\$ 12,627,836	\$ 929,523
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 878,474	\$ 878,474	\$ 656,119	\$ 222,355
Instruction costs	12,304,913	12,946,353	12,625,115	321,238
Pupil transportation	1,253,566	1,453,566	1,083,633	369,933
Operation and maintenance of school plant	1,785,912	1,785,912	1,506,778	279,134
Contribution to County of Lunenburg, Virginia	300,000	300,000	47,395	252,605
Total education	\$ 16,522,865	\$ 17,364,305	\$ 15,919,040	\$ 1,445,265
Capital projects:				
Facilities	\$ 15,135	\$ 15,135	\$ 15,021	\$ 114
Total capital projects	\$ 15,135	\$ 15,135	\$ 15,021	\$ 114
Total School Operating Fund	\$ 16,538,000	\$ 17,379,440	\$ 15,934,061	\$ 1,445,379
School Special Revenue Fund:				
Education:				
Textbooks purchased	\$ -	\$ 78,559	\$ 40,446	\$ 38,113
Administration of school food program	876,857	876,857	858,170	18,687
Commodities	-	-	51,174	(51,174)
Total school food services	\$ 876,857	\$ 955,416	\$ 949,790	\$ 5,626
Total education	\$ 876,857	\$ 955,416	\$ 949,790	\$ 5,626
Total School Special Revenue Fund	\$ 876,857	\$ 955,416	\$ 949,790	\$ 5,626
Total Discretely Presented Component Unit - School Board	\$ 17,414,857	\$ 18,334,856	\$ 16,883,851	\$ 1,451,005

OTHER STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Table 1

County of Lunenburg, Virginia
Government-Wide Expenses by Function
Last Eight Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2003	\$ 1,118,388	\$ 433,754	\$ 1,243,903	\$ 654,717	\$ 4,586,753	\$ 4,271,854	\$ -	\$ 425,454	\$ 207,527	\$ 12,942,350
2004	856,745	477,155	1,333,319	850,686	4,330,538	515,230	-	426,708	667,045	9,457,426
2005	821,357	301,582	1,402,678	643,099	1,678,087	5,099,231	-	229,148	897,251	11,072,433
2006	872,726	552,728	1,539,548	691,477	1,424,581	5,193,378	-	717,798	1,115,450	12,107,686
2007	1,047,248	749,998	1,548,950	57,215	1,629,418	3,762,143	138,242	486,207	815,530	10,234,951
2008	1,267,311	788,780	1,589,530	1,066,336	2,139,340	3,722,611	-	1,178,275	743,397	12,495,580
2009	1,060,810	1,012,121	1,680,314	1,813,739	2,345,844	3,343,586	-	1,150,648	706,413	13,113,475
2010	1,158,659	770,596	1,851,410	1,434,191	2,058,065	3,622,849	133,242	487,960	677,615	12,194,587

(1) Information has only been available for eight years.

Table 2

County of Lunenburg, Virginia
Government-Wide Revenues
Last Eight Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2003	\$ 173,436	\$ 5,405,744	\$ 83,606	\$	\$ 3,612,986	\$ 961,145	\$ 558,334	\$ 50,707	\$ 1,087,262	\$ 11,933,220
2004	275,220	6,001,724	-		3,762,956	1,001,498	321,493	187,169	1,193,145	12,743,205
2005	205,685	2,483,908	-		3,925,402	1,068,937	298,052	91,906	1,495,288	9,569,178
2006	229,564	2,984,437	126,231		4,148,559	1,021,693	531,082	144,720	2,613,337	11,799,623
2007	177,896	3,488,400	126,669		4,930,611	1,135,295	563,960	533,121	1,153,669	12,109,621
2008	192,836	4,197,951	126,396		5,141,240	1,104,475	373,171	507,423	1,115,543	12,759,035
2009	152,202	3,524,726	-		5,558,933	889,096	260,983	87,021	1,099,010	11,571,971
2010	287,780	4,197,527	-		5,394,155	640,729	166,291	144,487	1,287,101	12,118,070

(1) Information has only been available for eight years.

Table 3

County of Lunenburg, Virginia
General Governmental Expenditures by Function (1,3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2001	\$ 907,175	\$ 556,638	\$ 1,073,476	\$ 487,934	\$ 1,512,847	\$ 13,961,901	\$ -	\$ 581,328	\$ 555,271	\$ 19,636,570
2002	941,333	489,769	1,130,695	532,599	1,518,882	13,758,868	-	349,488	538,108	19,259,742
2003	1,068,697	467,781	1,124,023	976,323	4,742,841	13,949,722	-	427,053	450,687	23,207,127
2004	806,869	516,912	1,324,524	575,132	4,656,079	14,089,461	-	411,214	876,869	23,257,060
2005	819,600	501,053	1,443,311	642,081	1,713,322	15,514,113	133,242	232,576	1,065,081	22,064,379
2006	863,887	551,471	1,427,408	744,635	1,432,282	16,567,203	-	700,643	1,421,129	23,708,658
2007	997,795	606,384	1,654,741	756,233	1,616,950	17,269,676	138,242	469,824	1,711,642	25,221,487
2008	1,061,929	535,879	1,599,390	1,027,727	2,161,754	17,049,964	-	1,158,703	1,678,318	26,273,664
2009	994,533	574,202	1,696,089	1,159,999	2,294,238	17,553,259	-	1,144,920	1,613,638	27,030,878
2010	1,106,845	563,350	2,556,889	1,036,023	2,058,513	16,871,972	133,242	484,086	1,638,396	26,449,316

(1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) Excludes Capital Projects.

Table 4

County of Lunenburg, Virginia
General Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2001	\$ 3,821,289	\$ 915,981	\$ 38,461	\$ 10,818	\$ 465,410	\$ 458,386	\$ 49,312	\$ 277,232	\$ 13,755,865	\$ 19,792,754
2002	3,536,256	895,023	47,998	9,559	311,129	472,034	126,730	420,493	14,149,062	19,968,284
2003	3,604,032	916,869	40,795	11,529	193,058	436,528	40,556	312,828	16,988,363	22,544,558
2004	3,739,096	948,964	50,904	5,686	252,810	553,807	187,169	406,813	18,162,589	24,307,838
2005	4,210,219	1,026,258	44,038	4,993	190,128	698,101	91,906	133,292	15,115,748	21,514,883
2006	4,320,849	1,021,693	45,875	10,885	531,082	690,619	144,720	101,053	18,132,238	24,999,014
2007	4,802,442	1,089,242	43,599	10,135	406,627	683,611	33,121	120,700	18,431,238	25,620,715
2008	5,037,134	1,104,475	37,001	10,642	281,880	763,611	507,573	77,972	18,885,606	26,705,894
2009	5,490,039	845,816	44,260	12,235	247,754	526,005	188,646	68,324	19,037,845	26,460,924
2010	5,311,432	640,729	30,566	22,632	165,380	540,584	242,927	38,257	18,997,195	25,989,702

(1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Unit - School Board.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(3) Excludes Capital Projects.

Table 5

County of Lunenburg, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	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
2001	\$ 4,566,953	\$ 4,336,114	94.95%	\$ 88,910	\$ 4,425,024	96.89%	\$ 560,605	12.28%
2002	4,656,326	4,430,951	95.16%	98,655	4,529,606	97.28%	585,349	12.57%
2003	4,708,633	4,379,576	93.01%	126,486	4,506,062	95.70%	654,304	13.90%
2004	4,918,609	4,622,055	93.97%	127,219	4,749,274	96.56%	633,455	12.88%
2005	5,189,115	4,852,095	93.51%	293,097	5,145,192	99.15%	533,038	10.27%
2006	5,441,786	5,229,548	96.10%	147,596	5,377,144	98.81%	452,639	8.32%
2007	5,742,724	5,717,372	99.56%	161,591	5,878,963	102.37%	421,739	7.34%
2008	5,008,531	4,787,234	95.58%	118,147	4,905,381	97.94%	361,653	7.22%
2009	5,519,039	5,305,586	96.13%	161,618	5,467,204	99.06%	541,743	9.82%
2010	6,330,617	6,103,459	96.41%	248,538	6,351,997	100.34%	588,010	9.29%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years and first half of current tax year.

Table 6

County of Lunenburg, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)		
					Real Estate	Personal Property	Total
2001	\$ 388,823,830	\$ 65,994,102	\$ 14,328,537	\$ 2,013,229	\$ 30,326,085	\$ 10,990	\$ 501,496,773
2002	395,476,174	69,169,459	14,657,470	2,195,780	27,276,892	9,517	508,785,292
2003	403,822,562	68,676,566	15,185,780	4,448,910	27,578,798	-	519,712,616
2004	410,718,368	73,298,813	14,726,550	3,155,910	26,913,753	-	528,813,394
2005	555,524,533	72,186,971	16,474,960	3,842,560	31,591,620	-	679,620,644
2006	561,941,100	79,390,477	17,569,810	4,181,950	30,228,596	-	693,311,933
2007	575,891,527	91,503,605	8,434,150	5,477,320	26,527,334	-	707,833,936
2008	588,071,913	92,209,376	9,725,364	5,572,380	26,479,654	-	722,058,687
2009	863,350,500	97,694,733	11,243,016	5,074,250	35,750,483	-	1,013,112,982
2010	871,988,824	86,504,098	12,637,030	4,588,940	34,579,627	-	1,010,298,519

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

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

Table 7

**County of Lunenburg, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Fiscal Year	Real Estate		Personal Property		Machinery and Tools		Merchant's Capital	
2001	\$	0.50	\$	3.50	\$	2.10	\$	1.20
2002		0.50		3.50		1.80		1.20
2003		0.50		3.50		1.80		1.20
2004		0.50		3.50		1.80		1.20
2005		0.42		3.50		1.80		1.20
2006		0.42		3.50		1.80		1.20
2007		0.44		3.50		1.80		1.20
2008		0.46		3.60		1.80		1.20
2009		0.33		3.60		1.80		1.20
2010		0.33		3.60		1.80		1.20

(1) Per \$100 of assessed value.

Table 8

County of Lunenburg, Virginia
Ratio of Net General Obligation Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2001	13,146	\$ 501,496,773	\$ 3,462,127	\$ 3,462,127	0.69%	263
2002	13,146	508,785,292	3,235,622	3,235,622	0.64%	246
2003	13,146	519,712,616	14,032,938	14,032,938	2.70%	1,067
2004	13,146	528,813,394	13,790,034	13,790,034	2.61%	1,049
2005	13,146	679,620,644	13,451,833	13,451,833	1.98%	1,023
2006	13,146	693,311,933	11,784,293	11,784,293	1.70%	896
2007	13,146	707,833,936	11,182,568	11,182,568	1.58%	851
2008	13,146	722,058,687	10,544,174	10,544,174	1.46%	802
2009	13,146	1,013,112,982	9,888,846	9,888,846	0.98%	752
2010	13,146	1,010,298,519	9,207,323	9,207,323	0.91%	700

(1) Institute of Government at the University of Virginia for 1990 Census and Weldon Cooper Center for Public Service for 2000 Census.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Lunenburg
Lunenburg, Virginia

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lunenburg, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Lunenburg, Virginia's basic financial statements and have issued our report thereon dated January 5, 2011. 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 the County of Lunenburg, 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 the County of Lunenburg, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Lunenburg, Virginia's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2010-01).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Lunenburg, 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*.

We noted certain matters that we reported to the management of the County of Lunenburg, Virginia, in a separate letter dated January 5, 2011.

The County of Lunenburg, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Lunenburg, Virginia's response and, accordingly, we express no opinion on it.

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

Robinson, Fann, Cox Assite

Richmond, Virginia
January 5, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Auditors' Report

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, Virginia

Compliance

We have audited County of Lunenburg, 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 Lunenburg, Virginia's major federal programs for the year ended June 30, 2010. The County of Lunenburg, 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 the County of Lunenburg, Virginia's management. Our responsibility is to express an opinion on the County of Lunenburg, 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 the County of Lunenburg, 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 the County of Lunenburg, Virginia's compliance with those requirements.

In our opinion, the County of Lunenburg, 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 the County of Lunenburg, 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 the County of Lunenburg, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Lunenburg, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a control 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, and 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.

Robert, James, Cox Assistant

Richmond, Virginia
January 5, 2011

County of Lunenburg, 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	\$ 967
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	85,405
Refugee and Entrant Assistance - State Administered Program	93.566	0500109/0500110	281
Low Income Home Energy Assistance	93.568	0600409/0600410	7,654
Child care cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	32,048
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	13,248
ARRA - Child Care and Development Block Grant	93.713	0740109/0780109	15,239
Child Welfare Services - State Grants	93.645	0900109/0900110	300
Foster Care - Title IV-E	93.658	1100109/1100110	71,433
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	5,779
Adoption Assistance	93.659	1120109/1120110	19,013
ARRA - Adoption Assistance	93.659	1120109/1120110	1,898
Social Services Block Grant	93.667	1000109/1000110	37,481
Chafee Foster Care Independence Program	93.674	9150109/9150110	720
Children's Health Insurance Program	93.767	0540109/0540110	5,793
Medical Assistance Program	93.778	1200109/1200110	75,095
Total Department of Health and Human Services			\$ 372,354
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
State Homeland Security Program	97.073	77501-52708	\$ 787,739
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture and Consumer Services:			
Child nutrition cluster:			
Food Distribution	10.555	17901-45707	\$ 51,174
Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	17901-40591	169,078
National school lunch program	10.555	17901-40623	426,801
Department of Social Services:			
SNAP cluster:			
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040109/0040110	5,498
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010100	127,629
Total Department of Agriculture			\$ 780,180

County of Lunenburg, 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:			
Pass Through Payments:			
Compensation Board:			
ARRA - Edward Byrne memorial justice assistance grant (JAG) program/grants to states and territories	16.803	30712	\$ 29,915
Department of Criminal Justice Service:			
ARRA - Edward Byrne memorial justice assistance grant (JAG) program/grants to units of local government	16.804	39001-62200	1,499
Total Department of Justice			<u>\$ 31,414</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-59393/50184	<u>\$ 5,946</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I, Part A cluster:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 694,984
ARRA -Title I Grants to Local Educational Agencies	84.389	17901-42913	224,497
Special education cluster:			
Special Education Grants to States	84.027	17901-43071	430,245
ARRA - Special Education Grants to States	84.391	17901-61245	166,637
Special Education Preschool Grants	84.173	17901-62521	8,522
ARRA - Special Education Preschool Grants	84.392	17901-61247	9,397
Career and Technical Education - Basic Grants to States	84.048	17901-61095	43,800
Safe and Drug-Free Schools and Communities - State grants	84.186	17901-60511	6,343
Twenty-First Century Community Learning Centers	84.287	17901-60565	164,487
Improving Teacher Quality - State Grants	84.367	17901-61480	133,780
Education Technology State Grants	84.318	17901-61600	5,571
School Improvement Grants	84.377	17901-43040	129,367
Rural Education	84.358	17901-43481	67,629
ARRA - State fiscal stabilization funds, education grants	84.394	17901-61245	397,489
Total Department of Education			<u>\$ 2,482,748</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,460,381</u></u>

See accompanying notes to schedule of expenditures of federal awards.

County of Lunenburg, Virginia

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

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Lunenburg, 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 the 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 Lunenburg, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Lunenburg, Virginia.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *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 C - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D - 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	\$ 1,330,580
Total primary government	\$ 1,330,580

Component Unit Public Schools:

School Operating Fund	\$ 3,078,627
School Special Revenue Fund	51,174
Total component unit public schools	\$ 3,129,801

Total federal expenditures per basic financial statements	\$ 4,460,381
---	--------------

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,460,381
---	--------------

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

Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ✓ yes no

Significant deficiency(ies) identified? ✓ yes none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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 section 510(a) of Circular A-133? yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
97.073	State Homeland Security Grant
84.010/84.389	Title I Cluster
84.027/84.173/84.391/84.392	Special Education Cluster
10.553/10.555	Child Nutrition Cluster
84.394	State Fiscal Stabilization Funds, Education Grants, Recovery Act

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

Auditee qualified as low-risk auditee? ✓ yes no

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

Section II—Financial Statement Findings

2010-01

Financial Reporting

Condition:	The County's year end general ledger reports do not reconcile to the audited financial statements.
Criteria:	Internal controls should be in place that provides assurance that audited financial statements reconcile to the County's internal documents.
Effect:	Audited financial statements, including related footnotes, may contain an undetected material misstatement.
Cause:	Procedures have not been fully implemented to provide the necessary internal controls over financial reporting.
Recommendation:	The County maintains its general ledger on a cash basis during the fiscal year. After the close of the fiscal year, the County generally converts its ledger to a reporting basis by recording current year accruals and reversing accruals from the previous year. Accruals for the fiscal year ended June 30, 2009 were reversed from the general ledger by County staff, but accruals for the year ended June 30, 2010 were not posted. Therefore, the County's year-end general ledger reports did not reconcile to the FY10 audited financial statements. The County is in the processing of addressing its general ledger inadequacies, include exploring the purchase of integrated general software and hardware. In the interim, we recommend the County consider employing a governmental accounting consultant, that is independent of the County's Auditor, to assist with preparation of year end working trial balances.
Management's Response:	The County is considering corrective action for FY11.

Section III—Federal Award Findings and Questioned Costs

None

County of Lunenburg, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2010

There were no prior year findings or questioned costs.