

COUNTY OF LEE, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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COUNTY OF LEE, VIRGINIA  
FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2010

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**COUNTY OF LEE, VIRGINIA  
FINANCIAL REPORT  
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## Introductory Section

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## COUNTY OF LEE, VIRGINIA

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### BOARD OF SUPERVISORS

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Jerry Harris	Mark Carter, Chair	Carl Bailey
Larry Mosley		Claude Ray

### COUNTY SCHOOL BOARD

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Donald Brooks	E. Kyle Chadwell, Chair	Ty Harber, Jr.
John Marion		Bill Willis

### COUNTY WELFARE BOARD

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Claude Ray	Deanna Robbins, Chair	Joanne Eldridge
Genia Garrett		Noel Hall

### OTHER OFFICIALS

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Clerk of the Circuit Court.....	Beverly Anderson
Commonwealth's Attorney .....	Shawn L. Hines
Commissioner of the Revenue.....	Tommy D. Livesay
Treasurer .....	Rita McCann
Sheriff .....	Gary B. Parsons
Superintendent of Schools.....	Fred Marion
Director of Social Services.....	Barbara Surber
County Administrator .....	Dane Poe
County Attorney .....	C. M. "Rick" Callahan, Jr.

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## Financial Section

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

### THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS COUNTY OF LEE, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit – School Board, each major fund, and the aggregate remaining fund information of the County of Lee, 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 Lee, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Lee County Public Service Authority, which represents 74% and 15%, respectively, of the total net assets and program revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinions on the basic financial statements, insofar as they relate to the amounts included for the Lee County Public Service Authority in the aggregate discretely presented component units, are based on the report of the other auditors.

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

The financial statements do not include financial data of the County's legally separate component unit – Lee County Industrial Development Authority. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County.

In our opinion, because of the omission of the discretely presented component unit – Lee County Industrial Development Authority, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the County of Lee, Virginia as of June 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit School Board, the discretely presented component unit Lee County Public Service Authority, the major funds, and the aggregate remaining fund information of the County of Lee, Virginia as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, on our consideration of the County of Lee, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has elected to omit Management's Discussion and Analysis which is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America.

The budgetary comparison information and the Schedule of OPEB and Pension Funding Progress, 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 Lee, 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 Lee, Virginia. The combining and individual fund financial statements and schedules, the budgetary comparison schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements. In our opinion, based on our report and the report of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements, taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Turner, Cox Associates*

Christiansburg, Virginia  
November 17, 2010



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## Basic Financial Statements

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County of Lee, Virginia  
Statement of Net Assets  
As of June 30, 2010

	Primary Government		Component	
	Governmental		Unit	
	<u>Activities</u>		<u>School Board</u>	<u>Public Service Authority</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,087,165	\$ 2,684,223	\$ 175,767	
Cash held at school cafeterias	-	569,335	-	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	10,259,524	-	-	
Accounts receivable	336,439	114,294	255,236	
Due from primary government	-	2,438,528	-	
Due from other governmental units	1,617,826	793,207	998,528	
Prepaid expenses	-	122,768	28,893	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	25,984	625,323	339,377	
Other assets:				
Unamortized bond issue costs	48,512	-	-	
Capital assets (net of accumulated depreciation):				
Land	851,775	493,883	7,006,802	
Buildings and system	15,190,513	8,742,251	-	
Machinery and equipment	833,213	1,600,202	-	
Infrastructure	-	-	44,584,565	
Construction in progress	3,028,241	-	-	
Total assets	<u>\$ 36,279,192</u>	<u>\$ 18,184,014</u>	<u>\$ 53,389,168</u>	
<b>LIABILITIES</b>				
Accounts payable	\$ 844,344	\$ 637,832	\$ 1,587,199	
Accrued liabilities	-	3,221,929	-	
Customers' deposits	-	-	109,774	
Accrued interest payable	54,518	-	62,018	
Due to component unit	2,438,528	-	-	
Deferred revenue	9,621,563	-	-	
Long-term liabilities:				
Due within one year	1,042,778	397,103	449,127	
Due in more than one year	6,041,681	132,368	12,402,282	
Total liabilities	<u>\$ 20,043,412</u>	<u>\$ 4,389,232</u>	<u>\$ 14,610,400</u>	
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 13,798,905	\$ 10,836,336	\$ 38,808,959	
Restricted for:				
Headstart program	-	55,988	-	
Cafeteria operations	-	569,335	-	
Coal road expenses	25,984	-	-	
Debt service	-	-	130,207	
Unrestricted (deficit)	2,410,891	2,333,123	(160,398)	
Total net assets	<u>\$ 16,235,780</u>	<u>\$ 13,794,782</u>	<u>\$ 38,778,768</u>	

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

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

Functions/Programs	Program Revenues				Primary Government Governmental Activities	Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		School Board	Public Service Authority
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 1,207,079	\$ 73,570	\$ 275,066	\$ -	\$ (858,443)	\$ -	\$ -
Judicial administration	1,152,898	17,351	680,522	-	(455,025)	-	-
Public safety	3,728,917	69,366	1,448,411	-	(2,211,140)	-	-
Public works	2,498,973	157,654	7,771	-	(2,333,548)	-	-
Health and welfare	7,309,349	-	5,957,463	-	(1,351,886)	-	-
Education	8,994,488	-	-	-	(8,994,488)	-	-
Parks, recreation, and cultural	295,114	17,674	-	-	(277,440)	-	-
Community development	1,454,559	-	-	1,218,655	(235,904)	-	-
Interest on long-term debt	321,221	-	-	-	(321,221)	-	-
Total governmental activities	\$ 26,962,598	\$ 335,615	\$ 8,369,233	\$ 1,218,655	\$ (17,039,095)	\$ -	\$ -
Total primary government	\$ 26,962,598	\$ 335,615	\$ 8,369,233	\$ 1,218,655	\$ (17,039,095)	\$ -	\$ -
<b>COMPONENT UNIT:</b>							
School Board	\$ 40,172,778	\$ 635,034	\$ 36,246,523	\$ -	\$ -	\$ (3,291,221)	\$ -
Public Service Authority	4,053,191	2,346,877	-	4,270,487	-	-	2,564,173
Total component unit	\$ 44,225,969	\$ 2,981,911	\$ 36,246,523	\$ 4,270,487	\$ -	\$ (3,291,221)	\$ 2,564,173
General revenues:							
General property taxes					\$ 8,731,893	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					1,274,523	-	-
Consumer's utility taxes					438,010	-	-
Coal severance taxes					85,898	-	-
Motor vehicle licenses					534,694	-	-
Other local taxes					113,191	-	-
Unrestricted revenues from use of money and property					100,507	1,253	2,211
Miscellaneous					409,219	92,224	-
Contributions from Lee County					-	8,954,188	-
Grants and contributions not restricted to specific programs					1,737,741	-	-
Total general revenues					\$ 13,425,676	\$ 9,047,665	\$ 2,211
Change in net assets					\$ (3,613,419)	\$ 5,756,444	\$ 2,566,384
Net assets - beginning, as restated (Note 20)					19,849,199	8,038,338	36,212,384
Net assets - ending					\$ 16,235,780	\$ 13,794,782	\$ 38,778,768

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

County of Lee, Virginia  
Balance Sheet  
Governmental Funds  
As of June 30, 2010

	<u>General</u>	<u>Airport Project</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,866,479	\$ -	\$ 224,358	\$ 22,312	\$ 4,113,149
Receivables (net of allowance for uncollectibles):					
Taxes receivable	10,255,852	-	-	3,672	10,259,524
Accounts receivable	336,439	-	-	-	336,439
Due from other governmental units	1,337,918	167,558	112,350	-	1,617,826
Total assets	<u>\$ 15,796,688</u>	<u>\$ 167,558</u>	<u>\$ 336,708</u>	<u>\$ 25,984</u>	<u>\$ 16,326,938</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 372,390	\$ 359,604	\$ 112,350	\$ -	\$ 844,344
Due to component unit	2,438,528	-	-	-	2,438,528
Deferred revenue	10,204,214	167,558	-	-	10,371,772
Total liabilities	<u>\$ 13,015,132</u>	<u>\$ 527,162</u>	<u>\$ 112,350</u>	<u>\$ -</u>	<u>\$ 13,654,644</u>
Fund balances:					
Reserved for:					
Coal road expenses	\$ -	\$ -	\$ -	\$ 25,984	\$ 25,984
Unreserved, designated for, reported in:					
Imagination library	5,948	-	-	-	5,948
Juror fund	5,941	-	-	-	5,941
Unreserved, undesignated reported in:					
General fund	2,769,667	-	-	-	2,769,667
Capital projects funds	-	(359,604)	224,358	-	(135,246)
Total fund balances	<u>\$ 2,781,556</u>	<u>\$ (359,604)</u>	<u>\$ 224,358</u>	<u>\$ 25,984</u>	<u>\$ 2,672,294</u>
Total liabilities and fund balances	<u>\$ 15,796,688</u>	<u>\$ 167,558</u>	<u>\$ 336,708</u>	<u>\$ 25,984</u>	<u>\$ 16,326,938</u>

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

County of Lee, Virginia  
Reconciliation of the Balance Sheet of Governmental Funds  
To the Statement of Net Assets  
As of June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,672,294
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,903,742
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	750,209
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,090,465)
Net assets of governmental activities	<u>\$ 16,235,780</u>

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

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

	<u>General</u>	<u>Airport Project</u>	<u>County Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>					
General property taxes	\$ 8,794,311	\$ -	\$ -	\$ -	\$ 8,794,311
Other local taxes	2,396,011	-	-	50,305	2,446,316
Permits, privilege fees, and regulatory licenses	34,963	-	-	-	34,963
Fines and forfeitures	12,773	-	-	-	12,773
Revenue from the use of money and property	98,446	-	1,191	870	100,507
Charges for services	257,207	-	-	-	257,207
Miscellaneous	218,824	190,395	-	-	409,219
Recovered costs	618,970	-	-	-	618,970
Intergovernmental revenues:					
Commonwealth	7,147,256	-	237,195	-	7,384,451
Federal	2,792,160	-	981,460	-	3,773,620
Total revenues	\$ 22,370,921	\$ 190,395	\$ 1,219,846	\$ 51,175	\$ 23,832,337
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 1,260,470	\$ -	\$ -	\$ -	\$ 1,260,470
Judicial administration	1,155,756	-	-	-	1,155,756
Public safety	4,653,431	-	-	-	4,653,431
Public works	1,838,345	-	-	165,785	2,004,130
Health and welfare	7,452,220	-	-	-	7,452,220
Education	4,059,653	-	-	-	4,059,653
Parks, recreation, and cultural	249,240	-	-	-	249,240
Community development	232,726	-	1,218,656	-	1,451,382
Nondepartmental	101,785	-	-	-	101,785
Capital projects	230,593	17,564	267,537	-	515,694
Debt service:					
Principal retirement	1,808,388	-	-	-	1,808,388
Interest and other fiscal charges	233,693	-	84,870	-	318,563
Total expenditures	\$ 23,276,300	\$ 17,564	\$ 1,571,063	\$ 165,785	\$ 25,030,712
Excess (deficiency) of revenues over (under) expenditures	\$ (905,379)	\$ 172,831	\$ (351,217)	\$ (114,610)	\$ (1,198,375)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	\$ -	\$ (146,808)	\$ -	\$ -	\$ (146,808)
Transfers in	146,808	-	-	-	146,808
Issuance of capital leases	384,367	-	-	-	384,367
Sale of capital assets	1,250	-	-	-	1,250
Total other financing sources (uses)	\$ 532,425	\$ (146,808)	\$ -	\$ -	\$ 385,617
Net change in fund balances	\$ (372,954)	\$ 26,023	\$ (351,217)	\$ (114,610)	\$ (812,758)
Fund balances - beginning, as restated (Note 20)	3,154,510	(385,627)	575,575	140,594	3,485,052
Fund balances - ending	\$ 2,781,556	\$ (359,604)	\$ 224,358	\$ 25,984	\$ 2,672,294

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

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

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

Net change in fund balances - total governmental funds	\$ (812,758)
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.	(4,344,836)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	135,812
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.	1,379,817
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.	28,546
Change in net assets of governmental activities	<u>\$ (3,613,419)</u>

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

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

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	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 103,000
Total assets	<u>\$ 103,000</u>
<b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 103,000
Total liabilities	<u>\$ 103,000</u>

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



COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

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Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The County of Lee, Virginia is a political subdivision governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

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

The Lee County School Board operates the elementary and secondary public schools in the County. School Board members are elected by popular vote. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type and does not issue a separate financial statement.

The Lee County Public Service Authority provides water and sewer service to residents of Lee County. The County provides support to the Authority and appoints all of the Authority's Board members. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 830, Jonesville, VA 24263.

The Lee County Industrial Development Authority (IDA) encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. The IDA's financial statements were not available for inclusion in this report.

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

Jointly Governed Organizations:

The County and other localities participate in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2010, the County contributed \$222,082 to the Library.

The County and the Counties of Wise and Scott and the City of Norton participate in supporting the Planning District I Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2010, the County contributed \$62,700 to the Community Services Board.

B. Government-wide and fund financial statements

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 the legally separate *component units* for which the primary government is financially accountable.

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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Note 1-Summary of Significant Accounting Policies: (continued)

B. Government-wide and fund financial statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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, if any, are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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. 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.

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 un-collectible 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 in the month 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 the government receives cash.

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Virginia Public Assistance, Juror, Garage, Debt Service and Comprehensive Services Act Trust Funds.

The County Capital Projects and Airport Project funds are reported as major *capital projects funds*. Both funds account for financial resources to be used for the acquisition and construction of major capital projects.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The County reports the following nonmajor governmental fund:

The Coal Road Improvement fund is reported as the County's only nonmajor *special revenue fund*. This fund accounts for financial resources to be used for improvements to coal roads.

Additionally, the County reports the following fund types:

*Fiduciary funds* account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare Fund is reported as an agency fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the government, if any, as well as for its component unit, are reported at fair value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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**Note 1-Summary of Significant Accounting Policies: (continued)**

D. Assets, liabilities, and net assets or equity (continued)

2. Receivables and payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 6<sup>th</sup>. Real estate taxes are payable on December 5<sup>th</sup>. Personal property taxes are due and collectible annually on December 5<sup>th</sup>. The County bills and collects its own property taxes.

4. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$731,980 at June 30, 2010 and is comprised solely of property taxes.

5. Use of estimates

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

6. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20-30
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, and net assets or equity (continued)

7. 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. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. 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.

10. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010Note 2-Reconciliation of Government-Wide and Fund Financial Statements:

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statements of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of these \$(7,090,465) and \$(529,471) differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
General obligation bonds and notes	\$ (1,968,610)	\$ -
Less: bond issuance costs (unamortized)	48,512	-
Revenue bonds	(14,721)	-
Lease revenue note	(2,300,000)	-
Unfunded pension obligation	(205,952)	-
Amortized portion of OPEB liability	(91,359)	-
Lease purchase	(1,821,506)	-
Accrued interest payable	(54,518)	-
Landfill accrued post-closure monitoring costs	(20,726)	-
Compensated absences	(661,585)	(529,471)
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	\$ (7,090,465)	\$ (529,471)

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of these \$(4,344,836) and \$4,363,075 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 1,316,535	\$ 454,299
Disposal of assets	(4,563)	-
Depreciation expenses	(741,344)	(1,006,688)
Transfer of assets to School Board	(4,915,464)	4,915,464
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ (4,344,836)	\$ 4,363,075

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states "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." The details of this \$1,379,817 difference in the primary government, are as follows:

	<u>Primary Government</u>
<b>Debt Issued or Incurred:</b>	
Issuance of note	\$ (192,672)
Increase in OPEB liability	(58,359)
Increase in landfill closure/post-closure care costs	(145)
Issuance of capital lease	(191,695)
<b>Principal Payments:</b>	
General obligation bonds and capital lease payments	\$ 1,561,864
Revenue bonds	9,815
OPEB contributions	14,300
Unfunded pension obligation	<u>236,709</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>1,379,817</u>

Another element of that reconciliation states, "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." The details of these \$28,546 and \$79,442 differences for the primary government and discretely presented component unit, respectively, are as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
(Increase) Decrease in Compensated absences	\$ 31,204	\$ 79,442
(Increase) Decrease in Accrued interest	(872)	-
Amortization of bond issuance costs	<u>(1,786)</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>28,546</u>	\$ <u>79,442</u>

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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**Note 3-Stewardship, Compliance, and Accountability:**

A. Budgetary information

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

1. Prior to April 1st, 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. All non-fiduciary funds have legally adopted budgets.
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 departmental level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Operating Fund), and the General Capital Projects Funds. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2010, there were no fund expenditures that exceeded appropriations.

C. Deficit fund equity

At June 30, 2010, there were no funds with deficit fund equity.

**Note 4-Deposits and Investments:**

Deposits:

All cash of the County 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 local governments and other public bodies 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).

For the year ended June 30, 2010, neither the County nor its Component Unit-School Board had any investments.



COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

Note 5-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Sales tax	\$ -	\$ 561,594
Other local taxes	74,394	-
Categorical aid-shared expenses	183,671	-
School categorical aid	-	18,809
Non-categorical aid	32,508	-
Other categorical aid	559,207	-
<u>Federal Government:</u>		
Categorical aid	319,741	-
Prison funds	239,257	-
School grants	-	212,804
<u>Regional Jail:</u>		
Refund of contributions	209,048	-
Totals	\$ 1,617,826	\$ 793,207

Note 6-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
<u>Primary Government:</u>		
General Fund	\$ -	\$ 2,438,528
<u>Component Unit:</u>		
School Board:		
School Fund	\$ 2,438,528	\$ -

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

Fund	Transfers In	Transfers Out
<u>Primary Government:</u>		
General Fund	\$ 146,808	\$ -
Airport Project	-	146,808
Total	\$ 146,808	\$ 146,808

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 LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

Note 7-Long-Term Debt:

Primary Government - Governmental Activity Indebtedness:

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Lease Revenue Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	158,011	90,663	9,815	-	-	84,870
2012	120,599	84,676	4,906	-	2,300,000	21,218
2013	40,000	79,915	-	-	-	-
2014	40,000	78,290	-	-	-	-
2015	40,000	76,624	-	-	-	-
2016-2020	230,000	355,052	-	-	-	-
2021-2025	295,000	394,650	-	-	-	-
2026-2030	365,000	215,351	-	-	-	-
2031-2035	465,000	113,625	-	-	-	-
2036-2037	215,000	10,875	-	-	-	-
Totals	\$ 1,968,610	\$ 1,499,721	\$ 14,721	\$ -	\$ 2,300,000	\$ 106,088

Year Ending June 30,	Unfunded Pension Obligation	
	Principal	Interest
2011	205,952	16,476
Totals	\$ 205,952	\$ 16,476

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

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
General obligation bonds and notes	\$ 1,935,162	\$ 192,672	\$ (159,224)	\$ 1,968,610
Lease revenue notes	3,500,000	-	(1,200,000)	2,300,000
Revenue bonds	24,536	-	(9,815)	14,721
OPEB liability	47,300	58,359	(14,300)	91,359
Capital leases	1,832,451	191,695	(202,640)	1,821,506
Unfunded pension obligation	442,661	-	(236,709)	205,952
Landfill post closure liability	20,581	145	-	20,726
Compensated absences	692,789	488,388	(519,592)	661,585
Total	\$ 8,495,480	\$ 931,259	\$ (2,342,280)	\$ 7,084,459

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 7-Long-Term Debt: (continued)**

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b>General Obligation Bonds and Notes:</b>		
\$1,200,000 bond authorized July 14, 1994. Interest on the bond is adjusted to the current T-bill rate annually on August 1, with a floor of 4.00% and a ceiling of 8.00%. Principal payments are due yearly on August 1 through 2014. Interest payments are due semi-annually on February 1 and August 1 through 2014.	\$ 80,162	\$ 60,000
\$1,850,000 VML-VACo general obligation bond issued July 2006 maturing semi-annually in principal installments varying from \$25,000 to \$110,000. Interest is payable semi-annually at rates varying from 3.65% to 5.00% through 2036.	<u>1,760,000</u>	<u>35,000</u>
\$192,672 note issued November 2009 maturing in November 2011 with annual payments of \$63,011 and \$65,437 in 2011 and 2012, respectively. Interest is payable yearly at 4.00%.	<u>128,448</u>	<u>63,011</u>
Total General Obligation Bonds	<u>\$ 1,968,610</u>	<u>\$ 158,011</u>
<b>Lease Revenue Note :</b>		
\$2,300,000 SunTrust loan issued October 2008 maturing in September 2011 in one installment. Interest is payable monthly at 3.69%.	<u>\$ 2,300,000</u>	<u>\$ -</u>
Total Lease Revenue Note	<u>\$ 2,300,000</u>	<u>\$ -</u>
<b>Revenue Bond:</b>		
1991 Revenue bond issued bearing no interest maturing semi-annually with payments of \$4,908 through August 2011	<u>\$ 14,721</u>	<u>\$ 9,815</u>
<b>Unfunded Pension Obligation:</b>		
\$2,671,722 and \$222,429 pension obligation due in annual installments of \$272,121 including principal and interest through June 30, 2011, interest payable at 8.00%.	<u>\$ 205,952</u>	<u>\$ 205,952</u>

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COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

Note 7-Long-Term Debt: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness: (continued)

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Capital Lease	\$ 1,821,506	\$ 172,810
Landfill Closure and Postclosure Monitoring Liability	20,726	-
Other postemployment benefits	91,359	-
Compensated Absences	661,585	496,190
Total Other Obligations	\$ 2,595,176	\$ 669,000
Total Long-Term Obligations	\$ 7,084,459	\$ 1,042,778

Note 8-Long-term Debt-Component Unit School Board:

Discretely Presented Component Unit-School Board-Indebtedness:

The following is a summary of long-term debt transactions of the Component-Unit School Board for the year ended June 30, 2010.

	Balance July 1, 2009	Issuances	Retirements	Balance June 30, 2010
Compensated absences	\$ 608,913	\$ 377,243	\$ (456,685)	\$ 529,471

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Compensated absences	\$ 529,471	\$ 397,103

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COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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**Note 9-Defined Benefit Pension Plan:**

A. Plan Description

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

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

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

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County of Lee, Virginia's contribution rate for the fiscal year ended 2010 was 8.15% of annual covered payroll.

Discretely Presented Component Unit – School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2010 was 24.99% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2010, the County of Lee, Virginia's annual pension cost of \$361,103 and \$471,770 was equal to the County of Lee, Virginia's required and actual contributions for the County and the School Board Non-Professionals, respectively.

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 9-Defined Benefit Pension Plan: (continued)**

C. Annual Pension Cost (continued)

	Three-Year Trend Information			
	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
<b>Primary Government:</b>				
County	6/30/2008	\$ 264,176	100.00%	\$ -
	6/30/2009	361,078	100.00%	-
	6/30/2010	361,103	100.00%	-
<b>Discretely Presented-Component Unit:</b>				
School Board Non-Professional	6/30/2008	\$ 465,224	100.00%	\$ -
	6/30/2009	454,976	100.00%	-
	6/30/2010	471,770	100.00%	-

<sup>1</sup> 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 of Lee, Virginia'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 of Lee, Virginia'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.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2009, the most recent actuarial valuation date, the plan was 87.80% funded. The actuarial accrued liability for benefits was \$20,905,087, and the actuarial value of assets was \$18,353,927, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,551,160. The covered payroll (annual payroll of active employees covered by the plan) was \$4,491,094, and ratio of the UAAL to the covered payroll was 56.80%.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

As of June 30, 2009, the most recent actuarial valuation date, the plan was 56.74% funded. The actuarial accrued liability for benefits was \$12,242,191, and the actuarial value of assets was \$6,946,153, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,296,038. The covered payroll (annual payroll of active employees covered by the plan) was \$1,786,265, and ratio of the UAAL to the covered payroll was 296.49%.

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 for benefits.

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 9-Defined Benefit Pension Plan: (continued)**

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Lee County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Funding Policy

Plan members are required 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/City/Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's required employer contributions to the statewide cost sharing pool for professional employees, not including the 5% member contribution, was \$1,834,986, \$1,817,241, and \$1,993,979, for the fiscal years ended 2010, 2009, and 2008, respectively. Required employer contributions represented 6.61%, 8.81%, and 10.30%, of covered payroll for the fiscal years ended 2010, 2009, and 2008, respectively.

**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 851,775	\$ -	\$ -	\$ 851,775
Construction in progress	4,328,101	481,139	(1,781,039)	3,028,201
Total capital assets not being depreciated	\$ 5,179,876	\$ 481,139	\$ (1,781,039)	\$ 3,879,976
Capital assets, being depreciated:				
Buildings	\$ 27,820,081	\$ 2,181,477	\$ (9,836,318)	\$ 20,165,240
Machinery and equipment	2,000,013	434,958	(373,165)	2,061,806
Total capital assets being depreciated	\$ 29,820,094	\$ 2,616,435	\$ (10,209,483)	\$ 22,227,046
Less: accumulated depreciation for:				
Buildings	\$ (9,361,549)	\$ (533,992)	\$ 4,920,854	\$ (4,974,687)
Machinery and equipment	(1,389,843)	(207,352)	368,602	(1,228,593)
Total accumulated depreciation	\$ (10,751,392)	\$ (741,344)	\$ 5,289,456	\$ (6,203,280)
Total capital assets being depreciated, net	\$ 19,068,702	\$ 1,875,091	\$ (4,920,027)	\$ 16,023,766
Governmental activities capital assets, net	\$ 24,248,578	\$ 2,356,230	\$ (6,701,066)	\$ 19,903,742

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 10-Capital Assets: (continued)**

Primary Government: (continued)

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

<b>Governmental activities:</b>	
General government	\$ 14,767
Judicial administration	5,790
Public safety	98,343
Public works	495,390
Health and welfare	60,043
Education	19,371
Parks, recreation, and culture	45,874
Community development	1,766
	<u>741,344</u>
Total depreciation expense-primary government	<u>\$ 741,344</u>

Capital asset activity for the School Board for the year ended June 30, 2010 was as follows:

Discretely Presented Component Unit:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 493,883	\$ -	\$ -	\$ 493,883
Construction in progress	125,742	32,938	(158,680)	-
Total capital assets not being depreciated	<u>\$ 619,625</u>	<u>\$ 32,938</u>	<u>\$ (158,680)</u>	<u>\$ 493,883</u>
Capital assets, being depreciated:				
Buildings	\$ 10,415,461	\$ 10,166,707	\$ -	\$ 20,582,168
Machinery and equipment	6,541,847	249,652	-	6,791,499
Total capital assets being depreciated	<u>\$ 16,957,308</u>	<u>\$ 10,416,359</u>	<u>\$ -</u>	<u>\$ 27,373,667</u>
Less: accumulated depreciation for:				
Buildings	\$ (6,467,464)	\$ (5,372,453)	\$ -	\$ (11,839,917)
Machinery and equipment	(4,636,208)	(555,089)	-	(5,191,297)
Total accumulated depreciation	<u>\$ (11,103,672)</u>	<u>\$ (5,927,542)</u>	<u>\$ -</u>	<u>\$ (17,031,214)</u>
Total capital assets being depreciated, net	<u>\$ 5,853,636</u>	<u>\$ 4,488,817</u>	<u>\$ -</u>	<u>\$ 10,342,453</u>
Governmental activities capital assets, net	<u>\$ 6,473,261</u>	<u>\$ 4,521,755</u>	<u>\$ (158,680)</u>	<u>\$ 10,836,336</u>

Buildings in the amount of \$9,836,318 and related accumulated depreciation of \$4,920,854 were transferred from the County to the School Board in the current year, as debt related to these assets was retired.

All depreciation above was charged to the education function of the Component-unit School Board.



COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 11-Risk Management:**

The County and its 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; and natural disasters. The County and its component unit – School Board participate with other localities in a public entity risk pool for their coverage of building, crime, general liability and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit – School Board remit contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit – School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 12-Contingent Liabilities:**

Federal programs in which the County and its component units participate were audited in accordance with the provisions of 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 disallowances of current grant program expenditures, if any, would be immaterial.

**Note 13-Surety Bonds:**

Primary Government:

<b><u>Travelers Casualty and Surety Company of America</u></b>	
Beverly Anderson, Clerk of the Circuit Court	\$ 500,000
Rita McCann, Treasurer	400,000
Thomas Livesay, Commissioner of the Revenue	3,000
Gary Parsons, Sheriff	30,000

**Note 14-Designated and Reserved Fund Balances:**

**Primary Government:**

Designated for Imagination Library	\$ 5,948
Designated for Juror fund	5,941

Total Primary Government Designations	<u>\$ 11,889</u>
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Reserved for coal road improvements	<u>\$ 25,984</u>
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Total Primary Government reservations	<u>\$ 25,984</u>
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**Component Unit - School Board:**

Reserved for Cafeteria Fund	\$ 569,335
Reserved for Headstart program	55,988

Total School Board designations	<u>\$ 625,323</u>
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COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 15-Landfill Liability:**

State and federal laws and regulations required the County to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for ten years after closure. The County has closed its landfill. The \$20,726 liability is the total estimated post closure care liability at June 30, 2010 and represents what it would cost to perform all post-closure care in 2010. Actual costs for post closure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs.

**Note 16-Deferred Revenue:**

Deferred (unearned) 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 \$10,173,542 is comprised of the following:

Prepaid Property Taxes – Property taxes due after June 30, 2010, but paid in advance by the taxpayers totaled \$24,663 at June 30, 2010.

Deferred Property Taxes – Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$10,148,879.

**Note 17-Capital Lease:**

Primary Government:

The County has entered into a lease agreement to finance the acquisition of a 2010 Mack Truck Front Load Garbage Packer for solid waste collection. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its' future minimum lease payments at the date of inception.

The County has entered into a lease agreement to finance the acquisition of a 2006 Freightliner garbage truck for solid waste collection. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its' future minimum lease payments at the date of inception.

The County has entered into a lease agreement to finance the acquisition of IBM computer equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its' future minimum lease payments at the date of inception.

The School Board has issued a lease purchase agreement to pay for supplies and non-capitalized energy management equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its' future minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Vehicles	\$ 278,043
Equipment	50,637
Less: Accumulated depreciation	(76,155)
Total	\$ 252,525

Note: Assets acquired through the School Board lease were not capitalized based on the School Board's asset capitalization policy.

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 17-Capital Lease: (continued)**

Annual requirements to amortize lease agreements and related interest are as follows:

<u>Fiscal Year Ended</u>	<u>Vehicle Lease</u>	<u>Equipment Lease</u>	<u>Energy Savings Lease</u>
2011	\$ 63,373	11,502	\$ 178,966
2012	51,165	11,502	178,966
2013	51,165	11,502	178,966
2014	25,583	-	178,966
2015			178,966
2016-2020	-	-	894,830
2021-2025	-	-	315,176
Total minimum lease payments	\$ 191,286	\$ 34,506	\$ 2,104,836
Less: amount representing interest	(13,300)	(2,636)	(493,186)
Present value of minimum lease payments	\$ 177,986	\$ 31,870	\$ 1,611,650

**Note 18-Commitment and Contingencies:**

A contractor has presented a claim against the County of Lee, Virginia for approximately \$1,400,000, relating to construction of the Airport. At this time, the County is unable to estimate a loss, if any, on such claim. As such, no amount has been accrued in the Financial Statements as a result of this claim.

**Note 19-Other Postemployment Benefits (OPEB):**

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the period in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over periods ranging from 8.2 to 30 years, commencing with the 2009 liability.

**A. Plan Description**

The County of Lee, Lee County School Board and the Lee County Department of Social Services administer single-employer healthcare plans ("the Plans"). The Plans provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plans will provide retiring employees the option to continue health insurance offered by the respective entities. To be eligible, the employee must meet the age and service criteria as set forth below.

<u>Organization</u>	<u>Eligibility Requirements</u>
County	Age 50 with 10 years of service or age 55 with 5 years of service
School Board	Age 50 with 20 years of service or age 65 with 5 years of service
Social Services Department	Age 50 with 10 years of service or age 55 with 5 years of service

The benefits, employee contributions, and the employer contributions are governed by the County, School Board or Social Services Board

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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and can be amended through Board action. The Plans do not issue publicly available financial reports.

**Note 19-Other Postemployment Benefits (OPEB): (Continued)**

B. Funding Policy

Primary Government - County

The County currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County has 70 active employees who are eligible for the program. In addition, for retirees of the County, 100 percent of the premiums are the responsibility of the retiree. The rates were as follows at June 30, 2009:

Participants	County
Employee	\$ 475.00
Employee / Spouse	879.00
Family	1,283.00

Primary Government – Social Services Department

The Social Services Department currently pays for post-retirement health care benefits on a pay-as-you-go basis. The Department has 47 active employees who are eligible for the program. In addition, for retirees of the Department, 100 percent of the premiums are the responsibility of the retiree. The rates were as follows at June 30, 2009:

Participants	Social Services
Employee	\$ 532.00
Employee / Spouse	984.00
Family	1,436.00

Discretely Presented Component Unit – School Board:

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 669 active employees who are eligible for the program. In addition, for retirees of the School Board, 100 percent of the premiums are the responsibility of the retiree. The rates were as follows at June 30, 2009:

Participants	School Board
Employee	\$ 561.75
Employee / Spouse	1,066.80
Employee / Child	708.75
Family	1,389.15

C. Annual OPEB Cost and Net OPEB Obligation

The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

**Note 19-Other Postemployment Benefits (OPEB): (Continued)**

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

Primary Government:

The following table shows the components of the County and Social Services Department's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligations:

	County	Social Services
Annual required contribution	\$ 41,900	\$ 16,200
Interest on net OPEB obligation	1,328	564
Adjustment to annual required contribution	(1,146)	(487)
Annual OPEB cost (expense)	42,082	16,277
Contributions made	11,000	3,300
Increase in net OPEB obligation	31,082	12,977
Net OPEB obligation - beginning of year	33,200	14,100
Net OPEB obligation - ending of year	\$ 64,282	\$ 27,077

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

	Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	6/30/2009	\$ 39,500	15.95%	\$ 33,200
	6/30/2010	\$ 42,082	26.14%	\$ 64,282
Social Services	6/30/2009	\$ 15,300	7.84%	\$ 14,100
	6/30/2010	\$ 16,277	20.27%	\$ 27,077

Discretely Presented Component Unit – School Board:

The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation:

	School Board
Annual required contribution	\$ 669,500
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	669,500
Contributions made	669,500
Increase in net OPEB obligation	-
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	\$ -

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

Note 19-Other Postemployment Benefits (OPEB): (Continued)

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

Discretely Presented Component Unit – School Board: (Continued)

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

	Fiscal Year Ended*	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
School Board	6/30/2009	\$ 660,300	100%	\$ -
	6/30/2010	\$ 669,500	100%	\$ -

\* Information has only been available for two years.

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Primary Government:

The funded status of the Plan as of June 30, 2009, the most recent actuarial date, was as follows:

	County	Social Services
Actuarial accrued liability (AAL)	\$ 365,700	\$ 155,100
Actuarial value of plan assets	\$ -	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 365,700	\$ 155,100
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active plan members)	\$ 2,536,500	\$ 1,627,400
UAAL as a percentage of covered payroll	14.42%	9.53%

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

Note 19-Other Postemployment Benefits (OPEB): (Continued)

D. Funded Status and Funding Progress (Continued)

Discretely Presented Component Unit – School Board: (Continued)

The funded status of the Plan as of June 30, 2009, the most recent actuarial date, was as follows:

	School Board
Actuarial accrued liability (AAL)	\$ 4,369,500
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 4,369,500
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 22,916,800
UAAL as a percentage of covered payroll	19.07%

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan 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.

Primary Government:

In the June 30, 2009 actuarial valuation, the projected unit credit method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions for the County and Social Services Department included:

	<u>Assumptions</u>
Amortization period	30 years
Investment rate of return	4%
Health Care Trend Assumption	Getzen Trend Model 8.10% graded to 4.5% over 80 years
Payroll growth	3.75%

The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2009, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Discretely Presented Component Unit – School Board:

In the June 30, 2009 actuarial valuation, the projected unit credit method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions for the School Board included:

	<u>Assumptions</u>
Amortization period	8.2 years
Investment rate of return	4%
Health Care Trend Assumption	Getzen Trend Model 8.10% graded to 4.5% over 80 years
Payroll growth	3.75%

The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2009, was 8.2 years. Amortizations are open ended in that they begin anew at each valuation date.

COUNTY OF LEE, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
AS OF JUNE 30, 2010

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Note 20-Restatement of Beginning Balances:

	Primary Government
Beginning Airport Project fund balance, as previously reported	\$ 88,319
To remove receivables recorded in the prior year but not received in the current year	\$ (473,946)
Beginning Airport Project fund balance, as restated	<u>\$ (385,627)</u>
Beginning net assets, as previously reported	\$ 20,323,145
Fund balance restatement from above	\$ (473,946)
Beginning net assets, as restated	<u>\$ 19,849,199</u>



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## Required Supplementary Information

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County of Lee, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with -
	Original	Final	Actual Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 8,958,519	\$ 8,958,519	\$ 8,794,311	\$ (164,208)
Other local taxes	2,533,100	2,533,100	2,396,011	(137,089)
Permits, privilege fees, and regulatory licenses	36,700	36,700	34,963	(1,737)
Fines and forfeitures	13,000	13,000	12,773	(227)
Revenue from the use of money and property	108,039	108,039	98,446	(9,593)
Charges for services	334,880	334,880	257,207	(77,673)
Miscellaneous	35,000	35,000	218,824	183,824
Recovered costs	167,100	167,100	618,970	451,870
Intergovernmental revenues:				
Commonwealth	8,630,718	8,630,718	7,147,256	(1,483,462)
Federal	2,835,682	2,835,682	2,792,160	(43,522)
Total revenues	\$ 23,652,738	\$ 23,652,738	\$ 22,370,921	\$ (1,281,817)
EXPENDITURES				
Current:				
General government administration	\$ 1,345,458	\$ 1,387,055	\$ 1,260,470	\$ 126,585
Judicial administration	1,202,549	1,251,058	1,155,756	95,302
Public safety	4,610,690	4,926,290	4,653,431	272,859
Public works	1,792,278	1,860,044	1,838,345	21,699
Health and welfare	8,457,219	8,498,219	7,452,220	1,045,999
Education	4,461,844	4,461,844	4,059,653	402,191
Parks, recreation, and cultural	279,312	321,928	249,240	72,688
Community development	239,771	329,816	232,726	97,090
Nondepartmental	25,000	127,350	101,785	25,565
Capital projects	151,534	276,718	230,593	46,125
Debt service:				
Principal retirement	1,512,445	1,512,445	1,808,388	(295,943)
Interest and other fiscal charges	-	-	233,693	(233,693)
Total expenditures	\$ 24,078,100	\$ 24,952,767	\$ 23,276,300	\$ 1,676,467
Excess (deficiency) of revenues over (under) expenditures	\$ (425,362)	\$ (1,300,029)	\$ (905,379)	\$ 394,650
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 146,808	\$ 146,808
Issuance of general obligation bonds	1,200,000	1,200,000	-	(1,200,000)
Issuance of capital leases	-	-	384,367	384,367
Sale of capital assets	4,000	4,000	1,250	(2,750)
Total other financing sources and uses	\$ 1,204,000	\$ 1,204,000	\$ 532,425	\$ (671,575)
Net change in fund balances	\$ 778,638	\$ (96,029)	\$ (372,954)	\$ (276,925)
Fund balances - beginning	-	96,029	3,154,510	3,058,481
Fund balances - ending	\$ 778,638	\$ -	\$ 2,781,556	\$ 2,781,556

County of Lee, Virginia  
Required Supplementary Information  
Schedule of Funding Progress Defined Benefit Plan  
For the Year Ended June 30, 2010

Primary Government: County Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ 18,353,927	\$ 20,905,087	\$ 2,551,160	87.80%	\$ 4,491,094	56.80%
June 30, 2008	18,240,700	20,132,203	1,891,503	90.60%	4,553,807	41.54%
June 30, 2007	16,605,891	17,872,248	1,266,357	92.91%	4,347,223	29.13%

Primary Government: County Retirees Medical Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ -	\$ 365,700	\$ 365,700	0.00%	\$ 2,536,500	14.42%

Primary Government: Social Services Retirees Medical Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ -	\$ 155,100	\$ 155,100	0.00%	\$ 1,627,400	9.53%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ 6,946,153	\$ 12,242,191	\$ 5,296,038	56.74%	\$ 1,786,265	296.49%
June 30, 2008	6,853,611	12,018,150	5,164,539	57.03%	1,877,855	275.02%
June 30, 2007	6,118,537	10,642,459	4,523,922	57.49%	1,753,740	257.96%

School Board Retirees Medical Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2009	\$ -	\$ 4,369,500	\$ 4,369,500	0.00%	\$ 22,916,800	19.07%

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## Other Supplementary Information

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

	Airport Project Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 190,395	\$ 190,395
Federal	20,000	20,000	-	(20,000)
Total revenues	\$ 20,000	\$ 20,000	\$ 190,395	\$ 170,395
<b>EXPENDITURES</b>				
Capital projects	\$ 20,000	\$ 102,912	\$ 17,564	\$ 85,348
Total expenditures	\$ 20,000	\$ 102,912	\$ 17,564	\$ 85,348
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (82,912)	\$ 172,831	\$ 255,743
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ -	\$ (146,808)	\$ (146,808)
Total other financing sources and uses	\$ -	\$ -	\$ (146,808)	\$ (146,808)
Net change in fund balances	\$ -	\$ (82,912)	\$ 26,023	\$ 108,935
Fund balances - beginning, as restated (Note 20)	-	82,912	(385,627)	(468,539)
Fund balances - ending	\$ -	\$ -	\$ (359,604)	\$ (359,604)

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

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,191	\$ 1,191
Intergovernmental revenues:				
Commonwealth	354,000	354,000	237,195	(116,805)
Federal	400,000	400,000	981,460	581,460
Total revenues	\$ 754,000	\$ 754,000	\$ 1,219,846	\$ 465,846
<b>EXPENDITURES</b>				
Current:				
Community development	\$ 754,000	\$ 1,391,867	\$ 1,218,656	\$ 173,211
Capital projects	-	-	267,537	(267,537)
Debt service:				
Interest and other fiscal charges	-	-	84,870	(84,870)
Total expenditures	\$ 754,000	\$ 1,391,867	\$ 1,571,063	\$ (179,196)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (637,867)	\$ (351,217)	\$ 286,650
Net change in fund balances	\$ -	\$ (637,867)	\$ (351,217)	\$ 286,650
Fund balances - beginning	-	637,867	575,575	(62,292)
Fund balances - ending	\$ -	\$ -	\$ 224,358	\$ 224,358

County of Lee, Virginia  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Fund  
For the Year Ended June 30, 2010

Coal Road Improvement Fund					
					Variance with Final Budget Positive (Negative)
Budgeted Amounts					
	Original	Final	Actual		
REVENUES					
Other local taxes	\$	-	\$	-	\$ 50,305 \$ 50,305
Revenue from the use of money and property		-	-	870	870
Total revenues	\$	-	\$	-	\$ 51,175 \$ 51,175
EXPENDITURES					
Current:					
Public works	\$	-	\$	165,785	\$ 165,785 \$ -
Total expenditures	\$	-	\$	165,785	\$ 165,785 \$ -
Excess (deficiency) of revenues over (under)					
expenditures	\$	-	\$	(165,785)	\$ (114,610) \$ 51,175
Net change in fund balances					
	\$	-	\$	(165,785)	\$ (114,610) \$ 51,175
Fund balances - beginning		-		165,785	140,594 (25,191)
Fund balances - ending	\$	-	\$	-	\$ 25,984 \$ 25,984

#### DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

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##### MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund is a special revenue fund that accounts for the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.



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

	School Operating Fund	School Headstart Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 668,172	\$ 55,988	\$ 724,160
Cash held at school cafeterias	569,335	-	569,335
Receivables (net of allowance for uncollectibles):			
Accounts receivable	114,294	-	114,294
Due from primary government	2,438,528	-	2,438,528
Due from other governmental units	793,207	-	793,207
Prepaid items	122,768	-	122,768
Total assets	<u>\$ 4,706,304</u>	<u>\$ 55,988</u>	<u>\$ 4,762,292</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 247,130	\$ -	\$ 247,130
Accrued liabilities	3,221,929	-	3,221,929
Total liabilities	<u>\$ 3,469,059</u>	<u>\$ -</u>	<u>\$ 3,469,059</u>
Fund balances:			
Reserved for:			
Headstart program	\$ -	\$ 55,988	\$ 55,988
Cafeteria operations	569,335	-	569,335
Unreserved:			
Designated for subsequent expenditure	667,910	-	667,910
Total fund balances	<u>\$ 1,237,245</u>	<u>\$ 55,988</u>	<u>\$ 1,293,233</u>
Total liabilities and fund balances	<u>\$ 4,706,304</u>	<u>\$ 55,988</u>	<u>\$ 4,762,292</u>
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit 1) are different because:			
Total fund balances per above			\$ 1,293,233
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			10,836,336
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.			2,194,684
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(529,471)
Net assets of governmental activities			<u>\$ 13,794,782</u>

County of Lee, 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 Headstart Fund	Total Governmental Funds
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 1,253	\$ -	\$ 1,253
Charges for services	635,034	-	635,034
Miscellaneous	-	92,224	92,224
Recovered costs	953,928	34	953,962
Intergovernmental revenues:			
Local government	4,038,724	-	4,038,724
Commonwealth	26,530,776	-	26,530,776
Federal	8,200,489	1,515,258	9,715,747
Total revenues	<u>\$ 40,360,204</u>	<u>\$ 1,607,516</u>	<u>\$ 41,967,720</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 40,118,553	\$ 1,589,300	\$ 41,707,853
Total expenditures	<u>\$ 40,118,553</u>	<u>\$ 1,589,300</u>	<u>\$ 41,707,853</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 241,651</u>	<u>\$ 18,216</u>	<u>\$ 259,867</u>
Net change in fund balances	\$ 241,651	\$ 18,216	\$ 259,867
Fund balances - beginning	995,594	37,772	1,033,366
Fund balances - ending	<u>\$ 1,237,245</u>	<u>\$ 55,988</u>	<u>\$ 1,293,233</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 \$ 259,867

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. 4,363,075

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. 79,442

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 1,054,060

Change in net assets of governmental activities \$ 5,756,444

County of Lee, Virginia  
Combining 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 Headstart Fund			Variance with	
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	Final Budget	Variance with
	Original	Final		Original	Final		Positive	Final Budget
REVENUES							(Negative)	Positive
Revenue from the use of money and property	\$ -	\$ -	\$ 1,253	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	147,600	147,600	635,034	-	-	-	487,434	-
Miscellaneous	-	-	-	-	-	-	-	-
Recovered costs	520,000	520,000	953,928	-	-	-	433,928	92,224
Intergovernmental revenues:							-	34
Local government	4,440,726	4,440,726	4,038,724	-	-	-	-	-
Commonwealth	29,687,173	29,687,173	26,530,776	-	-	-	(3,156,397)	-
Federal	7,398,504	7,398,504	8,200,489	1,278,188	1,278,188	1,515,258	801,985	237,070
Total revenues	\$ 42,194,003	\$ 42,194,003	\$ 40,360,204	\$ 1,278,188	\$ 1,278,188	\$ 1,607,516	\$ (1,833,799)	\$ 329,328
EXPENDITURES								
Current:								
Education	\$ 43,494,798	\$ 43,494,798	\$ 40,118,553	\$ 1,278,188	\$ 1,278,188	\$ 1,589,300	\$ 3,376,245	\$ (311,112)
Total expenditures	\$ 43,494,798	\$ 43,494,798	\$ 40,118,553	\$ 1,278,188	\$ 1,278,188	\$ 1,589,300	\$ 3,376,245	\$ (311,112)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,300,795)	\$ (1,300,795)	\$ 241,651	\$ -	\$ -	\$ 18,216	\$ 1,542,446	\$ 18,216
Net change in fund balances	\$ (1,300,795)	\$ (1,300,795)	\$ 241,651	\$ -	\$ -	\$ 18,216	\$ 1,542,446	\$ 18,216
Fund balances - beginning	1,300,795	1,300,795	995,594	-	-	37,772	(305,201)	37,772
Fund balances - ending	\$ -	\$ -	\$ 1,237,245	\$ -	\$ -	\$ 55,988	\$ 1,237,245	\$ 55,988

County of Lee, Virginia  
Statement of Net Assets  
Discretely Presented Component Unit - School Board  
Internal Service Fund  
As of June 30, 2010

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	Self- Insurance Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,585,386
Total assets	<u>\$ 2,585,386</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 390,702
Total liabilities	<u>\$ 390,702</u>
<b>NET ASSETS</b>	
Unrestricted	\$ 2,194,684
Total net assets	<u>\$ 2,194,684</u>

County of Lee, Virginia  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Discretely Presented Component Unit - School Board  
Internal Service Fund  
For the Year Ended June 30, 2010

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	Self- Insurance Fund
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 5,284,448
Total operating revenues	<u>\$ 5,284,448</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 4,230,388
Total operating expenses	<u>\$ 4,230,388</u>
Operating income (loss)	<u>\$ 1,054,060</u>
Change in net assets	\$ 1,054,060
Total net assets - beginning	1,140,624
Total net assets - ending	<u><u>\$ 2,194,684</u></u>

County of Lee, Virginia  
Statement of Cash Flows  
Discretely Presented Component Unit - School Board  
Internal Service Fund  
For the Year Ended June 30, 2010

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	Self- Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 5,284,448
Payments for premiums	(4,287,815)
Net cash provided (used) by operating activities	<u>\$ 996,633</u>
Net increase (decrease) in cash and cash equivalents	\$ 996,633
Cash and cash equivalents - beginning	1,588,753
Cash and cash equivalents - ending	<u><u>\$ 2,585,386</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	<u>\$ 1,054,060</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Increase (decrease) in accounts payable	<u>\$ (57,427)</u>
Total adjustments	<u>(57,427)</u>
Net cash provided (used) by operating activities	<u><u>\$ 996,633</u></u>

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## Supporting Schedules

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County of Lee, 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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,340,394	\$ 5,340,394	\$ 5,430,126	\$ 89,732
Real and personal public service corporation taxes	400,000	400,000	413,430	13,430
Personal property taxes	1,958,625	1,958,625	1,612,517	(346,108)
Mobile home taxes	109,000	109,000	110,548	1,548
Machinery and tools taxes	653,000	653,000	670,214	17,214
Merchant's capital	61,500	61,500	68,112	6,612
Business personal property	206,000	206,000	230,893	24,893
Penalties	80,000	80,000	107,173	27,173
Interest	150,000	150,000	151,298	1,298
Total general property taxes	\$ 8,958,519	\$ 8,958,519	\$ 8,794,311	\$ (164,208)
Other local taxes:				
Local sales and use taxes	\$ 1,275,000	\$ 1,275,000	\$ 1,274,523	\$ (477)
Consumers' utility and consumption taxes	448,700	448,700	438,010	(10,690)
Coal severance taxes	160,000	160,000	35,593	(124,407)
Oil and gas severance taxes	31,800	31,800	15,714	(16,086)
Motor vehicle licenses	516,500	516,500	534,694	18,194
Bank stock taxes	26,500	26,500	28,444	1,944
Taxes on recordation and wills	71,800	71,800	66,170	(5,630)
Hotel and motel room taxes	2,400	2,400	2,598	198
Amusement tax	400	400	265	(135)
Total other local taxes	\$ 2,533,100	\$ 2,533,100	\$ 2,396,011	\$ (137,089)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,200	\$ 2,200	\$ 1,873	\$ (327)
Zoning and subdivision permits	3,500	3,500	2,955	(545)
Transfer fees	800	800	853	53
Gun permits	1,000	1,000	2,225	1,225
Contractor's licenses	6,000	6,000	9,435	3,435
Building permits	23,200	23,200	17,622	(5,578)
Total permits, privilege fees, and regulatory licenses	\$ 36,700	\$ 36,700	\$ 34,963	\$ (1,737)
Fines and forfeitures:				
Court fines and forfeitures	\$ 13,000	\$ 13,000	\$ 12,773	\$ (227)
Revenue from use of money and property:				
Revenue from use of money	\$ 59,000	\$ 59,000	\$ 48,807	\$ (10,193)
Revenue from use of property	49,039	49,039	49,639	600
Total revenue from use of money and property	\$ 108,039	\$ 108,039	\$ 98,446	\$ (9,593)
Charges for services:				
Excess fees of clerk	\$ 1,700	\$ 1,700	\$ 1,953	\$ 253
Charges for courthouse maintenance	6,200	6,200	5,987	(213)
Charges for courthouse security	28,000	28,000	31,583	3,583
Delinquent tax collection fees	-	-	9,034	9,034
Charges for Commonwealth's Attorney	1,500	1,500	1,481	(19)
Miscellaneous jail and inmate fees	1,900	1,900	2,820	920
Charges for aviation fuel	16,000	16,000	15,907	(93)



County of Lee, 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>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Bureau of prisons	61,080	61,080	59,894	(1,186)
Court appointed attorney	-	-	1,144	1,144
Charges for sanitation, waste removal and recycling	216,000	216,000	120,995	(95,005)
Charges for parks and recreation	-	-	1,767	1,767
Sale of maps, surveys, etc.	1,000	1,000	604	(396)
Charges for copies	-	-	1,917	1,917
Other charges for services	1,500	1,500	2,121	621
Total charges for services	\$ 334,880	\$ 334,880	\$ 257,207	\$ (77,673)
Miscellaneous revenue:				
Miscellaneous	\$ 35,000	\$ 35,000	\$ 18,561	\$ (16,439)
Restitution	-	-	285	285
Contributions	-	-	132,750	132,750
Imagination library	-	-	20,000	20,000
Forfeiture funds	-	-	47,228	47,228
Total miscellaneous revenue	\$ 35,000	\$ 35,000	\$ 218,824	\$ 183,824
Recovered costs:				
Health department	\$ -	\$ -	\$ 34,684	\$ 34,684
Insurance recovery	102,500	102,500	120,311	17,811
Welfare refunds and recoveries	-	-	176,480	176,480
Juror and witness fees	-	-	11,147	11,147
Regional jail	-	-	209,048	209,048
Other recovered costs	64,600	64,600	67,300	2,700
Total recovered costs	\$ 167,100	\$ 167,100	\$ 618,970	\$ 451,870
Total revenue from local sources	\$ 12,186,338	\$ 12,186,338	\$ 12,431,505	\$ 245,167
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 92,500	\$ 92,500	\$ -	\$ (92,500)
Mobile home titling tax	110,000	110,000	89,382	(20,618)
Motor vehicle rental tax	1,000	1,000	3,091	2,091
Telecommunications taxes	510,097	510,097	469,047	(41,050)
Grantor's tax	19,000	19,000	12,219	(6,781)
State recordation tax	20,000	20,000	28,665	8,665
Personal property tax relief funds	758,713	758,713	798,646	39,933
Total noncategorical aid	\$ 1,511,310	\$ 1,511,310	\$ 1,401,050	\$ (110,260)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 423,971	\$ 423,971	\$ 337,277	\$ (86,694)
Sheriff	1,496,158	1,496,158	1,285,736	(210,422)
Commissioner of revenue	139,032	139,032	128,870	(10,162)
Treasurer	101,830	101,830	97,375	(4,455)
Registrar/electoral board	57,161	57,161	48,821	(8,340)
Clerk of the Circuit Court	284,723	284,723	286,025	1,302
Refund of State Comp Board payments	(169,791)	(169,791)	(169,791)	-
Total shared expenses	\$ 2,333,084	\$ 2,333,084	\$ 2,014,313	\$ (318,771)

County of Lee, 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>
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 2,729,008	\$ 2,729,008	\$ 2,273,067	\$ (455,941)
Comprehensive services act	1,475,582	1,475,582	1,265,277	(210,305)
Law enforcement grants	-	-	29,390	29,390
Litter control grant	10,000	10,000	8,766	(1,234)
School resource officer	45,808	45,808	45,695	(113)
Wastewater reduction grant	-	-	7,771	7,771
Fire programs	50,000	50,000	-	(50,000)
Victim-witness grant	48,476	48,476	47,811	(665)
Juvenile justice grant	-	-	9,409	9,409
Four-for-life payments	18,500	18,500	-	(18,500)
E-911 wireless grant	408,950	408,950	6,083	(402,867)
Radiological preparedness	-	-	19,158	19,158
Burn building grant	-	-	19,466	19,466
IPR grant	-	-	-	-
Total other categorical aid	\$ 4,786,324	\$ 4,786,324	\$ 3,731,893	\$ (1,054,431)
Total categorical aid	\$ 7,119,408	\$ 7,119,408	\$ 5,746,206	\$ (1,373,202)
Total revenue from the Commonwealth	\$ 8,630,718	\$ 8,630,718	\$ 7,147,256	\$ (1,483,462)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 68,000	\$ 68,000	\$ 169,133	\$ 101,133
Categorical aid:				
Public assistance and welfare administration	\$ 2,729,008	\$ 2,729,008	\$ 2,419,119	\$ (309,889)
Recovery act funds	-	-	71,281	71,281
State homeland security grant	-	-	36,500	36,500
Juvenile justice and delinquency prevention	-	-	31,355	31,355
State and community highway safety	-	-	23,404	23,404
Domestic violence grant	38,674	38,674	41,368	2,694
Total categorical aid	\$ 2,767,682	\$ 2,767,682	\$ 2,623,027	\$ (144,655)
Total revenue from the federal government	\$ 2,835,682	\$ 2,835,682	\$ 2,792,160	\$ (43,522)
Total General Fund	\$ 23,652,738	\$ 23,652,738	\$ 22,370,921	\$ (1,281,817)
<b>Nonmajor Special Revenue Fund:</b>				
<b>Coal Road Improvement Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Coal road severance taxes	\$ -	\$ -	\$ 50,305	\$ 50,305
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 870	\$ 870
Total revenue from local sources	\$ -	\$ -	\$ 51,175	\$ 51,175
Total Coal Road Improvement Fund	\$ -	\$ -	\$ 51,175	\$ 51,175

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

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<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>
Capital Projects Fund:				
Airport Project Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Lee County IDA Contribution	\$ -	\$ -	\$ 190,395	\$ 190,395
Total revenue from local sources	\$ -	\$ -	\$ 190,395	\$ 190,395
Intergovernmental revenue:				
Revenue from the federal government:				
Categorical aid:				
Airport improvement grant	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Total revenue from the federal government	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Total Airport Project Fund	\$ 20,000	\$ 20,000	\$ 190,395	\$ 170,395
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,191	\$ 1,191
Total revenue from local sources	\$ -	\$ -	\$ 1,191	\$ 1,191
Categorical aid:				
DHCD Funding	\$ 354,000	\$ 354,000	\$ 237,195	\$ (116,805)
Total categorical aid	\$ 354,000	\$ 354,000	\$ 237,195	\$ (116,805)
Total revenue from the Commonwealth	\$ 354,000	\$ 354,000	\$ 237,195	\$ (116,805)
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ 400,000	\$ 400,000	\$ 368,194	\$ (31,806)
Mine Reclamation Grant	-	-	613,266	613,266
Total categorical aid	\$ 400,000	\$ 400,000	\$ 981,460	\$ 581,460
Total revenue from the federal government	\$ 400,000	\$ 400,000	\$ 981,460	\$ 581,460
Total County Capital Improvements Fund	\$ 754,000	\$ 754,000	\$ 1,219,846	\$ 465,846
Total Primary Government	\$ 24,426,738	\$ 24,426,738	\$ 23,832,337	\$ (594,401)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,253	\$ 1,253
Total revenue from use of money and property	\$ -	\$ -	\$ 1,253	\$ 1,253
Charges for services:				
Charges for education	\$ 1,000	\$ 1,000	\$ 8,091	\$ 7,091
Rent	-	-	875	875
Cafeteria sales	6,000	6,000	430,010	424,010
Charges for textbooks	100	100	596	496
Payments from other localities	140,000	140,000	191,761	51,761
Transportation of pupils	500	500	3,701	3,201
Total charges for services	\$ 147,600	\$ 147,600	\$ 635,034	\$ 487,434

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

Schedule 1  
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<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)				
Recovered costs:				
JROTC revenues	\$ 95,000	\$ 95,000	\$ 118,870	\$ 23,870
Medicaid reimbursements	200,000	200,000	316,728	116,728
Insurance reimbursements	-	-	26,800	26,800
E-rate reimbursements	200,000	200,000	350,087	150,087
Other recovered costs	25,000	25,000	141,443	116,443
Total recovered costs	<u>\$ 520,000</u>	<u>\$ 520,000</u>	<u>\$ 953,928</u>	<u>\$ 433,928</u>
Total revenue from local sources	<u>\$ 667,600</u>	<u>\$ 667,600</u>	<u>\$ 1,590,215</u>	<u>\$ 922,615</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Lee, Virginia	\$ 4,440,726	\$ 4,440,726	\$ 4,038,724	\$ (402,002)
Total revenues from local governments	<u>\$ 4,440,726</u>	<u>\$ 4,440,726</u>	<u>\$ 4,038,724</u>	<u>\$ (402,002)</u>
Categorical aid:				
Share of state sales tax	\$ 3,348,061	\$ 3,348,061	\$ 3,195,098	\$ (152,963)
Basic school aid	14,909,452	14,909,452	13,535,351	(1,374,101)
Remedial summer education	13,779	13,779	23,227	9,448
Gifted and talented	131,350	131,350	131,114	(236)
Remedial education	545,386	545,386	544,407	(979)
Enrollment loss	-	-	194,487	194,487
Special education	3,206,641	3,206,641	3,204,421	(2,220)
Textbook payment	1,138,425	1,138,425	156,949	(981,476)
Vocational standards of quality payments	-	-	6,430	6,430
Vocational adult education	-	-	23,612	23,612
Social security-instructional	976,555	976,555	974,803	(1,752)
Retirement-instructional	1,256,387	1,256,387	940,599	(315,788)
Group life	34,265	34,265	25,653	(8,612)
State lottery payments	809,909	809,909	329,067	(480,842)
ISAEF	6,703	6,703	-	(6,703)
Special education foster children	63,719	63,719	3,179	(60,540)
Special education homebound	65,784	65,784	52,580	(13,204)
Early reading intervention	75,166	75,166	95,901	20,735
Career and technology	55,826	55,826	45,518	(10,308)
School food	27,965	27,965	21,806	(6,159)
Vocational education	865,193	865,193	863,641	(1,552)
Ged prep program	15,717	15,717	15,717	-
At risk payments	773,715	773,715	756,908	(16,807)
Alternative education	138,695	138,695	151,658	12,963
Primary class size	735,410	735,410	713,798	(21,612)
VPSA technology	414,000	414,000	414,000	-
Standards of Learning algebra readiness	68,833	68,833	74,128	5,295
Mentor teacher program	5,788	5,788	22,375	16,587
English as a second language	4,449	4,449	2,413	(2,036)
Other state funds	-	-	11,936	11,936
Total categorical aid	<u>\$ 29,687,173</u>	<u>\$ 29,687,173</u>	<u>\$ 26,530,776</u>	<u>\$ (3,156,397)</u>
Total revenue from the Commonwealth	<u>\$ 29,687,173</u>	<u>\$ 29,687,173</u>	<u>\$ 26,530,776</u>	<u>\$ (3,156,397)</u>

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

Schedule 1  
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Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>Special Revenue Funds: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government:				
Categorical aid:				
Rural and low income schools	\$ 86,538	\$ 86,538	\$ 106,319	\$ 19,781
Title I	2,541,906	2,541,906	2,275,947	(265,959)
Title VI-B, special education flow-through	1,345,067	1,345,067	1,300,924	(44,143)
Vocational education	116,939	116,939	114,615	(2,324)
21st century grant	133,108	133,108	96,451	(36,657)
Title VI-B, special education pre-school	27,889	27,889	28,085	196
Drug free schools	23,181	23,181	11,543	(11,638)
School food programs	990,607	990,607	1,254,461	263,854
Title II, part D	53,643	53,643	19,736	(33,907)
Reading first	107,527	107,527	106,588	(939)
Forest reserve funds	6,000	6,000	24,185	18,185
State fiscal stabilization funding	1,600,293	1,600,293	2,606,981	1,006,688
Improving teacher quality	365,806	365,806	250,124	(115,682)
Innovative programs	-	-	2,659	2,659
Enhancing education through technology	-	-	1,871	1,871
Total categorical aid	\$ 7,398,504	\$ 7,398,504	\$ 8,200,489	\$ 801,985
Total revenue from the federal government	\$ 7,398,504	\$ 7,398,504	\$ 8,200,489	\$ 801,985
Total School Operating Fund	\$ 42,194,003	\$ 42,194,003	\$ 40,360,204	\$ (1,833,799)
<b>School Headstart Fund:</b>				
Miscellaneous revenue:				
Contributions	\$ -	\$ -	\$ 70,532	\$ 70,532
Other miscellaneous	-	-	21,692	21,692
Total miscellaneous revenue	\$ -	\$ -	\$ 92,224	\$ 92,224
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 34	\$ 34
Total revenue from local sources	\$ -	\$ -	\$ 92,258	\$ 92,258
Intergovernmental revenues:				
Revenue from the federal government:				
Categorical aid:				
Headstart	\$ 1,278,188	\$ 1,278,188	\$ 1,400,233	\$ 122,045
USDA	-	-	115,025	115,025
Total categorical aid	\$ 1,278,188	\$ 1,278,188	\$ 1,515,258	\$ 237,070
Total revenue from the federal government	\$ 1,278,188	\$ 1,278,188	\$ 1,515,258	\$ 237,070
Total School Headstart Fund	\$ 1,278,188	\$ 1,278,188	\$ 1,607,516	\$ 329,328
Total Discretely Presented Component Unit - School Board	\$ 43,472,191	\$ 43,472,191	\$ 41,967,720	\$ (1,504,471)

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

Schedule 2  
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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 120,043	\$ 125,490	\$ 121,971	\$ 3,519
Housing authority	3,000	3,000	2,450	550
RADA	1,938	1,938	484	1,454
Total legislative	\$ 124,981	\$ 130,428	\$ 124,905	\$ 5,523
General and financial administration:				
County administrator	\$ 114,933	\$ 114,933	\$ 116,287	\$ (1,354)
Audit services	57,000	57,000	47,300	9,700
Legal services	32,902	32,902	29,744	3,158
Commissioner of revenue	289,350	289,350	282,913	6,437
Central purchasing	20,906	20,906	20,391	515
Treasurer	261,411	267,591	252,548	15,043
Delinquent tax collections	-	2,905	3,765	(860)
Central accounting	43,385	43,385	42,582	803
Central garage	-	19,805	20,114	(209)
Data processing	45,150	48,810	37,997	10,813
Reassessment	190,000	190,000	137,753	52,247
Total general and financial administration	\$ 1,055,037	\$ 1,087,687	\$ 991,394	\$ 96,293
Board of elections:				
Electoral board and officials	\$ 55,960	\$ 55,960	\$ 35,706	\$ 20,254
Registrar	109,480	112,980	108,465	4,515
Total board of elections	\$ 165,440	\$ 168,940	\$ 144,171	\$ 24,769
Total general government administration	\$ 1,345,458	\$ 1,387,055	\$ 1,260,470	\$ 126,585
Judicial administration:				
Courts:				
Circuit court	\$ 10,310	\$ 10,310	\$ 9,196	\$ 1,114
General district court	10,125	10,125	13,668	(3,543)
Clerk of the circuit court	387,805	395,550	363,185	32,365
Juvenile and domestic relations court	301,936	342,700	340,227	2,473
Victim and witness assistance	48,476	48,476	47,828	648
Special magistrates	1,929	1,929	1,030	899
Total courts	\$ 760,581	\$ 809,090	\$ 775,134	\$ 33,956
Commonwealth's attorney:				
Commonwealth's attorney	\$ 441,968	\$ 441,968	\$ 380,622	\$ 61,346
Total commonwealth's attorney	\$ 441,968	\$ 441,968	\$ 380,622	\$ 61,346
Total judicial administration	\$ 1,202,549	\$ 1,251,058	\$ 1,155,756	\$ 95,302
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,089,499	\$ 2,259,077	\$ 2,289,167	\$ (30,090)
Domestic violence	38,674	41,258	41,258	-
Courtroom security	23,866	23,866	17,279	6,587
E-911 expenditures	575,457	623,779	432,528	191,251
School resource officer	45,808	45,808	45,695	113
Total law enforcement and traffic control	\$ 2,773,304	\$ 2,993,788	\$ 2,825,927	\$ 167,861
Fire and rescue services:				
Volunteer fire department	\$ 165,755	\$ 165,755	\$ 153,632	\$ 12,123
Emergency medical services	69,275	76,821	90,464	(13,643)
Emergency services	23,884	111,434	89,452	21,982
Total fire and rescue services	\$ 258,914	\$ 354,010	\$ 333,548	\$ 20,462
Correction and detention:				
Jail operations	\$ 1,451,894	\$ 1,451,894	\$ 1,362,822	\$ 89,072
Total correction and detention	\$ 1,451,894	\$ 1,451,894	\$ 1,362,822	\$ 89,072

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

Schedule 2  
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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Inspections:				
Building	\$ 63,514	\$ 63,514	\$ 72,241	\$ (8,727)
Total inspections	\$ 63,514	\$ 63,514	\$ 72,241	\$ (8,727)
Other protection:				
Animal control	\$ 62,564	\$ 62,564	\$ 58,373	\$ 4,191
Medical examiner	500	520	520	-
Total other protection	\$ 63,064	\$ 63,084	\$ 58,893	\$ 4,191
Total public safety	\$ 4,610,690	\$ 4,926,290	\$ 4,653,431	\$ 272,859
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 500	\$ 500	\$ -	\$ 500
Total maintenance of highways, streets, bridges & sidewalks	\$ 500	\$ 500	\$ -	\$ 500
Sanitation and waste removal:				
Waste collection	\$ 667,543	\$ 667,543	\$ 818,425	\$ (150,882)
Waste disposal	658,700	658,700	624,952	33,748
Landfill	75,000	78,508	67,079	11,429
Litter control	40,015	73,728	64,344	9,384
Total sanitation and waste removal	\$ 1,441,258	\$ 1,478,479	\$ 1,574,800	\$ (96,321)
Maintenance of general buildings and grounds:				
General properties	\$ 350,520	\$ 381,065	\$ 263,545	\$ 117,520
Total maintenance of general buildings and grounds	\$ 350,520	\$ 381,065	\$ 263,545	\$ 117,520
Total public works	\$ 1,792,278	\$ 1,860,044	\$ 1,838,345	\$ 21,699
Health and welfare:				
Health:				
Supplement of local health department	\$ 266,380	\$ 266,380	\$ 226,373	\$ 40,007
Total health	\$ 266,380	\$ 266,380	\$ 226,373	\$ 40,007
Mental health and mental retardation:				
Community services board	\$ 62,700	\$ 62,700	\$ 62,700	\$ -
Total mental health and mental retardation	\$ 62,700	\$ 62,700	\$ 62,700	\$ -
Welfare:				
Public assistance and welfare administration	\$ 8,095,889	\$ 8,136,889	\$ 7,130,897	\$ 1,005,992
Other welfare services and contributions	32,250	32,250	32,250	-
Total welfare	\$ 8,128,139	\$ 8,169,139	\$ 7,163,147	\$ 1,005,992
Total health and welfare	\$ 8,457,219	\$ 8,498,219	\$ 7,452,220	\$ 1,045,999
Other instructional costs:				
Contributions to Community Colleges	\$ 21,118	\$ 21,118	\$ 20,929	\$ 189
Contribution to County School Board	4,440,726	4,440,726	4,038,724	402,002
Total education	\$ 4,461,844	\$ 4,461,844	\$ 4,059,653	\$ 402,191
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 50,000	\$ 63,500	\$ -	\$ 63,500
Tourism	7,230	7,230	2,992	4,238
Thomas Walker pool	-	6,538	7,536	(998)
Total parks and recreation	\$ 57,230	\$ 77,268	\$ 10,528	\$ 66,740
Library:				
Imagination Library	\$ -	\$ 22,578	\$ 18,630	\$ 5,948
Lee County Library	222,082	222,082	222,082	-
Total library	\$ 222,082	\$ 244,660	\$ 238,712	\$ 5,948
Total parks, recreation, and cultural	\$ 279,312	\$ 321,928	\$ 249,240	\$ 72,688

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

Schedule 2  
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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Education:				
Community development:				
Planning and community development:				
Lenowisco	\$ 41,878	\$ 41,878	\$ 41,878	\$ -
IDA	4,522	92,675	8,768	83,907
Board of zoning appeals	3,730	3,730	2,643	1,087
Planning commission	3,730	3,730	2,524	1,206
Community development	79,282	79,511	76,924	2,587
Lee County Airport	40,220	41,883	38,168	3,715
Public service authority	3,230	3,230	2,799	431
Total planning and community development	\$ 176,592	\$ 266,637	\$ 173,704	\$ 92,933
Environmental management:				
Contribution to soil and water district	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Total environmental management	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
Cooperative extension program:				
Extension office	\$ 56,679	\$ 56,679	\$ 52,522	\$ 4,157
Total cooperative extension program	\$ 56,679	\$ 56,679	\$ 52,522	\$ 4,157
Total community development	\$ 239,771	\$ 329,816	\$ 232,726	\$ 97,090
Nondepartmental:				
Retiree Health Insurance	\$ -	\$ 36,606	\$ 36,606	\$ -
General Expenses	-	9,085	9,085	-
Refunds	-	565	-	565
Miscellaneous	25,000	81,094	56,094	25,000
Total nondepartmental	\$ 25,000	\$ 127,350	\$ 101,785	\$ 25,565
Capital projects:				
Registrar renovations	\$ 75,000	\$ 93,479	\$ 92,729	\$ 750
Courthouse renovations	76,534	76,534	-	76,534
Vehicle maintenance building	-	47,779	48,393	(614)
Jail demolition	-	58,926	89,471	(30,545)
Total capital projects	\$ 151,534	\$ 276,718	\$ 230,593	\$ 46,125
Debt service:				
Principal retirement	\$ 1,512,445	\$ 1,512,445	\$ 1,808,388	\$ (295,943)
Interest and other fiscal charges	-	-	233,693	(233,693)
Total debt service	\$ 1,512,445	\$ 1,512,445	\$ 2,042,081	\$ (529,636)
Total General Fund	\$ 24,078,100	\$ 24,952,767	\$ 23,276,300	\$ 1,676,467
<b>Nonmajor Special Revenue Fund:</b>				
<b>Coal Road Improvement Fund:</b>				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ -	\$ 165,785	\$ 165,785	\$ -
Total Coal Road Improvement Fund	\$ -	\$ 165,785	\$ 165,785	\$ -
<b>Capital Projects Funds:</b>				
<b>Airport Project Fund:</b>				
Capital projects expenditures:				
Airport improvements	\$ 20,000	\$ 102,912	\$ 17,564	\$ 85,348
Total Airport Project Fund	\$ 20,000	\$ 102,912	\$ 17,564	\$ 85,348



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

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Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Fund:				
County Capital Improvements Fund:				
Community development:				
Planning and community development:				
Water and sewer contributions	\$ 754,000	\$ 1,391,867	\$ 1,218,656	\$ 173,211
Total community development	\$ 754,000	\$ 1,391,867	\$ 1,218,656	\$ 173,211
Capital projects expenditures:				
School construction	\$ -	\$ -	\$ 267,537	\$ (267,537)
Total capital projects	\$ -	\$ -	\$ 267,537	\$ (267,537)
Debt service:				
Interest and other fiscal charges	\$ -	\$ -	\$ 84,870	\$ (84,870)
Total debt service	\$ -	\$ -	\$ 84,870	\$ (84,870)
Total County Capital Projects Fund	\$ 754,000	\$ 1,391,867	\$ 1,571,063	\$ 88,341
Total Primary Government	\$ 24,852,100	\$ 26,613,331	\$ 25,030,712	\$ 1,650,156
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health	\$ 1,777,505	\$ 1,777,505	\$ 2,167,743	\$ (390,238)
Instruction costs:				
Instruction	\$ 32,581,304	\$ 32,581,304	\$ 29,595,158	\$ 2,986,146
Operating costs:				
Pupil transportation	\$ 2,480,488	\$ 2,480,488	\$ 2,143,724	\$ 336,764
Operation and maintenance of school plant	3,781,689	3,781,689	3,813,327	(31,638)
Food services and non-instructional operations	1,830,918	1,830,918	2,251,454	(420,536)
Facilities	1,042,894	1,042,894	147,147	895,747
Total operating costs	\$ 9,135,989	\$ 9,135,989	\$ 8,355,652	\$ 780,337
Total education	\$ 43,494,798	\$ 43,494,798	\$ 40,118,553	\$ 3,376,245
Total School Fund	\$ 43,494,798	\$ 43,494,798	\$ 40,118,553	\$ 3,376,245
School Headstart Fund:				
Education:				
Operating costs:				
Operation of Headstart program	\$ 1,278,188	\$ 1,278,188	\$ 1,589,300	\$ (311,112)
Total Headstart Fund	\$ 1,278,188	\$ 1,278,188	\$ 1,589,300	\$ (311,112)
Total Discretely Presented Component Unit - School Board	\$ 44,772,986	\$ 44,772,986	\$ 41,707,853	\$ 3,065,133

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## Other Statistical Information

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Table 1

County of Lee, 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	Non-departmental	Interest on Long-Term Debt	Total
2002-03	\$ 908,262	\$ 909,193	\$ 2,599,378	\$ 1,695,536	\$ 5,421,355	\$ 4,205,589	\$ 267,890	\$ 1,567,312	\$ -	\$ 331,386	\$ 17,905,901
2003-04	1,029,748	736,016	2,835,013	2,169,238	5,740,425	4,545,655	273,605	718,353	-	386,733	18,434,786
2004-05	994,382	900,867	3,295,784	2,273,574	6,257,768	4,426,092	284,074	1,186,527	-	294,387	19,913,455
2005-06	1,007,786	937,709	3,360,177	2,601,427	6,763,809	4,918,630	266,521	2,783,552	-	245,839	22,885,450
2006-07	1,030,827	1,248,738	3,382,385	2,162,688	7,223,107	5,420,492	279,217	1,004,141	68,429	332,797	22,152,821
2007-08	557,164	1,273,184	3,607,249	2,617,018	8,206,354	4,321,795	345,337	694,781	-	368,516	21,991,398
2008-09	1,123,200	1,222,940	4,039,816	2,338,333	8,149,399	3,912,437	307,986	343,616	-	403,879	21,841,606
2009-10	1,207,079	1,152,898	3,728,917	2,498,973	7,309,349	8,994,488	295,114	1,454,559	-	321,221	26,962,598

(1) Information has only been available for the last 8 years

Table 2

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

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	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		
2002-03	\$ 204,390	\$ 6,854,406	\$ 3,358,742	\$	5,928,598	2,078,216	216,154	186,596	979,163	\$	19,806,265
2003-04	255,870	5,416,503	-		5,734,240	2,239,672	115,689	68,936	3,706,970		17,537,880
2004-05	360,490	5,791,514	-		7,191,586	2,205,678	147,544	52,976	3,925,193		19,674,981
2005-06	384,624	7,222,691	-		6,927,695	2,641,627	242,723	17,174	4,766,100		22,202,634
2006-07	483,870	9,704,801	360,375		7,340,168	2,948,259	328,770	27,857	1,150,493		22,344,593
2007-08	420,338	10,053,368	843,033		7,058,809	2,869,676	210,820	43,910	1,189,651		22,689,605
2008-09	368,012	9,507,496	845,418		8,758,438	3,172,765	125,842	460,635	1,004,111		24,242,717
2009-10	335,615	8,369,233	1,218,655		8,731,893	2,446,316	100,507	409,219	1,737,741		23,349,179

(1) Information has only been available for the last 8 years.

Table 3

County of Lee, Virginia  
General Governmental Expenditures by Function (1)  
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	Non-departmental (3)	Capital Projects	Debt Service	Total
2000-01	\$ 856,055	\$ 879,482	\$ 2,494,552	\$ 1,484,264	\$ 4,348,947	\$ 29,608,745	\$ 1,766,123	\$ 175,456	\$ -	\$ 673,195	\$ 1,123,632	\$ 43,410,451
2001-02	838,432	841,013	2,761,323	1,431,488	4,702,562	29,106,062	287,191	280,037	1,626,243	1,181,833	1,371,499	44,407,683
2002-03	953,023	905,579	2,760,080	1,735,121	5,290,557	30,509,760	267,890	596,423	-	-	830,386	43,848,819
2003-04	1,044,608	729,603	2,940,457	1,779,226	5,759,672	33,066,643	272,785	240,738	-	-	1,046,881	46,880,613
2004-05	1,049,121	901,687	3,558,973	1,825,933	6,270,384	36,930,575	284,894	199,899	-	-	1,026,519	52,047,985
2005-06	1,069,888	940,679	3,354,220	2,313,684	6,701,028	38,263,427	266,521	705,633	-	131,445	968,275	54,714,800
2006-07	1,039,203	1,288,021	3,389,532	1,903,634	7,496,139	42,380,202	273,949	1,051,609	69,825	-	1,419,473	60,291,567
2007-08	1,126,093	1,329,479	4,150,778	2,191,306	8,306,912	39,831,214	344,500	273,627	-	950,470	826,710	59,331,089
2008-09	1,347,515	1,236,003	4,324,096	1,913,309	8,250,829	41,642,557	256,764	285,096	-	2,869,181	1,700,772	63,826,122
2009-10	1,260,470	1,155,756	4,653,431	2,004,130	7,452,220	41,728,782	249,240	232,726	-	1,734,350	2,126,951	62,598,056

(1) Prior to fiscal year 2003, includes General and Special Revenue of the Primary Government and its Discretely Presented Component Units (including School capital projects)

For fiscal year 2003, and thereafter excludes all capital project funds.

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

(3) Transfer of grant proceeds

Table 4

County of Lee, Virginia  
General Governmental Revenues by Source (1)  
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						
2000-01	\$	5,884,558	\$	2,065,794	\$	18,742	\$	1,351	\$	435,582	\$	591,647	\$	302,728	\$	610,666	\$	32,790,007	\$	42,701,075
2001-02		5,589,216		2,176,029		23,379		2,431		317,481		599,974		287,998		711,432		33,546,027		43,253,967
2002-03		5,740,268		2,078,216		37,926		7,372		231,709		250,373		233,637		789,835		34,593,857		43,963,193
2003-04		5,907,969		2,239,672		49,898		8,749		132,224		836,083		692,883		465,055		35,803,715		46,136,248
2004-05		6,689,742		2,205,678		54,419		21,165		167,180		845,041		128,074		1,386,196		40,442,994		51,940,489
2005-06		6,958,048		2,641,627		44,841		13,320		263,593		800,428		201,178		710,904		41,201,767		52,835,706
2006-07		7,071,256		2,948,259		35,299		16,003		405,812		1,110,580		186,945		1,523,454		45,794,104		59,091,712
2007-08		7,621,763		2,869,676		41,817		13,822		213,483		952,516		186,619		1,197,815		45,289,375		58,386,886
2008-09		9,204,997		3,172,765		35,095		13,631		127,859		933,709		580,723		1,340,376		48,143,652		63,552,807
2009-10		8,794,311		2,446,316		34,963		12,773		101,760		892,241		501,443		1,572,932		47,404,594		61,761,333

(1) Prior to fiscal year 2003, includes General and Special Revenue of the Primary Government and its Discretely Presented Component Units (including School capital projects).  
For fiscal year 2003, and thereafter excludes all capital project funds.

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

Table 5

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

Fiscal Year	Total Tax Levy (1, 2)	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)	Percent of Delinquent Taxes to Tax Levy
2000-01	\$ 6,079,957	\$ 5,648,727	92.91%	\$ 422,625	\$ 6,071,352	99.86%	\$ 1,937,874	31.87%
2001-02	6,104,207	5,663,428	92.78%	351,730	6,015,158	98.54%	1,853,007	30.36%
2002-03	6,445,109	5,897,970	91.51%	295,935	6,193,905	96.10%	1,871,687	29.04%
2003-04	6,511,585	5,996,771	92.09%	369,212	6,365,983	97.76%	1,860,602	28.57%
2004-05	7,774,327	6,764,271	87.01%	412,213	7,176,484	92.31%	2,261,842	29.09%
2005-06	7,674,493	7,079,842	92.25%	465,120	7,544,962	98.31%	2,299,757	29.97%
2006-07	7,759,532	7,392,417	95.27%	294,356	7,686,773	99.06%	2,277,440	29.35%
2007-08	8,018,912	7,782,705	97.05%	281,588	8,064,293	100.57%	2,048,761	25.55%
2008-09	9,041,126	8,418,889	93.12%	614,071	9,032,960	99.91%	1,304,221	14.43%
2009-10	8,630,941	8,126,279	94.15%	409,561	8,535,840	98.90%	1,315,201	15.24%

(1) Exclusive of penalties and interest.

(2) Adjusted for tax supplements and exonerations

Table 6

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

Fiscal Year	Real Estate (2)	Personal Property and Mobile Homes(3)	Machinery and Tools	Merchant's Capital	Public Utility (1)		Total
					Real Estate and	Personal Property	
2000-01	\$ 554,508,683	\$ 115,814,438	\$ 45,849,042	\$ 3,882,507	\$ 49,715,902	\$	769,770,572
2001-02	564,340,858	115,259,913	41,604,874	4,173,946	53,928,343		779,307,934
2002-03	592,040,195	125,452,712	42,748,848	4,515,447	55,320,287		820,077,489
2003-04	604,625,862	127,687,791	40,491,489	3,666,250	56,208,960		832,680,252
2004-05	709,136,538	140,744,987	76,033,581	4,605,327	65,831,627		996,352,060
2005-06	711,521,521	151,139,972	40,020,431	4,971,566	76,058,932		983,712,422
2006-07	720,962,617	155,672,585	56,709,556	10,272,748	62,561,078		1,006,178,584
2007-08	737,142,426	163,135,494	40,090,049	7,074,662	58,964,511		1,006,407,142
2008-09	731,569,173	171,073,559	38,699,260	6,067,485	55,408,083		1,002,817,560
2009-10	743,692,758	156,055,503	44,210,965	4,909,268	54,291,139		1,003,159,633

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

(2) Includes minerals.

(3) Includes business property.

(4) Original assessments presented above.



Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2000-01	\$ 0.65	1.41	1.41	1.41
2001-02	0.65	1.41	1.41	1.41
2002-03	0.65	1.41	1.41	1.41
2003-04	0.65	1.41	1.41	1.41
2004-05	0.65	1.41	1.41	1.41
2005-06	0.65	1.41	1.41	1.41
2006-07	0.65	1.41	1.41	1.41
2007-08	0.65	1.41	1.41	1.41
2008-09	0.75	2.00	2.00	1.25
2009-10	0.75	2.00	2.00	1.41

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2000-01	23,589	\$ 769,771	\$ 4,240,034	\$ 4,240,034	0.55%	\$ 180
2001-02	23,589	779,308	3,683,427	3,683,427	0.47%	156
2002-03	23,589	820,077	3,116,821	3,116,821	0.38%	132
2003-04	23,589	832,680	2,570,215	2,570,215	0.31%	109
2004-05	23,589	996,352	2,008,577	2,008,577	0.20%	85
2005-06	23,589	983,712	1,583,186	1,583,186	0.16%	67
2006-07	23,589	1,006,179	2,708,309	2,708,309	0.27%	115
2007-08	23,589	1,006,407	2,326,704	2,326,704	0.23%	99
2008-09	23,589	1,002,818	1,935,162	1,935,162	0.19%	82
2009-10	23,589	1,003,160	1,968,610	1,968,610	0.20%	83

(1) Bureau of the Census.

(2) 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.

Table 9

County of Lee, Virginia  
Ratio of Annual Debt Service Expenditures  
Total General Governmental Expenditures (1)  
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2000-01	\$ 651,910	\$ 471,722	\$ 1,123,632	\$ 43,410,451	2.59%
2001-02	941,671	429,828	1,371,499	44,407,683	3.09%
2002-03	600,461	229,925	830,386	43,848,819	1.89%
2003-04	581,875	465,006	1,046,881	46,880,613	2.23%
2004-05	700,530	325,989	1,026,519	52,047,985	1.97%
2005-06	719,797	248,478	968,275	54,714,800	1.77%
2006-07	1,081,648	337,825	1,419,473	60,291,587	2.35%
2007-08	545,725	280,985	826,710	59,331,089	1.39%
2008-09	1,202,282	498,490	1,700,772	63,826,122	2.66%
2009-10	1,808,388	318,563	2,126,951	62,598,056	3.40%

(1) Prior to fiscal year 2003, includes General and Special Revenue of the Primary Government and its Discretely Presented Component Units (including School capital projects). For fiscal year 2003 and thereafter, excludes all capital projects.

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## Compliance Section

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# 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*

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To the Members of the Board of Supervisors  
County of Lee, Virginia  
Jonesville, 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 Lee, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Lee, Virginia's basic financial statements and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the County of Lee, 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 Lee, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Lee, Virginia's internal control over financial reporting.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Lee, 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 management of the County of Lee, Virginia in a separate letter dated November 17, 2010.

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

*Robinson, Turner, Co. Associates*

Christiansburg, Virginia  
November 17, 2010

# 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 Auditor's Report**

To the Members of the Board of Supervisors  
County of Lee, Virginia  
Jonesville, Virginia

### Compliance

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

In our opinion, the County of Lee, 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 Lee, 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 Lee, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Lee, 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 deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Robinson, Turner, Co. Associates*

Christiansburg, Virginia  
November 17, 2010



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

Page 1 of 3

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
<i>Headstart Cluster:</i>			
Headstart Program	93.600	N/A	\$ 1,318,963
ARRA - Headstart Program	93.708	N/A	81,270
			<u>\$ 1,400,233</u>
Total Department of Health and Human Services - direct payments:			<u>\$ 1,400,233</u>
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	93556	\$ 25,100
Temporary Assistance for Needy Families (TANF)	93.558	93558	452,709
Refugee and Entrant Assistance - State Administered Programs	93.566	93566	1,005
Low-Income Home Energy Assistance	96.568	93568	25,569
Child Welfare Services - State Grants	93.645	93645	1,595
Social Services Block Grant	93.667	93667	239,187
Chafee Foster Care Independence Program	93.674	93674	9,296
Chafee Education and Training Vouchers	93.599	93599	14,053
Children's Health Insurance Program	93.767	93767	19,633
Medical Assistance Program	93.778	93778	242,524
<i>Foster Care Cluster:</i>			
Foster Care - Title IV-E	93.658	93658	402,416
ARRA - Foster Care - Title IV-E	93.658	93658	38,587
<i>Adoption Assistance Cluster:</i>			
Adoption Assistance	93.659	93659	239,835
ARRA - Adoption Assistance	93.659	93659	30,611
<i>Child Care and Development Funds Cluster:</i>			
Child Care and Development Block Grant	93.575	93575	90,203
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	93596	109,757
ARRA - Child Care and Development Block Grant	93.713	93713	40,096
			<u>\$ 1,982,176</u>
Total Dept. Health & Human Services-pass through			<u>\$ 1,982,176</u>
Total Department of Health and Human Services			<u>\$ 3,382,409</u>
Department of Agriculture:			
Direct Payments:			
Child and adult care food program	10.558	N/A	\$ 115,025
Total Department of Agriculture - direct payments			<u>\$ 115,025</u>
Pass Through Payments:			
Department of Agriculture:			
<i>Child Nutrition Cluster:</i>			
Food Distribution (note C)	10.555	40591	\$ 91,092
Department of Education:			
Child Nutrition Discretionary Grants	10.579	10579	26,732
Schools and roads	10.665	43841	24,185
<i>Child Nutrition Cluster:</i>			
National school breakfast program	10.553	10553	319,691
National school lunch program	10.555	10555	816,946
Department of Social Services:			
<i>SNAP Program Cluster:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	424,133
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	10561	12,810
			<u>\$ 1,830,614</u>
Total Department of Agriculture			<u>\$ 1,830,614</u>
Department of the Interior:			
Direct Payments:			
Bureau of Land Management:			
Payments in Lieu of Taxes	15.226	N/A	\$ 169,133
Pass Through Payments:			
Department of Mines, Minerals, and Energy:			
Abandoned Mine Land Reclamation Program	15.252	N/A	613,266
Total Department of the Interior			<u>\$ 782,399</u>

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

Page 2 of 3

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Juvenile Justice and Delinquency Prevention - Allocation to States (Title II)	16 540	67000	\$ 31,355
Violence against women - formula grants	16 588	66500	41,368
			<u>71,281</u>
Slate Compensation Board:			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16 803	62200	71,281
			<u>71,281</u>
Total Department of Justice			\$ 144,004
Department of Homeland Security			
Pass Through Payments:			
Department of Emergency Management			
State Homeland Security Program	97 073	52707	\$ 36,500
			<u>36,500</u>
Total Department of Homeland Security			\$ 36,500
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and community highway safety program	20 600	59228	\$ 12,507
Alcohol Open Container Requirements	20 607	50180	10,896
			<u>23,403</u>
Total Department of Transportation			\$ 23,403
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grant	14 228	50799	\$ 368,194
			<u>368,194</u>
Total Department of Housing and Urban Development			\$ 368,194
Department of Education:			
Pass Through Payments:			
Department of Education:			
Career and Technical Education - Basic grants to states	84 048	84048	114,615
Safe and Drug-free schools and communities-State Grants	84 186	84186	11,543
Twenty-First Century Community Learning Centers	84 287	84287	96,451
ESEA: Chapter II	84 298	84298	2,659
Reading first	84 357	84357	106,588
Rural Education	84 358	84358	106,319
Improving Teacher Quality-State Grants	84 367	84367	250,124
ARRA - State Fiscal Stabilization Education State Grants	84 394	34394	2,606,981
<i>Title I, Part A Cluster:</i>			
Title I - Grants to Local Educational Agencies	84 010	84010	\$ 1,971,811
ARRA - Title I - Grants to Local Educational Agencies	84 389	84389	304,136
<i>Special Education Cluster (IDEA)</i>			
Special Education	84 027	84027	875,517
ARRA - Special Education	84 391	34391	425,407
Special Education - Preschool grants	84 173	84173	28,085
<i>Education Technology Cluster</i>			
Educational Technology State Grants	84 318	84318	19,736
ARRA - Education Technology	84 386	84386	1,871
			<u>6,921,843</u>
Total Department of Education			\$ 6,921,843
Total Expenditures of Federal Awards			\$ 13,489,367

Note A -- Basis of Presentation

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

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.

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

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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 the 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	\$ 2,792,160
Capital Improvement Fund	<u>981,460</u>
Total primary government	<u>\$ 3,773,620</u>
Component Unit Schools:	
School Operating Fund	\$ 8,200,489
HeadStart Fund	<u>1,515,258</u>
Total Component Unit Schools	<u>\$ 9,715,747</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 13,489,367</u></u>

County of Lee, Virginia

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

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? 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 Circular A-133,  
Section .510 (a)?

No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
10.561	SNAP Program Cluster
15.252	Abandoned Mine Land Reclamation Program
84.010/84.389	Title 1, Part A Cluster
84.027/84.173/84.391	Special Education Cluster (IDEA)
84.394	State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
93.575/93.596/93.713	Child Care and Development Funds Cluster (CCDF)
93.600/93.708	Head Start Cluster
93.658	Foster Care
93.659	Adoption Assistance

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$404,681

Auditee qualified as low-risk auditee?

Yes

County of Lee, Virginia

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

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**Section II - Financial Statement Findings**

There are no financial statement findings to report.

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

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

**Section IV - Status of Prior Audit Findings and Questioned Costs**

There were no findings in the prior fiscal year that related to federal programs