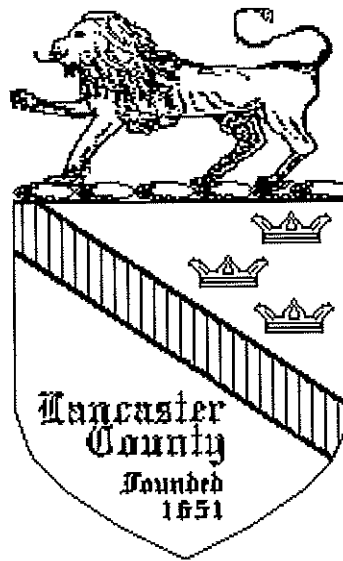


COUNTY OF LANCASTER, VIRGINIA



ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2009

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2009

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COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

Dr. Jack Russell, Chairperson
Ernest Palin, Jr., Vice Chairperson

B. Wally Beauchamp
Peter N. Geilich

F. W. Jenkins, Jr.

COUNTY SCHOOL BOARD

William Smith, Chairperson

Carl Failmezger
Patrick McCranie

Ella Davis
Donald McCann

SOCIAL SERVICES BOARD

Sandra Smyre, Chairperson

Ernest W. Palin, Jr.
Vera Lee

Katherine Chase
Douglas Anderson
Sharon Waddy

OTHER OFFICIALS

Judge of the Circuit Court..... Harry T. Taliaferro, III
Clerk of the Circuit Court Diane H. Mumford
Judge of the General District Court Gordon Wilkins
Judge of the Juvenile and Domestic Relations Court..... R. Michael McKenney
Commonwealth's Attorney C. Jeffers Schmidt, Jr.
Commissioner of the Revenue George E. Thomas, Jr.
Treasurer Bonnie J. D. Haynie
Sheriff..... Ronald D. Crockett
Superintendent of Schools Susan J. Sciabbarrasi
Director of Social Services Edna G. Davenport
County Administrator William H. Pennell, Jr.

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COUNTY OF LANCASTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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COUNTY OF LANCASTER, VIRGINIA
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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of and for the year ended June 30, 2009, 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 Lancaster, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

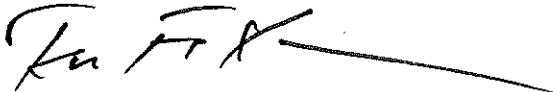
We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2010, on our consideration of the County of Lancaster, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the Schedule of 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 Lancaster, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements, budgetary comparison schedules, and other statistical information as listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Lancaster, Virginia. The combining and individual fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, budgetary comparison schedules, and other statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "J. F. A.", with a long horizontal line extending to the right from the end of the signature.

Richmond, Virginia
January 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The administrative management staff of the County of Lancaster, Virginia offers the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2009. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$5,123,699 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing sources/uses by \$1,063,615 (Exhibit 5) after making contributions totaling \$9,842,444 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$11,415,538, an increase of \$1,063,615 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,474,133 or 15.5% of total general fund expenditures and other uses.
- The combined long-term obligations decreased \$732,871 during the current fiscal year.

Priority of Funding

The County of Lancaster provides government services in eight major operational categories that have been established as standards by the Virginia Auditor of Public Accounts. The categories and percentage of total expenditures for 2009 in these eight categories are as follows:

General Government Administration – 6.2%
Judicial Administration – 3.0%
Public Safety – 17.8%
Public Works - 5.8%
Health and Welfare – 11.0%
Education – 48.9%
Parks, Recreation and Cultural – 0.8%
Community Development – 6.5%

Financial Highlights (Continued)

These percentages compare favorably with other counties of similar size and demographics in that Lancaster County spends less as a percentage of the total than any of these counties in five of the eight categories. Lancaster County spends more on Education than any of the other counties and is above the average spending in Public Safety and Health and Welfare.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$5,123,699 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

<u>County of Lancaster, Virginia's Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 12,988,938	\$ 11,743,122
Capital assets	<u>3,490,651</u>	<u>3,310,699</u>
Total assets	<u>\$ 16,479,589</u>	<u>\$ 15,053,821</u>
Current liabilities	\$ 989,910	\$ 1,058,396
Long-term liabilities outstanding	<u>10,365,980</u>	<u>11,098,851</u>
Total liabilities	<u>\$ 11,355,890</u>	<u>\$ 12,157,247</u>
Net assets:		
Invested in capital assets, net of related debt	\$ (434,934)	\$ (496,415)
Unrestricted	<u>5,558,633</u>	<u>3,392,989</u>
Total net assets	<u>\$ 5,123,699</u>	<u>\$ 2,896,574</u>

Government-wide Financial Analysis (Continued)

The County's net assets increased \$2,227,125 during the current fiscal year. The following table summarizes the County's Statement of Activities:

<u>County of Lancaster, Virginia's Changes in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Charges for services	\$ 476,784	\$ 484,423
Operating grants and contributions	3,359,779	3,862,996
Capital grants and contributions	943,083	801,066
General property taxes	15,383,703	12,893,466
Other local taxes	2,013,343	2,212,575
Grants and other contributions not restricted	900,904	997,110
Other general revenues	<u>472,680</u>	<u>292,289</u>
Total revenues	<u>\$ 23,550,276</u>	<u>\$ 21,543,925</u>
General government administration	\$ 897,403	\$ 1,521,966
Judicial administration	599,799	610,071
Public safety	3,662,812	3,695,460
Public works	1,177,914	1,236,465
Health and welfare	2,202,534	2,501,442
Education	11,031,828	9,814,756
Parks, recreation, and cultural	160,839	161,940
Community development	1,283,578	1,294,897
Interest and other fiscal charges	<u>306,444</u>	<u>272,582</u>
Total expenses	<u>\$ 21,323,151</u>	<u>\$ 21,109,579</u>
Change in net assets	\$ 2,227,125	\$ 434,346
Net assets, beginning of year	<u>2,896,574</u>	<u>2,462,228</u>
Net assets, end of year	<u><u>\$ 5,123,699</u></u>	<u><u>\$ 2,896,574</u></u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$11,415,538 an increase of \$1,063,615 in comparison with the prior year. Approximately 30% of this total amount constitutes unreserved General Fund balance, which is available for spending at the County's discretion. Draw downs on the unreserved balance serve as an alternative to raising local taxes when, as is presently the case, state funding is being reduced.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$7,523,775.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was a net increase of \$802,842 further detailed as follows:

- \$ 934,213 increase in community development expenditures
- \$ 270,782 increase in capital projects expenditures
- \$ 13,944 increase in judicial administration expenditures
- \$ 3,036 increase in general government administration expenditures
- \$ 219,000 decrease in education expenditures
- \$ 199,998 decrease in health and welfare expenditures
- \$ 135 net decrease in other various departments

During the year, budgetary revenues and other sources were more than the final estimate by \$1,799,455. Expenditures and other uses were less than the final budgetary estimate by \$441,798. The large expenditure variance was the result of less than estimated reimbursable work in community development.

Capital Asset and Debt Administration

- **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2009 amounts to \$3,490,651 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$10,187,028. This amount represents bonds secured solely by specified revenue sources (i.e., capital leases and lease/revenue bonds).

The County's total debt decreased \$730,086 during the current fiscal year.

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

Economic Factors and Future Years' Budgets and Rates

- The unemployment rate for the County was 8.7 percent at June 30, 2009. The Commonwealth of Virginia's unemployment rate was 7.3 percent as of the same date.
- Inflationary trends in the region are comparable to state and national indices.
- Taxable sales during the fiscal year showed increases and decreases from one quarter to the next but were, overall, relatively flat.

All of these factors were considered in preparing the County's budget for the 2010 fiscal year.

The fiscal year 2010 budget decreased approximately 1.2%.

There are no changes in the tax rates for the 2010 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County of Lancaster, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 8311 Mary Ball Road, Lancaster, Virginia 22503.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Lancaster, Virginia
Statement of Net Assets
June 30, 2009

	Primary Government		Component
	Governmental Activities	Total	Unit School Board
ASSETS			
Cash and cash equivalents	\$ 5,023,653	\$ 5,023,653	\$ 114,540
Investments	31,652	31,652	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	715,773	715,773	-
Accounts receivable	154,165	154,165	-
Due from other governmental units	702,252	702,252	1,606,239
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents- unspent bond proceeds	6,261,443	6,261,443	-
Other assets:			
Unamortized bond issue costs	100,000	100,000	-
Capital assets (net of accumulated depreciation):			
Land and land improvements	837,755	837,755	6,271
Buildings and improvements	1,707,065	1,707,065	7,993,195
Machinery and equipment	364,030	364,030	902,073
Construction in progress	581,801	581,801	-
Total assets	<u>\$ 16,479,589</u>	<u>\$ 16,479,589</u>	<u>\$ 10,622,318</u>
LIABILITIES			
Accounts payable	\$ 278,362	\$ 278,362	\$ 487,262
Accrued liabilities	-	-	1,186,614
Accrued interest payable	142,923	142,923	-
Due to other governmental units	548,723	548,723	-
Unearned revenue	19,902	19,902	-
Long-term liabilities:			
Due within one year	1,070,595	1,070,595	36,090
Due in more than one year	9,295,385	9,295,385	324,810
Total liabilities	<u>\$ 11,355,890</u>	<u>\$ 11,355,890</u>	<u>\$ 2,034,776</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ (434,934)	\$ (434,934)	\$ 8,901,539
Unrestricted (deficit)	5,558,633	5,558,633	(313,997)
Total net assets	<u>\$ 5,123,699</u>	<u>\$ 5,123,699</u>	<u>\$ 8,587,542</u>
 Total Liabilities and Net Assets	 <u>\$ 16,479,589</u>	 <u>\$ 16,479,589</u>	 <u>\$ 10,622,318</u>

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

County of Lancaster, Virginia
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Primary Governmental Activities	Total	Component Unit
			Grants and Contributions	Capital Grants and Contributions			
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 897,403	\$ -	\$ 255,095	\$ -	\$ (642,308)	\$ (642,308)	\$ -
Judicial administration	599,799	54,362	437,251	-	(108,186)	(108,186)	-
Public safety	3,662,812	415,527	1,374,861	-	(1,872,424)	(1,872,424)	-
Public works	1,177,914	6,575	-	-	(1,171,339)	(1,171,339)	-
Health and welfare	2,202,534	-	1,292,572	-	(909,962)	(909,962)	-
Education	11,031,828	-	-	-	(11,031,828)	(11,031,828)	-
Parks, recreation, and cultural	160,839	-	-	-	(160,839)	(160,839)	-
Community development	1,283,578	320	-	943,083	(340,175)	(340,175)	-
Interest on long-term debt	306,444	-	-	-	(306,444)	(306,444)	-
Total governmental activities	\$ 21,323,151	\$ 476,784	\$ 3,359,779	\$ 943,083	\$ (16,543,505)	\$ (16,543,505)	\$ -
Total primary government	\$ 21,323,151	\$ 476,784	\$ 3,359,779	\$ 943,083	\$ (16,543,505)	\$ (16,543,505)	\$ -
COMPONENT UNIT:							
School Board	\$ 15,547,047	\$ 221,118	\$ 5,077,718	\$ -	\$ -	\$ -	\$ (10,248,211)
Total component unit	\$ 15,547,047	\$ 221,118	\$ 5,077,718	\$ -	\$ -	\$ -	\$ (10,248,211)
General revenues:							
General property taxes					\$ 15,383,703	\$ 15,383,703	\$ -
Other local taxes:							
Local sales and use taxes					1,450,765	1,450,765	-
Motor vehicle licenses					211,913	211,913	-
Other local taxes					350,665	350,665	-
Unrestricted revenues from use of money and property					337,290	337,290	6,592
Miscellaneous					135,390	135,390	217,359
Payments from Lancaster County					-	-	10,825,387
Grants and contributions not restricted to specific programs					900,904	900,904	-
Total general revenues					\$ 18,770,630	\$ 18,770,630	\$ 11,049,338
Change in net assets					2,227,125	2,227,125	801,127
Net assets - beginning					2,896,574	2,896,574	7,786,415
Net assets - ending					\$ 5,123,699	\$ 5,123,699	\$ 8,587,542

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

County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,350,087	\$ 411,234	\$ 7,523,775	\$ 11,285,096
Investments	31,652	-	-	31,652
Receivables (net of allowance for uncollectibles):				
Taxes receivable	715,773	-	-	715,773
Accounts receivable	154,165	-	-	154,165
Due from other governmental units	695,856	6,396	-	702,252
Total assets	<u>\$ 4,947,533</u>	<u>\$ 417,630</u>	<u>\$ 7,523,775</u>	<u>\$ 12,888,938</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 278,362	\$ -	\$ -	\$ 278,362
Due to other governmental units	548,723	-	-	548,723
Deferred revenue	646,315	-	-	646,315
Total liabilities	<u>\$ 1,473,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,473,400</u>
Fund balances:				
Unreserved, reported in:				
General fund	\$ 3,474,133	\$ -	\$ -	\$ 3,474,133
Special revenue funds	-	417,630	-	417,630
Capital projects funds	-	-	7,523,775	7,523,775
Total fund balances	<u>\$ 3,474,133</u>	<u>\$ 417,630</u>	<u>\$ 7,523,775</u>	<u>\$ 11,415,538</u>
Total liabilities and fund balances	<u>\$ 4,947,533</u>	<u>\$ 417,630</u>	<u>\$ 7,523,775</u>	<u>\$ 12,888,938</u>

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

County of Lancaster, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2009

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 11,415,538
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,490,651
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		626,413
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Revenue bonds	\$ (9,648,028)	
Capital lease	(539,000)	
Accrued interest payable	(142,923)	
Landfill postclosure costs	(39,367)	
Unamortized bond issuance costs	100,000	
Compensated absences	(139,585)	(10,408,903)
Net assets of governmental activities		\$ 5,123,699

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

County of Lancaster, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 15,149,635	\$ -	\$ -	\$ 15,149,635
Other local taxes	1,973,692	39,651	-	2,013,343
Permits, privilege fees, and regulatory licenses	142,355	-	-	142,355
Fines and forfeitures	28,029	-	-	28,029
Revenue from the use of money and property	195,849	71	141,370	337,290
Charges for services	306,400	-	-	306,400
Miscellaneous	122,962	12,428	-	135,390
Recovered costs	47,510	-	93,652	141,162
Intergovernmental revenues:				
Commonwealth	3,975,523	2,956	-	3,978,479
Federal	1,225,287	-	-	1,225,287
Total revenues	<u>\$ 23,167,242</u>	<u>\$ 55,106</u>	<u>\$ 235,022</u>	<u>\$ 23,457,370</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,252,466	\$ -	\$ -	\$ 1,252,466
Judicial administration	601,962	2,805	-	604,767
Public safety	3,568,597	-	-	3,568,597
Public works	1,172,357	-	-	1,172,357
Health and welfare	2,207,354	-	-	2,207,354
Education	9,848,144	-	-	9,848,144
Parks, recreation, and cultural	160,839	-	-	160,839
Community development	1,311,718	-	-	1,311,718
Capital projects	1,214,364	-	-	1,214,364
Debt service:				
Principal retirement	730,086	-	-	730,086
Interest and other fiscal charges	323,063	-	-	323,063
Total expenditures	<u>\$ 22,390,950</u>	<u>\$ 2,805</u>	<u>\$ -</u>	<u>\$ 22,393,755</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 776,292</u>	<u>\$ 52,301</u>	<u>\$ 235,022</u>	<u>\$ 1,063,615</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,186,235	\$ -	\$ 70,973	\$ 1,257,208
Transfers out	(70,973)	(27,710)	(1,158,525)	(1,257,208)
Total other financing sources (uses)	<u>\$ 1,115,262</u>	<u>\$ (27,710)</u>	<u>\$ (1,087,552)</u>	<u>\$ -</u>
Net change in fund balances	\$ 1,891,554	\$ 24,591	\$ (852,530)	\$ 1,063,615
Fund balances - beginning	1,582,579	393,039	8,376,305	10,351,923
Fund balances - ending	<u>\$ 3,474,133</u>	<u>\$ 417,630</u>	<u>\$ 7,523,775</u>	<u>\$ 11,415,538</u>

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

County of Lancaster, 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, 2009

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

Net change in fund balances - total governmental funds		\$ 1,063,615
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 1,332,484	
Depreciation expense	173,040	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>(1,325,572)</u>	179,952

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		234,068
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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. The following is a summary of items supporting this adjustment:

Principal retirement of county revenue bonds	\$ 187,000	
Principal retirement of general obligation bonds	275,000	
Principal retirement of capital leases	67,561	
Principal retirement of school revenue bonds	200,525	
Decrease of landfill post closure care	<u>12,721</u>	742,807

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 following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	\$ (9,936)	
Amortization of bond issue costs	(10,000)	
(Increase) decrease in interest payable	<u>26,619</u>	6,683

Change in net assets of governmental activities		<u><u>\$ 2,227,125</u></u>
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The notes to the financial statements are an integral part of this statement.

County of Lancaster, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>25,229</u>
LIABILITIES	
Amounts held for social services clients	\$ <u>25,229</u>

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

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2009

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

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

A. Financial Reporting Entity (Continued)

primary government should be included in its reporting entity. These financial statements present the County of Lancaster (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2009.

Discretely Presented Component Unit. The School Board members are elected by the citizens of Lancaster County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2009.

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

None

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

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

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

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

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

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

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

The County reports the following nonmajor governmental funds:

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

E. Cash and Cash Equivalents

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

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

E. Cash and Cash Equivalents (Continued)

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

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

F. Investments

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$225,681 at June 30, 2009 is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Years
Building Improvements	40
Furniture, Vehicles, Office and Computer Equipment	5-20
Buses	10

I. Compensated Absences

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

J. Retirement Plan

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

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

K. 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.

L. Fund Equity

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

M. Net Assets

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

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on 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.

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 2—Stewardship, Compliance, and Accounting: (Continued)

2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

Note 3—Cash and Cash Equivalents:

Deposits

All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

Investments

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 3—Cash and Cash Equivalents: (Continued)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2009 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 31,652
State Non-Arbitrage Pool	<u>6,261,443</u>
Total	<u>\$ 6,293,095</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is open-ended management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) is the same as the value of the pool shares. As the LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 4—Due to/from Other Governments:

At June 30, 2009, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
Other Local Governments:		
County of Lancaster	\$ -	\$ 548,723
City of Fredericksburg	-	10,227
Commonwealth of Virginia:		
Local sales tax	259,879	-
Welfare	22,050	-
Rolling stock tax	130	-
Local jails	35,587	-
State sales tax	-	204,008
Constitutional officer reimbursements	152,289	-
Recordation tax	18,207	-
Mobile home titling tax	13,499	-
Auto rental tax	1,357	-
Comprehensive services act	71,797	-
E-911 wireless	6,396	-
Communications tax	12,255	-
VHDA fees	2,059	-
Federal Government:		
School fund grants	-	843,281
Indoor plumbing	65,925	-
Welfare	40,822	-
Total due from other governments	<u>\$ 702,252</u>	<u>\$ 1,606,239</u>

At June 30, 2009, amounts due to other local governments are as follows:

Other Local Governments:		
Lancaster County School Board	\$ <u>548,723</u>	\$ <u>-</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 537,676	\$ 300,079	\$ -	\$ 837,755
Construction in progress	30,581	551,220	-	581,801
Total capital assets not subject to depreciation	<u>\$ 568,257</u>	<u>\$ 851,299</u>	<u>\$ -</u>	<u>\$ 1,419,556</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 1,589,271	\$ -	\$ -	\$ 1,589,271
Machinery and equipment	1,466,063	106,748	-	1,572,811
Jointly owned assets	3,013,874	374,437	1,325,572	2,062,739
Total capital assets subject to depreciation	<u>\$ 6,069,208</u>	<u>\$ 481,185</u>	<u>\$ 1,325,572</u>	<u>\$ 5,224,821</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,034,272	\$ 39,962	\$ -	\$ 1,074,234
Machinery and equipment	1,079,154	129,627	-	1,208,781
Jointly owned assets	1,213,340	(342,629)	-	870,711
Total accumulated depreciation	<u>\$ 3,326,766</u>	<u>\$ (173,040)</u>	<u>\$ -</u>	<u>\$ 3,153,726</u>
Total capital assets subject to depreciation, net	<u>\$ 2,742,442</u>	<u>\$ 654,225</u>	<u>\$ 1,325,572</u>	<u>\$ 2,071,095</u>
Governmental activities capital assets, net	<u>\$ 3,310,699</u>	<u>\$ 1,505,524</u>	<u>\$ 1,325,572</u>	<u>\$ 3,490,651</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 5—Capital Assets: (Continued)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 6,271	\$ -	\$ -	\$ 6,271
Capital assets subject to depreciation:				
Machinery and equipment	\$ 2,068,550	\$ 357,527	\$ -	\$ 2,426,077
Jointly owned assets	12,506,210	1,325,572	-	13,831,782
Total capital assets subject to depreciation	\$ 14,574,760	\$ 1,683,099	\$ -	\$ 16,257,859
Less: accumulated depreciation for:				
Machinery and equipment	\$ 1,319,450	\$ 204,554	\$ -	\$ 1,524,004
Jointly owned assets	5,034,810	803,777	-	5,838,587
Total accumulated depreciation	\$ 6,354,260	\$ 1,008,331	\$ -	\$ 7,362,591
Total capital assets subject to depreciation, net	\$ 8,220,500	\$ 674,768	\$ -	\$ 8,895,268
Component unit school board capital assets, net	\$ 8,226,771	\$ 674,768	\$ -	\$ 8,901,539

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

Governmental activities:	
General government administration	\$ 12,531
Judicial administration	6,976
Public safety	124,983
Public works	8,574
Health and welfare	16,525
Education	(342,629)
Total Governmental activities	\$ (173,040)
Component Unit School Board	\$ 1,008,331

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 1,186,235	\$ 70,973
County capital projects fund	70,973	1,158,525
County special revenue fund	-	27,710
	<u> </u>	<u> </u>
Total	<u>\$ 1,257,208</u>	<u>\$ 1,257,208</u>

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2009:

	Amounts Payable at July 1, 2008	Increases	Decreases	Amounts Payable at June 30, 2009	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Claims, judgments and compensated absences payable	\$ 129,649	\$ 22,901	\$ 12,965	\$ 139,585	\$ 13,959
Lease revenue bonds payable	9,182,000	-	187,000	8,995,000	778,000
Landfill postclosure care	52,088	-	12,721	39,367	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total incurred by County	<u>\$ 9,363,737</u>	<u>\$ 22,901</u>	<u>\$ 212,686</u>	<u>\$ 9,173,952</u>	<u>\$ 791,959</u>
Incurred by School Board:					
General obligation bonds	\$ 275,000	\$ -	\$ 275,000	\$ -	\$ -
Lease revenue bonds payable	853,553	-	200,525	653,028	208,866
Capital lease (Note 8)	606,561	-	67,561	539,000	69,770
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total incurred by School Board	<u>\$ 1,735,114</u>	<u>\$ -</u>	<u>\$ 543,086</u>	<u>\$ 1,192,028</u>	<u>\$ 278,636</u>
Total Governmental Obligations	<u>\$ 11,098,851</u>	<u>\$ 22,901</u>	<u>\$ 755,772</u>	<u>\$ 10,365,980</u>	<u>\$ 1,070,595</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease	
	Revenue Bonds Payable	
	Principal	Interest
2010	\$ 778,000	\$ 348,030
2011	805,000	318,048
2012	836,000	287,028
2013	869,000	254,804
2014	901,000	221,306
2015	938,000	186,570
2016	976,000	150,395
2017	1,009,000	112,748
2018	1,053,000	73,827
2019	830,000	33,200
Total	<u>\$ 8,995,000</u>	<u>\$ 1,985,956</u>

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COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30	School Obligations	
	Lease	
	Revenue Bonds Payable	
	Principal	Interest
2010	\$ 208,866	\$ 27,166
2011	217,555	18,477
2012	226,607	8,427
Total	<u>\$ 653,028</u>	<u>\$ 54,070</u>

Long-Term Obligations:

Incurring by County:

Lease Revenue Bonds:

	<u>Total Amount</u>
\$2,870,000 lease revenue bond issued August 28, 2003 due in annual installments of varying amounts through January 15, 2018, interest at 3.41%	\$ 1,995,000
\$7,000,000 lease revenue bond issued June 24, 2008 due in annual installments of varying amounts through February 1, 2019, interest at 4.00%	<u>7,000,000</u>
Total Revenue Bonds	<u>\$ 8,995,000</u>
Landfill postclosure care (payable from General Fund)	<u>\$ 39,367</u>
Compensated absences (payable from General Fund)	<u>\$ 139,585</u>
Total incurred by County	<u>\$ 9,173,952</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Total Amount</u>
<i>Incurring by School Board:</i>	
<u>Lease Revenue Bonds:</u>	
\$2,460,100 Lease Revenue bond issued October 18, 2001, due in annual installments of varying amounts through January 2012, interest at 3.39% to 4.16%.	\$ 653,028
Capital Leases (Note 8)	\$ 539,000
Total incurred by School Board	\$ 1,192,028
Total Long-Term Obligations, Primary Government	\$ 10,365,980

Component Unit-School Board:

	<u>Amounts Payable at July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2009</u>	<u>Amounts Due Within One Year</u>
Component Unit-School Board:					
Compensated absences	\$ 394,942	\$ 5,452	\$ 39,494	\$ 360,900	\$ 36,090
Total Component Unit-School Board	<u>\$ 394,942</u>	<u>\$ 5,452</u>	<u>\$ 39,494</u>	<u>\$ 360,900</u>	<u>\$ 36,090</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 8—Capital Lease:

The government has entered into a lease agreement as lessee for financing the acquisition of energy efficiency upgrades for the component unit-school board's schools with a down payment of \$1. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

	<u>Primary Government (Incurred by School Board)</u>
Asset:	
Buildings and improvements	\$ 1,079,090
Less: accumulated depreciation	<u>(593,522)</u>
Total	<u>\$ 485,568</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, are as follows:

<u>Year Ended June 30</u>	<u>Primary Government (Incurred by School Board)</u>
2010	\$ 87,395
2011	87,395
2012	87,396
2013	87,396
2014	87,395
2015	87,395
2016	<u>87,395</u>
Total minimum lease payments	\$ 611,767
Less: amount representing interest	<u>(72,767)</u>
Present value of minimum lease payments	<u>\$ 539,000</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 9—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$646,315 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$626,413 at June 30, 2009.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2009 but paid in advance by the taxpayers totaled \$19,902 at June 30, 2009.

Note 10—Contingent Liabilities:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Litigation:

At June 30, 2009, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

Note 12 —Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the VACO Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays VACO contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 12—Risk Management: (Continued)

event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

Note 13—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/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 13—Defined Benefit Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's non-professional contribution rates for the fiscal year ended 2009 was 9.71% and 12.05% of annual covered payroll, respectively.

The Lancaster County School Board professional employees current rate is 8.81% of annual covered payroll. The contribution requirements of plan members and Lancaster County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ended June 30, 2009, 2008, and 2007 were \$631,709, \$765,358, and \$673,735, respectively, and equal to the required contributions for each year.

C. Annual Pension Cost

For the fiscal year 2009, the County's annual pension cost of \$544,858 (which includes the portion of the employee share assumed by the County which was \$185,200) was equal to the County's required and actual contributions.

For the fiscal year 2009, the County School Board's annual pension cost for the Board's non-professional employees was \$134,303 (which includes the portion of the employees share assumed by the Board which was \$39,377) which was equal to the Board's required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2009	\$ 359,658	100%	\$ -
June 30, 2008	458,624	100%	-
June 30, 2007	427,752	100%	-
School Board:			
Non-Professional:			
June 30, 2009	\$ 94,926	100%	\$ -
June 30, 2008	86,718	100%	-
June 30, 2007	81,216	100%	-

(1) Employer portion only

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 13—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

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

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 85.87% funded. The actuarial accrued liability for benefits was \$13,666,901, and the actuarial value of assets was \$11,736,177, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,930,724. The covered payroll (annual payroll of active employees covered by the plan) was \$3,513,367, and ratio of the UAAL to covered payroll was 54.95%.

As of June 30, 2008, the most recent actuarial valuation date, the School Board's Non-Professional plan was 72.60% funded. The actuarial accrued liability for benefits was \$2,161,545 and the actuarial value of assets was \$1,569,229, resulting in an unfunded actuarial accrued liability (UAAL) of \$592,316. The covered payroll (annual payroll of active employees covered by the plan) was \$765,826, and ratio of the UAAL to the covered payroll was 77.34%.

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2009

Note 14–Surety Bonds:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Diane H. Mumford, Clerk of the Circuit Court	\$ 110,000
Bonnie J. D. Haynie, Treasurer	400,000
George E. Thomas, Jr., Commissioner of the Revenue	3,000
Ronald D. Crockett, Sheriff	30,000
Fidelity and Deposit Company of Maryland-Surety:	
All School Board Employees-blanket bond	25,000
VA Risk Pool-Surety:	
All Department of Social Services Employees-blanket bond	1,000,000

Note 15–Jointly Governed Organizations:

The County in conjunction with other localities has created the Middle Peninsula/Northern Neck Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year the County contributed \$36,744, for operations to the Middle Peninsula/Northern Neck Community Services Board.

Note 16–Landfill Postclosure Costs:

The County which operates a joint landfill with Northumberland and Richmond Counties, closed the landfill and is liable for postclosure monitoring for a period of ten years plus an additional six years of corrective action monitoring. The amount reported as landfill postclosure liability at June 30, 2009, represents one third of the total estimated liability for postclosure monitoring. The County's portion is \$39,367 over a period of 3 years. This amount is based on what it would cost to perform all postclosure care in 2009. The total current cost of landfill postclosure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

The County demonstrated financial assurance for closure, postclosure care, and corrective action costs through the submission of a local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

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REQUIRED SUPPLEMENTARY INFORMATION

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County of Lancaster, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
General property taxes	\$ 14,654,820	\$ 14,654,820	\$ 15,149,635	\$ 494,815
Other local taxes	1,901,000	1,901,000	1,973,692	72,692
Permits, privilege fees, and regulatory licenses	136,400	136,400	142,355	5,955
Fines and forfeitures	20,000	20,000	28,029	8,029
Revenue from the use of money and property	120,000	120,000	195,849	75,849
Charges for services	269,200	269,200	306,400	37,200
Miscellaneous	6,000	6,000	122,962	116,962
Recovered costs	49,000	49,000	47,510	(1,490)
Intergovernmental revenues:				
Commonwealth	3,699,061	3,712,994	3,975,523	262,529
Federal	750,418	1,684,608	1,225,287	(459,321)
Total revenues	<u>\$ 21,605,899</u>	<u>\$ 22,554,022</u>	<u>\$ 23,167,242</u>	<u>\$ 613,220</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,196,624	\$ 1,199,660	\$ 1,252,466	\$ (52,806)
Judicial administration	652,870	666,814	601,962	64,852
Public safety	3,526,653	3,526,688	3,568,597	(41,909)
Public works	1,139,924	1,139,932	1,172,357	(32,425)
Health and welfare	2,700,274	2,500,276	2,207,354	292,922
Education	10,292,481	10,073,481	9,848,144	225,337
Parks, recreation, and cultural	160,345	160,344	160,839	(495)
Community development	389,811	1,324,024	1,311,718	12,306
Capital projects	999,325	1,270,107	1,214,364	55,743
Debt service:				
Principal retirement	730,160	730,160	730,086	74
Interest and other fiscal charges	312,412	312,235	323,063	(10,828)
Total expenditures	<u>\$ 22,100,879</u>	<u>\$ 22,903,721</u>	<u>\$ 22,390,950</u>	<u>\$ 512,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (494,980)</u>	<u>\$ (349,699)</u>	<u>\$ 776,292</u>	<u>\$ 1,125,991</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,186,235	\$ 1,186,235
Transfers out	-	-	(70,973)	(70,973)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,115,262</u>	<u>\$ 1,115,262</u>
Net change in fund balances	\$ (494,980)	\$ (349,699)	\$ 1,891,554	\$ 2,241,253
Fund balances - beginning	1,506,836	1,361,555	1,582,579	221,024
Fund balances - ending	<u>\$ 1,011,856</u>	<u>\$ 1,011,856</u>	<u>\$ 3,474,133</u>	<u>\$ 2,462,277</u>

County of Lancaster, Virginia
 Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Other local taxes	\$ -	\$ -	\$ 39,651	\$ 39,651
Revenue from the use of money and property	-	-	71	71
Miscellaneous	-	-	12,428	12,428
Intergovernmental revenues:				
Commonwealth	-	-	2,956	2,956
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,106</u>	<u>\$ 55,106</u>
EXPENDITURES				
Current:				
Judicial administration	\$ -	\$ -	\$ 2,805	\$ (2,805)
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,805</u>	<u>\$ (2,805)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,301</u>	<u>\$ 52,301</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (27,710)	\$ (27,710)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (27,710)</u>	<u>\$ (27,710)</u>
Net change in fund balances	\$ -	\$ -	\$ 24,591	\$ 24,591
Fund balances - beginning	-	-	393,039	393,039
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,630</u>	<u>\$ 417,630</u>

County of Lancaster, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2009

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 11,736,177	\$ 13,666,901	\$ 1,930,724	85.87%	\$ 3,513,367	54.95%
6/30/2007	10,435,325	12,117,913	1,682,588	86.11%	3,158,443	53.27%
6/30/2006	9,079,706	11,329,434	2,249,728	80.14%	3,126,347	71.96%
6/30/2005	8,300,560	9,697,207	1,396,647	85.60%	2,952,585	47.30%
6/30/2004	8,073,927	8,228,119	154,192	98.13%	2,734,961	5.64%
6/30/2003	7,991,958	7,640,260	(351,698)	104.60%	2,503,980	-14.05%
6/30/2002	7,995,661	7,091,548	(904,113)	112.75%	2,478,693	-36.48%
6/30/2001	7,785,318	6,276,865	(1,508,453)	124.03%	2,433,007	-62.00%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2008	\$ 1,569,229	\$ 2,161,545	\$ 592,316	72.60%	\$ 765,826	77.34%
6/30/2007	1,380,363	1,976,112	595,749	69.85%	744,362	80.03%
6/30/2006	1,190,420	1,741,914	551,494	68.34%	703,740	78.37%
6/30/2005	1,063,398	1,591,473	528,075	66.82%	671,388	78.65%
6/30/2004	980,383	1,567,219	586,836	62.56%	689,400	85.12%
6/30/2003	894,645	1,444,638	549,993	61.93%	690,568	79.64%
6/30/2002	808,055	1,384,137	576,082	58.38%	670,357	85.94%
6/30/2001	728,452	1,305,262	576,810	55.81%	604,763	95.38%

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OTHER SUPPLEMENTARY INFORMATION

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***COMBINING AND INDIVIDUAL FUNDS STATEMENTS
AND SCHEDULES***

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County of Lancaster, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 141,370	\$ 141,370
Recovered costs	-	-	93,652	93,652
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,022</u>	<u>\$ 235,022</u>
EXPENDITURES				
Debt service:				
Bond issuance costs	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,022</u>	<u>\$ 235,022</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 70,973	\$ 70,973
Transfers out	-	-	(1,158,525)	(1,158,525)
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,087,552)</u>	<u>\$ (1,087,552)</u>
Net change in fund balances	\$ -	\$ -	\$ (852,530)	\$ (852,530)
Fund balances - beginning	-	-	8,376,305	8,376,305
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,523,775</u>	<u>\$ 7,523,775</u>

County of Lancaster, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2009

	<u>Agency Funds</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 25,229
Total assets	\$ 25,229
 LIABILITIES	
Amounts held for social services clients	\$ 25,229
Total liabilities	\$ 25,229

County of Lancaster, Virginia

Fiduciary Funds
 Statement of Changes in Fiduciary Net Assets - Agency Funds
 For the Year Ended June 30, 2009

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 23,129	\$ 6,553	\$ 4,453	\$ 25,229
Liabilities:				
Amounts held for social services clients	\$ 23,129	\$ 6,553	\$ 4,453	\$ 25,229

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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County of Lancaster, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2009

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 114,540	\$ 114,540
Due from other funds	20,879	-	20,879
Due from other governmental units	1,606,239	-	1,606,239
Total assets	<u>\$ 1,627,118</u>	<u>\$ 114,540</u>	<u>\$ 1,741,658</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 469,144	\$ 18,118	\$ 487,262
Accrued liabilities	1,157,974	28,640	1,186,614
Due to other funds	-	20,879	20,879
Total liabilities	<u>\$ 1,627,118</u>	<u>\$ 67,637</u>	<u>\$ 1,694,755</u>
Fund balances:			
Unreserved:			
Undesignated	\$ -	\$ 46,903	\$ 46,903
Total fund balances	<u>\$ -</u>	<u>\$ 46,903</u>	<u>\$ 46,903</u>
Total liabilities and fund balances	<u>\$ 1,627,118</u>	<u>\$ 114,540</u>	<u>\$ 1,741,658</u>

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

Total fund balances per above	\$ 46,903
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,901,539
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(360,900)
Net assets of governmental activities	<u>\$ 8,587,542</u>

County of Lancaster, 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, 2009

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 6,124	\$ 468	\$ 6,592
Charges for services	6,400	214,718	221,118
Miscellaneous	213,948	3,411	217,359
Intergovernmental revenues:			
Local government	9,779,444	63,000	9,842,444
Commonwealth	3,707,445	12,033	3,719,478
Federal	894,604	463,636	1,358,240
Total revenues	<u>\$ 14,607,965</u>	<u>\$ 757,266</u>	<u>\$ 15,365,231</u>
EXPENDITURES			
Current:			
Education	\$ 14,607,965	\$ 664,949	\$ 15,272,914
Total expenditures	<u>\$ 14,607,965</u>	<u>\$ 664,949</u>	<u>\$ 15,272,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 92,317</u>	<u>\$ 92,317</u>
Net change in fund balances	\$ -	\$ 92,317	\$ 92,317
Fund balances - beginning	-	(45,414)	(45,414)
Fund balances - ending	<u>\$ -</u>	<u>\$ 46,903</u>	<u>\$ 46,903</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 \$ 92,317

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 357,527	
Depreciation expense	(665,702)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>982,943</u>	674,768

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.

This adjustment represents the net change in compensated absences. 34,042

Change in net assets of governmental activities \$ 801,127

County of Lancaster, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2009

	School Operating Fund				School Cafeteria Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Final	Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			
REVENUES									
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 6,124	\$ 1,124	\$ -	\$ -	\$ 468	\$ 468	\$ -
Charges for services	8,000	8,000	6,400	(1,600)	286,154	286,156	214,718	(71,438)	
Miscellaneous	162,096	166,585	213,948	47,363	-	-	3,411	3,411	
Intergovernmental revenues:									
Local government	10,286,781	10,004,781	9,779,444	(225,337)	-	63,000	63,000	-	
Commonwealth	3,839,499	3,793,734	3,707,445	(86,289)	11,259	11,260	12,033	773	
Federal	819,918	1,214,289	894,604	(319,685)	389,492	389,489	463,636	74,147	
Total revenues	\$ 15,121,294	\$ 15,192,389	\$ 14,607,965	\$ (584,424)	\$ 686,905	\$ 749,905	\$ 757,266	\$ 7,361	
EXPENDITURES									
Current:									
Education	\$ 15,121,294	\$ 15,192,389	\$ 14,607,965	\$ 584,424	\$ 686,905	\$ 686,905	\$ 664,949	\$ 21,956	
Total expenditures	\$ 15,121,294	\$ 15,192,389	\$ 14,607,965	\$ 584,424	\$ 686,905	\$ 686,905	\$ 664,949	\$ 21,956	
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,000	\$ 92,317	\$ 29,317	
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,000	\$ 92,317	\$ 29,317	
Fund balances - beginning	-	-	-	-	-	(63,000)	(45,414)	17,586	
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,903	\$ 46,903	

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SUPPORTING SCHEDULES

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County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

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>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,596,620	\$ 12,596,620	\$ 12,709,724	\$ 113,104
Real and personal public service corporation taxes	135,000	135,000	159,862	24,862
Personal property taxes	1,650,000	1,650,000	1,884,198	234,198
Mobile home taxes	40,000	40,000	33,582	(6,418)
Machinery and tools taxes	3,200	3,200	4,755	1,555
Merchant's capital taxes	105,000	105,000	116,750	11,750
Penalties	100,000	100,000	207,101	107,101
Interest	25,000	25,000	33,663	8,663
Total general property taxes	<u>\$ 14,654,820</u>	<u>\$ 14,654,820</u>	<u>\$ 15,149,635</u>	<u>\$ 494,815</u>
Other local taxes:				
Local sales and use taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,450,765	\$ 50,765
Communications tax	80,000	80,000	84,439	4,439
Consumption tax	35,000	35,000	43,102	8,102
Motor vehicle licenses	195,000	195,000	211,913	16,913
Bank stock taxes	11,000	11,000	19,099	8,099
Taxes on recordation and wills	180,000	180,000	164,374	(15,626)
Total other local taxes	<u>\$ 1,901,000</u>	<u>\$ 1,901,000</u>	<u>\$ 1,973,692</u>	<u>\$ 72,692</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,000	\$ 7,000	\$ 7,881	\$ 881
Land use application fees	4,000	4,000	800	(3,200)
Transfer fees	1,000	1,000	507	(493)
Permits and other licenses	124,400	124,400	133,167	8,767
Total permits, privilege fees, and regulatory licenses	<u>\$ 136,400</u>	<u>\$ 136,400</u>	<u>\$ 142,355</u>	<u>\$ 5,955</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 28,029	\$ 8,029
Revenue from use of money and property:				
Revenue from use of money	\$ 80,000	\$ 80,000	\$ 131,790	\$ 51,790
Revenue from use of property	40,000	40,000	64,059	24,059
Total revenue from use of money and property	<u>\$ 120,000</u>	<u>\$ 120,000</u>	<u>\$ 195,849</u>	<u>\$ 75,849</u>
Charges for services:				
Courthouses maintenance fees	\$ 3,000	\$ 3,000	\$ 3,960	\$ 960
Charges for Commonwealth's Attorney	1,000	1,000	600	(400)
Charges for correction and detention	8,000	8,000	5,387	(2,613)
Charges for other protection	1,200	1,200	3,616	2,416
Sheriff's fees	1,000	1,000	988	(12)
Charges for sanitation and waste removal	3,000	3,000	6,575	3,575
Charges for planning and community development	2,000	2,000	320	(1,680)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

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>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for ambulance and rescue services	\$ 230,000	\$ 230,000	\$ 263,181	\$ 33,181
Court fees	20,000	20,000	21,773	1,773
Total charges for services	<u>\$ 269,200</u>	<u>\$ 269,200</u>	<u>\$ 306,400</u>	<u>\$ 37,200</u>
Miscellaneous revenue:				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 122,962	\$ 116,962
Recovered costs:				
Tri-county landfill	\$ 4,000	\$ 4,000	\$ 649	\$ (3,351)
Other recovered costs	45,000	45,000	46,861	1,861
Total recovered costs	<u>\$ 49,000</u>	<u>\$ 49,000</u>	<u>\$ 47,510</u>	<u>\$ (1,490)</u>
Total revenue from local sources	<u>\$ 17,156,420</u>	<u>\$ 17,156,420</u>	<u>\$ 17,966,432</u>	<u>\$ 810,012</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 6,000	\$ 6,000	\$ -	\$ (6,000)
Wine taxes	6,000	6,000	-	(6,000)
Motor vehicle carriers' tax	4,000	4,000	3,951	(49)
Mobile home titling tax	25,000	25,000	18,371	(6,629)
Rolling stock tax	-	-	130	130
Additional tax on deeds	40,000	40,000	29,998	(10,002)
State recordation tax	42,169	42,168	66,384	24,216
Personal property tax relief funds	900,000	900,000	871,017	(28,983)
Reduction in aid to local governments	-	-	(88,947)	(88,947)
Total noncategorical aid	<u>\$ 1,023,169</u>	<u>\$ 1,023,168</u>	<u>\$ 900,904</u>	<u>\$ (122,264)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 254,585	\$ 254,584	\$ 232,910	\$ (21,674)
Sheriff	1,230,325	1,230,324	1,205,183	(25,141)
Commissioner of revenue	108,086	108,088	106,495	(1,593)
Treasurer	98,125	98,124	99,223	1,099
Registrar/electoral board	41,016	41,016	49,148	8,132
Clerk of the Circuit Court	152,830	166,766	176,658	9,892
Local jails	5,807	5,808	114,461	108,653
Total shared expenses	<u>\$ 1,890,774</u>	<u>\$ 1,904,710</u>	<u>\$ 1,984,078</u>	<u>\$ 79,368</u>
Other categorical aid:				
Public assistance and welfare administration	\$ 430,781	\$ 430,780	\$ 404,369	\$ (26,411)
Emergency medical services	-	-	13,294	13,294
Local law enforcement block grant	-	-	1,535	1,535
Comprehensive services act	303,913	303,912	217,639	(86,273)
Litter control	8,000	8,000	-	(8,000)
Home investment partnership act	-	-	401,431	401,431

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

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>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Disaster recovery	\$ -	\$ -	\$ 3,435	\$ 3,435
DMV - animal tags	-	-	229	229
Victim-witness grant	22,424	22,424	23,192	768
Fire programs fund	20,000	20,000	25,417	5,417
Total other categorical aid	<u>\$ 785,118</u>	<u>\$ 785,116</u>	<u>\$ 1,090,541</u>	<u>\$ 305,425</u>
Total categorical aid	<u>\$ 2,675,892</u>	<u>\$ 2,689,826</u>	<u>\$ 3,074,619</u>	<u>\$ 384,793</u>
Total revenue from the Commonwealth	<u>\$ 3,699,061</u>	<u>\$ 3,712,994</u>	<u>\$ 3,975,523</u>	<u>\$ 262,529</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 750,418	\$ 750,420	\$ 670,564	\$ (79,856)
Disaster recovery	-	-	13,071	13,071
Home investment partnership program	-	934,188	541,652	(392,536)
Total categorical aid	<u>\$ 750,418</u>	<u>\$ 1,684,608</u>	<u>\$ 1,225,287</u>	<u>\$ (459,321)</u>
Total revenue from the federal government	<u>\$ 750,418</u>	<u>\$ 1,684,608</u>	<u>\$ 1,225,287</u>	<u>\$ (459,321)</u>
Total General Fund	<u>\$ 21,605,899</u>	<u>\$ 22,554,022</u>	<u>\$ 23,167,242</u>	<u>\$ 613,220</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Other local taxes:				
E-911	\$ -	\$ -	\$ 39,651	\$ 39,651
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 71	\$ 71
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 12,428	\$ 12,428
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,150</u>	<u>\$ 52,150</u>
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture proceeds	\$ -	\$ -	\$ 2,956	\$ 2,956
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,956</u>	<u>\$ 2,956</u>
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,106</u>	<u>\$ 55,106</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

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>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 141,370	\$ 141,370
Recovered costs:				
VPSA interest refund	\$ -	\$ -	\$ 93,652	\$ 93,652
Total revenue from local sources	\$ -	\$ -	\$ 235,022	\$ 235,022
Total County Capital Projects Fund	\$ -	\$ -	\$ 235,022	\$ 235,022
Total Primary Government	\$ 21,605,899	\$ 22,554,022	\$ 23,457,370	\$ 903,348
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 5,000	\$ 5,000	\$ 6,124	\$ 1,124
Charges for services:				
Charges for education	\$ 8,000	\$ 8,000	\$ 6,400	\$ (1,600)
Miscellaneous revenue:				
Miscellaneous	\$ 162,096	\$ 166,585	\$ 213,948	\$ 47,363
Total revenue from local sources	\$ 175,096	\$ 179,585	\$ 226,472	\$ 46,887
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 10,286,781	\$ 10,004,781	\$ 9,779,444	\$ (225,337)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,378,988	\$ 1,378,988	\$ 1,253,151	\$ (125,837)
Basic school aid	1,424,016	1,424,010	1,475,657	51,647
Remedial summer education	20,799	20,799	15,347	(5,452)
Vocational education	24,141	24,141	24,566	425
Regular foster care	30,222	-	6,910	6,910
Gifted and talented	12,632	12,632	12,854	222
Remedial education	44,351	44,352	45,133	781
Enrollment loss	23,366	23,367	7,366	(16,001)
School fringes	168,984	168,986	171,960	2,974

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

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)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Early reading intervention	\$ 4,673	\$ 4,672	\$ 5,341	\$ 669
Homebound	1,679	1,679	1,676	(3)
School construction	106,095	106,096	105,975	(121)
Vocational education - equipment	2,354	2,355	2,430	75
Special education	135,299	135,299	137,683	2,384
Textbook payment	33,269	33,269	33,855	586
GED preparation assistance	7,859	7,860	7,859	(1)
Lottery proceeds	66,881	66,880	56,738	(10,142)
At risk payments	125,694	110,153	120,747	10,594
ESL	1,529	1,528	637	(891)
Primary class size	76,668	76,668	74,728	(1,940)
Project graduation	22,000	22,000	23,683	1,683
Mentor teacher program	-	-	1,808	1,808
Technology grant	128,000	128,000	121,341	(6,659)
Total categorical aid	<u>\$ 3,839,499</u>	<u>\$ 3,793,734</u>	<u>\$ 3,707,445</u>	<u>\$ (86,289)</u>
Total revenue from the Commonwealth	<u>\$ 3,839,499</u>	<u>\$ 3,793,734</u>	<u>\$ 3,707,445</u>	<u>\$ (86,289)</u>
Revenue from the federal government:				
Categorical aid:				
Title VI-B	\$ 280,936	\$ 325,396	\$ 309,475	\$ (15,921)
Title I	350,740	426,555	358,124	(68,431)
Vocational education	30,495	32,728	32,728	-
Title II, Part D - Education technology state grants	3,556	4,157	-	(4,157)
Drug free schools	7,830	8,491	-	(8,491)
CTE equipment	-	2,430	-	(2,430)
CTE industry certification	-	781	-	(781)
Title II, Part A - Improving teacher quality	93,966	124,978	96,789	(28,189)
Title V, Part A - Innovative programs	3,643	-	-	-
School improvement	-	204,880	30,034	(174,846)
Title VI - Rural education	-	35,141	16,131	(19,010)
JROTC grant	48,752	48,752	51,323	2,571
Total categorical aid	<u>\$ 819,918</u>	<u>\$ 1,214,289</u>	<u>\$ 894,604</u>	<u>\$ (319,685)</u>
Total revenue from the federal government	<u>\$ 819,918</u>	<u>\$ 1,214,289</u>	<u>\$ 894,604</u>	<u>\$ (319,685)</u>
Total School Operating Fund	<u>\$ 15,121,294</u>	<u>\$ 15,192,389</u>	<u>\$ 14,607,965</u>	<u>\$ (584,424)</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

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 Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 468	\$ 468
Charges for services:				
Cafeteria sales	\$ 286,154	\$ 286,156	\$ 214,718	\$ (71,438)
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 3,411	\$ 3,411
Total revenue from local sources	\$ 286,154	\$ 286,156	\$ 218,597	\$ (67,559)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ -	\$ 63,000	\$ 63,000	\$ -
Total revenues from local governments	\$ -	\$ 63,000	\$ 63,000	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 11,259	\$ 11,260	\$ 12,033	\$ 773
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 389,492	\$ 389,489	\$ 422,326	\$ 32,837
Commodities	-	-	41,310	41,310
Total revenue from the federal government	\$ 389,492	\$ 389,489	\$ 463,636	\$ 74,147
Total School Cafeteria Fund	\$ 686,905	\$ 749,905	\$ 757,266	\$ 7,361
Total Discretely Presented Component Unit - School Board	\$ 15,808,199	\$ 15,942,294	\$ 15,365,231	\$ (577,063)

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

Schedule 2
 Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 46,715	\$ 46,716	\$ 51,556	\$ (4,840)
General and financial administration:				
County administrator	\$ 373,741	\$ 373,744	\$ 392,055	\$ (18,311)
Information Technology	95,005	95,008	93,213	1,795
Legal services	20,000	20,000	47,440	(27,440)
Commissioner of revenue	264,208	264,208	258,613	5,595
Independent Auditor	28,500	28,500	31,500	(3,000)
Treasurer	255,692	255,700	256,151	(451)
Other general and financial administration	-	-	891	(891)
Total general and financial administration	<u>\$ 1,037,146</u>	<u>\$ 1,037,160</u>	<u>\$ 1,079,863</u>	<u>\$ (42,703)</u>
Board of elections:				
Electoral board and officials	\$ 26,367	\$ 29,372	\$ 34,083	\$ (4,711)
Registrar	86,396	86,412	86,964	(552)
Total board of elections	<u>\$ 112,763</u>	<u>\$ 115,784</u>	<u>\$ 121,047</u>	<u>\$ (5,263)</u>
Total general government administration	<u>\$ 1,196,624</u>	<u>\$ 1,199,660</u>	<u>\$ 1,252,466</u>	<u>\$ (52,806)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 12,000	\$ 12,000	\$ 12,753	\$ (753)
General district court	5,300	5,300	3,963	1,337
Special Magistrates	900	900	69	831
Juvenile and domestic relations court	1,725	1,724	1,033	691
Victim/witness assistance	25,460	25,460	25,776	(316)
Clerk of the circuit court	294,417	308,358	281,686	26,672
Total courts	<u>\$ 339,802</u>	<u>\$ 353,742</u>	<u>\$ 325,280</u>	<u>\$ 28,462</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 313,068	\$ 313,072	\$ 276,682	\$ 36,390
Total judicial administration	<u>\$ 652,870</u>	<u>\$ 666,814</u>	<u>\$ 601,962</u>	<u>\$ 64,852</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,277,122	\$ 1,277,124	\$ 1,395,628	\$ (118,504)
School resource officer	47,582	47,584	47,804	(220)
Law enforcement grants	-	-	1,705	(1,705)
E-911	116,185	116,180	107,448	8,732
Total law enforcement and traffic control	<u>\$ 1,440,889</u>	<u>\$ 1,440,888</u>	<u>\$ 1,552,585</u>	<u>\$ (111,697)</u>

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	\$ 288,000	\$ 288,000	\$ 273,637	\$ 14,363
Ambulance and rescue services	529,874	529,888	517,762	12,126
Forestry service	2,200	2,200	3,079	(879)
Local emergency services	65,500	65,500	70,844	(5,344)
Total fire and rescue services	<u>\$ 885,574</u>	<u>\$ 885,588</u>	<u>\$ 865,322</u>	<u>\$ 20,266</u>
Correction and detention:				
Sheriff	\$ 899,335	\$ 899,336	\$ 915,614	\$ (16,278)
Electronic monitoring	20,000	20,000	6,276	13,724
Probation office	64,850	64,852	7,117	57,735
Total correction and detention	<u>\$ 984,185</u>	<u>\$ 984,188</u>	<u>\$ 929,007</u>	<u>\$ 55,181</u>
Inspections:				
Building	\$ 121,356	\$ 121,368	\$ 125,035	\$ (3,667)
Other protection:				
Animal control	\$ 93,899	\$ 93,904	\$ 96,528	\$ (2,624)
Medical examiner	750	752	120	632
Total other protection	<u>\$ 94,649</u>	<u>\$ 94,656</u>	<u>\$ 96,648</u>	<u>\$ (1,992)</u>
Total public safety	<u>\$ 3,526,653</u>	<u>\$ 3,526,688</u>	<u>\$ 3,568,597</u>	<u>\$ (41,909)</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 951,948	\$ 951,952	\$ 988,942	\$ (36,990)
Maintenance of general buildings and grounds:				
General properties	\$ 187,976	\$ 187,980	\$ 183,415	\$ 4,565
Total public works	<u>\$ 1,139,924</u>	<u>\$ 1,139,932</u>	<u>\$ 1,172,357</u>	<u>\$ (32,425)</u>
Health and welfare:				
Health:				
Local health department	\$ 200,000	\$ 200,000	\$ 197,134	\$ 2,866
Free health clinic	90,778	90,780	90,778	2
Total health	<u>\$ 290,778</u>	<u>\$ 290,780</u>	<u>\$ 287,912</u>	<u>\$ 2,868</u>
Mental health and mental retardation:				
Community services board	\$ 36,744	\$ 36,744	\$ 36,744	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,443,103	\$ 1,443,104	\$ 1,326,764	\$ 116,340
Area agency on aging	70,549	70,548	70,549	(1)

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

Schedule 2
 Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Comprehensive services act	\$ 800,000	\$ 600,000	\$ 426,285	\$ 173,715
Group home commission	25,000	25,000	25,000	-
Rappahannock legal services	5,600	5,600	5,600	-
The Haven crisis shelter	3,500	3,500	3,500	-
Virginia quality of life	10,000	10,000	10,000	-
Boys and girls club of America	15,000	15,000	15,000	-
Total welfare	<u>\$ 2,372,752</u>	<u>\$ 2,172,752</u>	<u>\$ 1,882,698</u>	<u>\$ 290,054</u>
Total health and welfare	<u>\$ 2,700,274</u>	<u>\$ 2,500,276</u>	<u>\$ 2,207,354</u>	<u>\$ 292,922</u>
Education:				
Contributions to Community College	\$ 5,700	\$ 5,700	\$ 5,700	\$ -
Contribution to County School Board	10,286,781	10,067,781	9,842,444	225,337
Total education	<u>\$ 10,292,481</u>	<u>\$ 10,073,481</u>	<u>\$ 9,848,144</u>	<u>\$ 225,337</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Total parks and recreation	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>
Cultural enrichment:				
Museum	\$ 4,400	\$ 4,400	\$ 5,094	\$ (694)
Historic resources commission	200	200	-	200
Total cultural enrichment	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 5,094</u>	<u>\$ (494)</u>
Library:				
Library	\$ 80,745	\$ 80,744	\$ 80,745	\$ (1)
Total parks, recreation, and cultural	<u>\$ 160,345</u>	<u>\$ 160,344</u>	<u>\$ 160,839</u>	<u>\$ (495)</u>
Community development:				
Planning and community development:				
Land use administration	\$ 217,431	\$ 217,436	\$ 211,552	\$ 5,884
Resource conservation and development council	600	600	600	-
Section 8 housing	45,943	45,952	52,759	(6,807)
Indoor plumbing	-	308,596	308,595	1
Planning district commission	19,000	19,000	12,663	6,337
Economic development	11,390	11,392	7,836	3,556
Zoning board	6,494	6,496	1,939	4,557
Greentown/Gaskins Rd - CDBG	-	63,583	63,582	1

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
IPR set aside - CDBG	\$ -	\$ 562,009	\$ 494,508	\$ 67,501
Other community development	7,000	7,000	82,291	(75,291)
Total planning and community development	<u>\$ 307,858</u>	<u>\$ 1,242,064</u>	<u>\$ 1,236,325</u>	<u>\$ 5,739</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands board	11,594	11,596	9,848	1,748
Total environmental management	<u>\$ 21,594</u>	<u>\$ 21,596</u>	<u>\$ 19,848</u>	<u>\$ 1,748</u>
Cooperative extension program:				
Extension office	\$ 60,359	\$ 60,364	\$ 55,545	\$ 4,819
Total community development	<u>\$ 389,811</u>	<u>\$ 1,324,024</u>	<u>\$ 1,311,718</u>	<u>\$ 12,306</u>
Capital projects:				
Landfill closure	\$ 5,000	\$ 5,000	\$ 8,532	\$ (3,532)
Enhanced emergency telephone system	44,925	44,924	43,191	1,733
Judicial center	680,000	680,000	551,221	128,779
Other capital projects	88,000	88,000	36,242	51,758
Capital projects - education	181,400	452,183	575,178	(122,995)
Total capital projects	<u>\$ 999,325</u>	<u>\$ 1,270,107</u>	<u>\$ 1,214,364</u>	<u>\$ 55,743</u>
Debt service:				
Principal retirement	\$ 730,160	\$ 730,160	\$ 730,086	\$ 74
Interest and other fiscal charges	312,412	312,235	323,063	(10,828)
Total debt service	<u>\$ 1,042,572</u>	<u>\$ 1,042,395</u>	<u>\$ 1,053,149</u>	<u>\$ (10,754)</u>
Total General Fund	<u>\$ 22,100,879</u>	<u>\$ 22,903,721</u>	<u>\$ 22,390,950</u>	<u>\$ 512,771</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial Administration:				
Courts:				
Law library	\$ -	\$ -	\$ 2,805	\$ (2,805)
Total County Special Revenue Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,805</u>	<u>\$ (2,805)</u>
Total Primary Government	<u>\$ 22,100,879</u>	<u>\$ 22,903,721</u>	<u>\$ 22,393,755</u>	<u>\$ 509,966</u>

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2009

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 753,542	\$ 749,262	\$ 721,873	\$ 27,389
Instruction costs	11,531,715	11,766,573	10,953,333	813,240
Pupil transportation	1,242,254	1,123,025	1,138,936	(15,911)
Operation and maintenance of school plant	1,593,783	1,553,529	1,793,823	(240,294)
Total education	\$ 15,121,294	\$ 15,192,389	\$ 14,607,965	\$ 584,424
Total School Operating Fund	\$ 15,121,294	\$ 15,192,389	\$ 14,607,965	\$ 584,424
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 686,905	\$ 686,905	\$ 623,639	\$ 63,266
Commodities	-	-	41,310	(41,310)
Total school food services	\$ 686,905	\$ 686,905	\$ 664,949	\$ 21,956
Total education	\$ 686,905	\$ 686,905	\$ 664,949	\$ 21,956
Total School Cafeteria Fund	\$ 686,905	\$ 686,905	\$ 664,949	\$ 21,956
Total Discretely Presented Component Unit - School Board	\$ 15,808,199	\$ 15,879,294	\$ 15,272,914	\$ 606,380

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OTHER STATISTICAL SECTION

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Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2004-05	\$ 1,125,855	\$ 494,903	\$ 3,361,408	\$ 1,000,932	\$ 1,895,987	\$ 7,497,873	\$ 134,026	\$ 519,733	\$ 341,405	\$ 16,372,122
2005-06	1,038,227	504,831	3,166,110	1,213,930	1,988,050	9,085,541	153,219	825,533	284,499	18,259,940
2006-07	1,196,615	595,329	3,401,929	1,068,661	2,380,967	9,451,156	156,351	986,907	192,771	19,430,686
2007-08	1,521,966	610,071	3,695,460	1,236,465	2,501,442	9,814,756	161,940	1,294,897	272,582	21,109,579
2008-09	897,403	599,799	3,662,812	1,177,914	2,202,534	11,031,828	160,839	1,283,578	306,444	21,323,151

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

County of Lancaster, Virginia
Government-Wide Revenues
Last Five Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
2004-05	\$ 450,869	\$ 3,187,079	\$ -	\$ 10,028,659	\$ 1,824,726	\$ 126,155	\$ 26,299	\$ 970,081	\$ 16,613,868		
2005-06	472,945	3,437,061	47,600	9,675,920	1,985,483	205,097	29,702	1,048,734	16,902,542		
2006-07	531,837	3,568,636	185,505	11,358,649	2,029,167	190,307	25,485	1,054,455	18,944,041		
2007-08	484,423	3,862,996	801,066	12,893,466	2,212,575	266,252	26,037	997,110	21,543,925		
2008-09	476,784	3,359,779	943,083	15,383,703	2,013,343	337,290	135,390	900,904	23,550,276		

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

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2000	\$ 788,271	\$ 427,057	\$ 2,040,717	\$ 573,696	\$ 2,041,429	\$ 10,782,081	\$ 219,804	\$ 720,813	\$ 1,051,638	\$ 18,645,506
2001	750,976	485,846	2,123,262	602,774	1,863,105	10,921,766	178,649	1,042,759	1,022,203	18,991,340
2002	952,354	430,570	2,121,928	1,042,390	1,590,256	11,605,262	138,826	1,057,134	1,012,580	19,951,300
2003	962,360	430,415	2,128,740	956,859	1,510,720	11,344,327	135,106	1,222,830	949,881	19,641,238
2004	953,348	429,939	2,475,784	1,437,285	1,600,791	11,797,408	135,055	1,351,553	998,289	21,179,452
2005	956,836	494,551	3,222,842	1,023,802	1,877,480	12,919,647	139,026	562,977	1,474,856	22,672,017
2006	1,077,633	546,710	3,040,856	1,105,569	1,979,628	13,926,398	153,219	857,335	1,210,862	23,898,210
2007	1,202,178	596,834	3,274,791	1,074,404	2,390,250	15,091,424	156,351	1,027,945	974,364	25,788,541
2008	1,541,154	605,152	3,586,684	1,234,680	2,491,874	15,389,246	161,940	1,346,638	947,744	27,305,112
2009	1,252,466	604,767	3,568,597	1,172,357	2,207,354	15,278,613	160,839	1,311,718	1,053,149	26,609,860

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

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

(3) Excludes Capital Projects funds.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2000	\$ 7,289,804	\$ 1,301,600	\$ 110,507	\$ 14,004	\$ 133,660	\$ 294,367	\$ 58,037	\$ 165,370	\$ 8,472,632	\$ 17,839,981
2001	7,797,066	1,265,131	112,467	13,539	151,955	304,648	91,405	165,017	9,118,060	19,019,288
2002	8,398,551	1,315,008	123,595	15,716	90,119	290,602	44,773	179,548	9,508,844	19,966,756
2003	8,892,992	1,444,609	117,418	18,251	89,688	296,686	100,167	100,392	9,291,872	20,352,075
2004	9,101,760	1,620,618	136,245	16,685	72,512	287,009	182,204	30,597	10,580,190	22,027,820
2005	10,052,004	1,824,726	159,503	20,160	126,857	520,361	140,648	50,668	9,560,211	22,455,138
2006	9,804,068	1,985,483	171,020	19,455	133,843	546,112	166,611	72,659	10,149,098	23,048,349
2007	11,316,916	2,029,167	164,660	18,184	138,119	631,574	183,238	44,111	10,723,724	25,249,693
2008	12,865,681	2,212,575	138,683	19,840	216,879	584,112	251,943	64,743	11,528,616	27,883,072
2009	15,149,635	2,013,343	142,355	28,029	202,512	527,518	352,749	47,510	10,281,484	28,745,135

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit.

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Outstanding Delinquent Taxes (1,2)	Percent of	
							Total Tax Collections to Tax Levy	Delinquent Taxes to Tax Levy
2000	\$ 7,542,323	\$ 7,263,862	96.31%	\$ 202,532	\$ 7,466,394	\$ 426,790	98.99%	5.66%
2001	8,316,485	7,991,815	96.10%	212,052	8,203,867	484,241	98.65%	5.82%
2002	9,110,470	8,804,293	96.64%	254,545	9,058,838	553,112	99.43%	6.07%
2003	9,643,570	9,323,066	96.68%	252,573	9,575,639	505,008	99.30%	5.24%
2004	9,901,330	9,609,077	97.05%	214,684	9,823,761	491,063	99.22%	4.96%
2005	10,772,116	10,474,804	97.24%	238,435	10,713,239	513,614	99.45%	4.77%
2006	10,555,764	10,326,368	97.83%	228,678	10,555,046	401,020	99.99%	3.80%
2007	11,260,311	10,977,793	97.49%	195,485	11,173,278	516,166	99.23%	4.58%
2008	12,739,466	12,448,235	97.71%	232,606	12,680,841	531,551	99.54%	4.17%
2009	15,037,856	14,640,508	97.36%	268,363	14,908,871	728,623	99.14%	4.85%

(1) Exclusive of penalties and interest.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2000	\$ 1,067,050,355	\$ 125,058,074	\$ 291,400	\$ 7,124,732	\$ 35,393,045	\$ 1,234,917,606
2001	1,131,823,383	138,895,357	351,500	7,333,732	36,558,998	1,314,962,970
2002	1,156,286,464	144,851,409	350,900	7,355,449	36,644,273	1,345,488,495
2003	1,174,552,962	151,970,745	268,800	7,723,670	38,887,441	1,373,403,618
2004	1,194,596,853	163,564,533	274,100	8,699,601	31,498,632	1,398,633,719
2005	1,842,873,500	159,922,950	280,300	8,474,342	38,101,271	2,049,652,363
2006	1,889,426,637	169,982,846	211,600	9,036,830	35,705,141	2,104,363,054
2007	1,955,748,546	179,478,372	190,250	9,584,128	32,717,833	2,177,719,129
2008	2,011,440,053	149,516,502	343,350	10,907,813	28,828,991	2,201,036,709
2009	3,047,826,152	161,929,534	309,350	12,444,246	37,970,594	3,260,479,876

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2000	\$ 0.51	\$ 1.52	\$ 1.00	\$ 1.52
2001	0.53	1.52	1.00	1.52
2002	0.58	1.52	1.00	1.52
2003	0.60	1.52	1.00	1.52
2004	0.60	1.52	1.00	1.52
2005	0.44	1.52	1.00	1.52
2006	0.41	1.52	1.00	1.52
2007	0.46	1.52	1.00	1.52
2008	0.53	2.04	1.00	1.52
2009	0.42	2.04	1.00	1.52

(1) Per \$100 of assessed value.

Table 8

County of Lancaster, 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 (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
2000	11,000	\$ 1,234,917,606	\$ 4,020,633	\$ -	\$ -	\$ 4,020,633	0.33%	366
2001	11,567	1,314,962,970	3,366,158	-	-	3,366,158	0.26%	291
2002	11,567	1,345,488,495	2,707,341	-	-	2,707,341	0.20%	234
2003	11,567	1,373,403,618	2,198,910	-	-	2,198,910	0.16%	190
2004	11,567	1,398,633,719	1,675,000	-	-	1,675,000	0.12%	145
2005	11,567	2,049,652,363	1,255,000	-	-	1,255,000	0.06%	108
2006	11,567	2,104,363,054	925,000	-	-	925,000	0.04%	80
2007	11,567	2,177,719,129	600,000	-	-	600,000	0.03%	52
2008	11,567	2,201,036,709	275,000	-	-	275,000	0.01%	24
2009	11,567	3,260,479,876	-	-	-	-	0.00%	-

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

(2) From Table 6

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

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

(4) In accordance with the provisions of annexation settlements.

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***

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the County of Lancaster, Virginia's basic financial statements and have issued our report thereon dated January 8, 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 Lancaster, 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 Lancaster, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Lancaster, Virginia's internal control over financial reporting.

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

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

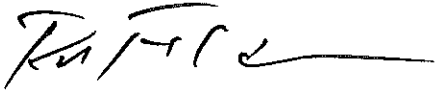
Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

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

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Richmond, Virginia
January 8, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the County of Lancaster, Virginia, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County of Lancaster, 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 Lancaster, Virginia's management. Our responsibility is to express an opinion on the County of Lancaster, 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 Lancaster, 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 Lancaster, Virginia's compliance with those requirements.

In our opinion, the County of Lancaster, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the County of Lancaster, 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's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Lancaster, Virginia's internal control over compliance.

Internal Control Over Compliance (Continued)

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

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

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

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

A handwritten signature in cursive script, appearing to read "R. F. IX", followed by a horizontal line extending to the right.

Richmond, Virginia
January 8, 2010

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 16,441
Temporary Assistance to Needy Families (TANF)	93.558	116,276
Refugee and Entrant Assistance - State Administered Programs	93.566	252
Low Income Home Energy Assistance	93.568	9,604
Child Care and Development Block Grant	93.575	81,310
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	39,178
Child Welfare Services - State Grants	93.645	724
Foster Care - Title IV-E	93.658	49,409
Foster Care - Title IV-E - ARRA	93.658	1,096
Adoption Assistance	93.659	12,738
Adoption Assistance - ARRA	93.659	996
Social Services Block Grant	93.667	56,265
Chafee Foster Care Independence Program	93.674	1,123
Child Care and Development Block Grant - ARRA	93.713	882
Children's Health Insurance Program	93.767	12,225
Medical Assistance Program	93.778	<u>108,071</u>
Total Department of Health and Human Services		<u>\$ 506,590</u>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Assistance:		
Disaster Assistance	97.036	<u>\$ 13,071</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Summer Feeding Food Distribution	10.559	\$ 14,224
Food Distribution	10.555	41,310
Department of Education:		
National school breakfast program	10.553	105,686
National school lunch program	10.555	302,416
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>163,973</u>
Total Department of Agriculture		<u>\$ 627,609</u>

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2009

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Home Investment Partnership Program	14.239	\$ 541,652
Department of Defense:		
Direct Payments:		
ROTC	12.xxx	\$ 51,324
Department of Education:		
Pass Through Payments:		
Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 358,124
Special Education - Grants to States	84.027	309,475
Career and Technical Education - Basic Grants to States	84.048	32,728
Rural Education	84.358	16,131
Improving Teacher Quality State Grants	84.367	96,789
School Improvement Grant	84.377	30,034
Total Department of Education		\$ 843,281
Total Federal Expenditures		\$ 2,583,527

County of Lancaster, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Note 1 - General

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

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund

\$ 1,225,287

Component Unit Public Schools:

School Operating Fund

\$ 894,604

School Cafeteria Fund

463,636

Total component unit public schools

\$ 1,358,240

Total federal expenditures per basic financial statements

\$ 2,583,527

Total federal expenditures per the Schedule of Expenditures of Federal Awards

\$ 2,583,527

County of Lancaster, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2009

Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes ✓ none reported

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

Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster
10.553/10.555/10.559	Child Nutrition Cluster
14.239	Home Investment Partnership Program
93.575/93.596/93.713	Child Care Cluster

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

Auditee qualified as low-risk auditee? _____ yes ✓ no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Lancaster, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2009

Prior Year Financial Statement Findings

None

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