County of Henry, Virginia

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Creedle, Jones
& Alga, P.C.
Certified Public Accountants

County of Henry, Virginia

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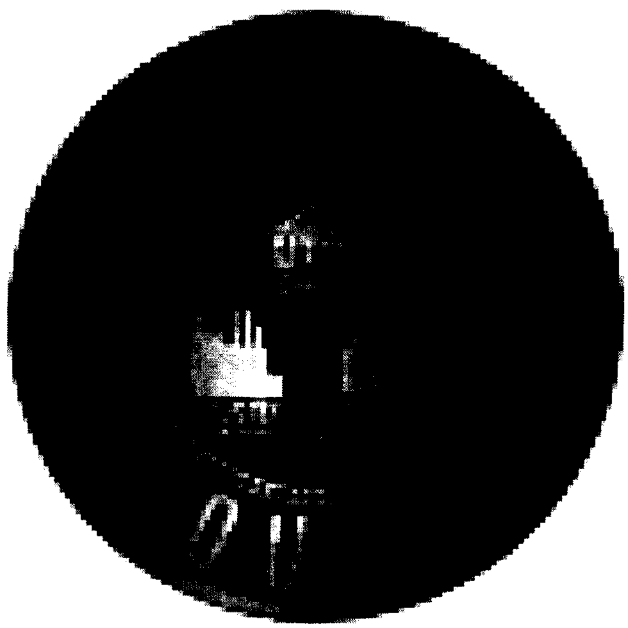
FINANCIAL SECTION



Creedle Jones & Alga

A Professional Corporation

Certified Public Accountants
Sherwood H. Creedle, CPA
Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA
Denise C. Williams, CPA, CSEP

Scott A. Thompson, CPA

Members
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Board of Supervisors
County of Henry, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henry, Virginia, as of and for the year ended June 30, 2008, 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 Henry, 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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henry, Virginia, as of June 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008, on our consideration of the County of Henry, 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.

P. O. Box 1113
204 S. Main Street
Emporia, Virginia 23847
434-634-3111 • FAX: 434-634-6895

P. O. Box 487
828 N. Mecklenburg Avenue
South Hill, Virginia 23970
434-447-7111 • FAX: 434-447-5793
www.cja-cpa.com

P. O. Box 147
313 N. Main Street
Lawrenceville, Virginia 23868
434-848-4191 • FAX: 434-848-1009

The management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 40 through 52, 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 Henry, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements 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 Henry, Virginia. The combining and individual nonmajor 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.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
December 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Henry, Virginia presents the following discussion and analysis as an overview of the County of Henry, Virginia's financial activities for the fiscal year ending June 30, 2008. We encourage readers to read this discussion and analysis in conjunction with the County's financial statements.

Financial Highlights for Fiscal Year 2008

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the County, excluding its Component Units, exceeded its liabilities by $41,462,754. Of this amount, $19,733,421 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- For the fiscal year, general and program revenues of the County's governmental activities were $46,969,643 and expenses amounted to $41,725,856. The County's total net assets increased $5,243,787.

Highlights for Fund Financial Statements

- As of June 30, 2008, the County's Governmental Funds reported combined fund balances of $21,161,510, an increase of $239,699 in comparison with the prior year. All of the combined fund balances are available to meet the County's current and future needs.

- The General Fund reported a fund balance of $20,873,824, an increase of $303,124 from June 30, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The ***financial section*** has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplementary information.

- The ***compliance section*** is required under the provisions of *Governmental Auditing Standards* and, in some cases, the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net assets and how they have changed during the fiscal year.

The first government-wide statement - the Statement of Net Assets - presents information on all of the County's assets and liabilities. The difference between assets and liabilities, net assets, can be used as one way to measure the County's financial health, or financial condition. Over time, increases or decreases in the net assets can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

The second statement - the Statement of Activities - presents information using the accrual basis accounting method and shows how the County's net assets changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide statements are divided into the following three categories:

Governmental Activities: Most of the County's basic services are reported here, including general government administration; judicial administration; public safety; public works; health and welfare; education; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

Discretely Presented Component Units: The County has three component units: the School Board, Industrial Development Authority, and the Henry-Martinsville Social Services. While Southern Virginia Recreation Facilities Authority, the School System, and the Industrial Development Authority are legally separate entities, the County is financially accountable and provides operating and capital funding to these component units. The County is the fiscal agent for the Henry-Martinsville Social Services, which is supported by funds from the Federal government, Commonwealth of Virginia, County General Fund, and the City of Martinsville, Virginia. Financial information for the component units are reported separately from the financial information presented for the primary government.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the County's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The County has three kinds of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the County and, therefore, the largest of the Governmental Funds.

The County has five major funds because they all have legally adopted budgets. These funds are the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, and Capital Projects.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The County has no proprietary funds at this time.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's Fiduciary Funds consist of Agency Funds. The funds are used to account for monies received, held, and disbursed on behalf of the Special Welfare Fund, Seizure Fund, Jail Inmate Fund, and Southern Virginia Recreation Facilities Authority. The County maintains three fiduciary funds:

Special Welfare Fund – The Special Welfare Fund is used to reimburse the Comprehensive Service Act Fund, State Agencies, and others for expenses incurred on behalf of Henry-Martinsville Social Services welfare clients. Income is derived primarily from the Social Security Administration and other local organizations on behalf of the Social Services' clients.

Seizure Fund – The Seizure Fund is maintained by the Sheriff's Department and it holds funds collected from various arrests made by the Department.

Jail Inmate Fund – This fund is comprised of cash on inmates of the Henry County Jail at the time of their arrest or contributions to them from their family members. These funds can only be used for the health and welfare of specific County inmates.

Southern Virginia Recreation Facilities Authority – This fund is used to maintain the development and operations of a joint activity involving community recreational events in the Martinsville and Henry County areas.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

Summary of Net Assets
As of June 30, 2008 and 2007

	Governmental Activities	
	2008	**2007**
Assets		
Current and other assets	**$ 31,230,471**	$ 31,453,640
Capital assets (net)	**43,037,709**	34,946,839
Total Assets	**$ 74,268,180**	$ 66,400,479
Liabilities		
Other liabilities	**$ 8,107,481**	$ 6,408,340
Long-term liabilities	**24,697,945**	23,773,172
Total Liabilities	**32,805,426**	30,181,512
Net Assets		
Invested in capital assets, net of related debt	**20,512,699**	13,518,016
Restricted for construction	**1,216,634**	3,471,964
Unrestricted	**19,733,421**	19,228,987
Total Net Assets	**41,462,754**	36,218,967
Total Liabilities and Net Assets	**$ 74,268,180**	$ 66,400,479

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2008:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2008 and 2007

	Governmental Activities	
	2008	**2007**
Revenues		
Program Revenues		
Charges for services	**$ 623,828**	$ 641,376
Grants and contributions	**8,149,040**	6,911,415
General Revenues		
General property taxes, real and personal	**21,368,868**	21,803,751
Other taxes	**11,996,247**	14,274,440
Noncategorical aid from state	**3,946,006**	2,163,714
Use of property	**659,786**	169,698
Investment earnings	**198,246**	937,423
Miscellaneous	**27,622**	12,808
Total Revenues	**46,969,643**	46,914,625
Expenses		
General government administration	**3,304,775**	3,058,189
Judicial administration	**2,874,915**	2,629,779
Public safety	**11,192,442**	10,988,806
Public works	**2,795,573**	3,382,137
Health and welfare	**1,954,499**	1,825,364
Education	**12,658,955**	13,308,484
Parks, recreation, and cultural	**1,856,956**	1,779,200
Community development	**4,125,996**	3,129,817
Interest on long-term debt	**961,745**	856,445
Total Expenses	**41,725,856**	40,958,221
Increase in Net Assets	**5,243,787**	5,956,404
Beginning Net Assets	**36,218,967**	33,107,648
Prior Period Adjustment	**-**	(2,845,085)
Ending Net Assets	**$ 41,462,754**	$ 36,218,967

Governmental activities increased the County's net assets by $5,243,787 for fiscal year 2008. Revenues from governmental activities totaled $46,969,643. Property taxes comprise the largest source of these revenues, totaling $21,368,868 or 45.5 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was $41,725,856. Education is the County's largest program and highest priority with expenses totaling $12,658,955. Public Safety expenses, which total $11,192,442, represent the second largest expense.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2008 and 2007

	2008		2007	
	Total Cost of Services	**Net Cost of Services**	**Total Cost of Services**	**Net Cost of Services**
General government administration	**$ 3,304,775**	**$ (2,706,097)**	$ 3,058,189	$ (2,590,805)
Judicial administration	**2,874,915**	**(1,730,666)**	2,629,779	(1,464,171)
Public safety	**11,192,442**	**(4,953,608)**	10,988,806	(5,786,712)
Public works	**2,795,573**	**(2,605,823)**	3,382,137	(3,166,207)
Health and welfare	**1,954,499**	**(1,455,749)**	1,825,364	(1,515,498)
Parks, recreation, and cultural	**1,856,956**	**(1,812,330)**	1,779,200	(1,736,636)
Community development	**4,125,996**	**(4,068,015)**	3,129,817	(2,980,472)
Education	**12,658,955**	**(12,658,955)**	13,308,484	(13,308,484)
Interest on long-term debt	**961,745**	**(961,745)**	856,445	(856,445)
Total	**$ 41,725,856**	**$ (32,952,988)**	$ 40,958,221	$ (33,405,430)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2008, the County's Governmental Funds reported a combined ending fund balance of $21,161,510, an increase of $239,699 in comparison with the prior year. All of this is available for spending at the government's discretion (unreserved/undesignated fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unreserved fund balance of $9,948,254. The General Fund's liquidity can be measured by comparing both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 21.12 percent of total fund expenditures.

- The General Fund contributed operating funds to finance the component units as follows: $16,796,945 School Board operations; $3,053,097 to finance the Industrial Development Authority; and $536,068 to the Social Services Board.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2008 and 2007

	2008			2007		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues						
Taxes	$ 21,494,775	$ 21,494,775	$ 21,256,169	$ 21,013,710	$ 21,013,710	$ 21,847,876
Other	17,040,169	17,385,693	15,946,467	16,375,298	16,902,022	17,136,303
Intergovernmental	7,966,827	8,820,287	10,386,118	7,288,122	8,573,317	8,308,011
Total	46,501,771	47,700,755	47,588,754	44,677,130	46,489,049	47,292,190
Expenditures	46,924,424	62,457,858	47,101,374	44,599,783	57,683,155	46,081,768
Excess (Deficiency) of Revenues Over Expenditures	(422,653)	(14,757,103)	487,380	77,347	(11,194,106)	1,210,422
Other Financing Sources (Uses)						
Proceeds from debt	-	4,800,000	-	-	4,000,000	-
Transfers out	(327,347)	(345,922)	(184,256)	(327,347)	(327,347)	(147,584)
Total	(327,347)	4,454,078	(184,256)	(327,347)	3,672,653	(147,584)
Net Change in Fund Balance Before Transfer from Surplus	(750,000)	(10,303,025)	303,124	(250,000)	(7,521,453)	1,062,838
Transfer from Surplus Funds	750,000	10,303,025	-	250,000	7,521,453	
Change in Fund Balance	$ -	$ -	$ 303,124	$ -	$ -	$ 1,062,838

The final amended budget appropriations for expenditures exceeded the original appropriation by $15,533,434. This increase is due primarily to the capital project for the communication system and encumbrances and capital projects carry over from fiscal year 2007 to the School Board and other departments.

Final amended budget revenues were more than the original budget by $1,198,984 prior to transfers for a contingency reserve to finance the above projects.

Actual revenues were less than final budget amounts by $112,001 prior to transfers while actual expenditures were $15,356,484, or 24.6 percent less than final budget amounts because of the timing of the above capital projects and encumbered expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2008, the County's investment in capital assets totals $20,512,699, which are net capital assets less related debt for governmental activities.

For fiscal year 2008, the County's net capital assets activities are summarized in the following tables:

Change in Capital Assets

Primary Government

Governmental Activities

	Balance June 30, 2007	Net Additions and Deletions	Balance June 30, 2008
Land and land improvements	$ 1,331,133	$ 80,338	**$ 1,411,471**
Construction in progress	1,537,450	(36,042)	**1,501,408**
Construction in progress - schools	5,960,471	4,422,483	**10,382,954**
Buildings and improvements	21,071,626	1,419,519	**22,491,145**
Buildings and improvements - schools	13,046,482	3,507,543	**16,554,025**
Furniture, equipment, and vehicles	8,611,503	411,304	**9,022,807**
Total Capital Assets	51,558,665	9,805,145	**61,363,810**
Less: Accumulated depreciation and amortization	(16,611,826)	(1,714,275)	**(18,326,101)**
Total Capital Assets, Net	$ 34,946,839	$ 8,090,870	**$ 43,037,709**

Component Units

School Board

	Balance June 30, 2007	Net Additions and Deletions	Balance June 30, 2008
Land and land improvements	$ 742,290	$ (67,451)	**$ 674,839**
Buildings and improvements	35,993,431	417,086	**36,410,517**
Furniture, equipment, and vehicles	8,698,151	236,483	**8,934,634**
Total Capital Assets	45,433,872	586,118	**46,019,990**
Less: Accumulated depreciation and amortization	(29,879,285)	(1,133,556)	**(31,012,841)**
Total Capital Assets, Net	$ 15,554,587	$ (547,438)	**$ 15,007,149**

Henry-Martinsville Social Services

	Balance June 30, 2007	Net Additions and Deletions	Balance June 30, 2008
Machinery and equipment	$ 248,124	$ (34,400)	**$ 213,724**
Less: Accumulated depreciation and amortization	201,540	(15,894)	**185,646**
Total Capital Assets, Net	$ 46,584	$ (18,506)	**$ 28,078**

Long-Term Debt

As of June 30, 2008, the County's long-term obligations, excluding the Component Units, are summarized below:

	Balance June 30, 2007	Net Additions and Deletions	Balance June 30, 2008
Governmental Activities			
General obligation bonds	$ 14,712,963	$ 1,608,131	**$ 16,321,094**
Literary Fund loans	6,409,710	(641,289)	**5,768,421**
Landfill obligation	749,904	(315,256)	**434,648**
Compensated absences	1,594,445	143,842	**1,738,287**
	23,467,022	795,428	**24,262,450**
Add: Premiums	306,150	129,345	**435,495**
Total Governmental Activities	$ 23,773,172	$ 924,773	**$ 24,697,945**

General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

More detailed information on the County's long-term obligations is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

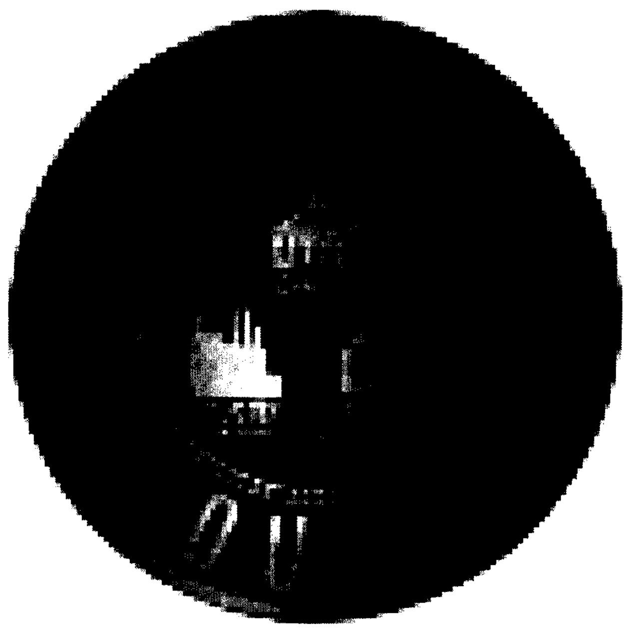
- The average unemployment rate for the County of Henry, Virginia in June 2008 was 7.8 percent, an increase of 1.8 percent from June 2007. This compares unfavorably to the state's rate of 4.2 percent and unfavorably to the national rate of 5.7 percent.
- According to the 2000 U.S. Census, the population in Henry County, Virginia was 57,930, an increase of 1.7%, since the 1990 U.S. Census.
- The per capita income in Henry County, Virginia was $25,312, compared to $37,503 for the state, according to the 2000 U.S. Census data.

The fiscal year 2009 Adopted Budget anticipates General Fund revenues and expenditures to be $47,161,805, a 0.2 percent decrease over the fiscal year 2008 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the County of Henry, Director of Finance, P. O. Box 7, Collinsville, Virginia 24078-0007, telephone 276-634-4630, or visit the County's website at www.co.henry.va.us.

BASIC FINANCIAL STATEMENTS



County of Henry, Virginia

Statement of Net Assets

At June 30, 2008

	Primary Government	Component Units		
	Governmental Activities	School Board	Industrial Development Authority	Henry-Martinsville Social Services
Assets				
Cash - unrestricted	$ 20,856,233	$ 1,587,690	$ 769,149	$ 59,353
Receivables, net	2,703,868	212,521	10,999	-
Due from County of Henry, Virginia	-	1,660,510	-	-
Due from component units	4,101,625	-	-	-
Due from other governments	2,298,325	3,189,872	211,000	457,707
Restricted cash	1,216,634	978,810	1,752,122	-
Inventory	53,786	-	10,665,442	-
Notes receivable	-	-	2,613,036	-
Capital Assets				
Land and construction in progress	13,295,833	674,839	2,676,042	-
Other capital assets, net of accumulated depreciation	29,741,876	14,332,310	-	28,078
Capital Assets, Net	43,037,709	15,007,149	2,676,042	28,078
Total Assets	$ 74,268,180	$ 22,636,552	$ 18,697,790	$ 545,138
Liabilities				
Accounts payable	$ 1,345,645	$ 696,463	$ 26,925	$ -
Accrued payroll and other liabilities	19,136	6,285,982	-	-
Accrued interest	475,097	-	-	-
Deferred revenue	19,780	86,390	61,658	-
Due to County of Henry, Virginia	-	26,802	3,601,429	473,394
Due to component units	1,660,510	-	-	-
Due to other governments	87,313	-	-	43,666
Revenue anticipation note	4,500,000	-	-	-
Long-Term Liabilities				
Due within one year				
Bonds, loans, and capital leases payable	1,899,790	-	903,546	-
Due in more than one year				
Landfill obligation	434,648	-	-	-
Compensated absences	1,738,287	533,766	-	363,541
Bonds and loans payable, with premiums	20,625,220	-	7,496,454	-
Total Liabilities	32,805,426	7,629,403	12,090,012	880,601
Net Assets				
Invested in capital assets, net of related debt	20,512,699	15,007,149	-	28,078
Restricted	1,216,634	-	1,752,122	-
Unrestricted	19,733,421	-	4,855,656	(363,541)
Total Net Assets	41,462,754	15,007,149	6,607,778	(335,463)
Total Liabilities and Net Assets	$ 74,268,180	$ 22,636,552	$ 18,697,790	$ 545,138

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

County of Henry, Virginia
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Governmental Activities	School Board	Industrial Development Authority	Henry-Martinsville Social Services
Primary Government								
Governmental Activities								
General government administration	$ 3,304,775	$ 98,133	$ 500,545	$ -	$ (2,706,097)			
Judicial administration	2,974,915	19,387	1,124,862	-	(1,730,666)			
Public safety	11,192,442	293,517	5,945,317	-	(4,953,608)			
Public works	2,795,573	168,165	21,585	-	(2,605,823)			
Health and welfare	1,954,499	-	498,750	-	(1,455,749)			
Parks, recreation, and cultural	1,856,956	44,626	-	-	(1,812,330)			
Community development	4,125,996	-	57,981	-	(4,068,015)			
Education - local school	12,593,491	-	-	-	(12,593,491)			
Education - community college	65,464	-	-	-	(65,464)			
Interest on long-term debt	961,745	-	-	-	(961,745)			
Total Primary Government	$ 41,725,856	$ 623,829	$ 8,148,040	$ -	$ (32,952,988)			
Component Units								
School Board								
Instruction	$ 43,634,543	$ 550,186	$ 53,850,977	$ -		$ 10,766,620		
Administration, attendance, and health	3,649,824	-	-	-		(3,649,824)		
Pupil transportation	4,958,974	-	-	-		(4,958,974)		
Operation and maintenance	6,842,839	-	-	-		(6,842,839)		
Cafeterias	3,827,852	1,491,742	2,191,441	-		(144,669)		
Special grants	8,361,458	-	-	-		(8,361,458)		
Facilities	8,321,048	-	1,099,436	-		(7,221,612)		
Technology	1,933,786	-	-	-		(1,933,786)		
Total School Board	81,530,324	2,041,928	57,141,854	-		(22,346,542)		
Industrial Development Authority								
Economic development	4,185,050	-	493,535	-			$ (3,691,515)	
Interest	164,838	-	-	-			(164,838)	
Total Industrial Development Authority	4,349,888	-	493,535	-			(3,856,353)	
Henry-Martinsville Social Services								
Health and welfare	6,215,784	-	5,652,182	-				$ (563,602)
Total - Component Units	$ 92,095,996	$ 2,041,928	$ 63,287,571	$ -				(563,602)
General Revenues								
Unrestricted								
General property taxes					21,368,868	-	-	-
Other local taxes					11,996,247	-	-	-
Payments County of Henry, Virginia					-	20,110,797	3,053,097	536,068
Use of property					659,786	19,460	-	-
Investment income					198,246	168,285	64,315	-
Miscellaneous					27,622	1,500,562	719	-
Noncategorical aid from state					3,946,006	-	-	-
Total General Revenues					38,196,775	21,799,104	3,118,131	536,068
Change in Net Assets					5,243,787	(547,438)	(738,222)	(27,534)
Net Assets - Beginning of Year					36,218,967	15,554,587	7,346,000	(307,929)
Net Assets - End of Year					$ 41,462,754	$ 15,007,149	$ 6,607,778	$ (335,463)

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

County of Henry, Virginia

Balance Sheet

Governmental Funds

At June 30, 2008

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Capital Projects Fund	Total Governmental Funds
Assets						
Cash	$ 20,856,233	$ -	$ -	$ -	$ -	$ 20,856,233
Receivables - net						
Taxes	1,169,259	-	-	-	-	1,169,259
Licenses	37,340	-	-	-	-	37,340
Accounts	1,434,211	59,166	-	3,892	-	1,497,269
Due from other funds	422,346	8,288	-	129,832	4,159	564,625
Due from component units	4,101,625	-	-	-	-	4,101,625
Due from other governments	1,692,039	-	561,272	-	45,014	2,298,325
Inventory	53,786	-	-	-	-	53,786
Total Assets	$ 29,766,839	$ 67,454	$ 561,272	$ 133,724	$ 49,173	$ 30,578,462
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 1,252,084	$ 67,454	$ 18,391	$ 7,716	$ -	$ 1,345,645
Accrued liabilities	15,265	-	3,871	-	-	19,136
Deferred revenue	1,239,723	-	-	-	-	1,239,723
Due to other governmental units	87,313	-	-	-	-	87,313
Due to other funds	138,120	-	426,505	-	-	564,625
Due to component units	1,660,510	-	-	-	-	1,660,510
Revenue anticipation note	4,500,000	-	-	-	-	4,500,000
Total Liabilities	8,893,015	67,454	448,767	7,716	-	9,416,952
Fund Balances						
Designated	10,925,570	-	-	-	-	10,925,570
Unreserved/Undesignated	9,948,254	-	112,505	126,008	49,173	10,235,940
Total Fund Balances	20,873,824	-	112,505	126,008	49,173	21,161,510
Total Liabilities and Fund Balances	$ 29,766,839	$ 67,454	$ 561,272	$ 133,724	$ 49,173	$ 30,578,462

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

County of Henry, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

At June 30, 2008

Total fund balances for Governmental Funds		$ 21,161,510
Total net assets reported for governmental activities in the Statement of Net Assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land and construction in progress	2,902,517	
Construction in progress -schools	10,382,954	
Buildings and improvements, net of accumulated depreciation	13,384,653	
Buildings and improvements, net of accumulated depreciation - schools	14,173,635	
Furniture, equipment, and vehicles, net of accumulated depreciation	2,193,950	
Total Capital Assets		43,037,709
Restricted cash for school construction project		1,216,634
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred revenue		1,219,943
Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net assets are as follows:		
Bonds and notes payable with related premiums	(22,525,010)	
Accrued interest payable	(475,097)	
Landfill closure and post-closure liability	(434,648)	
Compensated absences	(1,738,287)	
Total		(25,173,042)
Total net assets of governmental activities		$ 41,462,754

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

County of Henry, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Capital Projects Fund	Total Governmental Funds
Revenues						
General property taxes	$ 21,256,169	$ -	$ -	$ -	$ -	$ 21,256,169
Other local taxes	11,996,247	-	-	-	-	11,996,247
Permits, privilege fees, and regulatory licenses	100,628	-	-	-	-	100,628
Fines and forfeitures	208,384	-	-	-	-	208,384
Use of money and property	858,032	-	-	-	-	858,032
Charges for services	298,565	-	-	16,251	-	314,816
Miscellaneous	27,622	-	-	-	-	27,622
Recovered costs	2,456,989	30,435	300,897	8,471	21,133	2,817,925
Intergovernmental						
Revenue from the Commonwealth of Virginia	10,131,854	418,604	1,260,343	-	5,996	11,816,797
Revenue from the Federal Government	254,264	-	-	-	23,985	278,249
Total Revenues	47,588,754	449,039	1,561,240	24,722	51,114	49,674,869
Expenditures						
Current						
General government administration	2,957,629	-	-	-	-	2,957,629
Judicial administration	2,574,348	-	-	21,381	-	2,595,729
Public safety	9,927,719	-	1,638,593	-	-	11,566,312
Public works	3,550,417	-	-	-	-	3,550,417
Health and welfare	1,343,984	643,165	-	-	-	1,987,149
Education	16,862,409	-	-	-	-	16,862,409
Parks, recreation, and cultural	1,756,762	-	-	-	-	1,756,762
Community development	4,977,801	-	-	-	30,657	5,008,458
Nondepartmental	20,103	-	-	-	-	20,103
Debt service						
Principal	580,000	-	-	-	-	580,000
Interest	324,702	-	-	-	-	324,702
Capital outlay	2,225,500	-	-	-	-	2,225,500
Total Expenditures	47,101,374	643,165	1,638,593	21,381	30,657	49,435,170
Excess (Deficiency) of Revenues Over Expenditures	487,380	(194,126)	(77,353)	3,341	20,457	239,699
Other Financing Sources (Uses)						
Transfers in	-	184,256	-	-	-	184,256
Transfers out	(184,256)	-	-	-	-	(184,256)
Total Other Financing Sources (Uses)	(184,256)	184,256	-	-	-	-
Net Change in Fund Balances	303,124	(9,870)	(77,353)	3,341	20,457	239,699
Fund Balances - Beginning of Year	20,570,700	9,870	189,858	122,667	28,716	20,921,811
Fund Balances - End of Year	$ 20,873,824	$ -	$ 112,505	$ 126,008	$ 49,173	$ 21,161,510

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

County of Henry, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2008

Net change in fund balances - total Governmental Funds		$ 239,699
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 depreciation exceeded capital outlays in the current period.		
Capital outlays	$ 2,171,227	
Depreciation expense	(2,010,383)	
		160,844
Revenues in the statement of activities that do not provide current financial resources are deferred in the fund statements. This negative amount represents that there were additional amounts deferred in the prior year which were recorded as revenue in the fund statements in the current year, but had already been recognized in the statement of activities during the previous year.		112,699
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Assets.		
Proceeds from issuance of debt, including premium	(2,864,082)	
Repayment of principal	1,767,895	
Change in accrued interest	(19,378)	
Net Adjustment		(1,115,565)
Construction of the new school building renovations requires that the building and related debt be held by the primary government until the debt is paid off. Therefore, the restricted cash held by the school and the construction in progress has to be transferred to the County.		
Construction account	(2,255,330)	
Construction in progress for the school building renovations	7,930,026	
		5,674,696
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:		
Landfill obligation	315,256	
Compensated absences	(143,842)	
Net Adjustment		171,414
Change in net assets of governmental activities		$ 5,243,787

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

County of Henry, Virginia

Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2008

	Agency Funds				
	Special Welfare	**Southern Virginia Recreation Facilities Authority**	**Seizure**	**Jail Inmate**	**Total**
Assets					
Cash - unrestricted	$ 16,670	$ -	$ 31,812	$ 42,802	$ 91,284
Accounts receivable, net	-	2,137	-	-	2,137
Due from primary government	-	87,313	-	-	87,313
Capital assets, net	-	417,637	-	-	417,637
Total Assets	$ 16,670	$ 507,087	$ 31,812	$ 42,802	$ 598,371
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 3,014	$ -	$ -	$ 3,014
Deferred revenue	-	85,621	-	-	85,621
Accrued liabilities	-	46	-	-	46
Amounts held for others	16,670	-	31,812	42,802	91,284
Total Liabilities	16,670	88,681	31,812	42,802	179,965
Fund Balances					
Unreserved/Undesignated	-	418,406	-	-	418,406
Total Fund Balances	-	418,406	-	-	418,406
Total Liabilities and Fund Balances	$ 16,670	$ 507,087	$ 31,812	$ 42,802	$ 598,371

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

County of Henry, Virginia

Notes to Financial Statements

Year Ended June 30, 2008

1 Organization and Nature of Operations

Narrative Profile

The County of Henry, Virginia (the "County") has a population of approximately 57,930 living within an area of 382 square miles. The County is located in the foothills of the Blue Ridge Mountains, in the southern Piedmont region of Virginia. The borders are shared with Patrick County to the west, Franklin County to the north, Pittsylvania County to the east, and the North Carolina line to the south.

The County was named for Patrick Henry, who lived there from 1780 to 1784. They originally were part of Pittsylvania County, but then went on their own in 1777.

Reporting Entity

The County of Henry, Virginia (the "County") is governed under the County Administration-Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

2 Summary of Significant Accounting Policies

The financial statements of the County of Henry, Virginia and its component units 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 of America as specified by the Governmental Accounting Standards Board (GASB). The more significant of the County's accounting policies are described below.

A. ***Financial Reporting Entity***

The County follows GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments.* GASB Statement No. 34 adds the following components to the financial statements:

—Management's Discussion and Analysis: A narrative introduction and analytical overview of the County's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.

—Government-Wide Financial Statements: These include the financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Activities.

—Statement of Net Assets: The Statement of Net Assets displays the financial position of the primary government (government) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and 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 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).

—Budgetary Comparison Schedules: Demonstrating compliance with the legally adopted budget is an important component of a government's accountability to the public. Many citizens participate 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. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and, therefore, data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

B. Government-Wide and Fund Accounting Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund accounting financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or major individual funds (within the fund financial statements). The focus is on both the County as a whole and the fund accounting financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category), and the Component Units. Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that 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. 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, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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. The fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

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 County's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in fiscal year 2008:

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Each fund is considered a major fund because each one has a legally adopted budget. The individual Governmental Funds are:

a. *General Fund*

The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes. A significant part of the General Fund's revenue is transferred to other funds and component units, principally to finance the operations of the County's Public Schools.

b. *Comprehensive Services Act Fund*

The Comprehensive Services Act Fund accounts for revenue derived from the Commonwealth of Virginia for the care of the localities' special needs children. This special revenue fund is considered a major governmental fund for reporting purposes.

c. *E-911 Central Dispatch Fund*

The E-911 Central Dispatch Fund accounts for the financial transactions associated with the operation of the County's 911 Emergency Services Center. Revenues are primarily derived from the consumers' E-911 telephone tax and reimbursements from the City of Martinsville, the State Compensation Board and Virginia Wireless Board. This special revenue fund is considered a major governmental fund for reporting purposes.

d. *Law Library Fund*

The Law Library Fund accounts for revenue received from other funds for the use of the library. This special revenue fund is considered a major governmental fund for reporting purposes.

e. *Capital Projects Fund*

The Capital Projects Fund accounts for all financial resources used for the acquisition or construction of major capital facilities. This fund is considered a major governmental fund for reporting purposes.

2. Proprietary Fund

The County has no proprietary funds at this time.

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Special Welfare Fund is used to account for funds held for the benefit of children under the County's care. The Jail Inmate Fund accounts for funds received and disbursed for the benefit of the jail's inmates. The Southern Virginia Recreation Facilities Authority accounts for activities for the joint activity between Martinsville and Henry County.

C. Discretely Presented Component Units

Henry County School Board (the "School Board") is organized as an independently governed school system for operating the public schools in the County. Citizens of the County elect school board members. The School Board is financially dependent on appropriations by the County Board of Supervisors for current operations, with any surplus funds returned to the County annually. In addition, major capital improvements are financed by long-term debt issued by the County. In accordance with requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, the School Board is considered to be a major component unit of the County. The government-wide statements are shown on the Statement of Net Assets and the Statement of Activities, and the School Board governmental fund combining statements are shown in the Other Supplementary Information section.

The Industrial Development Authority of Henry County, Virginia (the "IDA") operates as an enterprise activity by assisting local industry with bond financing. The IDA is a legally separate organization; however, the Board of Supervisors of the County appoints all of the IDA's Board, and the County is legally obligated for the debts of the IDA. The IDA is presented as a discretely presented component unit for reporting purposes. The government-wide statements are shown on the Statement of Net Assets and the Statement of Activities and the governmental fund statements are shown in the Other Supplementary Information section.

The Henry-Martinsville Social Services Board (the "HMSS") operates the Department of Social Services for both the County and the City. This joint entity was established June 1, 1997. Of the nine board members, the County appoints six. The County is financially accountable for HMSS because it appoints a majority of the board members and because the County is legally obligated to finance the deficits of, and provide financial support to, the Board. The County and the City have an agreement in which the City will reimburse the County for their share of administrative, operating, and maintenance costs that are unreimbursed by state or federal grants. The government-wide statements are shown on the Statement of Net Assets and the Statement of Activities, and the governmental fund statements are shown in the Other Supplementary Information section. These entities are collectively included and referred to as the "County."

D. Related Organizations

The primary function of Henry County Public Service Authority (the "HCPSA") is to provide water and sewer services to areas of the County. The HCPSA Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for HCPSA comes from state and federal grants as well as from charges for services. The County provides some financial assistance, but HCPSA is not financially dependent on the County. Each member of the Board of Supervisors appoints one board member of the HCPSA from the members of their district. While not a component unit of the County, HCPSA is considered to be a related organization since the County has determinable ongoing financial interests in or responsibilities for HCPSA. The County contributed $406,800 to the Authority for fire hydrant rental during the year as well as $446,651 for the Patriot Center Waterline.

E. Basis of Accounting

The government-wide Statements of Net Assets and Statement of Activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Assets.

The Statement of Fiduciary Assets and Liabilities is presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet in the funds statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The fund financial statements of the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term "available" is limited to collections within sixty days after the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Investment income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures are recorded when the fund liability is incurred.

F. Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, and Capital Projects funds. Encumbrances which are carried over to the subsequent year are recorded as a designation of fund balance.

G. Cash and Cash Equivalents

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

H. Allowance for Uncollectible Accounts

The County calculates its allowance based on historical data. The allowance amounted to approximately $2,301,637 at June 30, 2008 and is comprised solely of property taxes.

The IDA calculated an allowance of $714,957 at June 30, 2008 based on the amount determined to be collectible.

The other component units' accounts receivable are considered fully collectible, and, therefore, an allowance for uncollectible accounts is not applicable to those receivables.

I. Land and Building – Held for Sale

The IDA has land and building that are held for resale to potential industries in the County. The assets are recorded at cost. Periodically, incidental rent is received for the use of these facilities.

J. Capital Assets

Capital outlays are recorded as expenditures of the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, and Capital Projects funds and as assets in the government-wide financial statements to the extent the County's capitalization thresholds are met. The capitalization threshold for capitalizing capital assets is $5,000 and $100,000 for building additions. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation is recorded on general capital assets on a government-wide basis.

In the fund financial statements, maintenance, repairs, and minor equipment costs are charged to operations when incurred. Expenditures that meet the County's capitalization policy and materially change capacities or extend useful lives are capitalized in the government-wide financial statements. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

K. Compensated Absences and Other Employee Benefits

Expenditures for compensated absences, hospitalization and workers' compensation insurance in governmental funds are recorded when the obligations are paid. The current portions are not recorded as liabilities in governmental funds since these will not be liquidated with expendable available financial resources. The liability for compensated absences and other employee benefits is shown on the statement of net assets as part of long-term liabilities.

Compensated Absences

County employees earn vacation based on length of service and sick leave at the rate of one day per month. Twenty-five percent of the amount for unused sick leave is paid for upon termination. All accumulated unused vacation is paid upon termination.

Group Hospitalization

All permanent employees of the County, including elected officials and their staff, are eligible to participate in the County's group insurance program. The County contributes the entire premium for active participating employees.

Other Postemployment Benefits

All permanent employees of the County, with 15 years of service, are eligible to continue their hospitalization and group life insurance into retirement. The County does not contribute to the cost of this insurance.

L. Long-Term Debt

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

M. Fund Balance

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reservations of Fund Balance

Except for those required to comply with accounting standards, any reservations and designations of the General Fund balance reflect a Board of Supervisors action in the context of adoption of the County's budget.

Encumbrances

These fund balances have been reserved for goods and services encumbered or ordered, before the end of the fiscal year, for which delivery of goods and services have not been made prior to the close of the fiscal year.

Approved Capital Projects

These balances are reserved for capital projects that the Board of Supervisors has already approved.

3 Deposits and Investments

Deposits

All cash of the County and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia* (the "*Code*") or covered by Federal Depository Insurance.

Investments

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

The County has invested bond proceeds subject to rebate of arbitrage earnings in SNAP. SNAP is an open-end management investment company registered with the SEC designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. This program provides comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities, and towns.

Interest Rate Risk

At year end, the County is only invested in SNAP, which has a dollar weighted average portfolio maturity of 90 days and money market funds which are readily available.

Custodial Credit Risk

As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the County's investments are held in a bank's trust department in the County's name by the County's designated custodian. All investment activity during the year was in securities of the type held at year end.

The above items are reflected in the statements as follows:

	Primary Government	Fiduciary Funds	Component Units: School Board	Component Units: Industrial Development Authority	Component Units: Henry-Martinsville Social Services	Total
Fund Statements						
Deposits and Investments						
Cash on hand	$ 1,125	$ -	$ -	$ -	$ -	$ 1,125
Deposits	20,855,108	91,284	3,783,134	2,521,271	59,353	27,310,150
	$ 20,856,233	$ 91,284	$ 3,783,134	$ 2,521,271	$ 59,353	$ 27,311,275
Statement of Net Assets						
Deposits and Investments						
Cash and cash equivalents	$ 20,856,233	$ -	$ 1,587,690	$ 769,149	$ 59,353	$ 23,272,425
Restricted cash	1,216,634	-	978,810	1,752,122	-	3,947,566
Fiduciary fund cash	-	91,284	-	-	-	91,284
	$ 22,072,867	$ 91,284	$ 2,566,500	$ 2,521,271	$ 59,353	$ 27,311,275

Credit Risk

State statute requires that obligations of the Commonwealth of Virginia and its political subdivisions have a debt rating of at least AA by Standard & Poor's (S&P) or equivalent by Moody's Investors Service (Moody's). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102 percent of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rated at least A-1 by S&P and P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P and Aa by Moody's. Money market mutual funds must trade on a constant net asset value and invest solely in securities otherwise eligible for investment under these guidelines.

Concentration of Credit Risk

Although the intent of the County is to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the County places no limit on the amount it may invest in any one issuer.

4 Property Taxes Receivable

The County levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the County Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of Henry County. The Commonwealth of Virginia assesses public utility property. Neither the County nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and real estate is reassessed every four years. The Commissioner of Revenue prorates billings for property incomplete as of January 1, but completed during the year. Any taxes paid after the due date is subject to a 10 percent penalty and 8 percent interest charge.

Real estate taxes are billed annually and due by December 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10 percent per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance.

Personal property tax assessments on tangible business property are based on 71 percent of cost and all motor vehicles are based on 100 percent of loan value of the property as of January 1 of each year. Personal property taxes do not create a lien on property; however, County vehicle decals, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes. Any taxes paid after the due date is subject to a 10 percent penalty and 8 percent interest charge.

Property taxes receivable are included as deferred revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period.

Any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the County receives taxpayers' payments in fiscal year 2008 from the State for its share of the local personal property tax payment (for personal use motor vehicles), with the remainder collected by the County.

5 Capital Assets

The table below is a summary of the changes in capital assets for the fiscal year ended June 30, 2008:

Primary Government

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital Assets Not Being Depreciated				
Land and land improvements	$ 1,331,133	$ 80,338	$ -	**$ 1,411,471**
Construction in progress	1,537,450	1,723,390	1,759,432	**1,501,408**
Construction in progress - school renovations	5,960,471	7,976,846	3,554,363	**10,382,954**
Total Capital Assets Not Being Depreciated	8,829,054	9,780,574	5,313,795	**13,295,833**
Capital Assets, Depreciable				
Buildings and improvements	21,071,626	1,419,519	-	**22,491,145**
Buildings and improvements - schools	13,046,482	3,507,543	-	**16,554,025**
Furniture, equipment, and vehicles	8,611,503	707,412	296,108	**9,022,807**
Total Capital Assets - Depreciable	42,729,611	5,634,474	296,108	**48,067,977**
Less: Accumulated depreciation for				
Land and land improvements	6,908	3,454	-	**10,362**
Buildings and improvements	8,477,473	629,019	-	**9,106,492**
Buildings and improvements - schools	1,967,670	412,720	-	**2,380,390**
Furniture, equipment, and vehicles	6,159,775	965,190	296,108	**6,828,857**
Total Accumulated Depreciation	16,611,826	2,010,383	296,108	**18,326,101**
Other Capital Assets, Net	26,117,785	3,624,091	-	**29,741,876**
Net Capital Assets	$ 34,946,839	$ 13,404,665	$ 5,313,795	**$ 43,037,709**

Depreciation expense was allocated as follows:

General government administration	$ 149,928
Judicial administration	312,376
Public safety	835,104
Public works	102,421
Health and welfare	51,169
Education	412,720
Parks, recreation, and cultural	119,219
Community development	27,446
Total Depreciation Expense	$ 2,010,383

Component Unit - School Board

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital Assets Not Being Depreciated				
Land and land improvements	$ 742,290	$ -	$ 67,451	**$ 674,839**
Total Capital Assets Not Being Depreciated	742,290	-	67,451	**674,839**
Capital Assets, Depreciable				
Buildings and improvements	35,993,431	523,466	106,380	**36,410,517**
Furniture and equipment	8,698,151	507,667	271,184	**8,934,634**
Total Capital Assets, Depreciable	44,691,582	1,031,133	377,564	**45,345,151**
Less: Accumulated depreciation for				
Land and land improvements	7,367	3,683	-	**11,050**
Buildings and improvements	23,761,718	767,720	106,380	**24,423,058**
Furniture and equipment	6,110,200	655,561	187,028	**6,578,733**
Total Accumulated Depreciation	29,879,285	1,426,964	293,408	**31,012,841**
Other Capital Assets, Net	14,812,297	(395,831)	84,156	**14,332,310**
Net Capital Assets	$ 15,554,587	$ (395,831)	$ 151,607	**$ 15,007,149**

Depreciation is allocated as follows:	
Instruction	$ 10,994
Administration, attendance, and health	21,690
Pupil transportation	482,275
Operation and maintenance	59,869
Cafeterias	60,877
Facilities	757,902
Technology	33,357
Total Depreciation Expense	$ 1,426,964

Component Unit - Henry-Martinsville Social Services

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Other Capital Assets				
Machinery and equipment	$ 248,124	$ -	$ 34,400	**$ 213,724**
Total Other Capital Assets	248,124	-	34,400	**213,724**
Less: Accumulated depreciation for				
Machinery and equipment	201,540	18,506	34,400	**185,646**
Total Accumulated Depreciation	201,540	18,506	34,400	**185,646**
Other Capital Assets, Net	46,584	(18,506)	-	**28,078**
Net Capital Assets	$ 46,584	$ (18,506)	$ -	**$ 28,078**

Component Unit – Industrial Development Authority

The Industrial Development Authority had no depreciable property at June 30, 2008 because it is held for resale. However, it has begun construction of a radio system that will be depreciable once completed. The costs to date are $2,676,042.

Primary Government

Capital assets are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated lives of the assets as follows:

Buildings	45 years
Equipment	5-60 years
Infrastructure	25-45 years

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

6 Commitments and Contingencies

A. Litigation

The County is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of County management and the County Attorney that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material.

B. Federally Assisted Grant Programs

The County participates in a number of federally assisted grant programs. Although the County has been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, County management believes such disallowances, if any, will not be significant.

C. Performance Agreements

The County has signed performance agreements with various companies that have located within the County. As part of many of these agreements, the County has agreed to pay cash incentives to the companies. As of June 30, 2008, the County has outstanding commitments for future payments under these agreements as follows:

Year Ended June 30,	Commitment
2009	$ 1,250,450
2010	1,001,800
	$ 2,252,250

D. *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; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool and Virginia Association of Counties Group Self-Insurance Risk Pool, both public entity risk pools currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss creating a deficit and depletion of all available excess insurance, the pool 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 insurance for all other risks of loss, including employee health, dishonesty, and surety bond insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The following Constitutional Officers and County employees are covered by surety bonds issued in the amounts shown as of June 30, 2008:

Treasurer	$ 750,000
Commissioner of Revenue	3,000
Clerk of Circuit Court	124,000
Sheriff	30,000
Employees of above officers - blanket bond	1,000,000
County Administrator	1,000,000
Employees of County and Board members - blanket bond	1,000,000
Clerk of the School Board	10,000
Director of Public Welfare	100,000
Employees of Social Services - blanket bond	100,000

7 Long-Term Debt

A. *Bonds Payable*

The schedule below represents long-term debt payable at June 30, 2008:

Primary Government

Description	Original Issue	Annual Amount	Interest Rate %	Maturity	Outstanding June 30, 2008
General Obligation Bonds - 2002	$ 6,040,000	$ 595,000	3.00-5.00	2014	**$ 4,680,000**
Va. Public School Authority Bonds - 2007B	2,711,471	102,163	5.10	2028	**2,711,471**
Va. Public School Authority Bonds - 2006	6,009,728	247,012	4.60-5.10	2027	**5,780,561**
Va. Public School Authority Bonds - 2005	2,342,487	97,829	4.60-5.10	2026	**2,157,699**
Va. Public School Authority Bonds - 1994	1,565,000	100,000	6.00-8.60	2009	**100,000**
Va. Public School Authority Bonds - 1995	1,916,194	100,862	5.10-6.10	2016	**891,363**
Magna Vista Literary Loan - 1994	2,000,000	100,000	3.00	2010	**200,000**
Sanville Elementary Literary Loan - 1998	2,080,772	104,039	2.00	2018	**1,040,382**
Laurel Park Literary Loan - 1998	1,387,370	69,500	2.00	2018	**692,370**
Rich Acres Literary Loan - 1998	2,462,218	122,750	2.00	2018	**1,234,718**
Stanleytown Literary Loan - 1998	2,425,951	120,000	2.00	2018	**1,225,951**
Fieldale-Collinsville Literary Loan - 1998	2,500,000	125,000	2.00	2019	**1,375,000**
					$ 22,089,515

Component Unit - Industrial Development Authority

Description	Original Issue	Annual Amount	Interest Rate %	Maturity	Outstanding June 30, 2008
Public Improvement Bond - Series 2007	$ 4,000,000	$ 336,422	3.79	2018	$ 4,000,000
Public Improvement Equipment Lease Revenue Bond, Series 2008	4,400,000	567,124	3.39	2015	4,400,000
					$ 8,400,000

B. *Governmental Obligation*

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Assets for the year ended June 30, 2008:

Primary Government

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
General obligations bonds - County	$ 5,260,000	$ -	$ 580,000	$ **4,680,000**	$ 595,000
General obligations bonds - public schools	9,452,963	2,711,471	523,340	**11,641,094**	647,866
Literary Fund loans	6,409,710	-	641,289	**5,768,421**	641,289
Subtotal	21,122,673	2,711,471	1,744,629	**22,089,515**	1,884,155
Add: Bond premiums	306,150	152,611	23,266	**435,495**	15,635
Subtotal after premiums	21,428,823	2,864,082	1,767,895	**22,525,010**	1,899,790
Landfill closure monitoring	749,904	-	315,256	**434,648**	-
Compensated absences	1,594,445	143,842	-	**1,738,287**	-
	$ 23,773,172	$ 3,007,924	$2,083,151	$ **24,697,945**	$1,899,790

Compensated absences expenses are allocated by department and by fund. The change in compensated absences for the Statement of Activities is charged to general government.

Debt service on the preceding long-term debt in future years is as follows:

Primary Government

Fiscal Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	General Obligation Bonds - School Board Principal	General Obligation Bonds - School Board Interest	Literary Fund Loans Principal	Literary Fund Loans Interest	Totals Principal	Totals Interest
2009	$ 595,000	$ 183,888	$ 647,866	$ 578,682	$ 641,289	$ 117,371	$ 1,884,155	$ 879,941
2010	615,000	162,713	566,308	520,443	641,289	103,545	1,822,597	786,701
2011	640,000	139,950	579,013	491,238	541,289	89,720	1,760,302	720,908
2012	665,000	114,650	592,383	461,367	541,289	78,894	1,798,672	654,911
2013	690,000	87,550	606,181	431,070	541,289	68,068	1,837,470	586,688
2014-2018	1,475,000	74,625	3,005,211	1,688,541	2,736,976	177,953	7,217,187	1,941,119
2019-2023	-	-	2,971,150	986,349	125,000	2,500	3,096,150	988,849
2024-2028	-	-	2,672,982	269,269	-	-	2,672,982	269,269
	$ 4,680,000	$ 763,376	$ 11,641,094	$ 5,426,959	$ 5,768,421	$ 638,051	$ 22,089,515	$ 6,828,386

C. *General Obligation Debt Limit*

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxable real property on the amount of general obligation borrowing which a County may issue.

The legal debt margin of the County at June 30, 2008 is computed as follows:

Total assessed value of taxed real property	$ 2,488,039,444
Debt limits per Constitution of Virginia - 10% assessed value	$ 248,803,944
Amount of debt applicable to debt limit:	
Gross debt	22,089,515
Legal debt margin - June 30, 2008	$ 226,714,429

[(1)]Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes capital leases, landfill closure, postretirement health care benefits, and compensated absences.

D. *Component Units*

Following is a summary of the changes in long-term liabilities that are recorded in the component units for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
School Board					
Compensated absences	$ 495,267	$ 38,499	$ -	**$ 533,766**	$ -
Henry-Martinsville Social Services					
Compensated absences	$ 354,513	$ 9,028	$ -	**$ 363,541**	$ -
Industrial Development Authority					
Revenue Anticipation Note	$ 187,000	$ -	$ 187,000	**$ -**	$ -
Series 2006 Lease Revenue Bonds	733,047	-	733,047	**-**	-
Public Improvement Bond - Series 2007	-	4,000,000	-	**4,000,000**	336,422
Public Improvement Equipment Lease Revenue Bond, Series 2008	-	4,400,000	-	**4,400,000**	567,124
Total	$ 920,047	$ 8,400,000	$ 920,047	**$ 8,400,000**	$ 903,546

Estimated principal maturities for future years ended June 30 follows:

Fiscal Year Ending June 30,	Principal	Interest
2009	$ 903,546	$ 289,619
2010	935,684	257,238
2011	968,969	223,703
2012	1,003,441	188,971
2013	1,039,143	152,999
2014-2018	3,549,217	271,480
	$ 8,400,000	$ 1,384,010

8 Interfund Receivables/Payables

	Interfund Receivable	Interfund Payable
County of Henry, Virginia		
General Fund	$ 422,346	$ 138,120
Comprehensive Services Act Fund	8,288	-
E-911 Central Dispatch Fund	-	426,505
Law Library Fund	129,832	-
Capital Projects Fund	4,159	-
	$ 564,625	$ 564,625
Component Units Interfund Accounts - Due to/from's		
Due from Industrial Development Authority to County	$ 3,601,429	$ -
Due from Social Services to County	473,394	-
Due from School Cafeteria to County	26,802	-
Due from County to School	-	1,660,510
Due to School from County	1,660,510	-
Due to County from School Cafeteria		26,802
Due to County from Industrial Development Authority	-	3,601,429
Due to County from Social Services	-	473,394
	$ 5,762,135	$ 5,762,135

	Transfers In	Transfers Out
County of Henry, Virginia		
General Fund		
From General Fund to Comprehensive Services	$ -	$ 184,256
Comprehensive Services Act Fund		
From General Fund to Comprehensive Services	184,256	-
	$ 184,256	$ 184,256

	Transfers In	Transfers Out
County of Henry, Virginia to Component Units		
Primary Government - County of Henry, Virginia		
To Component Unit - Social Services	$ -	$ 536,068
To Component Unit - Industrial Development Authority	-	3,053,097
To Component Unit - School Board	-	16,796,945
Component Unit - Social Services		
From Primary Government - County of Henry, Virginia	536,068	-
Component Unit - Industrial Development Authority		
From Primary Government - County of Henry, Virginia	3,053,097	-
Component Unit - School Board		
From Primary Government - County of Henry, Virginia	16,796,945	-
	$ 20,386,110	$ 20,386,110

	Transfers In	Transfers Out
Component Unit - School Board		
School Fund		
From School to School Textbook Fund	$ -	$ 556,661
From School to School Cafeteria Fund	-	73,870
School Textbook Fund		
From School to School Textbook Fund	556,661	-
School Cafeteria Fund		
From School to School Cafeteria Fund	73,870	-
	$ 630,531	$ 630,531

9 Due from Other Governments

	County of Henry, Virginia	Industrial Development Authority	School Board	Henry-Martinsville Social Services
Commonwealth of Virginia				
Local sales taxes	$ 713,270	$ -	$ 1,418,712	$ -
Communications tax	559,370	-	-	-
Auto rental tax	31,891	-	-	-
Mobile home tax	22,986	-	-	-
Compensation Board	508,682	-	-	-
Recordation tax	18,076	-	-	-
Motor vehicle carrier tax	38,292	-	-	-
School funds	-	-	91,037	-
Educational technology	-	-	492,000	-
School lunch and breakfast program	-	-	26,976	-
Development funds	45,014	211,000	-	-
Other reimbursements	23,433	-	-	-
Public assistance	-	-	-	457,707
	1,961,014	211,000	2,028,725	457,707
Federal Government				
Title VIB	-	-	464,241	-
Preschool handicapped	-	-	23,553	-
Title I	-	-	375,705	-
Title II	-	-	19,749	-
Title III	-	-	132,477	-
Other reimbursements	41,002	-	145,421	-
	41,002	-	1,161,146	-
City of Martinsville, Virginia				
E-911 Taxes	296,309	-	-	-
	$ 2,298,325	$ 211,000	$ 3,189,871	$ 457,707

10 Defined Benefit Pension Plan

A. *Plan Description*

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 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85 percent to sheriffs and if the employer elects, to 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 increases limited to 5 percent per year beginning in their second year of retirement. 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/2007AnnuRept.pdf or obtained by writing to the System at P. O. Box 2500, Richmond, Virginia 23218-2500.

B. *Funding Policy*

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5 percent of their annual salary to the VRS. The employer may assume this 5 percent member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2008 was 6.64 percent of annual covered payroll. The Component Unit – School Board's contribution rate for non-professional employees for the fiscal year ended 2008 was 7.18 percent of annual covered payroll. The Component Unit – School Board contributed $3,531,601 to the teacher cost-sharing pool at a rate of 10.3 percent.

C. *Annual Pension Cost*

For fiscal year 2008, the County's and the County School Board non-professionals' annual employer pension cost of $952,625 and $373,255, respectively, was equal to the County's required and actual contributions.

Three-Year Trend Information for County

	Fiscal Year Ended	*Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County	June 30, 2006	$ 862,236	100%	$ -
	June 30, 2007	848,314	100%	-
	June 30, 2008	**952,625**	**100%**	**-**
School Board	June 30, 2006	$ 440,337	100%	$ -
Non-Professional	June 30, 2007	368,378	100%	-
	June 30, 2008	**373,255**	**100%**	**-**

***Required employer cost only.**

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50 percent investment rate of return, (b) projected salary increases ranging from 3.75 percent to 5.73 percent per year, and (c) 2.50 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

D. ***Funded Status and Funding Progress***

As of June 30, 2007, the most recent actuarial valuation date, the plan was 94.53 percent funded. The actuarial accrued liability for benefits was $48,921,679, and the actuarial value of assets was $46,244,967, resulting in an unfunded actuarial accrued liability (UAAL) of $2,676,712. The covered payroll (annual payroll of active employees covered by the plan) was $12,966,207, and ratio of the UAAL to the covered payroll was 20.64 percent.

For the nonprofessional School Board, as of June 30, 2007, the most recent actuarial valuation date, the plan was 91.52 percent funded. The actuarial accrued liability for benefits was $15,288,892, and the actuarial value of assets was $13,993,130, resulting in an unfunded actuarial accrued liability (UAAL) of $1,295,762. The covered payroll (annual payroll of active employees covered by the plan) was $5,036,775, and ratio of the UAAL to the covered payroll was 25.73 percent.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
County of Henry, Virginia						
June 30, 2005	$ 38,288,414	$ 41,193,392	$ 2,904,978	92.95%	$ 11,608,484	25.02%
June 30, 2006	41,208,785	42,077,205	868,420	97.94%	12,400,546	7.00%
June 30, 2007	**46,244,967**	**48,921,679**	**2,676,712**	**94.53%**	**12,966,207**	**20.64%**
Component Unit - School Board						
June 30, 2005	11,854,935	13,349,309	1,494,374	88.81%	3,574,927	41.80%
June 30, 2006	12,564,743	13,425,181	860,438	93.59%	4,922,706	17.48%
June 30, 2007	**13,993,130**	**15,288,892**	**1,295,762**	**91.52%**	**5,036,775**	**25.73%**

Notes to Required Supplementary Information

This information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	County	Component Unit - School Board
Valuation Date	June 30, 2007	June 30, 2007
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent, Open	Level Percent, Open
Payroll Growth Rate	2.50%	2.50%
Remaining Amortization Period	20 years	20 years
Asset Valuation Method	Modified Market	Modified Market
Actuarial Assumptions		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]		
NonLaw Enforcement Officer Employees	3.75% to 5.60%	3.75% to 5.60%
Law Enforcement Officer Employees	3.50% to 4.75%	3.50% to 4.75%
Cost-of-living adjustments	2.50%	2.50%

[1]Includes inflation of 2.50%.

11 Landfill Post-Closure Care Cost

The County maintains a landfill, which was closed in 1993. In accordance with state and federal laws and regulations, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions at the site for a minimum of ten years after closure. A high concentration of methane has been detected at the landfill; therefore, the Department of Environmental Quality ("DEQ") has required an additional monitoring period as well as the installation of certain equipment at the landfill for remediation of the high methane concentrations. The County expects the methane monitoring to continue for approximately twenty years. The County is currently in compliance with groundwater protection standards and, as such, expects the DEQ to allow the County to stop groundwater monitoring within the next two years.

The $434,648 reported as landfill post-closure care liability at June 30, 2008 represents what it would cost to perform all post-closure care in 2008. The estimated liability is based on the DEQ accepting the active remedy proposed by the County. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

12 Revenue Anticipation Note

On January 17, 2007, the County issued revenue anticipation notes, Series 2007 in the amount of $3,484,000 carrying an interest rate of 3.47 percent. The County made a principal payment on the note of $353,000 during fiscal year 2007. The note was paid in full on January 8, 2008. The proceeds of this note were used for cash management purposes.

On January 15, 2008, the County issued revenue anticipation notes, Series 2008 in the amount of $4,500,000 carrying an interest rate of 2.99 percent. The principal balance is due on January 15, 2009. The proceeds of this note were used for cash management purposes.

13 Notes Receivable – Component Unit

The Component Unit – Industrial Development Authority has a note receivable from a company in the amount of $3,327,993. It is paid in accordance with a bankruptcy decree with no interest.

14 Budgets and Budgetary Accounting

Prior to April 18, 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 budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30, the budget is legally adopted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board and Henry-Martinsville Social Services are authorized to transfer budgeted amounts within each of their respective budget categories. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

15 Deferred Revenues

Governmental funds report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet recognizable. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
General fund			
Taxes	$ 1,071,219	$ -	$ 1,071,219
Business licenses	37,340	-	37,340
Meals tax	45,023	-	45,023
Deposits and prepayments on miscellaneous accounts	66,361	-	66,361
Grant Draw Downs Prior to Meeting All Eligibility Requirements	-	19,780	19,780
Total	$ 1,219,943	$ 19,780	$ 1,239,723
Component Unit - School Board			
Grant Draw Downs Prior to Meeting All Eligibility Requirements	$ -	$ 86,390	$ 86,390
Component Unit - Industrial Development Authority			
Grant Draw Downs Prior to Meeting All Eligibility Requirements	$ -	$ 61,658	$ 61,658

16 Appropriations from General Fund

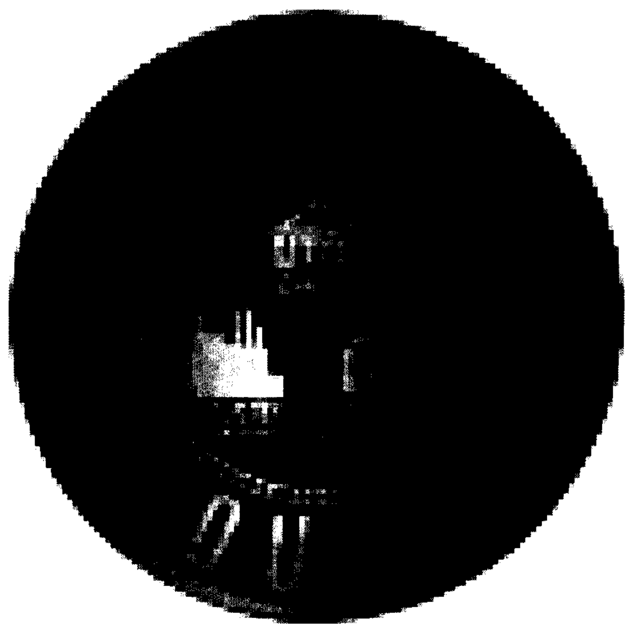
Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide statements:

	School Board
Appropriation from General Fund	$ 16,796,945
Debt proceeds received for construction on school building renovations (includes premium)	2,864,082
Depreciation expense on the school buildings related to the debt on the school buildings in the County's name	412,720
Transfer of school construction in progress since the County owns the buildings until the debt is paid off	(7,930,026)
Transfer of restricted cash for school construction	2,255,330
Debt paid by the School Board for debt held by the County of the school building renovations	(1,805,560)
Appropriation to School Fund per Government-Wide Statements	$ 12,593,491

17 New Accounting Standard

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities in the financial statements. Management has not completed the process of evaluating the impact that will result from adoption of the standard, and is, therefore, unable to disclose the impact of adoption. The Statement becomes effective for the County during the fiscal year ending June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION



County of Henry, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Current year property taxes	$ 21,079,775	$ 21,079,775	$ 20,870,430	$ (209,345)
Penalties - all tax years	255,000	255,000	252,219	(2,781)
Interest - all tax years	160,000	160,000	133,520	(26,480)
Total General Property Taxes	21,494,775	21,494,775	21,256,169	(238,606)
Other Local Taxes				
Local sales and use taxes	4,000,000	4,000,000	4,124,105	124,105
Consumer utility tax	4,420,000	4,420,000	2,902,988	(1,517,012)
Business license taxes	1,476,800	1,476,800	1,542,534	65,734
Franchise license taxes	243,450	243,450	-	(243,450)
Motor vehicle licenses	1,046,927	1,046,927	977,088	(69,839)
Bank franchise taxes	214,371	214,371	160,785	(53,586)
Transient occupancy taxes	102,000	102,000	110,215	8,215
Taxes on recordation and wills	255,000	255,000	291,772	36,772
Restaurant food taxes	1,773,000	1,773,000	1,886,760	113,760
Total Other Local Taxes	13,531,548	13,531,548	11,996,247	(1,535,301)
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	10,234	10,234	14,470	4,236
Building and related permits	122,000	122,000	78,713	(43,287)
Other permits, licenses, and fees	7,375	7,375	7,445	70
Total Permits, Privilege Fees, and Regulatory Licenses	139,609	139,609	100,628	(38,981)
Fines and Forfeitures				
Court fines and forfeitures	238,210	238,210	208,384	(29,826)
Revenue from Use of Money and Property				
Revenue from use of money	700,000	700,000	659,786	(40,214)
Revenue from use of property	202,300	202,300	198,246	(4,054)
Total Revenue from Use of Money and Property	902,300	902,300	858,032	(44,268)
Charges for Services				
Court costs	920	920	141	(779)
Sheriff fees	15,454	15,454	24,815	9,361
Excess fees of clerk	1,040	1,040	-	(1,040)
Commonwealth's attorney	2,900	2,900	2,995	95
County and hired attorneys	57,800	57,800	95,194	37,394
Law enforcement and traffic control	37,000	54,190	59,638	5,448
Charges for sanitation and waste removal	53,172	53,172	55,469	2,297
Animal warden	630	630	680	50
Demolition fees	-	-	185	185
Parks and recreation	43,000	43,000	44,626	1,626
Utility bill collection	12,000	12,000	11,883	(117)
Miscellaneous other charges for services	2,400	2,400	2,939	539
Total Charges for Services	226,316	243,506	298,565	55,059

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Recovered Costs				
Jail costs - Commonwealth of Virginia	541,000	541,000	541,195	195
Salary - court secretary	25,000	25,000	24,719	(281)
City share of extension services	9,000	9,000	4,500	(4,500)
School share of school resource officer	266,559	266,559	262,393	(4,166)
M/HC Economic Development Corporation	813,237	813,237	917,939	104,702
Harvest Foundation Grant	-	75,470	59,443	(16,027)
Donations and special gifts	-	500	500	-
Transportation Grants	53,492	68,389	53,384	(15,005)
Other recovered costs	-	-	19,674	19,674
Insurance recoveries	-	15,383	34,343	18,960
Miscellaneous refunds	290,398	512,482	538,899	26,417
Total Recovered Costs	1,998,686	2,327,020	2,456,989	129,969
Miscellaneous	3,500	3,500	27,622	24,122
Intergovernmental				
Revenue from the Commonwealth of Virginia				
Noncategorical Aid				
ABC profits	33,477	33,477	-	(33,477)
Wine taxes	35,000	35,000	-	(35,000)
Rolling stock taxes - motor vehicle carriers tax	33,000	33,000	38,292	5,292
Mobile home titling tax	50,000	50,000	101,578	51,578
Tax on deeds	50,000	50,000	69,719	19,719
Auto rental sales tax	40,800	40,800	85,564	44,764
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
PARA mutual tax	41,500	41,500	46,639	5,139
Communication tax	-	-	1,832,386	1,832,386
Total Noncategorical Aid	2,055,605	2,055,605	3,946,006	1,890,401
Categorical Aid				
Shared Expenses				
Commonwealth's Attorney	574,220	574,220	580,184	5,964
Sheriff and Sheriff's auto	4,257,536	4,257,536	4,359,936	102,400
Commissioner of the Revenue	203,384	203,384	203,132	(252)
Treasurer	204,625	204,625	204,724	99
Medical Examiners	1,000	1,000	-	(1,000)
Electoral Board and General Registrar	42,970	42,970	75,041	32,071
Clerk of Circuit Court	411,402	411,402	441,132	29,730
Total Categorical Aid	5,695,137	5,695,137	5,864,149	169,012
Other Categorical Aid				
Emergency services grant	-	10,478	-	(10,478)
Fire programs fund	-	150,534	150,534	-
Victim witness program	18,000	18,378	20,709	2,331
Transportation grant funds	30,073	29,861	29,861	-
Litter control program	17,744	17,744	21,585	3,841
State EMS Two for Life funds	-	49,091	83,843	34,752

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Other State grants	-	437,289	11,526	(425,763)
Asset forfeiture funds	-	345	3,641	3,296
Total Other Categorical Aid	65,817	713,720	321,699	(392,021)
Total Revenue from the Commonwealth of Virginia	7,816,559	8,464,462	10,131,854	1,667,392
Revenue from the Federal Government				
Payments in lieu of taxes	1,807	1,807	1,884	77
Forfeited property	-	4,999	4,238	(761)
Emergency services	24,874	24,874	24,874	-
Law enforcement grants	-	137,961	62,146	(75,815)
Victim Witness Program	72,000	73,511	82,837	9,326
Transportation grants	51,587	84,673	50,285	(34,388)
HUD grant	-	28,000	28,000	-
Total Revenue from the Federal Government	150,268	355,825	254,264	(101,561)
Total Intergovernmental Revenue	7,966,827	8,820,287	10,386,118	1,565,831
Total Revenues	46,501,771	47,700,755	47,588,754	(112,001)
Expenditures				
Current				
General Government Administration				
Board of Supervisors	143,041	188,178	131,069	57,109
County Administrator	326,860	326,860	322,119	4,741
Independent auditor	50,000	50,000	35,200	14,800
Human resources/training	49,523	49,523	43,229	6,294
County Attorney	134,535	134,535	140,192	(5,657)
Commissioner of Revenue	529,856	529,856	531,459	(1,603)
Assessors	159,202	159,812	129,162	30,650
Treasurer	572,138	592,263	571,944	20,319
Accounting	343,477	343,477	330,809	12,668
Information services	362,559	367,935	329,076	38,859
Central purchasing	184,252	184,252	182,529	1,723
Board of Elections - registrar	249,791	249,791	210,841	38,950
Total General Government Administration	3,105,234	3,176,482	2,957,629	218,853
Judicial Administration				
Circuit Court	84,493	84,493	73,568	10,925
General District Court	19,775	19,775	21,936	(2,161)
Magistrates	4,200	4,200	4,090	110
Juvenile and Domestic Relations	13,590	13,590	9,536	4,054
Clerk of the Circuit Court	661,947	661,947	649,267	12,680
Sheriff Civil and Court Security	910,641	965,040	958,252	6,788

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Victim/Witness Assist	126,378	128,267	127,596	671
Commonwealth's Attorney	734,040	734,040	730,103	3,937
Total Judicial Administration	2,555,064	2,611,352	2,574,348	37,004
Public Safety				
Law enforcement and traffic control	4,964,361	5,130,998	5,088,794	42,204
School resource officer	148,844	148,844	146,263	2,581
Fire and rescue services	1,133,588	1,538,781	1,152,714	386,067
Emergency medical services	186,977	192,631	181,732	10,899
Harvest Rescue	58,320	108,344	97,452	10,892
Harvest Fire	74,945	100,820	92,683	8,137
Fire marshal	264,846	265,176	259,746	5,430
Correction and detention	2,250,355	2,326,948	2,113,303	213,645
Probation	363,724	303,724	165,039	138,685
Code enforcement	320,582	344,017	325,154	18,863
Public safety	114,972	128,613	121,195	7,418
Electronic monitoring	29,663	29,663	27,481	2,182
Animal control	150,230	153,054	138,007	15,047
Other protection	8,051	38,814	18,156	20,658
Total Public Safety	10,069,458	10,810,427	9,927,719	882,708
Public Works				
Maintenance of highways, streets, bridges, sidewalks	57,453	57,453	52,539	4,914
Refuse collection	1,863,340	1,907,328	1,607,592	299,736
Refuse disposal - closure maintenance	48,500	206,600	172,702	33,898
Maintenance of buildings and grounds				
General engineering	241,748	241,748	237,331	4,417
Communication equipment	62,689	62,696	59,064	3,632
Administrative building	343,218	389,395	362,685	26,710
Courthouse	280,755	287,817	266,179	21,638
Sheriff's office	47,675	65,558	67,018	(1,460)
Jail	225,050	227,101	198,017	29,084
Other	183,832	211,109	173,035	38,074
Dupont property	220,092	364,932	354,255	10,677
Total Maintenance of Buildings and Grounds	1,605,059	1,850,356	1,717,584	132,772
Total Public Works	3,574,352	4,021,737	3,550,417	471,320
Health and Welfare				
Henry-Martinsville Social Services	590,589	635,576	536,068	99,508
Health Department	303,743	325,129	325,129	-
Mental health and retardation	126,473	126,473	126,473	-
Transportation grants	135,318	183,047	133,572	49,475
Property tax relief for the elderly	110,000	110,000	81,628	28,372
Group home services	73,343	73,343	73,343	-
Other welfare and social services	74,971	74,971	67,771	7,200
Total Health and Welfare	1,414,437	1,528,539	1,343,984	184,555

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Education				
Contributions to community colleges	65,464	65,464	65,464	-
Contributions to component unit - school board	17,392,841	19,625,402	16,796,945	2,828,457
Total Education	17,458,305	19,690,866	16,862,409	2,828,457
Parks, Recreation, and Cultural				
Parks, recreation, and cultural	858,660	860,451	849,559	10,892
Cultural enrichment	58,000	58,000	58,000	-
Library	849,203	849,203	849,203	-
Total Parks, Recreation, and Cultural	1,765,863	1,767,654	1,756,762	10,892
Community Development				
Planning and community development	268,034	302,234	279,069	23,165
Engineering and mapping	262,854	264,239	254,852	9,387
M/HC Economic Development Corporation	813,237	813,237	718,008	95,229
Economic development agencies	510,000	510,000	510,000	-
Cooperative extension program	55,942	55,942	55,830	112
Henry County Industrial Development Authority	2,279,733	5,961,272	3,053,097	2,908,175
Other community and economic development	133,232	139,232	106,945	32,287
Total Community Development	4,323,032	8,046,156	4,977,801	3,068,355
Nondepartmental				
Employee benefits, pooled vehicles, mobile command	114,602	115,092	20,103	94,989
Contingency reserve	185,156	76,992	-	76,992
Total Nondepartmental	299,758	192,084	20,103	171,981
Capital Projects				
Communication system	836,195	6,682,647	809,584	5,873,063
Construction of police academy building	-	935,787	525,231	410,556
Other miscellaneous capital projects	352,126	1,823,527	890,685	932,842
Total Capital Projects	1,188,321	9,441,961	2,225,500	7,216,461
Debt Service				
Principal	830,000	830,000	580,000	250,000
Interest and other costs	340,600	340,600	324,702	15,898
Total Debt Service	1,170,600	1,170,600	904,702	265,898
Total Expenditures	46,924,424	62,457,858	47,101,374	15,356,484
Excess (Deficiency) of Revenues Over Expenditures	(422,653)	(14,757,103)	487,380	15,244,483

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Other Financing Sources (Uses)				
Proceeds from debt	-	4,800,000	-	(4,800,000)
Transfers to other funds	(327,347)	(345,922)	(184,256)	161,666
Total Other Financing Sources (Uses)	(327,347)	4,454,078	(184,256)	(4,638,334)
Net Change in Fund Balance Before Transfer from Surplus	(750,000)	(10,303,025)	303,124	10,606,149
Transfer from Surplus Funds	750,000	10,303,025	-	(10,303,025)
Net Change in Fund Balance After Transfer from Surplus	$ -	$ -	303,124	$ 303,124
Fund Balance - Beginning of Year			20,570,700	
Fund Balance - End of Year			$ 20,873,824	

Comprehensive Services Act Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Recovered costs	$ 30,435	$ 30,435	$ 30,435	$ -
Intergovernmental				
Revenue from the Commonwealth of Virginia	652,295	652,295	418,604	(233,691)
Revenue from the Federal Government	10,917	10,917	-	(10,917)
Total Intergovernmental Revenue	663,212	663,212	418,604	(244,608)
Total Revenues	693,647	693,647	449,039	(244,608)
Expenditures				
Current				
Health and Welfare				
Welfare and social services	1,020,994	1,020,994	643,165	377,829
Total Expenditures	1,020,994	1,020,994	643,165	377,829
Excess (Deficiency) of Revenues Over Expenditures	(327,347)	(327,347)	(194,126)	133,221
Other Financing Sources (Uses)				
Transfers in	327,347	327,347	184,256	(143,091)
Total Other Financing Sources (Uses)	327,347	327,347	184,256	(143,091)
Net Change in Fund Balance	$ -	$ -	(9,870)	$ (9,870)
Fund Balance - Beginning of Year			9,870	
Fund Balance - End of Year			$ -	

E-911 Central Dispatch Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Recovered costs	$ 303,040	$ 314,872	$ 300,897	$ (13,975)
Intergovernmental				
Revenue from the Commonwealth of Virginia	1,226,401	1,226,401	1,260,343	33,942
Total Intergovernmental Revenue	1,226,401	1,226,401	1,260,343	33,942
Reserve from surplus	-	154,335	-	(154,335)
Total Revenues	1,529,441	1,695,608	1,561,240	(134,368)
Expenditures				
Current				
Public Safety	1,529,441	1,695,608	1,638,593	57,015
Total Expenditures	1,529,441	1,695,608	1,638,593	57,015
Net Change in Fund Balance	$ -	$ -	(77,353)	$ (77,353)
Fund Balance - Beginning of Year			189,858	
Fund Balance - End of Year			$ 112,505	

Law Library Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Charges for services	$ 18,000	$ 18,000	$ 16,251	$ (1,749)
Recovered costs	10,000	10,000	8,471	(1,529)
Reserve to balance budget	-	2,160	-	(2,160)
Total Revenues	28,000	30,160	24,722	(5,438)
Expenditures				
Current				
Judicial administration	28,000	30,160	21,381	8,779
Total Expenditures	28,000	30,160	21,381	8,779
Net Change in Fund Balance	$ -	$ -	3,341	$ 3,341
Fund Balance - Beginning of Year			122,667	
Fund Balance - End of Year			$ 126,008	

Capital Projects Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Recovered costs	$ -	$ -	$ 21,133	$ 21,133
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	-	5,996	5,996
Revenue from the Federal Government	-	411,111	23,985	(387,126)
Total Revenues	-	411,111	51,114	(359,997)
Expenditures				
Current				
Community Development	-	429,686	30,657	399,029
Total Expenditures	-	429,686	30,657	399,029
Net Change in Fund Balance Before Transfers	-	(18,575)	20,457	39,032
Transfer from Other funds	-	18,575	-	(18,575)
Net Change in Fund Balance Before Transfers	$ -	$ -	20,457	$ 20,457
Fund Balance - Beginning of Year			28,716	
Fund Balance - End of Year			$ 49,173	

Henry County School Board
School Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from the use of money and property	$ 37,500	$ 166,860	$ 148,823	$ (18,037)
Charges for services	553,350	553,350	550,186	(3,164)
Recovered costs	411,000	411,000	409,400	(1,600)
Miscellaneous				
Harvest Foundation	588,106	588,106	524,530	(63,576)
Educational Technology	518,000	518,000	492,000	(26,000)
Other miscellaneous	405,000	405,000	484,032	79,032
Contribution - County of Henry, Virginia	17,392,841	19,625,402	16,796,945	(2,828,457)
Reserve to balance budget	-	3,021,293	-	(3,021,293)
Intergovernmental				
Revenue from the Commonwealth of Virginia	49,226,236	49,226,236	48,167,799	(1,058,437)
Revenue from the Federal Government	6,477,819	6,477,819	5,683,178	(794,641)
Total Intergovernmental Revenue	55,704,055	55,704,055	53,850,977	(1,853,078)
Total Revenues	75,609,852	80,993,066	73,256,893	(7,736,173)
Expenditures				
Instruction	44,949,863	45,036,741	43,817,438	1,219,303
Administration, attendance, and health	3,870,504	3,908,775	3,608,885	299,890
Pupil transportation	5,117,817	5,319,170	4,668,960	650,210
Operation and maintenance	6,996,713	7,254,395	6,811,299	443,096
Facilities	1,075,000	10,232,472	8,086,611	2,145,861
Special grants	9,500,000	9,500,000	8,361,458	1,138,542
Technology	1,726,255	2,205,566	2,035,900	169,666
Contingency reserve	100	100	-	100
Debt service				
Principal	1,164,629	1,164,629	1,164,629	-
Interest and other charges	645,182	651,288	640,931	10,357
Total Expenditures	75,046,063	85,273,136	79,196,111	6,077,025
Excess (Deficiency) of Revenues Over Expenditures	563,789	(4,280,070)	(5,939,218)	(1,659,148)
Other Financing Sources (Uses)				
Proceeds from bonds	-	4,691,248	2,711,471	(1,979,777)
Premium on bond issues	-	152,611	152,611	-
Virginia loan subsidy	-	-	1,099,436	1,099,436
Transfers out	(563,789)	(563,789)	(630,531)	(66,742)
Total Other Financing Sources (Uses)	(563,789)	4,280,070	3,332,987	(947,083)
Net Change in Fund Balance	$ -	$ -	(2,606,231)	$ (2,606,231)
Fund Balance - Beginning of Year			3,021,294	
Fund Balance - End of Year			$ 415,063	

Henry County School Board
School Textbook Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from the use of money and property	$ -	$ -	$ 29,000	$ 29,000
Total Revenues	-	-	29,000	29,000
Expenditures				
Textbooks	563,789	563,789	196,261	367,528
Total Expenditures	563,789	563,789	196,261	367,528
Excess (Deficiency) of Revenues Over Expenditures	(563,789)	(563,789)	(167,261)	396,528
Other Financing Sources (Uses)				
Transfers in	563,789	563,789	556,661	(7,128)
Total Other Financing Sources (Uses)	563,789	563,789	556,661	(7,128)
Net Change in Fund Balance	$ -	$ -	389,400	$ 389,400
Fund Balance - Beginning of Year			945,937	
Fund Balance - End of Year			$ 1,335,337	

Henry County School Board
School Cafeteria Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from the use of money and property	$ 17,999	$ 17,999	$ 9,922	$ (8,077)
Charges for services	1,997,743	1,997,743	1,491,742	(506,001)
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	-	101,719	101,719
Revenue from the Federal Government	2,015,030	2,015,030	2,089,722	74,692
Total Intergovernmental Revenue	2,015,030	2,015,030	2,191,441	176,411
Total Revenues	4,030,772	4,030,772	3,693,105	(337,667)
Expenditures				
Cafeteria	4,030,772	4,030,772	3,766,975	263,797
Total Expenditures	4,030,772	4,030,772	3,766,975	263,797
Excess (Deficiency) of Revenues Over Expenditures	-	-	(73,870)	(73,870)
Other Financing Sources (Uses)				
Transfers in	-	-	73,870	73,870
Total Other Financing Sources (Uses)	-	-	73,870	73,870
Net Change in Fund Balance	$ -	$ -	-	$ -
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			$ -	

OTHER SUPPLEMENTARY INFORMATION

County of Henry, Virginia

Combining Balance Sheet

Component Unit - School Board

Year Ended June 30, 2008

	School Fund	School Textbook Fund	School Cafeteria Fund	Total Public Schools
Assets				
Cash	$ 43,884	$ 1,335,337	$ 208,469	$ 1,587,690
Receivables - net	208,200	-	4,321	212,521
Due from primary government	1,660,510	-	-	1,660,510
Due from other governments	3,162,896	-	26,976	3,189,872
Restricted cash	2,195,444	-	-	2,195,444
Total Assets	$ 7,270,934	$ 1,335,337	$ 239,766	$ 8,846,037
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 683,833	$ -	$ 12,630	$ 696,463
Deferred revenue	86,390	-	-	86,390
Due to primary government	-	-	26,802	26,802
Accrued salaries and benefits	6,085,648	-	200,334	6,285,982
Total Liabilities	6,855,871	-	239,766	7,095,637
Fund Balances				
Reserved for construction	415,063	-	-	415,063
Unreserved	-	1,335,337	-	1,335,337
Total Fund Balances	415,063	1,335,337	-	1,750,400
Total Liabilities and Fund Balances	$ 7,270,934	$ 1,335,337	$ 239,766	$ 8,846,037

Fund balances - per above	$ 1,750,400
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,007,149
A portion of restricted cash belongs to the County Primary Government until funds are used for construction.	(1,216,634)
Compensated absences are long-term liabilities and are not due and payable in the current period, therefore, are not reported in the funds.	(533,766)
Net assets of governmental activities	$ 15,007,149

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Component Unit - School Board

Year Ended June 30, 2008

	School Fund	School Textbook Fund	School Cafeteria Fund	Total Public Schools
Revenues				
Revenue from use of money and property	$ 148,823	$ 29,000	$ 9,922	$ 187,745
Charges for services	550,186	-	1,491,742	2,041,928
Recovered costs	409,400	-	-	409,400
Miscellaneous	1,500,562	-	-	1,500,562
Intergovernmental				
County of Henry, Virginia	16,796,945	-	-	16,796,945
Commonwealth of Virginia	48,167,799	-	101,719	48,269,518
Federal	5,683,178	-	2,089,722	7,772,900
Total Revenues	73,256,893	29,000	3,693,105	76,978,998
Expenditures				
Current				
Instruction	43,817,438	196,261	-	44,013,699
Administration, attendance, and health	3,608,885	-	-	3,608,885
Pupil transportation	4,668,960	-	-	4,668,960
Operation and maintenance	6,811,299	-	-	6,811,299
Cafeteria - school food service	-	-	3,766,975	3,766,975
Facilities	8,086,611	-	-	8,086,611
Special grants	8,361,458	-	-	8,361,458
Technology	2,035,900	-	-	2,035,900
Debt service				
Principal	1,164,629	-	-	1,164,629
Interest and other charges	640,931	-	-	640,931
Total Expenditures	79,196,111	196,261	3,766,975	83,159,347
Excess (Deficiency) of Expenditures Over Revenues	(5,939,218)	(167,261)	(73,870)	(6,180,349)
Other Financing Sources (Uses)				
Proceeds of debt	2,711,471	-	-	2,711,471
Premium on bonds	152,611	-	-	152,611
Virginia loan subsidy	1,099,436	-	-	1,099,436
Transfers in	-	556,661	73,870	630,531
Transfers out	(630,531)	-	-	(630,531)
Total Other Financing Sources (Uses)	3,332,987	556,661	73,870	3,963,518
Net Change in Fund Balances	(2,606,231)	389,400	-	(2,216,831)
Fund Balances - Beginning of Year	3,021,294	945,937	-	3,967,231
Fund Balances - End of Year	$ 415,063	$ 1,335,337	$ -	$ 1,750,400

Net change in fund balances - per above	$ (2,216,831)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.	(547,438)
Construction related to renovation of school buildings is part of the County Primary Government since the debt is in the County name. However, the school building belongs to the County until such time the debt is paid off. The construction activity has to be transferred to the County. This consists of the restricted cash as well as the fixed assets.	2,255,330
Change in compensated absences	(38,499)
Change in net assets of governmental activities	$ (547,438)

County of Henry, Virginia

Statement of Net Assets

Component Unit - Industrial Development Authority

At June 30, 2008

	Industrial Site Project Fund #37	Main Operating Fund Fund #45	Total Industrial Development Authority
Assets			
Current Assets			
Cash - unrestricted	$ -	$ 769,149	$ 769,149
Cash - restricted	-	1,752,122	1,752,122
Receivables - net	6,050	4,949	10,999
Due from other governments	-	211,000	211,000
Inventory	2,381,146	8,284,296	10,665,442
Total Current Assets	2,387,196	11,021,516	13,408,712
Noncurrent Assets			
Construction in progress	-	2,676,042	2,676,042
Notes receivables - net	-	2,613,036	2,613,036
Total Noncurrent Assets	-	5,289,078	5,289,078
Total Assets	$ 2,387,196	$ 16,310,594	$ 18,697,790
Liabilities			
Current Liabilities			
Accounts payable	$ -	$ 26,925	$ 26,925
Deferred revenue	-	61,658	61,658
Current portion of long-term debt	-	903,546	903,546
Total Current Liabilities	-	992,129	992,129
Long-Term Liabilities			
Long-term debt - due in more than one year	-	7,496,454	7,496,454
Due to primary government - County of Henry, Virginia	1,147	3,600,282	3,601,429
Total Long-Term Liabilities	1,147	11,096,736	11,097,883
Total Liabilities	1,147	12,088,865	12,090,012
Net Assets			
Restricted for radio system	-	1,752,122	1,752,122
Unrestricted	2,386,049	2,469,607	4,855,656
Total Net Assets	2,386,049	4,221,729	6,607,778
Total Liabilities and Net Assets	$ 2,387,196	$ 16,310,594	$ 18,697,790

County of Henry, Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Component Unit - Industrial Development Authority

Year Ended June 30, 2008

	Industrial Site Project Fund #37	Main Operating Fund Fund #45	Total Industrial Development Authority
Operating Revenues			
Payment from primary government	$ -	$ 3,053,097	$ 3,053,097
Tobacco indemnification revenues	-	149,367	149,367
Governor's Opportunity Fund	-	133,168	133,168
Other State grants	-	211,000	211,000
Miscellaneous	719	-	719
Total Operating Revenues	719	3,546,632	3,547,351
Operating Expenses			
Economic development	461,562	4,602,823	5,064,385
Total Operating Expenses	461,562	4,602,823	5,064,385
Operating Income (Loss)	(460,843)	(1,056,191)	(1,517,034)
Nonoperating Revenues (Expenses)			
Interest income	-	64,315	64,315
Recovered costs PHDC	-	879,335	879,335
Interest expense	-	(164,838)	(164,838)
Total Nonoperating Revenues (Expenses)	-	778,812	778,812
Change in Net Assets Before Transfers	(460,843)	(277,379)	(738,222)
Transfer Between Funds	2,840,312	(2,840,312)	-
Change in Net Assets After Transfers	2,379,469	(3,117,691)	(738,222)
Total Net Assets - Beginning of Year	6,580	7,339,420	7,346,000
Total Net Assets - End of Year	$ 2,386,049	$ 4,221,729	$ 6,607,778

County of Henry, Virginia

Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2008

	Industrial Site Project Fund #37	Main Operating Fund Fund #45	Total Industrial Development Authority
Cash Flows from Operating Activities			
Receipts from primary government	$ -	$ 3,053,097	$ 3,053,097
Receipts from receivables	-	520,442	520,442
State grants	-	344,193	344,193
Cash paid for economic development	-	(4,862,147)	(4,862,147)
Net Cash Used in Operating Activities	-	(944,415)	(944,415)
Cash Flows from Noncapital Financing Activities			
Payments for due to primary government	-	(307,585)	(307,585)
Recovered costs from PHDC	-	879,335	879,335
Transfers between funds	2,840,312	(2,840,312)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	2,840,312	(2,268,562)	571,750
Cash Flows from Capital and Related Financing Activities			
Payments for investments in inventory	(2,840,312)	(2,009,000)	(4,849,312)
Principal proceeds from long-term debt	-	8,400,000	8,400,000
Payments of principal on long-term debt	-	(920,047)	(920,047)
Interest payments on long-term debt	-	(167,640)	(167,640)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,840,312)	5,303,313	2,463,001
Cash Flows from Investing Activities			
Interest income	-	64,315	64,315
Net Cash Provided by Investing Activities	-	64,315	64,315
Net Increase in Cash and Cash Equivalents	-	2,154,651	2,154,651
Cash and Cash Equivalents - Beginning of Year	-	366,620	366,620
Cash and Cash Equivalents - End of Year	$ -	$ 2,521,271	$ 2,521,271
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	$ (460,843)	$ (1,056,191)	$ (1,517,034)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Changes in assets and liabilities			
Receivables	(719)	520,442	519,723
Due from other governments	-	(211,000)	(211,000)
Inventory	459,144	-	459,144
Deferred revenue	-	61,658	61,658
Accounts payable	2,418	(259,324)	(256,906)
Net Cash Used in Operating Activities	$ -	$ (944,415)	$ (944,415)

County of Henry, Virginia

Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2008

Assets	
Cash - unrestricted	$ 59,353
Due from other governments	457,707
Total Assets	$ 517,060
Liabilities and Fund Balance	
Liabilities	
Due to County of Henry, Virginia	473,394
Due to City of Martinsville, Virginia	43,666
Total Liabilities	517,060
Fund Balance	-
Total Liabilities and Fund Balance	$ 517,060
Fund balance - per above	$ -
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	28,078
Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	(363,541)
Net assets (deficit) of governmental activities	$ (335,463)

County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - Henry-Martinsville Social Services

Year Ended June 30, 2008

Revenues	
Payments from County of Henry, Virginia	$ 536,068
Payments from City of Martinsville, Virginia	288,148
Intergovernmental	
Revenue from the Commonwealth of Virginia	1,986,015
Revenue from the Federal Government	3,378,019
Total Intergovernmental	5,364,034
Total Revenues	6,188,250
Expenditures	
Health and welfare	6,188,250
Net Change in Fund Balance	-
Fund Balance - Beginning of Year	-
Fund Balance - End of Year	$ -
Net change in fund balance - per above	$ -
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays.	(18,506)
Change in compensated absences	(9,028)
Change in net assets of governmental activities	$ (27,534)

Schedule 8

County of Henry, Virginia

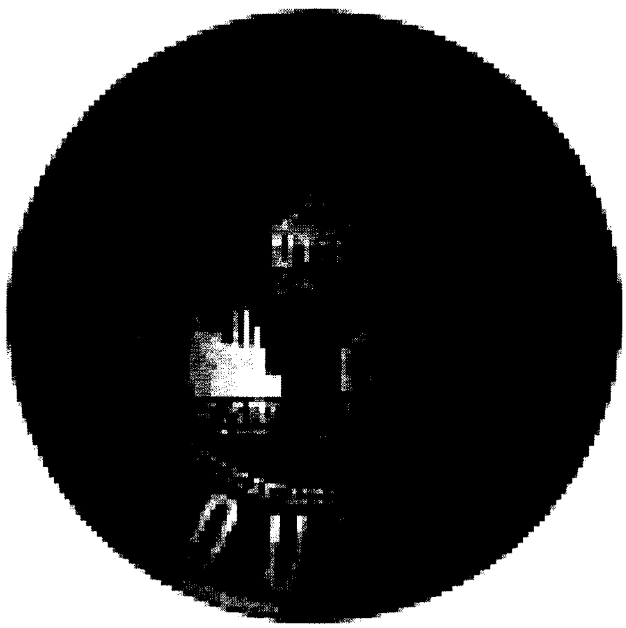
Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Southern Virginia Recreation Facilities Authority

Year Ended June 30, 2008

Revenues	
Payments from Harvest Foundation	$ 214,746
Miscellaneous	6,136
Total Revenues	220,882
Expenditures	
Salaries	119,961
Fringe benefits and car allowance	36,228
Professional services	23,130
Travel	9,325
Other	30,793
Total Expenditures	219,437
Net Change in Fund Balance	1,445
Fund Balance - Beginning of Year	416,961
Fund Balance - End of Year	$ 418,406

OTHER INFORMATION SECTION



County of Henry, Virginia

General Governmental Revenues by Source[1][2]

Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-Governmental	Total
1999	$ 19,318,706	$ 11,588,424	$ 138,305	$ 88,505	$ 1,288,012	$ 1,619,171	$ 490,944	$ 1,102,034	$ 48,660,661	$ 84,294,762
2000	17,597,548	12,988,309	182,326	62,470	1,201,632	1,639,948	582,603	979,384	55,129,281	90,363,501
2001	17,944,315	13,301,181	176,659	82,052	904,631	1,694,676	601,516	1,149,867	54,581,733	90,436,630
2002	19,800,777	13,473,128	152,142	147,622	373,032	1,697,004	627,045	1,606,255	55,777,001	93,654,006
2003	20,180,396	13,123,865	103,648	166,977	326,701	1,909,088	754,844	1,364,305	57,793,692	95,723,516
2004	19,208,175	13,357,655	119,802	155,089	297,645	2,051,700	966,811	1,531,942	58,602,306	96,291,125
2005	19,540,174	13,780,132	112,369	161,990	454,669	2,027,306	726,790	1,862,503	66,312,679	104,978,612
2006	21,246,088	14,408,533	112,336	202,521	899,919	2,127,892	361,981	2,615,293	65,747,399	107,721,962
2007	21,847,876	14,330,730	116,515	203,468	1,417,852	2,215,871	1,647,418	2,633,972	69,824,695	114,238,397
2008	**21,256,169**	**11,996,247**	**100,628**	**208,384**	**1,045,777**	**2,356,744**	**1,528,184**	**3,227,325**	**73,789,646**	**115,509,104**

(1) Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.
(2) Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from intergovernmental revenues.

Table 2

County of Henry, Virginia

General Governmental Expenditures by Function (1)(2)

Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non-Departmental	Debt Service	Capital Projects (3)	Total
1999	$ 2,595,493	1,349,565	$ 7,579,675	$ 1,783,126	$ 6,030,722	$ 56,700,176	$ 1,335,499	$ 1,948,899	$ -	$ 3,755,332	$ -	$ 83,078,487
2000	2,818,843	1,762,423	8,230,921	2,125,696	6,197,017	61,968,057	1,456,746	6,259,854	-	3,766,602	-	94,586,159
2001	2,836,966	2,047,311	8,275,766	2,173,243	6,021,165	62,234,734	1,557,112	3,972,247	-	3,817,539	-	92,936,083
2002	2,555,376	2,013,484	8,616,617	2,011,761	6,242,202	60,583,769	1,457,012	2,674,671	-	3,313,623	-	89,468,515
2003	2,345,445	1,907,224	8,625,089	2,113,430	6,708,774	63,066,071	1,463,726	4,747,090	-	8,683,020	-	99,659,869
2004	2,585,657	1,983,940	9,731,901	3,181,529	6,951,063	62,750,519	1,528,821	4,211,590	-	2,483,037	-	95,408,057
2005	2,638,922	2,023,616	10,820,270	3,439,122	7,286,654	65,642,278	1,646,679	6,136,677	3,151	2,401,250	-	102,038,619
2006	2,759,517	2,299,953	11,551,916	3,038,015	7,036,536	70,526,351	1,652,420	3,082,520	214,601	2,374,446	-	104,536,275
2007	2,841,009	2,381,242	10,921,945	3,182,094	7,145,129	80,903,238	1,718,770	3,247,917	12,822	2,211,316	2,969,089	117,534,571
2008	**2,957,629**	**2,595,729**	**11,566,312**	**3,550,417**	**7,639,331**	**81,419,251**	**1,756,762**	**5,008,458**	**20,103**	**2,710,262**	**2,225,500**	**121,449,754**

(1) Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.
(2) Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from the respective function.
(3) Capital projects included on schedule starting fiscal year 2007.

County of Henry, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Public Service	Total
1999	$ 1,727,327,704	$ 292,713,626	$ 38,765,682	$ 386,273,399	$ 101,120,554	$ 2,546,200,965
2000	1,754,560,400	327,873,177	39,429,214	320,554,185	101,785,074	2,544,202,050
2001	1,790,177,058	312,607,825	44,047,995	345,813,692	108,306,918	2,600,953,488
2002	2,123,944,478	333,275,933	39,771,839	362,469,906	123,767,281	2,983,229,437
2003	2,181,426,481	343,747,437	38,040,185	373,580,756	115,504,630	3,052,299,489
2004	2,202,989,259	337,420,821	36,322,407	331,930,756	117,441,586	3,026,104,829
2005	2,235,438,454	313,964,759	36,110,824	307,718,340	116,518,674	3,009,751,051
2006	2,425,535,000	329,734,102	35,541,852	315,503,025	128,647,847	3,234,961,826
2007	2,474,852,700	361,648,966	36,723,110	329,586,082	127,296,205	3,330,107,063
2008	**2,488,039,444**	**345,073,303**	**32,921,111**	**314,957,563**	**121,445,558**	**3,302,436,979**

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Equipment/ Machinery and Tools
1999	$ 0.60	$ 1.19	$ 0.60	$ 1.19
2000	0.60	1.19	0.60	1.19
2001	0.60	1.19	0.60	1.19
2002	0.54	1.48	0.54	1.19
2003	0.54	1.48	0.54	1.19
2004	0.54	1.48	0.54	1.19
2005	0.54	1.48	0.54	1.19
2006	0.54	1.48	0.54	1.19
2007	0.54	1.48	0.54	1.19
2008	**0.54**	**1.48**	**0.54**	**1.19**

Table 4

County of Henry, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1999	$ 19,283,229	$ 18,600,710	96.46%	$ 443,867	$ 19,044,577	98.76%	$ 1,941,105	10.07%
2000	19,085,142	17,727,148	92.88%	287,239	18,014,387	94.39%	3,317,249	17.38%
2001	19,586,047	17,722,835	90.49%	966,939	18,689,774	95.42%	3,696,240	18.87%
2002	21,432,218	19,889,455	92.80%	1,237,833	21,127,288	98.58%	3,923,627	18.31%
2003	21,905,203	20,738,250	94.67%	1,145,252	21,883,502	99.90%	3,863,612	17.64%
2004	21,430,662	19,751,363	92.16%	892,537	20,643,900	96.33%	4,381,656	20.45%
2005	20,972,830	19,948,957	95.12%	824,849	20,773,806	99.05%	4,796,499	22.87%
2006	22,399,726	21,318,128	95.17%	1,237,452	22,555,580	100.70%	3,748,689	16.74%
2007	23,288,657	22,273,650	95.64%	904,648	23,178,298	99.53%	3,468,909	14.90%
2008	**22,887,615**	**21,986,728**	**96.06%**	**655,530**	**22,642,258**	**98.93%**	**3,470,897**	**15.16%**

County of Henry, Virginia

Ratio of Net General Obligation Bonded Debt
to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year	Population[1]	Assessed Value[2]	Net Bonded Debt[3]	Ratio on Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1999	56,942	$ 2,546,200,965	$ 25,369,297	1.00%	$ 446
2000	56,942	2,544,202,050	23,713,325	0.93%	416
2001	56,942	2,600,953,488	22,055,748	0.85%	387
2002	56,942	2,983,229,437	20,391,482	0.68%	358
2003	57,930	3,052,299,489	19,235,439	0.63%	332
2004	57,930	3,026,104,829	17,592,080	0.58%	304
2005	57,930	3,009,751,051	15,935,821	0.53%	275
2006	57,930	3,234,961,826	16,598,967	0.51%	287
2007	57,930	3,330,107,063	21,122,673	0.63%	365
2008	**57,930**	**3,302,436,979**	**22,089,515**	**0.67%**	**381**

(1) Weldon Cooper Center, University of Virginia, Latest Census Records.
(2) From Table 3.
(3) Includes all long-term general obligation bonded debt, bond anticipation notes, and Literary Fund Loans. Excludes revenue bonds, capital leases, and compensated absences.

County of Henry, Virginia

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures[1]

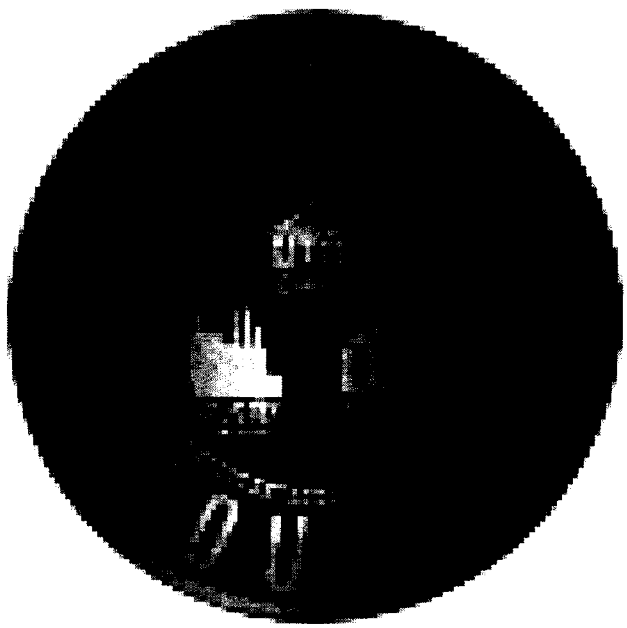
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures[2]	Ratio of Debt Service to General Government Expenditures
1999	$1,524,447	$1,120,520	$2,644,967	$ 83,078,487	3.18%
2000	1,655,972	1,003,072	2,659,044	94,586,159	2.81%
2001	1,657,577	932,047	2,589,624	92,936,083	2.79%
2002	1,664,266	859,842	2,524,108	89,468,515	2.82%
2003	7,280,058	1,402,962	8,683,020	99,659,869	8.71%
2004	1,732,070	750,967	2,483,037	95,408,057	2.60%
2005	1,750,890	650,360	2,401,250	102,038,619	2.35%
2006	1,777,286	597,160	2,374,446	104,536,275	2.27%
2007	1,486,022	725,294	2,211,316	117,534,571	1.88%
2008	**1,744,629**	**965,633**	**2,710,262**	**121,449,754**	**2.23%**

(1) Excludes debt service payments on notes payable.

(2) Beginning in 2006, the amounts paid to component unit - school board are no longer shown as transfers.

COMPLIANCE SECTION



Creedle
Jones
& Alga

A Professional Corporation

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

To the Honorable Members of the
Board of Supervisors
County of Henry, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henry, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the County of Henry, Virginia's basic financial statements and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Henry, 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 Henry, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Henry, 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 Henry, 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 Henry, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the County of Henry, 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 Henry, Virginia's internal control.

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

P. O. Box 1113
204 S. Main Street
Emporia, Virginia 23847
434-634-3111 • FAX: 434-634-6895

P. O. Box 487
828 N. Mecklenburg Avenue
South Hill, Virginia 23970
434-447-7111 • FAX: 434-447-5793

P. O. Box 147
313 N. Main Street
Lawrenceville, Virginia 23868
434-848-4191 • FAX: 434-848-1009

www.cja-cpa.com

Compliance and Other Matters

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

We noted certain matters that we reported to the Sheriff of the County of Henry, Virginia in a separate letter dated December 5, 2008.

This report is intended solely for the information and use of management, the audit committee, 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.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
December 5, 2008

Creedle Jones & Alga

A Professional Corporation

Certified Public Accountants
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Scott A. Thompson, CPA

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American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants

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 Henry, Virginia

Compliance

We have audited the compliance of the County of Henry, 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, 2008. The County of Henry, 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 Henry, Virginia's management. Our responsibility is to express an opinion on the County of Henry, 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations; and Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, OMB Circular A-133, and specifications 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 Henry, 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 Henry, Virginia's compliance with those requirements.

In our opinion, the County of Henry, 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, 2008.

Internal Control Over Compliance

The management of the County of Henry, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Henry, Virginia'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 Henry, Virginia's internal control over compliance.

P. O. Box 1113
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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 entity'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 entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity'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 audit committee, 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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South Hill, Virginia
December 5, 2008

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REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Honorable Members of the
Board of Supervisors
County of Henry, Virginia

We have audited the basic financial statements of the County of Henry, Virginia, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Henry, Virginia, is the responsibility of the County of Henry, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Henry, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Enhanced 911 Services Tax
- Personal Property Tax Relief Act

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P. O. Box 147
313 N. Main Street
Lawrenceville, Virginia 23868
434-848-4191 • FAX: 434-848-1009

www.cja-cpa.com

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Henry, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Henry, Virginia's management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
December 5, 2008

County of Henry, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
Primary Government			
U. S. Department of Transportation			
Pass-Through Payments			
Department of Motor Vehicles			
Open Container/Alcohol Impaired Driving	20.607	154	$ 62,146
U. S. Department of Justice			
Pass-Through Payments			
Department of Criminal Justice Services			
Victim witness	16.575	140	82,837
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
Department of Housing and Community Development			
Community Development Block Grant - States Program	14.228	165	28,000
U. S. Department of Homeland Security			
Pass-Through Payments			
Department of Emergency Services			
State Homeland Security Grant - Emergency Preparedness	97.042	127	24,874
Total - Primary Government			197,857
Henry-Martinsville Social Services			
U. S. Department of Agriculture			
Pass-Through Payments			
Department of Social Services			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	20,778
Total Food Stamp Cluster			20,778
Subtotal - U. S. Department of Agriculture			20,778
U. S. Department of Health and Human Services			
Pass-Through Payments			
Department of the Aging			
Temporary assistance for needy families	93.558	765	74,154
Payments to states for child care assistance	93.575	765	371,007
Family preservation and support	93.556	765	46,548
Refugee and entrant assistance	93.566	765	27
Child care and development fund	93.596	765	132,378
ILP education and training vouchers	93.599	765	2,910
Adoption incentive payments	93.603	765	1,151
Foster care - Title IV-E	93.658	765	131,332
Adoption assistance	93.659	765	157,841
Independent living	93.674	765	5,869
Social services block grant	93.667	765	93,584
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	2,303,582
Subtotal - U. S. Department of Health and Human Services			3,320,383
Total - Henry-Martinsville Social Services			3,341,161

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
School Board			
U. S. Department of Agriculture			
Pass-Through Payments			
Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	197	605,085
National School Lunch Program	10.555	197	1,484,637
Food distribution - donated commodities	10.555	197	301,262
Subtotal - U. S. Department of Agriculture			2,390,984
U. S. Department of Education			
Pass-Through Payments			
Department of Education			
Special Education Cluster			
IDEA 611 Flow-Through	84.027	197	2,195,837
Preschool Handicapped Allocations	84.173	197	99,199
Total Special Education Cluster			2,295,036
Adult education - state administered basic grant program	84.002	197	93,202
Title I grants to local education agencies	84.010	197	2,182,643
Title V, Part A Innovative Programs	84.298	197	20,029
Vocational education (Carl Perkins)	84.048	197	182,360
Safe and drug-free schools - state grants	84.186	197	42,828
Title II Part D - Education Technology	84.318	197	19,749
AP Grant - Test Fee Program	84.330	197	1,060
English language acquisition grants	84.365	197	46,849
Title II, Part A - Improving Teacher Quality	84.367	197	497,406
Reading First Program	84.357	197	302,016
Subtotal - U. S. Department of Education			5,683,178
Total - School Board			8,074,162
Grand Totals			$ 11,613,180

Notes to Schedule of Expenditures of Federal Awards

1. ***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County and is presented on GAAP. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Benefit payments are paid directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

2. ***Commodities – Food Distribution***

Nonmonetary assistance in the form of food distribution amounting to $301,262 for the schools is reported in the schedule as being received and disbursed.

County of Henry, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2008

1. **Summary of Audit Results**

(a) The auditor's report expresses an **unqualified opinion** on the financial statements of the County of Henry, Virginia.

(b) **No significant deficiencies** relating to the audit of the financial statements are reported in the 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.*

(c) **No instances of noncompliance** material to the financial statements of the County of Henry, Virginia were disclosed during the audit.

(d) **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.

(e) The auditor's report on compliance for the major federal award programs for the County of Henry, Virginia expresses an **unqualified opinion** on all major federal programs.

(f) There were **no audit findings** relative to the major federal award programs for the County of Henry, Virginia to be reported in this schedule.

(g) The programs tested as major programs included:

1. **CFDA #10.555, Child Nutrition Cluster**
2. **CFDA #84.010, Title I**
3. **CFDA #84.027, Special Education Cluster**
4. **CFDA #93.575, Child Care Assistance**
5. **CFDA #93.778, Medical Assistance Program**
6. **CFDA #84.367, Title II, Part A**
7. **CFDA #84.357, Reading First Program**

(h) The **threshold for** distinguishing Types A and B programs was **$300,000.**

(i) The County of Henry, Virginia **was not** determined to be a **low-risk auditee**.

2. **Findings Relating to the Financial Statements Reported in Accordance With *Government Auditing Standards*:**

None.

3. **Findings and Questioned Costs Relating to Federal Awards:**

None.

County of Henry, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2008

FINANCIAL STATEMENT AUDIT

FINDINGS

There were no findings in the prior year.