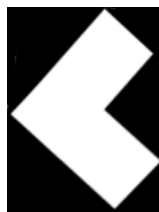


County of Henry, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2010



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

County of Henry, Virginia

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FINANCIAL SECTION





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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 County of Henry, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 44 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Henry, Virginia's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
January 21, 2011

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, 2010. We encourage readers to read this discussion and analysis in conjunction with the County's financial statements.

Financial Highlights for Fiscal Year 2010

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 \$46,676,057. Of this amount, \$21,580,247 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 \$47,216,210 and expenses amounted to \$45,844,869. The County's total net assets increased \$1,371,341.

Highlights for Fund Financial Statements

- As of June 30, 2010, the County's Governmental Funds reported combined fund balances of \$23,061,111, an increase of \$1,457,881 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 \$22,520,924, an increase of \$1,288,048 from June 30, 2009.

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 two 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 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. In January 2011, the County will become fiscal agent of the Fieldale Sanitary District and this entity will be included as a component unit in future financial statements.

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 Streetscape Foundation. The County maintains the following 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.

Gateway Streetscape Foundation, Inc. – This fund is used to account for the funds of a local nonprofit organization whose purpose is to improve the community's aesthetic value by planting flowers and trees on major roadways.

OPEB Trust Fund – This fund is comprised of the money held in trust to fund post-retiree benefits of health insurance for the County, the School Board, and Henry-Martinsville Social Services.

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, 2010 and 2009	
	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Assets		
Current and other assets	\$ 27,451,806	\$ 30,832,412
Capital assets (net)	<u>46,089,936</u>	46,136,764
Total Assets	<u>\$ 73,541,742</u>	<u>\$ 76,969,176</u>
Liabilities		
Other liabilities	\$ 3,530,392	\$ 8,549,045
Long-term liabilities	<u>23,335,293</u>	23,115,415
Total Liabilities	<u>26,865,685</u>	31,664,460
Net Assets		
Invested in capital assets, net of related debt	<u>25,095,810</u>	25,277,575
Unrestricted	<u>21,580,247</u>	20,027,141
Total Net Assets	<u>46,676,057</u>	<u>45,304,716</u>
Total Liabilities and Net Assets	<u>\$ 73,541,742</u>	<u>\$ 76,969,176</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2010:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2010 and 2009

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Revenues		
Program Revenues		
Charges for services	\$ 583,985	\$ 614,456
Grants and contributions	8,627,659	9,068,411
General Revenues		
General property taxes, real and personal	21,777,859	21,538,723
Other taxes	11,222,729	11,342,729
Noncategorical aid from state	3,710,892	3,712,293
Use of property	842,068	261,735
Investment earnings	364,267	344,943
Miscellaneous	86,751	537,484
Total Revenues	<u>47,216,210</u>	<u>47,420,774</u>
Expenses		
General government administration	3,082,796	2,709,566
Judicial administration	2,705,174	2,738,308
Public safety	11,907,180	12,357,673
Public works	3,576,362	3,265,121
Health and welfare	1,869,619	2,030,561
Education	17,184,568	13,252,757
Parks, recreation, and cultural	1,867,647	1,865,049
Community development	2,088,564	3,719,160
Interest on long-term debt	1,562,959	1,640,617
Total Expenses	<u>45,844,869</u>	<u>43,578,812</u>
Increase in Net Assets	1,371,341	3,841,962
Beginning Net Assets	<u>45,304,716</u>	<u>41,462,754</u>
Ending Net Assets	<u>\$ 46,676,057</u>	<u>\$ 45,304,716</u>

Governmental activities increased the County's net assets by \$1,371,341 for fiscal year 2010. Revenues from governmental activities totaled \$47,216,210. Property taxes comprise the largest source of these revenues, totaling \$21,777,859 or 46.1 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$45,844,869. Education is the County's largest program with expenses totaling \$17,184,568. Public safety expenses, which total \$11,907,180, 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, 2010 and 2009

	<u>2010</u>		<u>2009</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 3,082,796	\$ (2,680,439)	\$ 2,709,566	\$ (1,070,535)
Judicial administration	2,705,174	(1,574,731)	2,738,308	(1,534,377)
Public safety	11,907,180	(5,960,837)	12,357,673	(6,508,552)
Public works	3,576,362	(3,411,851)	3,265,121	(3,066,527)
Health and welfare	1,869,619	(1,381,104)	2,030,561	(1,558,980)
Parks, recreation, and cultural	1,867,647	(1,810,870)	1,865,049	(1,793,954)
Community development	2,088,564	(1,065,866)	3,719,160	(3,469,646)
Education	17,184,568	(17,184,568)	13,252,757	(13,252,757)
Interest on long-term debt	<u>1,562,959</u>	<u>(1,562,959)</u>	<u>1,640,617</u>	<u>(1,640,617)</u>
Total	<u>\$ 45,844,869</u>	<u>\$ (36,633,225)</u>	<u>\$ 43,578,812</u>	<u>\$ (33,895,945)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2010, the County's Governmental Funds reported a combined ending fund balance of \$23,061,111, an increase of \$1,457,881 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 \$16,872,862. 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 36.9 percent of total fund expenditures.

- The General Fund contributed operating funds to finance the component units as follows: \$17,064,188 School Board operations; \$326,569 to finance the Industrial Development Authority; and \$552,326 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, 2010 and 2009

	<u>2010</u>			<u>2009</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 21,624,118	\$ 21,624,118	\$ 21,654,940	\$ 21,537,765	\$ 21,537,765	\$ 21,673,232
Other	13,708,723	14,582,074	15,194,288	15,102,595	14,789,259	14,659,952
Intergovernmental	<u>9,650,269</u>	<u>11,436,327</u>	<u>10,293,226</u>	<u>9,586,445</u>	<u>11,816,731</u>	<u>11,060,720</u>
Total	<u>44,983,110</u>	<u>47,642,519</u>	<u>47,142,454</u>	46,226,805	48,143,755	47,393,904
Expenditures	<u>44,925,835</u>	<u>54,077,612</u>	<u>45,685,488</u>	<u>46,829,663</u>	<u>57,114,466</u>	<u>46,863,919</u>
Excess (Deficiency) of Revenues Over Expenditures	57,275	(6,435,093)	1,456,966	(602,858)	(8,970,711)	529,985
Other Financing Sources (Uses)						
Proceeds from debt	-	-	-	-	1,704,534	-
Transfers in (out)	<u>(332,142)</u>	<u>(378,717)</u>	<u>(168,918)</u>	<u>(332,142)</u>	<u>(378,717)</u>	<u>(170,933)</u>
Total	<u>(332,142)</u>	<u>(378,717)</u>	<u>(168,918)</u>	<u>(332,142)</u>	1,325,817	<u>(170,933)</u>
Net Change in Fund Balance Before Transfer from Surplus	(274,867)	(6,813,810)	1,288,048	(935,000)	(7,644,894)	359,052
Transfer from Surplus Funds	<u>274,867</u>	<u>6,813,810</u>	-	<u>935,000</u>	<u>7,644,894</u>	-
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,288,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,052</u>

The final amended budget appropriations for expenditures exceeded the original appropriation by \$9,151,777. This increase is due primarily to additional funding for education, public safety, and capital outlay.

Final amended budget revenues were more than the original budget by \$2,659,409 prior to transfers for a contingency reserve to finance the above projects.

Actual revenues were less than final budget amounts by \$500,065 prior to transfers while actual expenditures were \$8,392,124, or 15.5 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2010, the County's investment in capital assets totals \$25,095,810, which are net capital assets less related debt for governmental activities.

For fiscal year 2010, the County's net capital assets activities are summarized in the following tables:

Change in Capital Assets

Primary Government

Governmental Activities

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Land and land improvements	\$ 1,585,471	\$ 103,418	\$ 1,688,889
Construction in progress	3,413,769	(3,413,769)	-
Buildings and improvements	22,569,885	4,330,971	26,900,856
Furniture, equipment, and vehicles	9,305,841	-	9,305,841
Total Capital Assets	36,874,966	1,020,620	37,895,586
Less: Accumulated depreciation and amortization	(17,116,659)	(1,116,195)	(18,232,854)
Total Capital Assets, Net before allocation of schools	<u>\$ 19,758,307</u>	<u>\$ (95,575)</u>	<u>19,662,732</u>
Allocation of net school buildings with outstanding debt			<u>26,427,204</u>
Total Capital Assets, Net			<u>\$ 46,089,936</u>

Component Units

School Board

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Land and land improvements	\$ 799,239	\$ -	\$ 799,239
Construction in process	1,227,655	1,867,128	3,094,783
Buildings and improvements	64,756,890	1,498,191	66,255,081
Furniture, equipment, and vehicles	9,470,356	980,975	10,451,331
Total Capital Assets	76,254,140	4,346,294	80,600,434
Less: Accumulated depreciation and amortization	(34,900,206)	(1,853,100)	(36,753,306)
Total Capital Assets, Net before allocation to County	<u>\$ 41,353,934</u>	<u>\$ 2,493,194</u>	<u>43,847,128</u>
Allocation of net school buildings with outstanding debt			<u>(26,427,204)</u>
Total Capital Assets, Net			<u>\$ 17,419,924</u>

IDA

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Equipment	\$ 4,440,059	\$ -	\$ 4,440,059
Total Capital Assets	4,440,059		4,440,059
Less: Accumulated depreciation and amortization	(634,294)	(634,294)	(1,268,588)
Total Capital Assets, Net	<u>\$ 3,805,765</u>	<u>\$ (634,294)</u>	<u>\$ 3,171,471</u>

Henry-Martinsville Social Services

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Machinery and equipment	\$ 228,058	\$ 28,998	\$ 257,056
Less: Accumulated depreciation and amortization	<u>(202,460)</u>	<u>(9,270)</u>	<u>(211,730)</u>
Total Capital Assets, Net	<u>\$ 25,598</u>	<u>\$ 19,728</u>	<u>\$ 45,326</u>

Long-Term Debt

As of June 30, 2010, the County's long-term obligations, excluding the Component Units, are summarized below:

	<u>Balance June 30, 2009</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2010</u>
Governmental Activities			
General obligation bonds	\$ 15,078,228	\$ (1,181,308)	\$ 13,896,920
Literary Fund loans	5,127,132	(641,289)	4,485,843
Recovery Zone bonds	-	2,000,000	2,000,000
Landfill obligation	444,548	39,666	484,214
Compensated absences	1,811,678	45,275	1,856,953
LT Agreement	<u>241,600</u>	<u>(19,200)</u>	<u>222,400</u>
	22,703,186	243,144	22,946,330
Add: Premiums	<u>412,229</u>	<u>(23,266)</u>	<u>388,963</u>
 Total Governmental Activities	 <u>\$ 23,115,415</u>	 <u>\$ 219,878</u>	 <u>\$ 23,335,293</u>

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 2010 was 13.7 percent, a decrease of 1.6 percent from June 2009. This compares unfavorably to the state's rate of 7.1 percent and unfavorably to the national rate of 9.6 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 2011 Adopted Budget anticipates General Fund revenues and expenditures to be \$44,855,003, a 0.9 percent decrease over the fiscal year 2010 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.henrycountyva.gov.

BASIC FINANCIAL STATEMENTS



County of Henry, Virginia

Statement of Net Assets

At June 30, 2010

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
Assets				
Cash	\$ 18,547,442	\$ 2,119,759	\$ 730,801	\$ -
Cash - restricted	-	1,965,333	-	-
Receivables, net	2,761,659	228,552	212,495	-
Due from County of Henry, Virginia	-	2,016,310	-	-
Due from other funds	16,424	-	-	-
Due from component units	3,415,104	-	-	-
Due from other governments	2,685,081	3,935,192	-	719,896
Inventory	26,096	-	15,035,833	-
Notes receivable	-	-	2,158,860	-
Capital Assets				
Land and construction in progress	1,688,889	3,894,022	-	-
Other capital assets, net of accumulated depreciation	44,401,047	13,525,902	3,171,471	45,326
Capital Assets, Net	46,089,936	17,419,924	3,171,471	45,326
Total Assets	<u>\$ 73,541,742</u>	<u>\$ 27,685,070</u>	<u>\$ 21,309,460</u>	<u>\$ 765,222</u>
Liabilities				
Pooled cash deficit	\$ -	\$ -	\$ -	\$ 78,805
Accounts payable	589,444	908,035	8,599	-
Accrued payroll and other liabilities	36,492	6,267,011	-	-
Accrued interest	348,050	-	102,787	-
Deferred revenue	540,096	89,548	12,109	-
Due to component units	2,016,310	-	-	-
Due to County of Henry, Virginia	-	-	2,774,013	641,091
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, and capital leases payable	1,779,502	-	968,969	-
<i>Due in more than one year</i>				
Landfill obligation	484,214	-	-	-
Compensated absences	1,856,953	601,899	-	395,581
Bonds, capital leases, and loans payable, net of premiums	19,214,624	-	8,949,833	-
Total Liabilities	26,865,685	7,866,493	12,816,310	1,115,477
Net Assets				
Invested in capital assets, net of related debt	25,095,810	17,419,924	(75,331)	45,326
Unrestricted	21,580,247	2,398,653	8,568,481	(395,581)
Total Net Assets	46,676,057	19,818,577	8,493,150	(350,255)
Total Liabilities and Net Assets	<u>\$ 73,541,742</u>	<u>\$ 27,685,070</u>	<u>\$ 21,309,460</u>	<u>\$ 765,222</u>

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, 2010

Net (Expense) Revenue and Changes in Net Assets

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>					
Primary Government								
Governmental Activities								
General government administration	\$ 3,082,796	\$ 10,694	\$ 391,663	\$ -	\$ (2,680,439)			
Judicial administration	2,705,174	94,150	1,036,293	-	(1,574,731)			
Public safety	11,907,180	281,936	5,664,407	-	(5,960,837)			
Public works	3,576,362	147,444	17,067	-	(3,411,851)			
Health and welfare	1,869,619	-	488,515	-	(1,381,104)			
Parks, recreation, and cultural	1,867,647	49,761	7,016	-	(1,810,870)			
Community development	2,088,564	-	1,022,698	-	(1,065,866)			
Education - local school	17,129,339	-	-	-	(17,129,339)			
Education - community college	55,229	-	-	-	(55,229)			
Interest on long-term debt	1,562,959	-	-	-	(1,562,959)			
Total Primary Government	<u>\$ 45,844,869</u>	<u>\$ 583,985</u>	<u>\$ 8,627,659</u>	<u>\$ -</u>	<u>(36,633,225)</u>			
Component Units								
School Board								
Instruction	\$ 42,728,521	\$ 496,583	\$ 52,621,514	\$ -		\$ 10,389,576		
Administration, attendance, and health	2,485,380	-	-	-		(2,485,380)		
Pupil transportation	4,759,275	-	-	-		(4,759,275)		
Operation and maintenance	6,608,084	-	-	-		(6,608,084)		
Cafeterias	3,940,278	1,347,264	2,963,920	-		370,906		
Special grants	9,131,554	-	-	-		(9,131,554)		
Facilities	1,425,557	-	-	-		(1,425,557)		
Technology	2,047,315	-	-	-		(2,047,315)		
Total School Board	<u>73,125,964</u>	<u>1,843,847</u>	<u>55,585,434</u>	<u>-</u>		<u>(15,696,683)</u>		
Industrial Development Authority								
Economic development	1,315,959	-	400,000	-			\$ (915,959)	
Interest	282,897	-	-	-			(282,897)	
Total Industrial Development Authority	<u>1,598,856</u>	<u>-</u>	<u>400,000</u>	<u>-</u>			<u>(1,198,856)</u>	
Henry-Martinsville Social Services								
Health and welfare	6,597,247	-	6,054,760	-				\$ (542,487)
Total - Component Units	<u>\$ 81,322,067</u>	<u>\$ 1,843,847</u>	<u>\$ 62,040,194</u>	<u>\$ -</u>				<u>(542,487)</u>
General Revenues								
Unrestricted								
General property taxes					21,777,859	-	-	-
Other local taxes					11,222,729	-	-	-
Payments - County of Henry, Virginia					-	17,129,339	326,569	552,326
Use of property					842,068	150,194	711,518	-
Investment income					364,267	440	123,553	-
Miscellaneous					86,751	1,963,899	438,632	-
Noncategorical aid from state					3,710,892	-	-	-
Total General Revenues					<u>38,004,566</u>	<u>19,243,872</u>	<u>1,600,272</u>	<u>552,326</u>
Change in Net Assets					1,371,341	3,547,189	401,416	9,839
Net Assets - Beginning of Year					<u>45,304,716</u>	<u>16,271,388</u>	<u>8,091,734</u>	<u>(360,094)</u>
Net Assets - End of Year					<u>\$ 46,676,057</u>	<u>\$ 19,818,577</u>	<u>\$ 8,493,150</u>	<u>\$ (350,255)</u>

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

County of Henry, Virginia

Balance Sheet

Governmental Funds

At June 30, 2010

	<u>General Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>E-911 Central Dispatch Fund</u>	<u>Law Library Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets						
Cash	\$ 18,547,442	\$ -	\$ -	\$ -	\$ -	\$ 18,547,442
Receivables - net						
Taxes	1,279,092	-	-	-	-	1,279,092
Licenses	74,785	-	-	-	-	74,785
Accounts	1,329,862	-	69,675	2,415	5,830	1,407,782
Due from other funds	104,817	-	266,257	134,748	34,182	540,004
Due from component units	3,415,104	-	-	-	-	3,415,104
Due from other governments	1,821,249	103,596	489,642	-	270,594	2,685,081
Inventory	26,096	-	-	-	-	26,096
Total Assets	<u>\$ 26,598,447</u>	<u>\$ 103,596</u>	<u>\$ 825,574</u>	<u>\$ 137,163</u>	<u>\$ 310,606</u>	<u>\$ 27,975,386</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 381,960	\$ 15,204	\$ 4,537	\$ 764	\$ 186,979	\$ 589,444
Accrued liabilities	35,712	-	780	-	-	36,492
Deferred revenue	1,208,353	-	502,000	-	38,096	1,748,449
Due to other funds	435,188	88,392	-	-	-	523,580
Due to component units	2,016,310	-	-	-	-	2,016,310
Total Liabilities	<u>4,077,523</u>	<u>103,596</u>	<u>507,317</u>	<u>764</u>	<u>225,075</u>	<u>4,914,275</u>
Fund Balances						
Designated	5,648,062	-	-	-	-	5,648,062
Unreserved/Undesignated	16,872,862	-	318,257	136,399	85,531	17,413,049
Total Fund Balances	<u>22,520,924</u>	<u>-</u>	<u>318,257</u>	<u>136,399</u>	<u>85,531</u>	<u>23,061,111</u>
Total Liabilities and Fund Balances	<u>\$ 26,598,447</u>	<u>\$ 103,596</u>	<u>\$ 825,574</u>	<u>\$ 137,163</u>	<u>\$ 310,606</u>	<u>\$ 27,975,386</u>

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, 2010

Total Fund Balances for Governmental Funds		\$ 23,061,111
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	\$ 1,671,619	
School assets associated with debt held by County	26,427,204	
Buildings and improvements, net of accumulated depreciation	14,137,194	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,853,919</u>	
Total Capital Assets		46,089,936
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred revenue		1,208,353
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, capital leases, and notes payable with related premiums	(20,994,126)	
Accrued interest payable	(348,050)	
Landfill closure and postclosure liability	(484,214)	
Compensated absences	<u>(1,856,953)</u>	
Total		<u>(23,683,343)</u>
Total Net Assets of Governmental Activities		<u>\$ 46,676,057</u>

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, 2010

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Capital Projects Fund	Total Governmental Funds
Revenues						
General property taxes	\$ 21,654,940	\$ -	\$ -	\$ -	\$ -	\$ 21,654,940
Other local taxes	11,222,426	-	303	-	-	11,222,729
Permits, privilege fees, and regulatory licenses	71,864	-	-	-	-	71,864
Fines and forfeitures	202,580	-	-	-	-	202,580
Use of money and property	1,206,335	-	-	-	-	1,206,335
Charges for services	297,786	-	-	11,755	-	309,541
Miscellaneous	65,038	-	-	-	21,713	86,751
Recovered costs	2,128,259	38,571	376,067	6,071	91,481	2,640,449
<i>Intergovernmental</i>						
Revenue from the Commonwealth of Virginia	9,073,092	403,028	1,124,698	-	91,202	10,692,020
Revenue from the Federal Government	1,220,134	-	43,500	-	382,897	1,646,531
Total Revenues	47,142,454	441,599	1,544,568	17,826	587,293	49,733,740
Expenditures						
Current						
General government administration	2,887,154	-	-	-	-	2,887,154
Judicial administration	2,467,976	-	-	14,673	-	2,482,649
Public safety	10,847,279	-	1,394,331	-	-	12,241,610
Public works	3,071,751	-	-	-	-	3,071,751
Health and welfare	1,305,734	606,633	-	-	-	1,912,367
Education	17,119,417	-	-	-	-	17,119,417
Parks, recreation, and cultural	1,752,236	-	-	-	-	1,752,236
Community development	2,223,365	-	-	-	574,734	2,798,099
Nondepartmental	48,338	-	-	-	-	48,338
<i>Debt service</i>						
Principal	615,000	-	-	-	-	615,000
Interest	253,449	-	-	-	-	253,449
Capital lease payments	711,518	-	-	-	-	711,518
Capital outlay	2,382,271	-	-	-	-	2,382,271
Total Expenditures	45,685,488	606,633	1,394,331	14,673	574,734	48,275,859
Excess (Deficiency) of Revenues Over Expenditures	1,456,966	(165,034)	150,237	3,153	12,559	1,457,881
Other Financing Sources (Uses)						
Transfers in	-	165,034	-	-	3,884	168,918
Transfers out	(168,918)	-	-	-	-	(168,918)
Total Other Financing Sources (Uses)	(168,918)	165,034	-	-	3,884	-
Net Change in Fund Balances	1,288,048	-	150,237	3,153	16,443	1,457,881
Fund Balances - Beginning of Year	21,232,876	-	168,020	133,246	69,088	21,603,230
Fund Balances - End of Year	<u>\$ 22,520,924</u>	<u>\$ -</u>	<u>\$ 318,257</u>	<u>\$ 136,399</u>	<u>\$ 85,531</u>	<u>\$ 23,061,111</u>

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, 2010

Net Change in Fund Balances - Total Governmental Funds		\$ 1,457,881
<p>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.</p>		
Capital outlays	\$ 1,342,960	
Depreciation expense	<u>(1,438,535)</u>	(95,575)
<p>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.</p>		
		122,919
<p>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.</p>		
Tower lease	19,200	
Proceeds from bonds	(2,000,000)	
Repayment of principal	1,845,863	
Change in accrued interest	<u>57,247</u>	
Net Adjustment		(77,690)
<p>Change in allocation of school's capital assets (new school buildings) that have debt held and payable by the County associated with the buildings.</p>		
Change in net school assets allocated to County	<u>48,747</u>	48,747
<p>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:</p>		
Landfill obligation	(39,666)	
Compensated absences	<u>(45,275)</u>	
Net Adjustment		<u>(84,941)</u>
Change in Net Assets of Governmental Activities		<u>\$ 1,371,341</u>

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, 2010

Agency Funds

	<u>Special Welfare</u>	<u>Gateway Streetscape Foundation, Inc.</u>	<u>Jail Inmate</u>	<u>OPEB Trust</u>	<u>Total</u>
Assets					
Cash - unrestricted	\$ 3,136	\$ 57,579	\$ 22,610	\$ 497,339	\$ 580,664
Accounts receivable, net	-	13,106	-	-	13,106
Capital assets, net	-	<u>5,295</u>	-	-	<u>5,295</u>
Total Assets	<u>\$ 3,136</u>	<u>\$ 75,980</u>	<u>\$ 22,610</u>	<u>\$ 497,339</u>	<u>\$ 599,065</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ 844	\$ -	\$ -	\$ 844
Due to other funds	20	16,404	-	-	16,424
Amounts held for others	<u>3,116</u>	<u>-</u>	<u>22,610</u>	<u>497,339</u>	<u>523,065</u>
Total Liabilities	3,136	17,248	22,610	497,339	540,333
Fund Balances					
Unreserved/Undesignated	-	<u>58,732</u>	-	-	<u>58,732</u>
Total Fund Balances	-	<u>58,732</u>	-	-	<u>58,732</u>
Total Liabilities and Fund Balances	<u>\$ 3,136</u>	<u>\$ 75,980</u>	<u>\$ 22,610</u>	<u>\$ 497,339</u>	<u>\$ 599,065</u>

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, 2010

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 2010:

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. However, the Component Unit – IDA Fund is accounted for as a proprietary fund.

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 Gateway Streetscape Foundation, Inc. accounts for the funds of a local nonprofit organization whose purpose is to improve the community's

aesthetic value by planting flowers and trees on major roadways. The OPEB Trust Fund holds funds for postemployment retiree benefits.

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."

Beginning in January 2011, the County will become the fiscal agent for the Fieldale Sanitary District. As a result, the District will be a new component unit for fiscal year 2011.

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.

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 \$2,220,393 at June 30, 2010 and is comprised solely of property taxes.

The IDA calculated an allowance of \$839,939 at June 30, 2010 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 after retiring until reaching age 65. 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:

	<u>Component Units</u>					
	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry- Martinsville Social Services</u>	<u>Total</u>
Fund Statements						
Deposits and Investments						
Cash on hand	\$ 4,972	\$ 1,818	\$ -	\$ 4,284	\$ -	\$ 11,074
Deposits	<u>18,542,470</u>	<u>578,846</u>	<u>2,119,759</u>	<u>726,517</u>	<u>(78,805)</u>	<u>21,888,787</u>
	<u>\$ 18,547,442</u>	<u>\$ 580,664</u>	<u>\$ 2,119,759</u>	<u>\$ 730,801</u>	<u>\$ (78,805)</u>	<u>\$ 21,899,861</u>
Statement of Net Assets						
Deposits and Investments						
Cash and cash equivalents	\$ 18,547,442	\$ -	\$ 2,119,759	\$ 730,801	\$ (78,805)	\$ 21,319,197
Fiduciary fund cash	<u>-</u>	<u>580,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,664</u>
	<u>\$ 18,547,442</u>	<u>\$ 580,664</u>	<u>\$ 2,119,759</u>	<u>\$ 730,801</u>	<u>\$ (78,805)</u>	<u>\$ 21,899,861</u>

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 2010 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, 2010:

Primary Government

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,585,471	\$ 103,418	\$ -	\$ 1,688,889
Construction in progress	<u>3,413,769</u>	<u>-</u>	<u>3,413,769</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	4,999,240	103,418	3,413,769	1,688,889
Capital Assets, Depreciable				
Buildings and improvements	22,569,885	1,913,390	67,570	24,415,705
Furniture, equipment, and vehicles	<u>9,305,841</u>	<u>2,739,921</u>	<u>254,770</u>	<u>11,790,992</u>
Total Capital Assets - Depreciable	31,875,726	4,653,311	322,340	36,206,697
Less: Accumulated depreciation for				
Land and land improvements	13,816	3,454	-	17,270
Buildings and improvements	9,669,910	676,171	67,570	10,278,511
Furniture, equipment, and vehicles	<u>7,432,933</u>	<u>758,910</u>	<u>254,770</u>	<u>7,937,073</u>
Total Accumulated Depreciation	<u>17,116,659</u>	<u>1,438,535</u>	<u>322,340</u>	<u>18,232,854</u>
Other Capital Assets, Net	<u>14,759,067</u>	<u>3,214,776</u>	<u>-</u>	<u>17,973,843</u>
Net Capital Assets before Allocation from School	<u>\$ 19,758,307</u>	<u>\$ 3,318,194</u>	<u>\$ 3,413,769</u>	<u>19,662,732</u>
Less: Net school buildings allocated to County with outstanding debt				<u>26,427,204</u>
Net Capital Assets				<u>\$ 46,089,936</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 155,313			
Judicial administration	239,495			
Public safety	774,628			
Public works	77,205			
Health and welfare	53,963			
Parks, recreation, and cultural	115,411			
Community development	<u>22,520</u>			
Total Depreciation Expense	<u>\$ 1,438,535</u>			

Component Unit - School Board

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 799,239	\$ -	\$ -	\$ 799,239
Construction in progress - school renovations	<u>1,227,655</u>	<u>2,535,851</u>	<u>668,723</u>	<u>3,094,783</u>
Total Capital Assets Not Being Depreciated	2,026,894	2,535,851	668,723	3,894,022
Capital Assets, Depreciable				
Buildings and improvements	64,756,890	1,498,191	-	66,255,081
Furniture and equipment	<u>9,470,356</u>	<u>1,349,227</u>	<u>368,252</u>	<u>10,451,331</u>
Total Capital Assets, Depreciable	74,227,246	2,847,418	368,252	76,706,412
Less: Accumulated depreciation for				
Land and land improvements	14,733	-	-	14,733
Buildings and improvements	27,776,762	1,445,579	-	29,222,341
Furniture and equipment	<u>7,108,711</u>	<u>756,026</u>	<u>348,505</u>	<u>7,516,232</u>
Total Accumulated Depreciation	<u>34,900,206</u>	<u>2,201,605</u>	<u>348,505</u>	<u>36,753,306</u>
Other Capital Assets, Net	<u>39,327,040</u>	<u>645,813</u>	<u>19,747</u>	<u>39,953,106</u>
Net Capital Assets before Allocation to County	<u>\$ 41,353,934</u>	<u>\$ 3,181,664</u>	<u>\$ 688,470</u>	43,847,128
Less: Net school buildings allocated to County with outstanding debt				<u>(26,427,204)</u>
Net Capital Assets				<u>\$ 17,419,924</u>
Depreciation is allocated as follows:				
Instruction	\$ 58,653			
Administration, attendance, and health	28,284			
Pupil transportation	551,303			
Operation and maintenance	61,691			
Cafeterias	38,740			
Facilities	1,425,557			
Technology	<u>37,377</u>			
Total Depreciation Expense	<u>\$ 2,201,605</u>			

Component Unit - Henry-Martinsville Social Services

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Other Capital Assets				
Machinery and equipment	\$ 228,058	\$ 37,998	\$ 9,000	<u>\$ 257,056</u>
Total Other Capital Assets	228,058	37,998	9,000	<u>257,056</u>
Less: Accumulated depreciation for				
Machinery and equipment	<u>202,460</u>	<u>18,270</u>	<u>9,000</u>	<u>211,730</u>
Total Accumulated Depreciation	<u>202,460</u>	<u>18,270</u>	<u>9,000</u>	<u>211,730</u>
Other Capital Assets, Net	<u>25,598</u>	<u>19,728</u>	<u>-</u>	<u>45,326</u>
Net Capital Assets	<u>\$ 25,598</u>	<u>\$ 19,728</u>	<u>\$ -</u>	<u>\$ 45,326</u>
Depreciation is allocated as follows:				
Health and welfare	\$ 18,270			
Total Depreciation Expense	<u>\$ 18,270</u>			

Component Unit - IDA

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital Assets - Depreciable				
Equipment	\$ 4,440,059	\$ -	\$ -	<u>\$ 4,440,059</u>
Total Capital Assets - Depreciable	4,440,059	-	-	<u>4,440,059</u>
Less: Accumulated depreciation for				
Equipment	<u>634,294</u>	<u>634,294</u>	<u>-</u>	<u>1,268,588</u>
Total Accumulated Depreciation	<u>634,294</u>	<u>634,294</u>	<u>-</u>	<u>1,268,588</u>
Net Capital Assets	<u>\$ 3,805,765</u>	<u>\$ (634,294)</u>	<u>\$ -</u>	<u>\$ 3,171,471</u>
Depreciation expense was allocated as follows:				
Community development	\$ 634,294			
Total Depreciation Expense	<u>\$ 634,294</u>			

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	15-40 years
Equipment	3-15 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, except as noted in Item E below.

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, 2010, the County had no outstanding commitments for future payments under these agreements.

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.

E. *Tax Assessment Lawsuits*

The County has several outstanding legal actions against it involving tax assessments. If the County loses the lawsuits, refunds of taxes could approximate \$1.7 million at a maximum.

F. *Component Units*

Beginning in January 2011, the County will become the fiscal agent for the Fieldale Sanitary District. As a result, the District will be a new component unit for fiscal year 2011.

The following Constitutional Officers and County employees are covered by surety bonds issued in the amounts shown as of June 30, 2010:

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, 2010:

Primary Government

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2010</u>
General Obligation Bonds - 2002	\$ 6,040,000	\$ 640,000	3.00-5.00	2014	\$ 3,470,000
Va. Public School Authority Bonds - 2007B	2,711,471	112,815	5.10	2028	2,498,690
Va. Public School Authority Bonds - 2006	6,009,728	257,749	4.60-5.10	2027	5,281,305
Va. Public School Authority Bonds - 2005	2,342,487	102,018	4.60-5.10	2026	1,960,000
Va. Public School Authority Bonds - 1995	1,916,194	106,431	5.10-6.10	2016	686,925
VML/ VACO Recovery Zone Bonds - 2010	2,000,000	-	2.00-6.57	2030	2,000,000
Sanville Elementary Literary Loan - 1998	2,080,772	104,039	2.00	2018	832,304
Laurel Park Literary Loan - 1998	1,387,370	69,500	2.00	2018	553,370
Rich Acres Literary Loan - 1998	2,462,218	122,750	2.00	2018	989,218
Stanleytown Literary Loan - 1998	2,425,951	120,000	2.00	2018	985,951
Fieldale-Collinsville Literary Loan - 1998	2,500,000	125,000	2.00	2019	1,125,000
					<u>\$ 20,382,763</u>

Component Unit - Industrial Development Authority

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2010</u>
Public Improvement Bond - Series 2007	\$ 4,000,000	\$ 362,406	3.79	2018	\$ 3,314,406
Public Improvement Equipment Lease Revenue Bond - Series 2008	4,400,000	606,563	3.39	2015	3,246,803
Series 2008 Lease Revenue Bond	1,500,000	N/A	3.40	2014	1,500,000
Series 2009 Lease Revenue Bond	2,000,000	N/A	3.40	2014	1,857,593
					<u>\$ 9,918,802</u>

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, 2010:

Primary Government

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
General obligations bonds - County	\$ 4,085,000	\$ -	\$ 615,000	\$ 3,470,000	\$ 640,000
General obligations bonds - public schools	10,993,228	-	566,308	10,426,920	579,013
Literary Fund loans	5,127,132	-	641,289	4,485,843	541,289
Recovery Zone bonds	-	2,000,000	-	2,000,000	-
Subtotal	20,205,360	2,000,000	1,822,597	20,382,763	1,760,302
Add: Bond premiums	412,229	-	23,266	388,963	-
Subtotal after premiums	20,617,589	2,000,000	1,845,863	20,771,726	1,760,302
Note payable to Verizon (Tower)	241,600	-	19,200	222,400	19,200
Landfill closure monitoring	444,548	39,666	-	484,214	-
Compensated absences	1,811,678	45,275	-	1,856,953	-
	<u>\$ 23,115,415</u>	<u>\$ 2,084,941</u>	<u>\$ 1,865,063</u>	<u>\$ 23,335,293</u>	<u>\$ 1,779,502</u>

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		General Obligation Bonds School Board		Recovery Zone Bonds and Literary Fund Loans		Totals		Long-Term Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 640,000	\$ 139,950	\$ 579,013	\$ 491,239	\$ 541,289	\$ 189,026	\$ 1,760,302	\$ 820,215	\$ 19,200	\$ -
2012	665,000	114,650	592,383	461,368	621,289	187,228	1,878,672	763,246	19,200	-
2013	690,000	87,550	606,181	431,070	626,289	174,722	1,922,470	693,342	19,200	-
2014	720,000	55,750	620,422	400,329	626,289	162,111	1,966,711	618,190	19,200	-
2015	755,000	18,875	635,682	368,569	626,289	148,650	2,016,971	536,094	19,200	-
2016-2020	-	-	2,895,978	1,397,772	2,249,398	532,226	5,145,376	1,929,998	96,000	-
2021-2025	-	-	3,116,170	701,331	545,000	318,216	3,661,170	1,019,547	30,400	-
2026-2030	-	-	1,381,091	76,156	650,000	133,341	2,031,091	209,497	-	-
	<u>\$ 3,470,000</u>	<u>\$ 416,775</u>	<u>\$ 10,426,920</u>	<u>\$ 4,327,834</u>	<u>\$ 6,485,843</u>	<u>\$ 1,845,520</u>	<u>\$ 20,382,763</u>	<u>\$ 6,590,129</u>	<u>\$ 222,400</u>	<u>\$ -</u>

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, 2010 is computed as follows:

Total assessed value of taxed real property	<u>\$ 2,959,808,261</u>
Debt limits per Constitution of Virginia - 10% assessed value	\$ 295,980,826
Amount of debt applicable to debt limit:	
Gross debt	<u>20,382,763</u>
Legal debt margin - June 30, 2010	<u>\$ 275,598,063</u>

Note: 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. Long-Term Agreement

The County entered into a long-term agreement with Verizon for construction and renovations made to a tower. The agreement was for \$265,600 and will be paid back over approximately 14 years in lieu of Verizon paying rent. The annual amount is \$19,200.

E. 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, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>One Year</u>
School Board					
Compensated absences	<u>\$ 598,707</u>	<u>\$ 3,192</u>	<u>\$ -</u>	<u>\$ 601,899</u>	<u>\$ -</u>
Henry-Martinsville Social Services					
Compensated absences	<u>\$ 385,692</u>	<u>\$ 9,889</u>	<u>\$ -</u>	<u>\$ 395,581</u>	<u>\$ -</u>
Industrial Development Authority					
Series 2008 Lease Revenue Bonds	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ -
Series 2009 Lease Revenue Bonds	832,639	1,024,954	-	1,857,593	-
Public Improvement Bond - Series 2007	3,663,578	-	349,172	3,314,406	362,406
Public Improvement Equipment Lease Revenue Bond, Series 2008	<u>3,833,300</u>	<u>-</u>	<u>586,497</u>	<u>3,246,803</u>	<u>606,563</u>
Total	<u>\$ 9,829,517</u>	<u>\$ 1,024,954</u>	<u>\$ 935,669</u>	<u>\$ 9,918,802</u>	<u>\$ 968,969</u>

Estimated principal maturities for future years ended June 30 follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 968,969	\$ 342,703
2012	1,003,441	307,970
2013	1,039,142	271,999
2014	4,433,711	115,744
2015	1,113,818	77,159
2016-2020	<u>1,359,721</u>	<u>78,577</u>
	<u>\$ 9,918,802</u>	<u>\$ 1,194,152</u>

8 Interfund Receivables/Payables

	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
County of Henry, Virginia - Due to/from's		
General Fund	\$ 104,817	\$ 435,188
Comprehensive Services Act Fund	-	88,392
E-911 Central Dispatch Fund	266,257	-
Law Library Fund	134,748	-
Capital Projects Fund	34,182	-
Fiduciary Funds	-	16,424
Net Due from Other Funds	<u>\$ 540,004</u>	<u>\$ 540,004</u>

	<u>Due</u> <u>From</u>	<u>Due</u> <u>To</u>
Component Unit Interfund Accounts		
Due from Industrial Development Authority to County	\$ 2,774,013	\$ 2,774,013
Due from Social Services to County	641,091	641,091
Due to School from County	1,801,033	1,801,033
Due to School Cafeteria from County	215,277	215,277
Subtotal	<u>\$ 5,431,414</u>	<u>\$ 5,431,414</u>

	<u>Transfers</u> <u>In</u>	<u>Transfers</u> <u>Out</u>
County of Henry, Virginia		
General Fund		
From General Fund to Capital Projects Fund	\$ -	\$ 3,884
From General Fund to Comprehensive Services	-	165,034
Comprehensive Services Act Fund		
From General Fund to Comprehensive Services	165,034	-
Capital Projects Fund		
From General Fund to Capital Projects Fund	3,884	-
	<u>\$ 168,918</u>	<u>\$ 168,918</u>

	<u>Transfers In</u>	<u>Transfers Out</u>
County of Henry, Virginia to Component Units		
Primary Government - County of Henry, Virginia		
To Component Unit - Social Services	\$ -	\$ 552,326
To Component Unit - Industrial Development Authority	-	326,569
To Component Unit - School Board	-	17,064,188
Component Unit - Social Services		
From Primary Government - County of Henry, Virginia	552,326	-
Component Unit - Industrial Development Authority		
From Primary Government - County of Henry, Virginia	326,569	-
Component Unit - School Board		
From Primary Government - County of Henry, Virginia	<u>17,064,188</u>	<u>-</u>
	<u>\$ 17,943,083</u>	<u>\$ 17,943,083</u>
	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Component Unit - School Board		
School Fund		
From School Textbook to School	\$ 3,355	\$ -
School Textbook Fund		
From School Textbook to School	<u>-</u>	<u>3,355</u>
	<u>\$ 3,355</u>	<u>\$ 3,355</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
School Fund		
From School to School Textbook Fund	\$ -	\$ 322,967
School Textbook Fund		
From School to School Textbook Fund	<u>322,967</u>	<u>-</u>
	<u>\$ 322,967</u>	<u>\$ 322,967</u>

9 Due from Other Governments

	<u>County of Henry, Virginia</u>	<u>School Board</u>	<u>Henry-Martinsville Social Services</u>
Commonwealth of Virginia			
Local sales taxes	\$ 658,259	\$ 1,195,732	\$ -
Communications tax	282,193	-	-
Auto rental tax	10,465	-	-
Mobile home tax	20,075	-	-
Compensation Board	470,871	-	-
Recordation tax	32,841	-	-
Motor vehicle carrier tax	42,080	-	-
Comprehensive services	103,596	-	-
Educational technology	-	518,000	-
Development grants	23,077	-	-
Other reimbursements	20,366	1,754	-
Public assistance	-	-	187,169
	<u>1,663,823</u>	<u>1,715,486</u>	<u>187,169</u>
Federal Government			
Title VIB	-	387,814	-
ARRA Basic Aid Entitlement	-	728,347	-
ARRA State Fiscal Stabilization	-	288,997	-
Title I and ARRA Title I	-	573,975	-
Title II	-	101,356	-
Development grants	247,517	-	-
Homeland security	19,770	-	-
Law enforcement	47,910	-	-
EMS single purpose	106,211	-	-
Victim witness	29,899	-	-
Public assistance	-	-	270,581
Other reimbursements	<u>80,309</u>	<u>139,217</u>	<u>-</u>
	531,616	2,219,706	270,581
Other Governmental Entities			
911 operations	489,642	-	-
Social services operations	-	-	262,146
	<u>\$ 2,685,081</u>	<u>\$ 3,935,192</u>	<u>\$ 719,896</u>

10 Defined Benefit Pension Plan

A. *Plan Description*

Name of Plan:

Virginia Retirement System (VRS)

Identification of Plan:

Agent and Cost-Sharing Multiple-Employer
Defined Benefit Pension Plan

Administering Entity:

Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the County 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 2010 was 7.64% of annual covered payroll. The Component Unit – School Board's contribution rate for non-professional employees for the fiscal year ended 2010 was 8.13% of annual covered payroll. The Component Unit – School Board contributed \$2,497,456 to the teacher cost-sharing pool at a rate of 8.81%.

C. Annual Pension Cost

For fiscal year 2010, the County's and the County School Board non-professionals' annual employer pension cost of \$1,054,459 and \$401,356, respectively, was equal to the County's required and actual contributions.

Three-Year Trend Information for County

	<u>Fiscal Year Ended</u>	<u>*Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County	June 30, 2008	\$ 952,625	100%	\$ -
	June 30, 2009	1,055,991	100%	-
	June 30, 2010	1,054,459	100%	
School Board Non-Professional	June 30, 2008	\$ 373,255	100%	\$ -
	June 30, 2009	397,885	100%	-
	June 30, 2010	401,356	100%	-

*Required employer cost only.

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

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 88.76% funded. The actuarial accrued liability for benefits was \$57,302,200, and the actuarial value of assets was \$50,860,620, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,441,580. The covered payroll (annual payroll of active employees covered by the plan) was \$14,020,696, and ratio of the UAAL to the covered payroll was 45.94%.

For the nonprofessional School Board, as of June 30, 2009, the most recent actuarial valuation date, the plan was 90.55% funded. The actuarial accrued liability for benefits was \$17,016,445, and the actuarial value of assets was \$15,408,828, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,607,617. The covered payroll (annual payroll of active employees covered by the plan) was \$5,041,000, and ratio of the UAAL to the covered payroll was 31.89%.

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

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, 2007	\$ 46,244,967	\$ 48,921,679	\$ 2,676,712	94.53%	\$ 12,966,207	20.64%
June 30, 2008	50,596,863	54,164,070	3,567,207	93.41%	13,686,331	26.06%
June 30, 2009	50,860,620	57,302,200	6,441,580	88.76%	14,020,696	45.94%
Component Unit - School Board						
June 30, 2007	\$ 13,993,130	\$ 15,288,892	\$ 1,295,762	91.52%	\$ 5,036,775	25.73%
June 30, 2008	15,299,147	16,119,545	820,398	94.91%	5,152,682	15.92%
June 30, 2009	15,408,828	17,016,445	1,607,617	90.55%	5,041,000	31.89%

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:

	<u>County</u>	<u>Component Unit - School Board</u>
Valuation Date	June 30, 2009	June 30, 2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Open	Level Percent of Pay, Open
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	20 years	20 years
Asset Valuation Method	5-Year Smoothed Market Value	5-Year Smoothed Market Value
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%

¹Includes inflation of 2.50%

11 Landfill Postclosure 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, DEQ has allowed the County to stop groundwater monitoring.

The \$484,214 reported as landfill postclosure care liability at June 30, 2010 represents what it would cost to perform all postclosure care in 2010. 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 postclosure 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 postclosure care cost.

12 Revenue Anticipation Note

On January 15, 2009, the County issued revenue anticipation notes, Series 2009 in the amount of \$4,066,000 carrying an interest rate of 2.49 percent. The balance at the end of June 30, 2009 was \$3,896,000. This note has been paid off during fiscal year 2009-2010.

13 Notes Receivable – Component Unit

The Component Unit – Industrial Development Authority had a note receivable from a company in the amount of \$2,998,799 as of June 30, 2010. The Company had been making payments in accordance with a bankruptcy decree from 1999. In 2007 with the Company coming out of bankruptcy and still owing the Industrial Development Authority a substantial amount of money on the note, the County filed a lawsuit against the shareholders, co-obligors of the note. In December 2008, the County, the Company, and co-obligors reached a settlement agreement. This agreement calls for monthly payments beginning January 1, 2009 of \$25,000 plus accrued interest. The County has granted temporary reduction in the amount of \$25,000 at times due to economic conditions, but anticipates this being restored when conditions warrant. The interest rate can vary from 3 to 5 percent depending on the total payments the company makes on an annual basis. The interest rate was at 3 percent but increased to 5 percent in fiscal year 2010. As a part of the agreement, the co-obligors executed documents giving the County a third priority lien and security interest in certain real estate holdings on which the Company operates.

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental funds			
Taxes	\$ 1,034,798	\$ -	\$ 1,034,798
Business licenses	74,785	-	74,785
Meals tax	69,245	-	69,245
Deposits and prepayments on miscellaneous accounts	29,525	-	29,525
Grant Draw Downs Prior to Meeting All Eligibility Requirements	<u>-</u>	<u>540,096</u>	<u>540,096</u>
 Total	 <u>\$ 1,208,353</u>	 <u>\$ 540,096</u>	 <u>\$ 1,748,449</u>
Component Unit - School Board			
Grant Draw Downs Prior to Meeting All Eligibility Requirements	<u>\$ -</u>	<u>\$ 89,548</u>	<u>\$ 89,548</u>
Component Unit - Industrial Development Authority			
Grant Draw Downs Prior to Meeting All Eligibility Requirements	<u>\$ -</u>	<u>\$ 12,109</u>	<u>\$ 12,109</u>

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:

	<u>School Board</u>
Appropriation from General Fund	\$ 17,064,188
Debt proceeds received for construction on school building renovations	2,008,631
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	(48,747)
Adjustment for long-term debt paid by School on buildings owned by the County until the debt is paid off	<u>(1,894,733)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 17,129,339</u>

17 Postemployment Healthcare Plan

Plan Description. County of Henry, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses.

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
County			
06/30/09	\$ 95,287	138.30%	\$ (36,492)
06/30/10	\$ 93,923	74.20%	\$ (12,269)
School Board			
06/30/09	\$ 386,724	158.50%	\$ (226,191)
06/30/10	\$ 375,289	74.10%	\$ (128,902)
Henry-Martinsville Social Services			
06/30/09	\$ 18,544	194.90%	\$ (17,592)
06/30/10	\$ 17,556	216.70%	\$ (38,076)

Following are disclosures for the County's postemployment benefits:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Plan Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Liability (b-a)</u>	<u>Normal Cost (c)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (d)</u>	<u>Unfunded % of Payroll (b-a)/(d)</u>
County							
07/01/2008	\$ -	\$ 1,131,258	\$ 1,131,258	\$ 22,708	0.0%	\$ 10,855,984	10.4%
07/01/2008 Revised	\$ 67,868	\$ 1,173,652	\$ 1,105,784	\$ 23,276	5.8%	\$ 11,127,384	9.9%
School Board							
07/01/2008	\$ -	\$ 4,778,503	\$ 4,778,503	\$ 80,707	0.0%	\$ 36,085,945	13.2%
07/01/2008 Revised	\$ 295,359	\$ 4,893,540	\$ 4,598,181	\$ 82,725	6.0%	\$ 36,988,094	12.4%
Henry-Martinsville Social Services							
07/01/2008	\$ -	\$ 178,951	\$ 178,951	\$ 6,940	0.0%	\$ 2,815,049	6.4%
07/01/2008 Revised	\$ 34,531	\$ 197,610	\$ 163,079	\$ 7,114	17.5%	\$ 2,885,425	5.7%

Schedule of Contributions

<u>FYE</u>	<u>ARC</u>	<u>Actual Contribution</u>	<u>% Contributed</u>
County			
2008-2009	\$ 95,287	\$ 131,779	138.3%
2009-2010	\$ 93,923	\$ 69,700	74.2%
School Board			
2008-2009	\$ 386,724	\$ 612,915	158.5%
2009-2010	\$ 375,289	\$ 278,000	74.1%
Henry-Martinsville Social Services			
2008-2009	\$ 18,544	\$ 36,136	194.9%
2009-2010	\$ 17,556	\$ 38,040	216.7%

Annual Pension OPEB Cost Summary

<u>Plan Year</u>	<u>BOY NOPEBO</u>	<u>ARC</u>	<u>Annual OPEB Int.</u>	<u>Cost Adj.</u>	<u>Total</u>	<u>Actual Cont.</u>	<u>EOY NOPEBO</u>	<u>Interest Rate</u>	<u>Amort. Period</u>
County									
2008-09	\$ -	\$ 95,287	\$ -	\$ -	\$ 95,287	\$ 131,779	\$ (36,492)	7.50%	30
2009-10	\$ (36,492)	\$ 94,261	\$ (2,737)	\$ 2,399	\$ 93,923	\$ 69,700	\$ (12,269)	7.50%	30
School Board									
2008-09	\$ -	\$ 386,724	\$ -	\$ -	\$ 386,724	\$ 612,915	\$ (226,191)	7.50%	30
2009-10	\$ (226,191)	\$ 377,380	\$ (16,964)	\$ 14,873	\$ 375,289	\$ 278,000	\$ (128,902)	7.50%	30
Henry-Martinsville Social Services									
2008-09	\$ -	\$ 18,544	\$ -	\$ -	\$ 18,544	\$ 36,136	\$ (17,592)	7.50%	30
2009-10	\$ (17,592)	\$ 17,718	\$ (1,319)	\$ 1,157	\$ 17,556	\$ 38,040	\$ (38,076)	7.50%	30

REQUIRED SUPPLEMENTARY INFORMATION



County of Henry, Virginia
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Current year property taxes	\$ 21,279,113	\$ 21,279,113	\$ 21,232,923	\$ (46,190)
Penalties - all tax years	244,500	244,500	219,248	(25,252)
Interest - all tax years	100,505	100,505	202,769	102,264
Total General Property Taxes	<u>21,624,118</u>	<u>21,624,118</u>	<u>21,654,940</u>	<u>30,822</u>
Other Local Taxes				
Local sales and use taxes	3,577,660	3,577,660	3,732,394	154,734
Consumer utility tax	2,709,939	2,709,939	2,751,816	41,877
Business license taxes	1,462,452	1,462,452	1,443,561	(18,891)
Motor vehicle licenses	977,000	977,000	948,530	(28,470)
Bank franchise taxes	132,800	132,800	183,255	50,455
Transient occupancy taxes	110,000	110,000	99,381	(10,619)
Taxes on recordation and wills	214,700	214,700	247,494	32,794
Restaurant food taxes	1,751,467	1,751,467	1,815,995	64,528
Total Other Local Taxes	<u>10,936,018</u>	<u>10,936,018</u>	<u>11,222,426</u>	<u>286,408</u>
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	14,470	14,470	12,515	(1,955)
Building and related permits	64,000	64,000	54,698	(9,302)
Other permits, licenses, and fees	6,575	6,575	4,651	(1,924)
Total Permits, Privilege Fees, and Regulatory Licenses	<u>85,045</u>	<u>85,045</u>	<u>71,864</u>	<u>(13,181)</u>
Fines and Forfeitures				
Court fines and forfeitures	193,286	193,286	202,580	9,294
Revenue from Use of Money and Property				
Revenue from use of money	200,000	200,000	364,267	164,267
Revenue from use of property	220,150	682,150	842,068	159,918
Total Revenue from Use of Money and Property	<u>420,150</u>	<u>882,150</u>	<u>1,206,335</u>	<u>324,185</u>
Charges for Services				
Court costs	300	300	59	(241)
Sheriff fees	23,054	23,054	19,092	(3,962)
Commonwealth's attorney	2,900	2,900	2,315	(585)
County and hired attorneys	67,000	67,000	80,021	13,021
Law enforcement and traffic control	32,000	34,200	59,499	25,299
Charges for sanitation and waste removal	58,700	58,700	61,233	2,533
Animal warden	700	700	765	65
Parks and recreation	43,000	43,000	49,761	6,761
Utility bill collection	12,000	12,000	14,347	2,347
Miscellaneous other charges for services	2,600	2,600	10,694	8,094
Total Charges for Services	<u>242,254</u>	<u>244,454</u>	<u>297,786</u>	<u>53,332</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Recovered Costs				
Jail costs - Commonwealth of Virginia	503,310	503,310	479,878	(23,432)
Salary - court secretary	27,000	27,000	22,218	(4,782)
City share of extension services	9,000	9,000	8,550	(450)
School share of school resource officer	229,869	282,413	264,432	(17,981)
M/HC Economic Development Corporation	747,313	747,313	723,505	(23,808)
Harvest Foundation Grant	-	5,000	5,000	-
Local and special grants	-	17,362	18,899	1,537
Transportation Grants	53,985	75,348	58,140	(17,208)
Other recovered costs	-	22,905	36,138	13,233
Insurance recoveries	-	-	19,328	19,328
Miscellaneous refunds	221,493	511,470	492,171	(19,299)
Total Recovered Costs	<u>1,791,970</u>	<u>2,201,121</u>	<u>2,128,259</u>	<u>(72,862)</u>
Miscellaneous	40,000	40,000	65,038	25,038
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	33,000	33,000	42,080	9,080
Mobile home titling tax	74,500	74,500	64,476	(10,024)
Tax on deeds	59,000	59,000	84,009	25,009
Auto rental sales tax	46,246	46,246	43,126	(3,120)
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
PARA mutual tax	40,000	40,000	33,545	(6,455)
Communication tax	1,685,200	1,685,200	1,671,828	(13,372)
Total Noncategorical Aid	<u>3,709,774</u>	<u>3,709,774</u>	<u>3,710,892</u>	<u>1,118</u>
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	571,023	526,083	507,976	(18,107)
Sheriff and Sheriff's auto	4,228,214	3,920,656	3,560,101	(360,555)
Commissioner of the Revenue	195,031	172,761	167,937	(4,824)
Treasurer	196,566	175,278	169,023	(6,255)
Electoral Board and General Registrar	43,231	43,231	51,533	8,302
Clerk of Circuit Court	473,857	432,539	424,637	(7,902)
Total Categorical Aid	<u>5,707,922</u>	<u>5,270,548</u>	<u>4,881,207</u>	<u>(389,341)</u>
<i>Other Categorical Aid</i>				
Emergency services grant	-	4,320	4,312	(8)
Fire programs fund	-	157,547	157,547	-
Victim witness program	18,000	18,000	25,921	7,921
Transportation grant funds	30,835	37,584	37,584	-
Litter control program	30,943	30,943	17,067	(13,876)
State EMS Two for Life funds	-	50,131	50,131	-
Other State grants	-	196,985	139,549	(57,436)
Library of Virginia	-	24,737	7,016	(17,721)
Asset forfeiture funds	-	9,585	41,866	32,281
Total Other Categorical Aid	<u>79,778</u>	<u>529,832</u>	<u>480,993</u>	<u>(48,839)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	9,497,474	9,510,154	9,073,092	(437,062)
Revenue from the Federal Government				
Payments in lieu of taxes	1,143	1,143	3,170	2,027
Forfeited property	-	14,684	9,274	(5,410)
Emergency services	24,874	24,874	24,874	-
Law enforcement grants	-	338,375	248,803	(89,572)
Victim Witness Program	72,000	72,000	77,759	5,759
Transportation grants	54,778	89,691	47,903	(41,788)
Recovery Act JAG State	-	-	259,752	259,752
ARRA - Wildland Fire Management	-	101,264	44,643	(56,621)
ARRA - Energy grants	-	779,998	-	(779,998)
Other federal funds - PSIC grant	-	418,534	418,576	42
Other federal funds - Homeland Security grant	-	85,610	85,380	(230)
Total Revenue from the Federal Government	<u>152,795</u>	<u>1,926,173</u>	<u>1,220,134</u>	<u>(706,039)</u>
Total Intergovernmental Revenue	<u>9,650,269</u>	<u>11,436,327</u>	<u>10,293,226</u>	<u>(1,143,101)</u>
Total Revenues	44,983,110	47,642,519	47,142,454	(500,065)
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	134,870	190,115	153,719	36,396
County Administrator	326,734	326,734	315,542	11,192
Independent auditor	61,000	61,000	39,040	21,960
Human resources/training	48,559	51,259	46,379	4,880
County Attorney	146,766	146,766	144,193	2,573
Commissioner of Revenue	535,987	515,022	508,450	6,572
Assessors	123,199	123,199	93,714	29,485
Treasurer	577,553	585,592	545,076	40,516
Finance	332,461	363,754	343,782	19,972
Information services	320,877	322,113	313,128	8,985
Central purchasing	185,573	186,032	184,015	2,017
Board of Elections - registrar	212,582	212,582	200,116	12,466
Total General Government Administration	<u>3,006,161</u>	<u>3,084,168</u>	<u>2,887,154</u>	<u>197,014</u>
<i>Judicial Administration</i>				
Circuit Court	84,306	84,306	72,633	11,673
General District Court	16,686	16,686	16,238	448
Magistrates	4,100	4,100	1,986	2,114
Juvenile and Domestic Relations	10,790	15,110	11,536	3,574
Clerk of the Circuit Court	645,769	636,365	605,856	30,509
Sheriff Civil and Court Security	946,781	910,702	919,605	(8,903)
Victim/Witness Assist	130,673	130,673	128,803	1,870
Commonwealth's Attorney	753,768	714,407	711,319	3,088
Total Judicial Administration	<u>2,592,873</u>	<u>2,512,349</u>	<u>2,467,976</u>	<u>44,373</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Law enforcement and traffic control	4,973,057	4,863,187	4,905,690	(42,503)
Law enforcement and traffic control - grants	-	350,013	252,790	97,223
School resource officer	165,316	165,316	147,497	17,819
Fire and rescue services	1,132,467	1,620,550	1,418,408	202,142
Emergency medical services	176,775	191,201	181,535	9,666
School rescue training	36,366	62,638	64,445	(1,807)
School fire training	49,847	76,555	74,639	1,916
Fire marshal	271,534	273,071	252,989	20,082
Correction and detention	2,384,792	2,343,151	2,104,784	238,367
Probation	347,083	347,083	300,186	46,897
Code enforcement	330,956	375,410	328,517	46,893
Public safety	118,281	118,431	112,946	5,485
Public safety - grants	-	584,583	545,043	39,540
Electronic monitoring	7,880	1,780	1,626	154
Animal control	133,333	134,833	131,193	3,640
Other protection	7,649	31,918	24,991	6,927
Total Public Safety	10,135,336	11,539,720	10,847,279	692,441
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	55,555	55,555	47,636	7,919
Refuse collection	1,700,738	1,702,383	1,465,279	237,104
Refuse disposal - closure maintenance	39,500	55,000	30,853	24,147
<i>Maintenance of buildings and grounds</i>				
General engineering	245,597	248,973	248,805	168
Communication equipment	61,293	61,293	52,805	8,488
Administrative building	353,914	388,305	377,210	11,095
Courthouse	306,247	292,371	268,151	24,220
Sheriff's office	45,550	47,432	43,501	3,931
Jail	229,050	327,400	230,782	96,618
Other	227,337	196,785	145,379	51,406
JSS Building	50,300	50,300	47,105	3,195
Dupont property	149,035	149,035	114,245	34,790
Total Maintenance of Buildings and Grounds	1,668,323	1,761,894	1,527,983	233,911
Total Public Works	3,464,116	3,574,832	3,071,751	503,081
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	613,606	644,324	552,326	91,998
Health Department	308,873	274,666	274,666	-
Mental health and retardation	123,755	123,755	123,755	-
Transportation grants	139,598	202,623	142,122	60,501
Property tax relief for the elderly	100,000	100,000	64,585	35,415
Group home services	69,676	69,676	69,676	-
Other welfare and social services	72,383	77,783	78,604	(821)
Total Health and Welfare	1,427,891	1,492,827	1,305,734	187,093
<i>Education</i>				
Contributions to community colleges	55,229	55,229	55,229	-
Contributions to component unit - school board	17,077,895	21,071,106	17,064,188	4,006,918
Total Education	17,133,124	21,126,335	17,119,417	4,006,918

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<i>Parks, Recreation, and Cultural</i>				
Parks, recreation, and cultural	869,213	877,008	869,163	7,845
Cultural enrichment	55,100	55,100	55,100	-
Library	827,973	827,973	827,973	-
Total Parks, Recreation, and Cultural	<u>1,752,286</u>	<u>1,760,081</u>	<u>1,752,236</u>	<u>7,845</u>
<i>Community Development</i>				
Planning and community development	261,929	261,929	256,126	5,803
Engineering and mapping	251,812	253,703	236,997	16,706
M/HC Economic Development Corporation	748,533	748,533	723,505	25,028
Cooperative extension program	52,942	52,942	50,736	2,206
Henry County Industrial Development Authority	1,229,673	947,358	326,569	620,789
Other community and economic development	626,922	761,493	629,432	132,061
Total Community Development	<u>3,171,811</u>	<u>3,025,958</u>	<u>2,223,365</u>	<u>802,593</u>
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	112,424	125,195	48,338	76,857
Contingency reserve	117,000	64,000	-	64,000
Total Nondepartmental	<u>229,424</u>	<u>189,195</u>	<u>48,338</u>	<u>140,857</u>
<i>Capital Projects</i>				
Communication system	-	946,188	684,015	262,173
Social Services building renovation	-	700,000	683,277	16,723
Other miscellaneous capital projects	158,582	2,271,728	1,014,979	1,256,749
Total Capital Projects	<u>158,582</u>	<u>3,917,916</u>	<u>2,382,271</u>	<u>1,535,645</u>
<i>Debt Service</i>				
Principal	865,000	865,000	615,000	250,000
Capital lease payments	711,518	711,518	711,518	-
Interest and other costs	277,713	277,713	253,449	24,264
Total Debt Service	<u>1,854,231</u>	<u>1,854,231</u>	<u>1,579,967</u>	<u>274,264</u>
Total Expenditures	<u>44,925,835</u>	<u>54,077,612</u>	<u>45,685,488</u>	<u>8,392,124</u>
Excess (Deficiency) of Revenues Over Expenditures	57,275	(6,435,093)	1,456,966	7,892,059
Other Financing Sources (Uses)				
Transfers to other funds	<u>(332,142)</u>	<u>(378,717)</u>	<u>(168,918)</u>	<u>209,799</u>
Total Other Financing Sources (Uses)	<u>(332,142)</u>	<u>(378,717)</u>	<u>(168,918)</u>	<u>209,799</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Net Change in Fund Balance Before Transfer from Surplus	(274,867)	(6,813,810)	1,288,048	8,101,858
Transfer from Surplus Funds	<u>274,867</u>	<u>6,813,810</u>	<u>-</u>	<u>(6,813,810)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	1,288,048	<u>\$ 1,288,048</u>
Fund Balance - Beginning of Year			<u>21,232,876</u>	
Fund Balance - End of Year			<u>\$ 22,520,924</u>	

Comprehensive Services Act Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Recovered costs	\$ 38,571	\$ 38,571	\$ 38,571	\$ -
Intergovernmental				
Revenue from the Commonwealth of Virginia	<u>652,295</u>	<u>652,295</u>	<u>403,028</u>	<u>(249,267)</u>
Total Intergovernmental Revenue	<u>652,295</u>	<u>652,295</u>	<u>403,028</u>	<u>(249,267)</u>
Total Revenues	690,866	690,866	441,599	(249,267)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and social services	<u>1,023,008</u>	<u>1,023,008</u>	<u>606,633</u>	<u>416,375</u>
Total Expenditures	<u>1,023,008</u>	<u>1,023,008</u>	<u>606,633</u>	<u>416,375</u>
Excess (Deficiency) of Revenues Over Expenditures	(332,142)	(332,142)	(165,034)	167,108
Other Financing Sources (Uses)				
Transfers in	<u>332,142</u>	<u>332,142</u>	<u>165,034</u>	<u>(167,108)</u>
Total Other Financing Sources (Uses)	<u>332,142</u>	<u>332,142</u>	<u>165,034</u>	<u>(167,108)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

E-911 Central Dispatch Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Local Revenues				
Other local taxes	\$ -	\$ -	\$ 303	\$ 303
Recovered costs	309,740	321,693	376,067	54,374
Total Local Revenues	309,740	321,693	376,370	54,677
Intergovernmental				
Revenue from the Commonwealth of Virginia	1,418,051	1,704,315	1,124,698	(579,617)
Revenue from the Federal Government	-	50,000	43,500	(6,500)
Total Intergovernmental Revenues	1,418,051	1,754,315	1,168,198	(586,117)
Reserve from surplus	-	27,891	-	(27,891)
Total Revenues	1,727,791	2,103,899	1,544,568	(559,331)
Expenditures				
Current				
Public Safety	1,727,791	2,103,899	1,394,331	709,568
Total Expenditures	1,727,791	2,103,899	1,394,331	709,568
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	150,237	<u>\$ 150,237</u>
Fund Balance - Beginning of Year			<u>168,020</u>	
Fund Balance - End of Year			<u>\$ 318,257</u>	

Law Library Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 16,250	\$ 16,250	\$ 11,755	\$ (4,495)
Recovered costs	8,500	8,500	6,071	(2,429)
Reserve to balance budget	<u>3,250</u>	<u>3,250</u>	<u>-</u>	<u>(3,250)</u>
Total Revenues	28,000	28,000	17,826	(10,174)
Expenditures				
Current				
Judicial administration	<u>28,000</u>	<u>28,000</u>	<u>14,673</u>	<u>13,327</u>
Total Expenditures	<u>28,000</u>	<u>28,000</u>	<u>14,673</u>	<u>13,327</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	3,153	<u>\$ 3,153</u>
Fund Balance - Beginning of Year			<u>133,246</u>	
Fund Balance - End of Year			<u>\$ 136,399</u>	

Capital Projects Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous	\$ -	\$ -	\$ 21,713	\$ 21,713
Recovered costs	408,935	408,935	91,481	(317,454)
Intergovernmental				
Revenue from the Commonwealth of Virginia	168,087	168,087	91,202	(76,885)
Revenue from the Federal Government	<u>4,558,541</u>	<u>4,558,541</u>	<u>382,897</u>	<u>(4,175,644)</u>
Total Revenues	5,135,563	5,135,563	587,293	(4,548,270)
Expenditures				
Current				
Community Development	<u>5,182,138</u>	<u>5,182,138</u>	<u>574,734</u>	<u>4,607,404</u>
Total Expenditures	<u>5,182,138</u>	<u>5,182,138</u>	<u>574,734</u>	<u>4,607,404</u>
Net Change in Fund Balance Before Transfers	(46,575)	(46,575)	12,559	59,134
Transfer from Other Funds	<u>46,575</u>	<u>46,575</u>	<u>3,884</u>	<u>(42,691)</u>
Net Change in Fund Balance Before Transfers	<u>\$ -</u>	<u>\$ -</u>	16,443	<u>\$ 16,443</u>
Fund Balance - Beginning of Year			<u>69,088</u>	
Fund Balance - End of Year			<u>\$ 85,531</u>	

Henry County School Board
School Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ 22,000	\$ 22,440	\$ 155,314	\$ 132,874
Charges for services	89,500	587,346	496,583	(90,763)
Recovered costs	356,000	356,000	455,393	99,393
Miscellaneous				
Harvest Foundation	-	599,272	586,322	(12,950)
Educational Technology	518,000	518,000	492,000	(26,000)
Other miscellaneous	433,500	479,400	885,577	406,177
Contribution - County of Henry, Virginia	17,077,895	21,071,106	17,064,188	(4,006,918)
Intergovernmental				
Revenue from the Commonwealth of Virginia	45,649,606	47,594,629	44,433,171	(3,161,458)
Revenue from the Federal Government	11,422,495	12,993,519	8,188,343	(4,805,176)
Total Intergovernmental Revenues	<u>57,072,101</u>	<u>60,588,148</u>	<u>52,621,514</u>	<u>(7,966,634)</u>
Total Revenues	75,568,996	84,221,712	72,756,891	(11,464,821)
Expenditures				
Instruction	44,053,360	44,857,593	43,045,769	1,811,824
Administration, attendance, and health	3,009,386	3,084,343	2,563,700	520,643
Pupil transportation	5,983,935	5,774,911	4,757,776	1,017,135
Operation and maintenance	7,149,338	7,632,780	6,756,158	876,622
Facilities	1,297,495	6,200,269	3,205,227	2,995,042
Special grants	8,800,000	13,459,065	9,131,554	4,327,511
Technology	2,634,734	2,680,396	2,212,276	468,120
Contingency reserve	150,224	224	-	224
Debt service				
Principal	1,207,597	1,207,597	1,207,597	-
Interest and other charges	636,993	687,231	687,136	95
Total Expenditures	<u>74,923,062</u>	<u>85,584,409</u>	<u>73,567,193</u>	<u>12,017,216</u>
Excess (Deficiency) of Revenues Over Expenditures	645,934	(1,362,697)	(810,302)	552,395
Other Financing Sources (Uses)				
Proceeds from bonds	-	2,008,631	2,008,631	-
Transfers out	(645,934)	(645,934)	(322,967)	322,967
Total Other Financing Sources (Uses)	<u>(645,934)</u>	<u>1,362,697</u>	<u>1,685,664</u>	<u>322,967</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	875,362	<u>\$ 875,362</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ 875,362</u>	

Henry County School Board
School Textbook Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ -	\$ -	\$ 7,770	\$ 7,770
Total Revenues	-	-	7,770	7,770
Expenditures				
Textbooks	<u>716,404</u>	<u>716,404</u>	<u>240,677</u>	<u>475,727</u>
Total Expenditures	<u>716,404</u>	<u>716,404</u>	<u>240,677</u>	<u>475,727</u>
Excess (Deficiency) of Revenues Over Expenditures	(716,404)	(716,404)	(232,907)	483,497
Other Financing Sources (Uses)				
Transfers in	<u>645,934</u>	<u>645,934</u>	<u>322,967</u>	<u>(322,967)</u>
Total Other Financing Sources (Uses)	<u>645,934</u>	<u>645,934</u>	<u>322,967</u>	<u>(322,967)</u>
Net Change in Fund Balance	<u>\$ (70,470)</u>	<u>\$ (70,470)</u>	90,060	<u>\$ 160,530</u>
Fund Balance - Beginning of Year			<u>1,782,446</u>	
Fund Balance - End of Year			<u><u>\$ 1,872,506</u></u>	

Henry County School Board
School Cafeteria Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ 8,500	\$ 8,500	\$ -	\$ (8,500)
Charges for services	1,144,575	1,497,349	1,347,264	(150,085)
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	-	106,452	106,452
Revenue from the Federal Government	<u>2,742,771</u>	<u>2,742,771</u>	<u>2,857,468</u>	<u>114,697</u>
Total Intergovernmental Revenues	<u>2,742,771</u>	<u>2,742,771</u>	<u>2,963,920</u>	<u>221,149</u>
Total Revenues	3,895,846	4,248,620	4,311,184	62,564
Expenditures				
Cafeteria	<u>3,895,846</u>	<u>4,248,620</u>	<u>4,170,672</u>	<u>77,948</u>
Total Expenditures	<u>3,895,846</u>	<u>4,248,620</u>	<u>4,170,672</u>	<u>77,948</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	140,512	140,512
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	140,512	<u>\$ 140,512</u>
Fund Balance - Beginning of Year			<u>112,172</u>	
Fund Balance - End of Year			<u>\$ 252,684</u>	

OTHER SUPPLEMENTARY INFORMATION



County of Henry, Virginia

Combining Balance Sheet

Component Unit - School Board

Year Ended June 30, 2010

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
Assets				
Cash	\$ 13,923	\$ 1,875,861	\$ 229,975	\$ 2,119,759
Cash - restricted for construction	1,965,333	-	-	1,965,333
Receivables - net	223,731	-	4,821	228,552
Due from textbook fund	3,355	-	-	3,355
Due from primary government	1,801,033	-	215,277	2,016,310
Due from other governments	<u>3,935,192</u>	<u>-</u>	<u>-</u>	<u>3,935,192</u>
Total Assets	<u>\$ 7,942,567</u>	<u>\$ 1,875,861</u>	<u>\$ 450,073</u>	<u>\$ 10,268,501</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 908,035	\$ -	\$ -	\$ 908,035
Deferred revenue	89,548	-	-	89,548
Due to school fund	-	3,355	-	3,355
Accrued salaries and benefits	<u>6,069,622</u>	<u>-</u>	<u>197,389</u>	<u>6,267,011</u>
Total Liabilities	7,067,205	3,355	197,389	7,267,949
Fund Balances				
Reserved for construction	875,362	-	-	875,362
Unreserved	<u>-</u>	<u>1,872,506</u>	<u>252,684</u>	<u>2,125,190</u>
Total Fund Balances	<u>875,362</u>	<u>1,872,506</u>	<u>252,684</u>	<u>3,000,552</u>
Total Liabilities and Fund Balances	<u>\$ 7,942,567</u>	<u>\$ 1,875,861</u>	<u>\$ 450,073</u>	<u>\$ 10,268,501</u>
Fund Balances - per above				\$ 3,000,552
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				17,419,924
Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.				<u>(601,899)</u>
Net Assets of Governmental Activities				<u>\$ 19,818,577</u>

County of Henry, Virginia

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

Year Ended June 30, 2010

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
Revenues				
Revenue from use of money and property	\$ 155,314	\$ 7,770	\$ -	\$ 163,084
Charges for services	496,583	-	1,347,264	1,843,847
Recovered costs	455,393	-	-	455,393
Miscellaneous	1,963,899	-	-	1,963,899
Intergovernmental				
County of Henry, Virginia	17,064,188	-	-	17,064,188
Commonwealth of Virginia	44,433,171	-	106,452	44,539,623
Federal	8,188,343	-	2,857,468	11,045,811
Total Revenues	<u>72,756,891</u>	<u>7,770</u>	<u>4,311,184</u>	<u>77,075,845</u>
Expenditures				
Current				
Instruction	43,045,769	240,677	-	43,286,446
Administration, attendance, and health	2,563,700	-	-	2,563,700
Pupil transportation	4,757,776	-	-	4,757,776
Operation and maintenance	6,756,158	-	-	6,756,158
Cafeteria - school food service	-	-	4,170,672	4,170,672
Facilities	3,205,227	-	-	3,205,227
Special grants	9,131,554	-	-	9,131,554
Technology	2,212,276	-	-	2,212,276
Debt service				
Principal	1,207,597	-	-	1,207,597
Interest and other charges	687,136	-	-	687,136
Total Expenditures	<u>73,567,193</u>	<u>240,677</u>	<u>4,170,672</u>	<u>77,978,542</u>
Excess (Deficiency) of Expenditures Over Revenues	(810,302)	(232,907)	140,512	(902,697)
Other Financing Sources (Uses)				
Proceeds from bonds	2,008,631	-	-	2,008,631
Transfers in	-	322,967	-	322,967
Transfers out	(322,967)	-	-	(322,967)
Total Other Financing Sources (Uses)	<u>1,685,664</u>	<u>322,967</u>	<u>-</u>	<u>2,008,631</u>
Net Change in Fund Balances	875,362	90,060	140,512	1,105,934
Fund Balances - Beginning of Year	-	1,782,446	112,172	1,894,618
Fund Balances - End of Year	<u>\$ 875,362</u>	<u>\$ 1,872,506</u>	<u>\$ 252,684</u>	<u>\$ 3,000,552</u>
Net Change in Fund Balances - per above				\$ 1,105,934
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.				2,493,194
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.				(48,747)
Change in Compensated Absences				<u>(3,192)</u>
Change in Net Assets of Governmental Activities				<u>\$ 3,547,189</u>

County of Henry, Virginia

Statement of Net Assets

Component Unit - Industrial Development Authority

At June 30, 2010

	<u>Industrial Site Project Fund #37</u>	<u>Main Operating Fund Fund #45</u>	<u>Total Industrial Development Authority</u>
Assets			
Current Assets			
Cash - unrestricted	\$ -	\$ 730,801	\$ 730,801
Receivables - net	-	212,495	212,495
Inventory	<u>2,381,146</u>	<u>12,654,687</u>	<u>15,035,833</u>
Total Current Assets	2,381,146	13,597,983	15,979,129
Noncurrent Assets			
Fixed assets, net of accumulated depreciation	-	3,171,471	3,171,471
Notes receivables - net	<u>-</u>	<u>2,158,860</u>	<u>2,158,860</u>
Total Noncurrent Assets	<u>-</u>	<u>5,330,331</u>	<u>5,330,331</u>
Total Assets	<u>\$ 2,381,146</u>	<u>\$ 18,928,314</u>	<u>\$ 21,309,460</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ -	\$ 8,599	\$ 8,599
Accrued interest payable	-	102,787	102,787
Deferred revenue	-	12,109	12,109
Current portion of long-term debt	<u>-</u>	<u>968,969</u>	<u>968,969</u>
Total Current Liabilities	-	1,092,464	1,092,464
Long-Term Liabilities			
Long-term debt - due in more than one year	-	8,949,833	8,949,833
Due to primary government - County of Henry, Virginia	<u>-</u>	<u>2,774,013</u>	<u>2,774,013</u>
Total Long-Term Liabilities	<u>-</u>	<u>11,723,846</u>	<u>11,723,846</u>
Total Liabilities	-	12,816,310	12,816,310
Net Assets			
Invested in capital assets, net of related debt	-	(75,331)	(75,331)
Unrestricted	<u>2,381,146</u>	<u>6,187,335</u>	<u>8,568,481</u>
Total Net Assets	<u>2,381,146</u>	<u>6,112,004</u>	<u>8,493,150</u>
Total Liabilities and Net Assets	<u>\$ 2,381,146</u>	<u>\$ 18,928,314</u>	<u>\$ 21,309,460</u>

County of Henry, Virginia

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

Component Unit - Industrial Development Authority

Year Ended June 30, 2010

	Industrial Site Project Fund #37	Main Operating Fund Fund #45	Total Industrial Development Authority
Operating Revenues			
Payment from primary government	\$ -	\$ 326,569	\$ 326,569
Tobacco indemnification revenues	-	400,000	400,000
Miscellaneous	-	438,632	438,632
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	-	1,165,201	1,165,201
Operating Expenses			
Economic development	-	681,665	681,665
Depreciation expense	-	634,294	634,294
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	-	1,315,959	1,315,959
Operating Income (Loss)	-	(150,758)	(150,758)
Nonoperating Revenues (Expenses)			
Interest income	-	123,553	123,553
Rental of property	-	711,518	711,518
Interest expense	-	(282,897)	(282,897)
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	-	552,174	552,174
Change in Net Assets Before Transfers	-	401,416	401,416
Transfer Between Funds	<hr/>	<hr/>	<hr/>
Change in Net Assets After Transfers	-	401,416	401,416
Total Net Assets - Beginning of Year	<hr/>	<hr/>	<hr/>
	2,381,146	5,710,588	8,091,734
Total Net Assets - End of Year	<hr/>	<hr/>	<hr/>
	\$ 2,381,146	\$ 6,112,004	\$ 8,493,150

County of Henry, Virginia

Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2010

	Industrial Site Project Fund #37	Main Operating Fund Fund #45	Total Industrial Development Authority
Cash Flows from Operating Activities			
Receipts from primary government	\$ -	\$ 326,569	\$ 326,569
Other miscellaneous receipts	-	346,212	346,212
State grants	-	400,000	400,000
Cash paid for economic development	-	(970,323)	(970,323)
Net Cash Provided by Operating Activities	-	102,458	102,458
Cash Flows from Noncapital Financing Activities			
Payments for "due to" primary government	-	(584,204)	(584,204)
Net Cash Used in Noncapital Financing Activities	-	(584,204)	(584,204)
Cash Flows from Capital and Related Financing Activities			
Payments for purchases of inventory held for resale	-	(553,274)	(553,274)
Principal proceeds from long-term debt	-	1,024,954	1,024,954
Payments of principal on long-term debt	-	(935,670)	(935,670)
Interest payments on long-term debt	-	(319,403)	(319,403)
Net Cash Used in Capital and Related Financing Activities	-	(783,393)	(783,393)
Cash Flows from Investing Activities			
Rental income	-	711,518	711,518
Interest income	-	118,905	118,905
Net Cash Provided by Investing Activities	-	830,423	830,423
Net Decrease in Cash and Cash Equivalents	-	(434,716)	(434,716)
Cash and Cash Equivalents - Beginning of Year	-	1,165,517	1,165,517
Cash and Cash Equivalents - End of Year	\$ -	\$ 730,801	\$ 730,801
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ -	\$ (150,758)	\$ (150,758)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	-	634,294	634,294
Changes in assets and liabilities			
Receivables	-	(60,000)	(60,000)
Deferred revenue	-	(32,420)	(32,420)
Accounts payable	-	(288,658)	(288,658)
Net Cash Provided by Operating Activities	\$ -	\$ 102,458	\$ 102,458

County of Henry, Virginia

Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2010

Assets

Cash - unrestricted	\$ -
Due from other governments	<u>719,896</u>

Total Assets	<u><u>\$ 719,896</u></u>
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Liabilities and Fund Balance

Liabilities

Pooled cash deficit	\$ 78,805
Due to County of Henry, Virginia	<u>641,091</u>

Total Liabilities	719,896
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Fund Balance

Total Liabilities and Fund Balance	<u><u>\$ 719,896</u></u>
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Fund Balance - per above	\$ -
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	45,326
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Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	<u>(395,581)</u>
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Net Assets (Deficit) of Governmental Activities	<u><u>\$ (350,255)</u></u>
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County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - Henry-Martinsville Social Services

Year Ended June 30, 2010

Revenues

Payments from County of Henry, Virginia	\$	552,326
Payments from City of Martinsville, Virginia		312,747
<i>Intergovernmental</i>		
Revenue from the Commonwealth of Virginia		2,376,962
Revenue from the Federal Government		<u>3,365,051</u>
Total Intergovernmental		<u>5,742,013</u>
Total Revenues		6,607,086

Expenditures

Health and welfare		<u>6,607,086</u>
Net Change in Fund Balance		-
Fund Balance - Beginning of Year		<u>-</u>
Fund Balance - End of Year		<u><u>\$ -</u></u>
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.		19,728
Change in Compensated Absences		<u>(9,889)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 9,839</u></u>

County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Gateway Streetscape Foundation, Inc.

Three Months Ended June 30, 2010

Revenues

Interest income	\$ 205
Donations	275
Memberships	550
Miscellaneous	<u>14,726</u>

Total Revenues 15,756

Expenditures

Salaries	13,981
Fringe benefits	2,876
Professional services	60
Depreciation	7,982
Other	<u>2,227</u>

Total Expenditures 27,126

Net Change in Fund Balance (11,370)

Fund Balance - April 1, 2010 70,101

Fund Balance - End of Year \$ 58,731

OTHER INFORMATION SECTION



County of Henry, Virginia

General Governmental Revenues by Source⁽¹⁾⁽²⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
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
2009	21,673,232	11,342,729	104,741	203,667	644,544	2,225,489	1,776,220	2,825,788	78,266,772	119,063,182
2010	21,654,940	11,222,729	71,864	202,580	1,369,419	2,153,388	2,050,650	3,095,842	73,978,745	115,800,157

⁽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.

County of Henry, Virginia

General Governmental Expenditures by Function⁽¹⁾⁽²⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Projects⁽³⁾</u>	<u>Total</u>
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
2009	2,937,885	2,526,546	12,866,694	3,152,799	8,029,924	78,213,843	1,792,030	4,390,487	88,832	3,617,838	1,740,706	119,357,584
2010	2,887,154	2,482,649	12,241,610	3,071,751	7,967,127	76,139,038	1,752,236	2,798,099	48,338	3,474,700	2,382,271	115,244,973

⁽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

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Total</u>
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
2009	2,517,050,185	364,278,309	32,545,185	314,962,269	117,198,478	3,346,034,426
2010	2,959,808,261	340,139,112	27,630,435	322,826,723	134,488,696	3,784,893,227

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Equipment/Machinery and Tools</u>
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
2009	0.54	1.48	0.54	1.19
2010	0.46	1.48	0.46	1.19

County of Henry, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
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%
2009	23,299,439	22,271,371	95.59%	778,839	23,050,210	98.93%	3,623,359	15.55%
2010	22,984,112	22,025,810	95.83%	978,941	23,004,751	100.09%	3,499,486	15.23%

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

<u>Fiscal Year</u>	<u>Population</u> ⁽¹⁾	<u>Assessed Value</u> ⁽²⁾	<u>Net Bonded Debt</u> ⁽³⁾	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
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
2009	57,930	3,346,034,426	20,205,360	0.60%	349
2010	57,930	3,784,893,227	20,382,763	0.54%	352

⁽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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures⁽²⁾</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
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%
2009	1,884,155	1,022,165	2,906,320	119,357,584	2.43%
2010	1,822,597	940,585	2,763,182	115,244,973	2.40%

⁽¹⁾ Excludes debt service payments on short-term notes payable and capital leases.

⁽²⁾ Beginning in 2006, the amounts paid to Component Unit - School Board are no longer shown as transfers.

COMPLIANCE SECTION





**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 County of Henry, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Henry, Virginia's basic financial statements and have issued our report thereon dated January 21, 2011. 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 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 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of 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*.

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.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
January 21, 2011



**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 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, 2010. 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 County of Henry, Virginia's management. Our responsibility is to express an opinion on 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 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 County of Henry, Virginia's compliance with those requirements.

In our opinion, 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, 2010.

Internal Control Over Compliance

The management of 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Henry, Virginia's internal control over compliance.

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

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 21, 2011



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, 2010, and have issued our report thereon dated January 21, 2011.

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

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
January 21, 2011

County of Henry, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

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			
<i>Virginia Department of Transportation</i>			
Enhancement grants	20.205	501	\$ 250,970
<i>Department of Motor Vehicles</i>			
Ground transportation and other law enforcement	20.607	154	<u>24,594</u>
Subtotal - U. S. Department of Transportation			275,564
U. S. Department of Commerce			
Pass-Through Payments			
<i>Department of Emergency Management</i>			
Public safety communication grant	11.555	127	418,576
U. S. Department of the Interior			
Direct Payments			
<i>Bureau of Land Management</i>			
Payments in Lieu of Taxes - Public Law (National Forest Acreage in the Localities)	10.664	N/A	3,170
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Southern Area Agency on Aging</i>			
Transportation Grant - Special Programs for Aging Title III B	93.044	N/A	30,697
Transportation Grant - Special Programs for Aging Title III D	93.043	N/A	<u>17,206</u>
Subtotal - U. S. Department of Health and Human Services			47,903
U. S. Department of Justice			
Direct Payments			
Local law enforcement grants	16.804	N/A	105,558
Local law enforcement grants	16.738	N/A	39,761
Local law enforcement grants	16.710	N/A	75,000
Local law enforcement grants - triad grant	16.000	N/A	1,607
U.S. Marshals Service	16.000	N/A	9,274
Pass-Through Payments			
<i>Compensation Board</i>			
Recovery Act JAG Funding	16.803	157	259,752
<i>Department of Criminal Justice Services</i>			
Local law enforcement grants	16.738	140	2,283
Victim witness	16.575	140	<u>77,759</u>
Subtotal - U. S. Department of Justice			570,994
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Community Development Block Grant - States Program	14.228	165	131,927
<i>Department of Forestry</i>			
ARRA - Forest Land Management - Wildland Fire Management	10.688	411	<u>44,643</u>
Subtotal - U. S. Department of Housing and Urban Development			176,570

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Services</i>			
State Homeland Security Grant - Emergency Preparedness	97.073	127	128,880
State Homeland Security Grant - Emergency Preparedness	97.042	127	<u>24,874</u>
Subtotal - U. S. Department of Homeland Security			<u>153,754</u>
Total - Primary Government			1,646,531
HENRY-MARTINSVILLE SOCIAL SERVICES			
U. S. Department of Agriculture			
Pass-Through Payments			
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	<u>695,583</u>
Total Food Stamp Cluster			<u>695,583</u>
Subtotal - U. S. Department of Agriculture			695,583
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Payments to states for child care assistance	93.575	765	269,791
ARRA - Child Care and Development Block Grant	93.713	765	122,108
Child care and development fund	93.596	765	<u>288,331</u>
Total Child Care Cluster			680,230
<i>Department of Social Services</i>			
Temporary assistance for needy families	93.558	765	721,217
Family preservation and support	93.556	765	33,153
Refugee and entrant assistance	93.566	765	1,995
Low income home energy assistance	93.568	765	43,201
Child welfare services	93.645	765	2,024
ILP education and training vouchers	93.599	765	4,569
Adoption incentive payments	93.603	765	2,765
Foster care - Title IV-E	93.658	765	316,939
ARRA - Foster care - Title IV-E	93.658	765	18,900
Adoption assistance	93.659	765	186,921
ARRA - Adoption assistance	93.659	765	20,860
Independent living	93.674	765	9,870
State children's insurance program	93.767	765	34,035
Social services block grant	93.667	765	210,353
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	<u>382,436</u>
Subtotal - U. S. Department of Health and Human Services			<u>2,669,468</u>
Total - Henry-Martinsville Social Services			3,365,051

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			
<i>Department of Education</i>			
Food distribution - donated commodities	10.559	197	1,821
Food distribution - donated commodities	10.555	197	218,999
Child Nutrition Discretionary Grants	10.579	197	236,159
Child Nutrition Cluster			
School Breakfast Program	10.553	197	748,193
Fresh Fruit and Vegetables	10.582	197	76,201
National School Lunch Program	10.555	197	<u>1,796,915</u>
Subtotal - U. S. Department of Agriculture			3,078,288
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster			
IDEA 611 Flow-Through	84.027	197	1,910,582
ARRA - VIB IDEA	84.391	197	145,521
ARRA - Preschool	84.392	197	16,546
Preschool Handicapped Allocations	84.173	197	<u>81,152</u>
Total Special Education Cluster			2,153,801
Adult education - state administered basic grant program	84.002	197	166,765
Title I grants to local education agencies	84.010	197	2,573,905
ARRA - Title I	84.389	197	646,293
Vocational education (Carl Perkins)	84.048	197	194,336
Title III	84.365	197	52,090
Safe and drug-free schools - state grants	84.186	197	23,970
Title II, Part D - Education Technology	84.318	197	37,411
ARRA - State Fiscal Stabilization Fund	84.394	197	1,846,814
Title II, Part A - Improving Teacher Quality	84.367	197	454,273
Reading First Program	84.357	197	<u>14,100</u>
Subtotal - U. S. Department of Education			8,163,758
U. S. Department of Labor			
Direct Payments - County			
ARRA Summer Youth Program - Workforce Investment	17.259	N/A	<u>24,585</u>
Subtotal - School			<u>11,266,631</u>
Grand Totals			<u>\$ 16,278,213</u>

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 \$220,820 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, 2010

1. SUMMARY OF AUDITOR'S 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 #11.555, Public Safety Communication Grant
 - 2. CFDA #10.561, Food Stamp Cluster
 - 3. CFDA #93.575, 93.713, and 93.596, Child Care Cluster
 - 4. CFDA #93.558, Temporary Assistance for Needy Families
 - 5. CFDA #93.658, Foster Care
 - 6. CFDA #93.778, Medical Assistance Program
 - 7. CFDA #10.553, 10.582, and 10.555, Child Nutrition Cluster
 - 8. CFDA #84.027, 84.391, 84.392, and 84.173, Special Education Cluster
 - 9. CFDA #84.010 and 84.389, Title I
 - 10. CFDA #84.394, State Fiscal Stabilization Fund
 - 11. CFDA #84.367, Title II, Part A
- (h) The **threshold** for distinguishing Types A and B programs was **\$300,000**.
- (i) The County of Henry, Virginia **was** determined to be a **low-risk auditee**.

2. FINDINGS - FINANCIAL STATEMENT AUDIT

None

3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

County of Henry, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

FINANCIAL STATEMENT AUDIT

FINDINGS

There were no findings in the prior year.