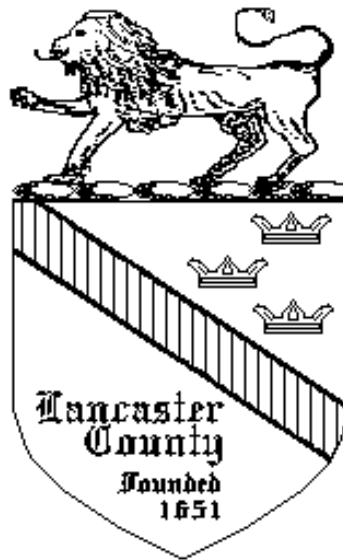


COUNTY OF LANCASTER, VIRGINIA



ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2012

COUNTY OF LANCASTER, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LANCASTER, VIRGINIA

BOARD OF SUPERVISORS

Ernest W. Palin, Jr.
Jason D. Bellows

B. Wally Beauchamp, Chair
F. W. Jenkins, Jr., Vice Chair

William A. Lee

COUNTY SCHOOL BOARD

Robert Smart
Alexander M. Fleet, Vice Chair

Patrick McCranie, Chair

Ella L. Davis
Donald M. McCann, III

SOCIAL SERVICES BOARD

Ernest W. Palin, Jr.
Vera Lee
Sharon S. Waddy, Vice Chair

Sandra Smyre, Chair

Charles R. Lee
Douglas Anderson

OTHER OFFICIALS

Judge of the Circuit Court Harry T. Taliaferro, III
Clerk of the Circuit Court Diane H. Mumford
Judge of the General District Court Gordon A. Wilkins
Judge of the Juvenile and Domestic Relations Court R. Michael McKenney
Commonwealth's Attorney Robert L. Cunningham
Commissioner of the Revenue George E. Thomas, Jr.
Treasurer Bonnie J. D. Haynie
Sheriff Ronald D. Crockett
Superintendent of Schools Dr. Daniel W. Lukich
Director of Social Services Edna G. Davenport
County Administrator Frank A. Pleva

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LANCASTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
	<u>Exhibit</u>
	<u>Page</u>
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	1 10
Statement of Activities	2 11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3 12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	4 13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6 15
Statement of Fiduciary Net Assets - Fiduciary Funds	7 16
Notes to Financial Statements	17-42
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	8 43
County Special Revenue Fund	9 44
Schedule of Pension Funding Progress	10 45
Other Supplementary Information:	
Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
County Capital Projects Fund	11 46
Statement of Fiduciary Net Assets	12 47
Statement of Changes in Assets and Liabilities - Agency Funds	13 48
Discretely Presented Component Unit - School Board:	
Combining Balance Sheet	14 49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15 50
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	16 51

COUNTY OF LANCASTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

Other Supplementary Information: (Continued)

	<u>Schedule</u>	<u>Page</u>
Discretely Presented Component Unit - Industrial Development Authority:		
Statement of Net Assets	17	52
Statement of Revenues, Expenses, and Changes in Net Assets	18	53
Statement of Cash Flows	19	54

Supporting Schedules:

Schedule of Revenues - Budget and Actual - Governmental Funds	1	55-60
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	61-65

	<u>Table</u>	<u>Page</u>
Statistical Information:		
Government-wide information:		
Government-wide Expenses by Function	1	66
Government-wide Revenues	2	67
Fund information:		
General Governmental Expenditures by Function	3	68
General Governmental Revenues by Source	4	69
Property Tax Levies and Collections	5	70
Assessed Value of Taxable Property	6	71
Property Tax Rates	7	72
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	73

Compliance:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74-75
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	76-77
Schedule of Expenditures of Federal Awards	78-79
Notes to Schedule of Expenditures of Federal Awards	80
Schedule of Findings and Questioned Costs	81
Schedule of Prior Year Findings and Questioned Costs	82

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Lancaster, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of June 30, 2012, and the respective changes in financial position, and cash flows, 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 11, 2013, on our consideration of the County of Lancaster, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and 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, budgetary comparison information, and schedule of pension funding progress 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 management's discussion and analysis and schedule of funding progress 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 management's discussion and analysis and schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Lancaster, Virginia's financial statements as a whole. The other supplementary information and statistical information 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 other supplementary information 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. The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink, appearing to read "R. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The administrative management staff of the County of Lancaster, Virginia offers the readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$8,551,581 (net assets).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing uses in excess of revenues and other financing sources by \$1,495,171 (Exhibit 5) after making contributions totaling \$10,195,723 to the School Board.

- As of the close of the current fiscal year; the County's funds reported ending fund balances of \$5,945,640, a decrease of \$1,495,171 in comparison with the prior year. The decrease was largely due to the completion of a construction project.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,433,886, or 19% of total general fund expenditures and other uses.
- The combined long-term obligations decreased \$2,216,020 during the current fiscal year.

Overview of the Financial Statements

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Remainder of page left blank intentionally

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$8,551,581 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Assets:

County of Lancaster, Virginia's Net Assets		
	Governmental Activities	
	2012	2011
Current and other assets	\$ 8,659,298	\$ 9,478,471
Capital assets	<u>9,974,539</u>	<u>10,337,892</u>
Total assets	<u>\$ 18,633,837</u>	<u>\$ 19,816,363</u>
Current liabilities	\$ 1,613,199	\$ 1,217,128
Long-term liabilities outstanding	<u>8,469,057</u>	<u>10,685,077</u>
Total liabilities	<u>\$ 10,082,256</u>	<u>\$ 11,902,205</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 1,780,152	\$ 1,249,314
Restricted:		
Forfeited asset	22,898	18,837
E-911	-	460,703
Wetlands special project	13,009	12,995
Unrestricted	<u>6,735,522</u>	<u>6,172,309</u>
Total net assets	<u>\$ 8,551,581</u>	<u>\$ 7,914,158</u>

Government-wide Financial Analysis (Continued)

The County's net assets increased \$637,423 during the current fiscal year. The following table summarizes the County's Statement of Activities:

<u>County of Lancaster, Virginia's Changes in Net Assets</u>		
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Charges for services	\$ 526,885	\$ 477,621
Operating grants and contributions	4,019,711	4,738,390
Capital grants and contributions	50,000	-
General property taxes	14,923,610	14,656,899
Other local taxes	1,950,576	1,892,761
Grants and other contributions not restricted	1,337,343	1,000,772
Other general revenues	<u>179,533</u>	<u>203,233</u>
Total revenues	<u>\$ 22,987,658</u>	<u>\$ 22,969,676</u>
General government administration	\$ 1,582,525	\$ 1,427,317
Judicial administration	807,167	761,709
Public safety	3,845,479	4,064,428
Public works	1,110,981	1,132,419
Health and welfare	2,517,020	2,391,444
Education	10,768,097	10,318,017
Parks, recreation, and cultural	172,895	172,801
Community development	1,119,775	1,453,260
Interest and other fiscal charges	<u>426,296</u>	<u>444,034</u>
Total expenses	<u>\$ 22,350,235</u>	<u>\$ 22,165,429</u>
Change in net assets	\$ 637,423	\$ 804,247
Net assets, beginning of year	<u>7,914,158</u>	<u>7,109,911</u>
Net assets, end of year	<u><u>\$ 8,551,581</u></u>	<u><u>\$ 7,914,158</u></u>

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$5,945,640, a decrease of \$1,495,171 in comparison with the prior year. Approximately 91% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion. The decrease was largely due to the completion of a capital project.

The County Capital Projects Fund accounts for all major general public improvements. At the end of the fiscal year, the fund balance was \$469,987.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were increases of \$6,489,935 and can be briefly summarized as follows:

- < \$5,385,771 increase in debt service expenditures
- < \$ 84,841 increase in public safety expenditures
- < \$ 168,000 increase in capital projects expenditures
- < \$ 800,000 increase in community development expenditures
- < \$ 51,323 increase in various other expenditures

During the year, actual revenues and other sources of the General Fund exceeded budgetary estimates by \$409,468. Actual expenditures and other uses did not exceed budgetary estimates by \$439,510. The combination of the two resulted in a positive variance of \$848,978.

Capital Asset and Debt Administration

- Capital assets - The County's investment in capital assets for its governmental operations as of June 30, 2012 amounts to \$9,974,539 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total bonded debt outstanding of \$8,324,878. Of this amount, \$2,170,000 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e. lease/revenue bonds) and capital leases.

The County's total debt decreased \$2,330,408 during the current fiscal year.

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

Economic Factors and Future Years' Budgets and Rates

- The unemployment rate for the County was 7.4 percent at June 30, 2012. The Commonwealth of Virginia's unemployment rate was 5.7 percent as of the same date.
- Inflationary trends in the region are comparable to state and national indexes.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

The fiscal year 2013 budget decreased approximately 1.8%, the real estate tax rate decreased from \$.40 to \$.39 of \$100 assessed valuation and all other tax rates remained the same.

Requests for Information

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

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Statement of Net Assets
June 30, 2012

	Primary Government		Component Units	
	Governmental Activities	School Board	IDA	
ASSETS				
Cash and cash equivalents	\$ 6,378,651	\$ 177,484	\$ 119,703	
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,045,486	-	-	
Accounts receivable	34,870	57,497	-	
Notes receivable	118,659	-	-	
Due from other governmental units	697,126	1,691,989	-	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents- unspent bond proceeds	130,491	-	-	
Other assets:				
Unamortized bond issue costs	254,015	-	-	
Capital assets (net of accumulated depreciation):				
Land and land improvements	883,755	6,271	-	
Buildings and improvements	8,342,767	7,264,234	-	
Machinery and equipment	741,267	1,670,269	-	
Construction in progress	6,750	69,503	-	
Total assets	<u>\$ 18,633,837</u>	<u>\$ 10,937,247</u>	<u>\$ 119,703</u>	
LIABILITIES				
Accounts payable	\$ 279,757	\$ 610,163	\$ -	
Accrued liabilities	-	1,189,788	-	
Accrued interest payable	98,024	-	-	
Due to other governmental units	1,203,679	-	-	
Unearned revenue	31,739	-	-	
Long-term liabilities:				
Due within one year	910,259	30,365	-	
Due in more than one year	7,558,798	273,283	-	
Total liabilities	<u>\$ 10,082,256</u>	<u>\$ 2,103,599</u>	<u>\$ -</u>	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 1,780,152	\$ 9,010,277	\$ -	
Restricted for:				
Forfeited asset	22,898	-	-	
Wetlands special project	13,009	-	-	
Unrestricted (deficit)	6,735,522	(176,629)	119,703	
Total net assets	<u>\$ 8,551,581</u>	<u>\$ 8,833,648</u>	<u>\$ 119,703</u>	
Total Liabilities and Net Assets	<u>\$ 18,633,837</u>	<u>\$ 10,937,247</u>	<u>\$ 119,703</u>	

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

County of Lancaster, Virginia
Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental	Component Units	
					Activities	School Board	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 1,582,525	\$ -	\$ 198,377	\$ -	\$ (1,384,148)	\$ -	\$ -
Judicial administration	807,167	33,651	406,895	-	(366,621)	-	-
Public safety	3,845,479	484,689	1,328,129	50,000	(1,982,661)	-	-
Public works	1,110,981	8,467	-	-	(1,102,514)	-	-
Health and welfare	2,517,020	-	1,262,725	-	(1,254,295)	-	-
Education	10,768,097	-	-	-	(10,768,097)	-	-
Parks, recreation, and cultural	172,895	-	-	-	(172,895)	-	-
Community development	1,119,775	78	807,606	-	(312,091)	-	-
Interest on long-term debt	426,296	-	15,979	-	(410,317)	-	-
Total governmental activities	\$ 22,350,235	\$ 526,885	\$ 4,019,711	\$ 50,000	\$ (17,753,639)	\$ -	\$ -
Total primary government	\$ 22,350,235	\$ 526,885	\$ 4,019,711	\$ 50,000	\$ (17,753,639)	\$ -	\$ -
COMPONENT UNIT:							
School Board	\$ 15,521,977	\$ 169,759	\$ 4,665,294	\$ -	\$ -	\$ (10,686,924)	\$ -
IDA	69,889	35,715	-	-	-	-	(34,174)
Total component unit	\$ 15,591,866	\$ 205,474	\$ 4,665,294	\$ -	\$ -	\$ (10,686,924)	\$ (34,174)
General revenues:							
General property taxes					\$ 14,923,610	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					1,521,865	-	-
Motor vehicle licenses					200,846	-	-
Other local taxes					227,865	-	-
Unrestricted revenues from use of money and property					135,618	2,629	53
Miscellaneous					43,915	33,822	-
Payments from Lancaster County					-	10,489,952	-
Grants and contributions not restricted to specific programs					1,337,343	-	-
Total general revenues					\$ 18,391,062	\$ 10,526,403	\$ 53
Change in net assets					637,423	(160,521)	(34,121)
Net assets - beginning					\$ 7,914,158	\$ 8,994,169	\$ 153,824
Net assets - ending					\$ 8,551,581	\$ 8,833,648	\$ 119,703

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

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 5,997,388	\$ 41,767	\$ 339,496	\$ 6,378,651
Receivables (net of allowance for uncollectibles):				
Taxes receivable	1,045,486	-	-	1,045,486
Accounts receivable	34,870	-	-	34,870
Notes receivable	118,659	-	-	118,659
Due from other governmental units	697,126	-	-	697,126
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-		130,491	130,491
Total assets	<u>\$ 7,893,529</u>	<u>\$ 41,767</u>	<u>\$ 469,987</u>	<u>\$ 8,405,283</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 279,757	\$ -	\$ -	\$ 279,757
Due to other governmental units	1,203,679	-	-	1,203,679
Deferred revenue	976,207	-	-	976,207
Total liabilities	<u>\$ 2,459,643</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,459,643</u>
Fund balances:				
Restricted	\$ -	\$ 35,907	\$ 130,491	\$ 166,398
Committed	-	5,860	339,496	345,356
Unassigned	5,433,886	-	-	5,433,886
Total fund balances	<u>\$ 5,433,886</u>	<u>\$ 41,767</u>	<u>\$ 469,987</u>	<u>\$ 5,945,640</u>
Total liabilities and fund balances	<u>\$ 7,893,529</u>	<u>\$ 41,767</u>	<u>\$ 469,987</u>	<u>\$ 8,405,283</u>

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

County of Lancaster, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Assets
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	5,945,640
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,974,539
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		944,468
Issuance costs are recorded as other assets and amortized over the life of the debt, and, therefore, are not reported in the funds.		254,015
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
Revenue bonds	\$	(5,266,000)
General obligations bond		(2,170,000)
Capital lease		(322,810)
Accrued interest payable		(98,024)
Bond premium		(566,068)
Compensated absences		(144,179)
		(8,567,081)
Net assets of governmental activities	\$	8,551,581

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

County of Lancaster, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	<u>General</u>	<u>County Special Revenue</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 14,742,887	\$ -	\$ -	\$ 14,742,887
Other local taxes	1,950,576	-	-	1,950,576
Permits, privilege fees, and regulatory licenses	149,016	-	-	149,016
Fines and forfeitures	16,626	-	-	16,626
Revenue from the use of money and property	123,278	3,770	8,570	135,618
Charges for services	361,243	-	-	361,243
Miscellaneous	38,054	5,861	-	43,915
Recovered costs	47,683	-	-	47,683
Intergovernmental revenues:				
Commonwealth	3,747,511	12,982	-	3,760,493
Federal	1,646,561	-	-	1,646,561
Total revenues	<u>\$ 22,823,435</u>	<u>\$ 22,613</u>	<u>\$ 8,570</u>	<u>\$ 22,854,618</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,501,800	\$ -	\$ -	\$ 1,501,800
Judicial administration	625,449	-	-	625,449
Public safety	3,779,509	-	-	3,779,509
Public works	1,116,041	-	-	1,116,041
Health and welfare	2,482,024	-	-	2,482,024
Education	10,201,867	-	-	10,201,867
Parks, recreation, and cultural	172,895	-	-	172,895
Community development	1,152,343	-	-	1,152,343
Capital projects	602,621	-	-	602,621
Debt service:				
Principal retirement	6,427,015	-	-	6,427,015
Interest and other fiscal charges	576,058	-	-	576,058
Total expenditures	<u>\$ 28,637,622</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,637,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (5,814,187)</u>	<u>\$ 22,613</u>	<u>\$ 8,570</u>	<u>\$ (5,783,004)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,361,133	\$ -	\$ -	\$ 2,361,133
Transfers out	-	(473,381)	(1,887,752)	(2,361,133)
Issuance of general obligation bonds	3,870,000	-	-	3,870,000
Bond premium	417,833	-	-	417,833
Total other financing sources (uses)	<u>\$ 6,648,966</u>	<u>\$ (473,381)</u>	<u>\$ (1,887,752)</u>	<u>\$ 4,287,833</u>
Net change in fund balances	\$ 834,779	\$ (450,768)	\$ (1,879,182)	\$ (1,495,171)
Fund balances - beginning	4,599,107	492,535	2,349,169	7,440,811
Fund balances - ending	<u>\$ 5,433,886</u>	<u>\$ 41,767</u>	<u>\$ 469,987</u>	<u>\$ 5,945,640</u>

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

County of Lancaster, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds \$ (1,495,171)

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

Capital asset additions	\$ 389,252	
Depreciation expense	(458,376)	
Transfer of joint tenancy assets to Component Unit from Primary Government	(294,229)	(363,353)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 180,723

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The following is a summary of items supporting this adjustment:

Principal retirement of county revenue bond	\$ 6,016,000	
Principal retirement of school general obligation bond	110,000	
Principal retirement of capital lease	74,408	
Principal retirement of school revenue bonds	226,607	
Issuance of county revenue bonds	(3,870,000)	
Issuance of bond premium	(417,833)	
Decrease of landfill postclosure care	15,207	2,154,389

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ 11,073	
Amortization of bond issue costs	(52,646)	
Increase (decrease) in bond issuance costs	133,802	
(Increase) decrease in interest payable	68,606	160,835

Change in net assets of governmental activities \$ 637,423

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

County of Lancaster, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 20,288
	<u>20,288</u>
LIABILITIES	
Amounts held for social services clients	\$ 20,288
	<u>20,288</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

NOTES TO THE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012

Note 1—Summary of Significant Accounting Policies:

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

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

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

Government-wide and Fund Financial Statements

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

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

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

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

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

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

A. Financial Reporting Entity

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

A. Financial Reporting Entity (Continued)

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units at June 30, 2012.

Discretely Presented Component Unit. The School Board members are elected by the citizens of Lancaster County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2012.

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

None

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

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

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

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

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

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

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

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

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

1. Governmental Funds

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

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

Capital Projects Funds - The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County also reports the County Capital Projects Fund as a major Capital Projects Fund.

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The County Special Revenue Fund reports the operations of the following activities: Forfeited Asset, Wetlands Special Project, and E-911. This is reported as a major fund.

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$201,351 at June 30, 2012 is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

H. Capital Assets

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

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

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

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

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

I. Compensated Absences

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

J. Retirement Plan

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

K. Use of Estimates

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

L. Fund Equity

Beginning with fiscal year 2011, the County implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

L. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	Major Special Revenue Fund County Special Revenue Fund	Major Capital Projects Fund County Capital Projects	Total
Fund Balances:				
Restricted:				
Forfeited asset	\$ -	\$ 22,898	\$ -	\$ 22,898
Wetlands special project	-	13,009	-	13,009
Capital Improvements	-	-	130,491	130,491
Total Restricted Fund Balance	\$ -	\$ 35,907	\$ 130,491	\$ 166,398
Committed:				
Sheriff's K-9 Unit	\$ -	\$ 5,860	\$ -	\$ 5,860
Capital Improvements	-	-	339,496	339,496
Total Committed Fund Balance	\$ -	\$ 5,860	\$ 339,496	\$ 345,356
Unassigned Fund Balance	\$ 5,433,886	\$ -	\$ -	\$ 5,433,886
Total Fund Balances	\$ 5,433,886	\$ 41,767	\$ 469,987	\$ 5,945,640

M. Net Assets

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

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

N. Long-term Obligations

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

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, for all County units.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. Seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2012 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Rating
	AAAm
Local Government Investment Pool	\$ 6,708
State Non-Arbitrage Pool	130,491
Money Market Mutual Fund	4,186
Total	\$ 141,385

Interest Rate Risk

Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1 Year
First American Prime Obligations Fund	\$ 4,186	\$ 4,186
Total	\$ 4,186	\$ 4,186

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 3—Deposits and Investments: (Continued)

External Investment Pools

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

Note 4—Due to/from Other Governments:

At June 30, 2012, the County has receivables from other governments as follows:

	Primary Government	Component Unit School Board
	<u> </u>	<u> </u>
Other Local Governments:		
County of Lancaster	\$ -	\$ 1,203,679
Town of Kilmarnock	63,309	-
Town of White Stone	11,203	-
Town of Irvington	22,169	-
Commonwealth of Virginia:		
Local sales tax	266,942	-
Welfare	33,466	-
Rolling stock tax	65	-
Local jails	18,096	-
State sales tax	-	216,770
Constitutional officer reimbursements	142,734	-
Recordation tax	15,363	-
Mobile home titling tax	2,522	-
Fire programs	3,445	-
Victim witness	7,640	-
E-911 wireless	3,333	-
Communications tax	57,734	-
VHDA fees	2,405	-
Federal Government:		
School fund grants	-	271,540
Rural development	11,166	-
Welfare	35,534	-
	<u> </u>	<u> </u>
Total due from other governments	<u>\$ 697,126</u>	<u>\$ 1,691,989</u>

At June 30, 2012, amounts due to other local governments are as follows:

Other Local Governments:		
Lancaster County School Board	\$ <u>1,203,679</u>	\$ <u>-</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Primary Government:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 883,755	\$ -	\$ -	\$ 883,755
Construction in progress	-	6,750	-	6,750
Total capital assets not subject to depreciation	<u>\$ 883,755</u>	<u>\$ 6,750</u>	<u>\$ -</u>	<u>\$ 890,505</u>
Capital assets subject to depreciation:				
Buildings and improvements	\$ 7,135,867	\$ -	\$ -	\$ 7,135,867
Machinery and equipment	2,328,177	283,407	-	2,611,584
Jointly owned assets	4,956,923	99,095	102,540	4,953,478
Total capital assets subject to depreciation	<u>\$ 14,420,967</u>	<u>\$ 382,502</u>	<u>\$ 102,540</u>	<u>\$ 14,700,929</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 1,292,824	\$ 178,628	\$ -	\$ 1,471,452
Machinery and equipment	1,590,569	279,748	-	1,870,317
Jointly owned assets	2,083,437	205,665	13,976	2,275,126
Total accumulated depreciation	<u>\$ 4,966,830</u>	<u>\$ 664,041</u>	<u>\$ 13,976</u>	<u>\$ 5,616,895</u>
Total capital assets subject to depreciation, net	<u>\$ 9,454,137</u>	<u>\$ (281,539)</u>	<u>\$ 88,564</u>	<u>\$ 9,084,034</u>
Governmental activities capital assets, net	<u><u>\$ 10,337,892</u></u>	<u><u>\$ (274,789)</u></u>	<u><u>\$ 88,564</u></u>	<u><u>\$ 9,974,539</u></u>

The remainder of this page left blank intentionally.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 5—Capital Assets: (Continued)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<i>Component Unit-School Board:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 6,271	\$ -	\$ -	\$ 6,271
Construction in progress	-	69,503	-	69,503
Total capital assets not subject to depreciation	\$ 6,271	\$ 69,503	\$ -	\$ 75,774
Capital assets subject to depreciation:				
Buildings and improvements	\$ 26,800	\$ 24,300	\$ -	\$ 51,100
Machinery and equipment	3,553,478	280,681	-	3,834,159
Jointly owned assets	13,247,373	-	(102,540)	13,349,913
Total capital assets subject to depreciation	\$ 16,827,651	\$ 304,981	\$ (102,540)	\$ 17,235,172
Less: accumulated depreciation for:				
Buildings and improvements	\$ 1,786	\$ 3,395	\$ -	\$ 5,181
Machinery and equipment	2,027,876	136,014	-	2,163,890
Jointly owned assets	5,567,982	549,640	(13,976)	6,131,598
Total accumulated depreciation	\$ 7,597,644	\$ 689,049	\$ (13,976)	\$ 8,300,669
Total capital assets subject to depreciation, net	\$ 9,230,007	\$ (384,068)	\$ (88,564)	\$ 8,934,503
Component unit school board capital assets, net	\$ 9,236,278	\$ (314,565)	\$ (88,564)	\$ 9,010,277

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 12,956
Judicial administration	141,847
Public safety	283,688
Public works	3,360
Health and welfare	16,525
Education	205,665
Total Governmental activities	\$ 664,041
Component Unit School Board	\$ 689,049

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 6—Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ 2,361,133	\$ -
County capital projects fund	-	1,887,752
County special revenue fund	-	473,381
Total	<u>\$ 2,361,133</u>	<u>\$ 2,361,133</u>

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

Note 7—Long-Term Obligations:

Primary Government:

The following is a summary of long-term obligations transactions for the year ended June 30, 2012:

	Balance at July 1, 2011	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2012	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County:					
Compensated absences	\$ 155,250	\$ 4,454	\$ 15,525	\$ 144,179	\$ 14,418
Lease revenue bonds	7,412,000	3,870,000	6,016,000	5,266,000	704,000
Landfill postclosure care	15,207	-	15,207	-	-
Total incurred by County	<u>\$ 7,582,457</u>	<u>\$ 3,874,454</u>	<u>\$ 6,046,732</u>	<u>\$ 5,410,179</u>	<u>\$ 718,418</u>
Incurred by School Board:					
Lease revenue bonds	\$ 226,607	\$ -	\$ 226,607	\$ -	\$ -
General obligation bond	2,280,000	-	110,000	2,170,000	115,000
Bond premium	198,795	417,833	50,560	566,068	-
Capital lease (Note 8)	397,218	-	74,408	322,810	76,841
Total incurred by School Board	<u>\$ 3,102,620</u>	<u>\$ 417,833</u>	<u>\$ 461,575</u>	<u>\$ 3,058,878</u>	<u>\$ 191,841</u>
Total Governmental Obligations	<u>\$ 10,685,077</u>	<u>\$ 4,292,287</u>	<u>\$ 6,508,307</u>	<u>\$ 8,469,057</u>	<u>\$ 910,259</u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Lease	
	Revenue Bonds	
	Principal	Interest
2013	\$ 704,000	\$ 197,585
2014	726,000	172,916
2015	758,000	144,158
2016	786,000	114,059
2017	814,000	80,986
2018	853,000	46,435
2019	625,000	11,666
Total	<u>\$ 5,266,000</u>	<u>\$ 767,805</u>

The remainder of this page left blank intentionally.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2013	\$ 115,000	\$ 105,704
2014	120,000	100,144
2015	125,000	94,599
2016	130,000	88,769
2017	135,000	82,529
2018	140,000	75,854
2019	150,000	68,314
2020	160,000	60,254
2021	165,000	51,804
2022	175,000	43,397
2023	180,000	34,870
2024	185,000	25,723
2025	190,000	15,933
2026	200,000	5,438
Total	<u>\$ 2,170,000</u>	<u>\$ 853,332</u>

Details of long-term indebtedness:

Incurred by County:

Lease Revenue Bonds:

\$2,870,000 lease revenue bond issued August 28, 2003 due in annual installments of varying amounts through January 15, 2018, interest at 3.41%

	Total Amount
	\$ 1,396,000
	3,870,000
Total Revenue Bonds	\$ 5,266,000
Compensated absences (payable from General Fund)	\$ 144,179
Total incurred by County	\$ 5,410,179

\$3,870,000 lease revenue bond issued November 16, 2011 due in annual installments of varying amounts through October 1, 2018, with varying interest rates

Total Revenue Bonds

Compensated absences (payable from General Fund)

Total incurred by County

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of long-term indebtedness: (Continued)

	<u>Total Amount</u>
<u>Incurred by School Board:</u>	
<u>General Obligation Bonds:</u>	
\$2,280,000 General Obligation bond issued November 14, 2010, due in annual installments of varying amounts through April 2026, interest at .586% to 5.438%.	\$ 2,170,000
Bond premium	\$ 566,068
Capital Lease (Note 8)	\$ 322,810
Total incurred by School Board	\$ 3,058,878
Total Long-Term Obligations, Primary Government	\$ 8,469,057

Component Unit - School Board:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>	<u>Amounts Due Within One Year</u>
<u>Component Unit-School Board:</u>					
Compensated absences	\$ 343,969	\$ -	\$ 40,321	\$ 303,648	\$ 30,365
Total Component Unit-School Board	\$ 343,969	\$ -	\$ 40,321	\$ 303,648	\$ 30,365

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 8—Capital Lease:

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

The asset acquired through capital lease is as follows:

	Primary Government (Incurred by School Board)
Asset:	
Buildings and improvements	\$ 1,079,090
Less: accumulated depreciation	<u>(809,340)</u>
Total	<u><u>\$ 269,750</u></u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2012, are as follows:

Year Ended June 30	Primary Government (Incurred by School Board)
2013	\$ 87,396
2014	87,395
2015	87,395
2016	<u>87,395</u>
Total minimum lease payments	\$ 349,581
Less: amount representing interest	<u>(26,771)</u>
Present value of minimum lease payments	<u><u>\$ 322,810</u></u>

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 9—Deferred/Unearned Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$976,207 is comprised of the following:

Deferred Property Tax Revenue - Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$944,468 at June 30, 2012.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2012 but paid in advance by the taxpayers totaled \$31,739 at June 30, 2012.

Note 10—Contingent Liabilities:

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

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

Note 11—Litigation:

At June 30, 2012, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to the County.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 12 –Risk Management:

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

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

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays VACO contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan:

A. Plan Description

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

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 (CAFR) that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 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 compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional's contribution rate for the fiscal year ended 2012 was 11.36% and 10.81% of annual covered payroll, respectively.

The School Board's professional employees contributed \$463,563, \$279,119, and \$617,285, to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010 respectively and these contributions represented 6.33%, 3.93%, and 8.81%, respectively, of current covered payroll.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For the fiscal year 2012, the County’s annual pension cost of \$620,683 (which includes the portion of the employee share assumed by the County which was \$189,696) was equal to the County’s required and actual contributions.

For the fiscal year 2012, the County School Board’s annual pension cost for the School Board’s non-professional employees was \$130,597 (which includes the employee share assumed by the School Board which was \$41,302) which was equal to the, School Board’s required and actual contributions.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2012	\$ 430,987	100%	\$ -
June 30, 2011	483,419	100%	-
June 30, 2010	367,116	100%	-
School Board:			
Non-Professional:			
June 30, 2012	\$ 89,295	100%	\$ -
June 30, 2011	85,648	100%	-
June 30, 2010	94,178	100%	-

(1) Employer portion only

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 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 and School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 74.92% funded. The actuarial accrued liability for benefits was \$17,155,440, and the actuarial value of assets was \$12,853,016, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,302,424. The covered payroll (annual payroll of active employees covered by the plan) was \$3,855,607, and ratio of the UAAL to the covered payroll was 111.59%.

As of June 30, 2011, the most recent actuarial valuation date, the School Board’s Non-Professional plan was 69.93% funded. The actuarial accrued liability for benefits was \$2,650,685 and the actuarial value of assets was \$1,853,586, resulting in an unfunded actuarial accrued liability (UAAL) of \$797,099. The covered payroll (annual payroll of active employees covered by the plan) was \$792,896 and ratio of the UAAL to the covered payroll was 100.53%.

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

Note 14—Surety Bonds:

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

Note 15—Jointly Governed Organizations:

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

COUNTY OF LANCASTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
AS OF JUNE 30, 2012

Note 16–Other Post Employment Benefits (OPEB) - Health Insurance Credit:

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2012, 2011, and 2010 were \$43,940, \$42,614, and \$52,248, respectively and equaled the required contributions for each year.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 14,639,000	\$ 14,639,000	\$ 14,742,887	\$ 103,887
Other local taxes	1,970,000	1,770,000	1,950,576	180,576
Permits, privilege fees, and regulatory licenses	136,500	136,500	149,016	12,516
Fines and forfeitures	14,000	14,000	16,626	2,626
Revenue from the use of money and property	110,000	110,000	123,278	13,278
Charges for services	314,300	314,300	361,243	46,943
Miscellaneous	30,000	30,000	38,054	8,054
Recovered costs	32,000	32,000	47,683	15,683
Intergovernmental revenues:				
Commonwealth	3,488,000	3,688,000	3,747,511	59,511
Federal	650,000	1,545,400	1,646,561	101,161
Total revenues	<u>\$ 21,383,800</u>	<u>\$ 22,279,200</u>	<u>\$ 22,823,435</u>	<u>\$ 544,235</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,400,373	\$ 1,437,448	\$ 1,501,800	\$ (64,352)
Judicial administration	648,720	662,968	625,449	37,519
Public safety	3,680,385	3,765,226	3,779,509	(14,283)
Public works	1,184,604	1,184,604	1,116,041	68,563
Health and welfare	2,546,553	2,546,553	2,482,024	64,529
Education	10,345,254	10,345,254	10,201,867	143,387
Parks, recreation, and cultural	172,345	172,345	172,895	(550)
Community development	404,880	1,204,880	1,152,343	52,537
Capital projects	592,622	760,622	602,621	158,001
Debt service:				
Principal retirement	1,252,014	6,427,015	6,427,015	-
Interest and other fiscal charges	359,447	570,217	576,058	(5,841)
Total expenditures	<u>\$ 22,587,197</u>	<u>\$ 29,077,132</u>	<u>\$ 28,637,622</u>	<u>\$ 439,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,203,397)</u>	<u>\$ (6,797,932)</u>	<u>\$ (5,814,187)</u>	<u>\$ 983,745</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 2,495,900	\$ 2,361,133	\$ (134,767)
Issuance of lease revenue bonds	-	3,870,000	3,870,000	-
Bond premium	-	417,833	417,833	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 6,783,733</u>	<u>\$ 6,648,966</u>	<u>\$ (134,767)</u>
Net change in fund balances	\$ (1,203,397)	\$ (14,199)	\$ 834,779	\$ 848,978
Fund balances - beginning	1,203,397	14,199	4,599,107	4,584,908
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,433,886</u>	<u>\$ 5,433,886</u>

County of Lancaster, Virginia
County Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,770	\$ 3,770
Miscellaneous	-	-	5,861	5,861
Intergovernmental revenues:				
Commonwealth	-	-	12,982	12,982
Total revenues	\$ -	\$ -	\$ 22,613	\$ 22,613
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 22,613	\$ 22,613
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (902,900)	\$ (473,381)	\$ 429,519
Total other financing sources (uses)	\$ -	\$ (902,900)	\$ (473,381)	\$ 429,519
Net change in fund balances	\$ -	\$ (902,900)	\$ (450,768)	\$ 452,132
Fund balances - beginning	-	902,900	492,535	(410,365)
Fund balances - ending	\$ -	\$ -	\$ 41,767	\$ 41,767

County of Lancaster, Virginia
 Schedule of Pension Funding Progress
 As of June 30, 2012

Primary Government:

County Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2011	\$ 12,853,016	\$ 17,155,440	\$ 4,302,424	74.92%	\$ 3,855,607	111.59%
6/30/2010	12,256,193	16,300,955	4,044,762	75.19%	3,749,519	107.87%
6/30/2009	12,051,012	14,788,859	2,737,847	81.49%	3,776,010	72.51%
6/30/2008	11,736,177	13,666,901	1,930,724	85.87%	3,513,367	54.95%
6/30/2007	10,435,325	12,117,913	1,682,588	86.11%	3,158,443	53.27%
6/30/2006	9,079,706	11,329,434	2,249,728	80.14%	3,126,347	71.96%
6/30/2005	8,300,560	9,697,207	1,396,647	85.60%	2,952,585	47.30%
6/30/2004	8,073,927	8,228,119	154,192	98.13%	2,734,961	5.64%
6/30/2003	7,991,958	7,640,260	(351,698)	104.60%	2,503,980	-14.05%
6/30/2002	7,995,661	7,091,548	(904,113)	112.75%	2,478,693	-36.48%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
6/30/2011	\$ 1,853,586	\$ 2,650,685	\$ 797,099	69.93%	\$ 792,896	100.53%
6/30/2010	1,781,110	2,523,566	742,456	70.58%	798,136	93.02%
6/30/2009	1,700,472	2,248,920	548,448	75.61%	777,199	70.57%
6/30/2008	1,569,229	2,161,545	592,316	72.60%	765,826	77.34%
6/30/2007	1,380,363	1,976,112	595,749	69.85%	744,362	80.03%
6/30/2006	1,190,420	1,741,914	551,494	68.34%	703,740	78.37%
6/30/2005	1,063,398	1,591,473	528,075	66.82%	671,388	78.65%
6/30/2004	980,383	1,567,219	586,836	62.56%	689,400	85.12%
6/30/2003	894,645	1,444,638	549,993	61.93%	690,568	79.64%
6/30/2002	808,055	1,384,137	576,082	58.38%	670,357	85.94%

THIS PAGE LEFT BLANK INTENTIONALLY

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
County Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 8,570	\$ 8,570
Total revenues	\$ -	\$ -	\$ 8,570	\$ 8,570
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 8,570	\$ 8,570
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ (1,593,000)	\$ (1,887,752)	\$ (294,752)
Total other financing sources (uses)	\$ -	\$ (1,593,000)	\$ (1,887,752)	\$ (294,752)
Net change in fund balances	\$ -	\$ (1,593,000)	\$ (1,879,182)	\$ (286,182)
Fund balances - beginning	-	1,593,000	2,349,169	756,169
Fund balances - ending	\$ -	\$ -	\$ 469,987	\$ 469,987

County of Lancaster, Virginia
 Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2012

	<u>Agency Funds</u>
	<u>Special Welfare</u>
ASSETS	
Cash and cash equivalents	\$ 20,288
Total assets	<u>\$ 20,288</u>
LIABILITIES	
Amounts held for social services clients	\$ 20,288
Total liabilities	<u>\$ 20,288</u>

County of Lancaster, Virginia

Fiduciary Funds
Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 30,386	\$ 30,762	\$ 40,860	\$ 20,288
Accounts receivable	215	(215)	-	-
Total assets	<u>\$ 30,601</u>	<u>\$ 30,547</u>	<u>\$ 40,860</u>	<u>\$ 20,288</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 30,601</u>	<u>\$ 30,547</u>	<u>\$ 40,860</u>	<u>\$ 20,288</u>

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 177,484	\$ 177,484
Receivables (net of allowance for uncollectibles):			
Accounts receivable	51,696	5,801	57,497
Due from other funds	19,973	-	19,973
Due from other governmental units	1,668,794	23,195	1,691,989
Total assets	<u>\$ 1,740,463</u>	<u>\$ 206,480</u>	<u>\$ 1,946,943</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 578,871	\$ 31,292	\$ 610,163
Accrued liabilities	1,161,592	28,196	1,189,788
Due to other funds	-	19,973	19,973
Total liabilities	<u>\$ 1,740,463</u>	<u>\$ 79,461</u>	<u>\$ 1,819,924</u>
Fund balances:			
Committed	\$ -	\$ 127,019	\$ 127,019
Total fund balances	<u>\$ -</u>	<u>\$ 127,019</u>	<u>\$ 127,019</u>
Total liabilities and fund balances	<u>\$ 1,740,463</u>	<u>\$ 206,480</u>	<u>\$ 1,946,943</u>

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

Total fund balances per above	\$ 127,019
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,010,277
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	(303,648)
Net assets of governmental activities	<u>\$ 8,833,648</u>

County of Lancaster, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2012

	School Operating <u>Fund</u>	School Cafeteria <u>Fund</u>	Total Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 2,115	\$ 514	\$ 2,629
Charges for services	4,700	165,059	169,759
Miscellaneous	33,630	192	33,822
Recovered costs	236,910	-	236,910
Intergovernmental revenues:			
Local government	10,195,723	-	10,195,723
Commonwealth	3,124,948	9,072	3,134,020
Federal	1,068,964	462,310	1,531,274
Total revenues	<u>\$ 14,666,990</u>	<u>\$ 637,147</u>	<u>\$ 15,304,137</u>
EXPENDITURES			
Current:			
Education	\$ 14,666,990	\$ 611,988	\$ 15,278,978
Total expenditures	<u>\$ 14,666,990</u>	<u>\$ 611,988</u>	<u>\$ 15,278,978</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 25,159</u>	<u>\$ 25,159</u>
Net change in fund balances	\$ -	\$ 25,159	\$ 25,159
Fund balances - beginning	-	101,860	101,860
Fund balances - ending	<u>\$ -</u>	<u>\$ 127,019</u>	<u>\$ 127,019</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 25,159

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

Capital asset additions	\$ 374,484	
Depreciation expense	(894,714)	
Transfer of joint tenancy assets to Component Unit from Primary Government	<u>294,229</u>	(226,001)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

This adjustment represents the net change in compensated absences. 40,321

Change in net assets of governmental activities \$ (160,521)

County of Lancaster, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2012

	School Operating Fund				School Cafeteria Fund				Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Final	Actual	
	Original	Final			Original	Final			
REVENUES									
Revenue from the use of money and property	\$ 3,500	\$ 3,500	\$ 2,115	\$ (1,385)	\$ -	\$ -	\$ 514	\$ 514	\$ 514
Charges for services	8,000	8,000	4,700	(3,300)	167,500	167,500	165,059	165,059	(2,441)
Miscellaneous	30,000	30,000	33,630	3,630	-	-	192	192	192
Recovered costs	145,196	166,096	236,910	70,814					
Intergovernmental revenues:									
Local government	10,339,110	10,339,110	10,195,723	(143,387)	-	-	-	-	-
Commonwealth	3,090,259	3,114,421	3,124,948	10,527	12,500	12,500	9,072	9,072	(3,428)
Federal	1,324,830	1,535,430	1,068,964	(466,466)	400,000	400,000	462,310	462,310	62,310
Total revenues	\$ 14,940,895	\$ 15,196,557	\$ 14,666,990	\$ (529,567)	\$ 580,000	\$ 580,000	\$ 637,147	\$ 637,147	\$ 57,147
EXPENDITURES									
Current:									
Education	\$ 14,940,895	\$ 15,196,557	\$ 14,666,990	\$ 529,567	\$ 580,000	\$ 580,000	\$ 611,988	\$ 611,988	\$ (31,988)
Total expenditures	\$ 14,940,895	\$ 15,196,557	\$ 14,666,990	\$ 529,567	\$ 580,000	\$ 580,000	\$ 611,988	\$ 611,988	\$ (31,988)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,159	\$ 25,159	\$ 25,159
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,159	\$ 25,159	\$ 25,159
Fund balances - beginning	-	-	-	-	-	-	101,860	101,860	101,860
Fund balances - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,019	\$ 127,019	\$ 127,019

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
Statement of Net Assets
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2012

ASSETS

Cash and cash equivalents	\$ 119,703
Total assets	<u>\$ 119,703</u>

NET ASSETS

Unrestricted	\$ 119,703
Total net assets	<u><u>\$ 119,703</u></u>

County of Lancaster, Virginia
Statement of Revenues, Expenses, and Changes in Net Assets
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2012

OPERATING REVENUES

Charges for services:

Bond fees	\$ 35,215
Other revenues	500
Total operating revenues	<u>\$ 35,715</u>

OPERATING EXPENSES

Other expenses	\$ 69,889
Total operating expenses	<u>\$ 69,889</u>

Operating income (loss)	<u>\$ (34,174)</u>
-------------------------	--------------------

NONOPERATING REVENUES (EXPENSES)

Investment earnings	<u>\$ 53</u>
---------------------	--------------

Total nonoperating revenues (expenses)	<u>\$ 53</u>
--	--------------

Change in net assets	<u>\$ (34,121)</u>
----------------------	--------------------

Total net assets - beginning	153,824
Total net assets - ending	<u><u>\$ 119,703</u></u>

County of Lancaster, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 35,715
Payments for operating activities	(69,889)
Net cash provided by (used for) operating activities	<u>\$ (34,174)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	<u>\$ 53</u>
Net cash provided by (used for) by investing activities	<u>\$ 53</u>
Net increase (decrease) in cash and cash equivalents	\$ (34,121)
Cash and cash equivalents - beginning	153,824
Cash and cash equivalents - ending	<u><u>\$ 119,703</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPORTING SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,450,000	\$ 12,450,000	\$ 12,477,231	\$ 27,231
Real and personal public service corporation taxes	181,000	181,000	177,246	(3,754)
Personal property taxes	1,700,000	1,700,000	1,675,080	(24,920)
Mobile home taxes	25,000	25,000	27,253	2,253
Machinery and tools taxes	4,000	4,000	11,373	7,373
Merchant's capital taxes	114,000	114,000	124,321	10,321
Penalties	120,000	120,000	141,243	21,243
Interest	45,000	45,000	109,140	64,140
Total general property taxes	<u>\$ 14,639,000</u>	<u>\$ 14,639,000</u>	<u>\$ 14,742,887</u>	<u>\$ 103,887</u>
Other local taxes:				
Local sales and use taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,521,865	\$ 121,865
Consumption tax	240,000	40,000	39,819	(181)
Motor vehicle licenses	200,000	200,000	200,846	846
Bank stock taxes	-	-	22,566	22,566
Taxes on recordation and wills	130,000	130,000	165,480	35,480
Total other local taxes	<u>\$ 1,970,000</u>	<u>\$ 1,770,000</u>	<u>\$ 1,950,576</u>	<u>\$ 180,576</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,500	\$ 7,500	\$ 7,379	\$ (121)
Land use application fees	1,000	1,000	1,750	750
Transfer fees	1,000	1,000	586	(414)
Permits and other licenses	127,000	127,000	139,301	12,301
Total permits, privilege fees, and regulatory licenses	<u>\$ 136,500</u>	<u>\$ 136,500</u>	<u>\$ 149,016</u>	<u>\$ 12,516</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 14,000	\$ 14,000	\$ 16,626	\$ 2,626
Revenue from use of money and property:				
Revenue from use of money	\$ 60,000	\$ 60,000	\$ 55,845	\$ (4,155)
Revenue from use of property	50,000	50,000	67,433	17,433
Total revenue from use of money and property	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 123,278</u>	<u>\$ 13,278</u>
Charges for services:				
Courthouses maintenance fees	\$ 4,000	\$ 4,000	\$ 2,402	\$ (1,598)
Charges for Commonwealth's Attorney	1,000	1,000	1,448	448
Charges for correction and detention	8,000	8,000	6,447	(1,553)
Charges for other protection	3,000	3,000	2,568	(432)
Sheriff's fees	1,200	1,200	1,048	(152)
Charges for sanitation and waste removal	9,000	9,000	8,467	(533)
Charges for planning and community development	100	100	78	(22)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
 Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for ambulance and rescue services	\$ 270,000	\$ 270,000	\$ 325,610	\$ 55,610
Court fees	18,000	18,000	13,175	(4,825)
Total charges for services	\$ 314,300	\$ 314,300	\$ 361,243	\$ 46,943
Miscellaneous revenue:				
Miscellaneous	\$ 30,000	\$ 30,000	\$ 38,054	\$ 8,054
Recovered costs:				
Tri-county landfill	\$ 1,000	\$ 1,000	\$ 1,298	\$ 298
VHDA	30,000	30,000	30,898	898
Other recovered costs	1,000	1,000	15,487	14,487
Total recovered costs	\$ 32,000	\$ 32,000	\$ 47,683	\$ 15,683
Total revenue from local sources	\$ 17,245,800	\$ 17,045,800	\$ 17,429,363	\$ 383,563
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 70,000	\$ 270,000	\$ 338,050	\$ 68,050
Motor vehicle carriers' tax	4,000	4,000	-	(4,000)
Mobile home titling tax	8,000	8,000	11,287	3,287
Rolling stock tax	-	-	65	65
Auto rental tax	-	-	4,890	4,890
Additional tax on deeds	30,000	30,000	48,605	18,605
State recordation tax	40,000	40,000	63,429	23,429
Personal property tax relief funds	850,000	850,000	871,017	21,017
Total noncategorical aid	\$ 1,002,000	\$ 1,202,000	\$ 1,337,343	\$ 135,343
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 220,000	\$ 220,000	\$ 218,179	\$ (1,821)
Sheriff	1,100,000	1,100,000	1,089,910	(10,090)
Commissioner of revenue	85,000	85,000	83,224	(1,776)
Treasurer	72,000	72,000	74,560	2,560
Registrar/electoral board	40,000	40,000	40,408	408
Clerk of the Circuit Court	160,000	160,000	166,122	6,122
Local jails	90,000	90,000	62,788	(27,212)
Total shared expenses	\$ 1,767,000	\$ 1,767,000	\$ 1,735,191	\$ (31,809)
Other categorical aid:				
Public assistance and welfare administration	\$ 420,000	\$ 420,000	\$ 532,832	\$ 112,832
Emergency medical services	-	-	12,403	12,403
Comprehensive services act	250,000	250,000	59,528	(190,472)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
 Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Wireless grant	\$ -	\$ -	\$ 40,000	\$ 40,000
DMV - animal tags	-	-	185	185
Victim-witness grant	25,000	25,000	5,649	(19,351)
Fire programs fund	24,000	24,000	24,380	380
Total other categorical aid	<u>\$ 719,000</u>	<u>\$ 719,000</u>	<u>\$ 674,977</u>	<u>\$ (44,023)</u>
Total categorical aid	<u>\$ 2,486,000</u>	<u>\$ 2,486,000</u>	<u>\$ 2,410,168</u>	<u>\$ (75,832)</u>
Total revenue from the Commonwealth	<u>\$ 3,488,000</u>	<u>\$ 3,688,000</u>	<u>\$ 3,747,511</u>	<u>\$ 59,511</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 650,000	\$ 650,000	\$ 670,365	\$ 20,365
Transportation safety	-	-	9,440	9,440
Homeland security	-	-	25,968	25,968
Hazmat grant	-	15,400	50,258	34,858
BABs subsidy	-	-	15,979	15,979
Crime victim assistance	-	-	16,945	16,945
USDA grant - LMS generator	-	50,000	50,000	-
Linx grant	-	30,000	-	(30,000)
Home investment partnership program	-	800,000	807,606	7,606
Total categorical aid	<u>\$ 650,000</u>	<u>\$ 1,545,400</u>	<u>\$ 1,646,561</u>	<u>\$ 101,161</u>
Total revenue from the federal government	<u>\$ 650,000</u>	<u>\$ 1,545,400</u>	<u>\$ 1,646,561</u>	<u>\$ 101,161</u>
Total General Fund	<u>\$ 21,383,800</u>	<u>\$ 22,279,200</u>	<u>\$ 22,823,435</u>	<u>\$ 544,235</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 45	\$ 45
Revenue from the use of property	-	-	3,725	3,725
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,770</u>	<u>\$ 3,770</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 5,861	\$ 5,861
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,861</u>	<u>\$ 5,861</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,631</u>	<u>\$ 9,631</u>

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
 Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund: (Continued)				
County Special Revenue Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture proceeds	\$ -	\$ -	\$ 12,982	\$ 12,982
Total categorical aid	\$ -	\$ -	\$ 12,982	\$ 12,982
Total revenue from the Commonwealth	\$ -	\$ -	\$ 12,982	\$ 12,982
Total County Special Revenue Fund	\$ -	\$ -	\$ 22,613	\$ 22,613
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 8,570	\$ 8,570
Total revenue from local sources	\$ -	\$ -	\$ 8,570	\$ 8,570
Total County Capital Projects Fund	\$ -	\$ -	\$ 8,570	\$ 8,570
Total Primary Government	\$ 21,383,800	\$ 22,279,200	\$ 22,854,618	\$ 575,418
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 3,500	\$ 3,500	\$ 2,115	\$ (1,385)
Charges for services:				
Charges for education	\$ 8,000	\$ 8,000	\$ 4,700	\$ (3,300)
Miscellaneous revenue:				
Miscellaneous	\$ 30,000	\$ 30,000	\$ 33,630	\$ 3,630
Total miscellaneous revenue	\$ 30,000	\$ 30,000	\$ 33,630	\$ 3,630
Recovered costs:				
Other recovered costs	\$ 145,196	\$ 166,096	\$ 236,910	\$ 70,814
Total recovered costs	\$ 145,196	\$ 166,096	\$ 236,910	\$ 70,814
Total revenue from local sources	\$ 186,696	\$ 207,596	\$ 277,355	\$ 69,759
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Lancaster, Virginia	\$ 10,339,110	\$ 10,339,110	\$ 10,195,723	\$ (143,387)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
 Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,243,848	\$ 1,243,848	\$ 1,331,867	\$ 88,019
Basic school aid	1,049,930	1,049,930	1,004,105	(45,825)
Remedial summer education	9,150	9,150	29,129	19,979
Vocational education	20,412	20,412	20,666	254
Regular foster care	-	-	13,998	13,998
Special education foster care	30,428	30,428	17,549	(12,879)
Gifted and talented	11,340	11,340	10,955	(385)
Remedial education	45,108	45,108	43,575	(1,533)
School fringes	130,536	130,536	126,099	(4,437)
Early reading intervention	3,038	3,038	4,861	1,823
Class size reduction	47,750	47,750	45,965	(1,785)
Lottery	34,290	34,290	44,164	9,874
Homebound	487	487	344	(143)
School construction	31,410	31,410	31,554	144
Vocational education - equipment	7,612	7,612	3,320	(4,292)
Special education	149,436	149,436	144,358	(5,078)
Textbook payment	10,221	10,221	-	(10,221)
GED preparation assistance	7,859	7,859	7,859	-
At risk payments	99,032	99,032	55,156	(43,876)
ESL	991	991	991	-
Preschool initiative	-	-	54,000	54,000
Project graduation	22,983	22,983	4,844	(18,139)
Mentor teacher program	808	808	1,970	1,162
Technology grant	128,000	152,162	120,996	(31,166)
SOL algebra readiness	5,590	5,590	6,228	638
Virtual Virginia	-	-	395	395
Total categorical aid	\$ 3,090,259	\$ 3,114,421	\$ 3,124,948	\$ 10,527
Total revenue from the Commonwealth	\$ 3,090,259	\$ 3,114,421	\$ 3,124,948	\$ 10,527

Revenue from the federal government:

Categorical aid:

Title VI-B	\$ 298,507	\$ 333,236	\$ 241,139	\$ (92,097)
Title VI-B - ARRA	-	15,661	15,659	(2)
Title VI-B - preschool grant - ARRA	-	973	973	-
Title I	414,120	526,199	437,042	(89,157)
Title I - ARRA	-	27,229	27,228	(1)
Education jobs - ARRA	148,690	148,690	149,733	1,043
Vocational education	31,369	27,930	25,810	(2,120)
Drug free schools	-	4,169	5,551	1,382
CTE equipment	2,541	3,320	-	(3,320)
Title II, Part A - Improving teacher quality	97,107	116,863	38,435	(78,428)

Discretely Presented Component Unit - School Board: (Continued)

School Operating Fund: (Continued)

County of Lancaster, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

Schedule 1
 Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Intergovernmental revenues: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Title II, Part D	\$ 3,001	\$ -	\$ -	\$ -
1003G school improvement	179,167	179,167	35,549	(143,618)
School improvement	-	6,986	-	(6,986)
Title VI - Rural education	33,328	28,007	23,240	(4,767)
JROTC grant	57,000	57,000	68,605	11,605
Virginia medical assistance (Medicaid)	60,000	60,000	-	(60,000)
Total categorical aid	<u>\$ 1,324,830</u>	<u>\$ 1,535,430</u>	<u>\$ 1,068,964</u>	<u>\$ (466,466)</u>
 Total revenue from the federal government	 <u>\$ 1,324,830</u>	 <u>\$ 1,535,430</u>	 <u>\$ 1,068,964</u>	 <u>\$ (466,466)</u>
 Total School Operating Fund	 <u>\$ 14,940,895</u>	 <u>\$ 15,196,557</u>	 <u>\$ 14,666,990</u>	 <u>\$ (529,567)</u>
 Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 514	\$ 514
 Charges for services:				
Cafeteria sales	\$ 167,500	\$ 167,500	\$ 165,059	\$ (2,441)
 Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 192	\$ 192
Total revenue from local sources	<u>\$ 167,500</u>	<u>\$ 167,500</u>	<u>\$ 165,765</u>	<u>\$ (1,735)</u>
 Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 12,500	\$ 12,500	\$ 9,072	\$ (3,428)
 Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 400,000	\$ 400,000	\$ 406,832	\$ 6,832
Summer food	-	-	23,195	23,195
Commodities	-	-	32,283	32,283
Total categorical aid	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 462,310</u>	<u>\$ 62,310</u>
Total revenue from the federal government	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 462,310</u>	<u>\$ 62,310</u>
Total School Cafeteria Fund	<u>\$ 580,000</u>	<u>\$ 580,000</u>	<u>\$ 637,147</u>	<u>\$ 57,147</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 15,520,895</u>	<u>\$ 15,776,557</u>	<u>\$ 15,304,137</u>	<u>\$ (472,420)</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 46,027	\$ 46,027	\$ 43,058	\$ 2,969
General and financial administration:				
County administrator	\$ 422,334	\$ 456,009	\$ 451,194	\$ 4,815
Information Technology	99,379	99,379	98,944	435
Legal services	20,000	20,000	32,985	(12,985)
Commissioner of revenue	393,284	393,284	439,009	(45,725)
Independent Auditor	34,200	34,200	35,400	(1,200)
Treasurer	266,101	269,501	266,555	2,946
Total general and financial administration	<u>\$ 1,235,298</u>	<u>\$ 1,272,373</u>	<u>\$ 1,324,087</u>	<u>\$ (51,714)</u>
Board of elections:				
Electoral board and officials	\$ 28,245	\$ 28,245	\$ 40,345	\$ (12,100)
Registrar	90,803	90,803	94,310	(3,507)
Total board of elections	<u>\$ 119,048</u>	<u>\$ 119,048</u>	<u>\$ 134,655</u>	<u>\$ (15,607)</u>
Total general government administration	<u>\$ 1,400,373</u>	<u>\$ 1,437,448</u>	<u>\$ 1,501,800</u>	<u>\$ (64,352)</u>
Judicial administration:				
Courts:				
Circuit court	\$ 13,000	\$ 13,000	\$ 12,932	\$ 68
General district court	4,140	4,140	3,757	383
Special Magistrates	600	600	73	527
Juvenile and domestic relations court	1,625	1,625	1,608	17
Victim/witness assistance	27,334	27,334	20,671	6,663
Court appointed special advocates	3,000	3,000	3,000	-
Clerk of the circuit court	294,774	301,122	288,151	12,971
Total courts	<u>\$ 344,473</u>	<u>\$ 350,821</u>	<u>\$ 330,192</u>	<u>\$ 20,629</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 304,247	\$ 312,147	\$ 295,257	\$ 16,890
Total judicial administration	<u>\$ 648,720</u>	<u>\$ 662,968</u>	<u>\$ 625,449</u>	<u>\$ 37,519</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,524,450	\$ 1,558,891	\$ 1,580,922	\$ (22,031)
School resource officer	54,284	54,284	54,430	(146)
Law enforcement grants	-	22,000	27,865	(5,865)
Forfeited asset sharing program	-	5,000	2,013	2,987
Total law enforcement and traffic control	<u>\$ 1,578,734</u>	<u>\$ 1,640,175</u>	<u>\$ 1,665,230</u>	<u>\$ (25,055)</u>

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	\$ 279,575	\$ 279,575	\$ 296,355	\$ (16,780)
Ambulance and rescue services	632,442	632,442	588,434	44,008
Forestry service	4,000	4,000	3,897	103
Hazmat grant	-	15,400	4,943	10,457
Local emergency services	26,420	26,420	34,957	(8,537)
Total fire and rescue services	<u>\$ 942,437</u>	<u>\$ 957,837</u>	<u>\$ 928,586</u>	<u>\$ 29,251</u>
Correction and detention:				
Sheriff	\$ 855,544	\$ 855,544	\$ 919,332	\$ (63,788)
Electronic monitoring	20,000	20,000	11,748	8,252
Probation office	48,900	48,900	16,983	31,917
Total correction and detention	<u>\$ 924,444</u>	<u>\$ 924,444</u>	<u>\$ 948,063</u>	<u>\$ (23,619)</u>
Inspections:				
Building	\$ 126,016	\$ 126,016	\$ 121,934	\$ 4,082
Other protection:				
Animal control	\$ 108,554	\$ 116,554	\$ 115,636	\$ 918
Medical examiner	200	200	60	140
Total other protection	<u>\$ 108,754</u>	<u>\$ 116,754</u>	<u>\$ 115,696</u>	<u>\$ 1,058</u>
Total public safety	<u>\$ 3,680,385</u>	<u>\$ 3,765,226</u>	<u>\$ 3,779,509</u>	<u>\$ (14,283)</u>
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 944,806	\$ 944,806	\$ 869,462	\$ 75,344
Maintenance of general buildings and grounds:				
General properties	\$ 239,798	\$ 239,798	\$ 246,579	\$ (6,781)
Total public works	<u>\$ 1,184,604</u>	<u>\$ 1,184,604</u>	<u>\$ 1,116,041</u>	<u>\$ 68,563</u>
Health and welfare:				
Health:				
Local health department	\$ 201,352	\$ 201,352	\$ 199,328	\$ 2,024
Free health clinic	96,477	96,477	96,477	-
Total health	<u>\$ 297,829</u>	<u>\$ 297,829</u>	<u>\$ 295,805</u>	<u>\$ 2,024</u>
Mental health and mental retardation:				
Community services board	\$ 36,744	\$ 36,744	\$ 36,744	\$ -
Welfare:				
Public assistance and welfare administration	\$ 1,445,091	\$ 1,445,091	\$ 1,453,554	\$ (8,463)
Area agency on aging	70,549	70,549	70,549	-

County of Lancaster, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare: (Continued)				
Comprehensive services act	\$ 600,000	\$ 600,000	\$ 529,032	\$ 70,968
Group home commission	27,240	27,240	27,240	-
Rappahannock legal services	5,600	5,600	5,600	-
The Haven crisis shelter	3,500	3,500	3,500	-
Virginia quality of life	10,000	10,000	10,000	-
Boys and girls club of America	50,000	50,000	50,000	-
Total welfare	<u>\$ 2,211,980</u>	<u>\$ 2,211,980</u>	<u>\$ 2,149,475</u>	<u>\$ 62,505</u>
Total health and welfare	<u>\$ 2,546,553</u>	<u>\$ 2,546,553</u>	<u>\$ 2,482,024</u>	<u>\$ 64,529</u>
Education:				
Contributions to Community College	\$ 6,144	\$ 6,144	\$ 6,144	\$ -
Contribution to County School Board	10,339,110	10,339,110	10,195,723	143,387
Total education	<u>\$ 10,345,254</u>	<u>\$ 10,345,254</u>	<u>\$ 10,201,867</u>	<u>\$ 143,387</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Total parks and recreation	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>
Cultural enrichment:				
Museum	\$ 4,400	\$ 4,400	\$ 5,151	\$ (751)
Historic resources commission	200	200	-	200
Total cultural enrichment	<u>\$ 4,600</u>	<u>\$ 4,600</u>	<u>\$ 5,151</u>	<u>\$ (551)</u>
Library:				
Library	\$ 92,745	\$ 92,745	\$ 92,744	\$ 1
Total parks, recreation, and cultural	<u>\$ 172,345</u>	<u>\$ 172,345</u>	<u>\$ 172,895</u>	<u>\$ (550)</u>
Community development:				
Planning and community development:				
Land use administration	\$ 227,535	\$ 227,535	\$ 222,087	\$ 5,448
Section 8 housing	52,975	52,975	54,101	(1,126)
Indoor plumbing	-	800,000	757,748	42,252
Planning district commission	34,348	34,348	28,938	5,410
Zoning board	2,210	2,210	2,492	(282)
Greentown/Gaskins Rd - CDBG	-	-	7,155	(7,155)

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Planning and community development: (Continued)				
Other community development	\$ 7,000	\$ 7,000	\$ 21,816	\$ (14,816)
Total planning and community development	<u>\$ 324,068</u>	<u>\$ 1,124,068</u>	<u>\$ 1,094,337</u>	<u>\$ 29,731</u>
Environmental management:				
Contribution to soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Wetlands board	10,663	10,663	13,067	(2,404)
Total environmental management	<u>\$ 20,663</u>	<u>\$ 20,663</u>	<u>\$ 23,067</u>	<u>\$ (2,404)</u>
Cooperative extension program:				
Extension office	\$ 60,149	\$ 60,149	\$ 34,939	\$ 25,210
Total community development	<u>\$ 404,880</u>	<u>\$ 1,204,880</u>	<u>\$ 1,152,343</u>	<u>\$ 52,537</u>
Capital projects:				
Landfill closure	\$ 5,000	\$ 5,000	\$ 7,290	\$ (2,290)
Enhanced emergency telephone system	62,425	62,425	28,983	33,442
Judicial center	-	-	39,871	(39,871)
Other capital projects	129,434	192,434	155,381	37,053
Capital projects - education	395,763	500,763	371,096	129,667
Total capital projects	<u>\$ 592,622</u>	<u>\$ 760,622</u>	<u>\$ 602,621</u>	<u>\$ 158,001</u>
Debt service:				
Principal retirement	\$ 1,252,014	\$ 6,427,015	\$ 6,427,015	\$ -
Interest and other fiscal charges	359,447	570,217	576,058	(5,841)
Total debt service	<u>\$ 1,611,461</u>	<u>\$ 6,997,232</u>	<u>\$ 7,003,073</u>	<u>\$ (5,841)</u>
Total General Fund	<u>\$ 22,587,197</u>	<u>\$ 29,077,132</u>	<u>\$ 28,637,622</u>	<u>\$ 439,510</u>
Total Primary Government	<u>\$ 22,587,197</u>	<u>\$ 29,077,132</u>	<u>\$ 28,637,622</u>	<u>\$ 439,510</u>

County of Lancaster, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2012

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration, health, and attendance	\$ 939,087	\$ 947,897	\$ 944,194	\$ 3,703
Instruction costs	11,515,462	11,448,175	10,933,170	515,005
Pupil transportation	1,099,955	1,272,108	1,271,920	188
Operation and maintenance of school plant	1,386,391	1,528,377	1,517,706	10,671
Total education	\$ 14,940,895	\$ 15,196,557	\$ 14,666,990	\$ 529,567
Total School Operating Fund	\$ 14,940,895	\$ 15,196,557	\$ 14,666,990	\$ 529,567
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services:				
School food	\$ 580,000	\$ 580,000	\$ 579,705	\$ 295
Commodities	-	-	32,283	(32,283)
Total school food services	\$ 580,000	\$ 580,000	\$ 611,988	\$ (31,988)
Total education	\$ 580,000	\$ 580,000	\$ 611,988	\$ (31,988)
Total School Cafeteria Fund	\$ 580,000	\$ 580,000	\$ 611,988	\$ (31,988)
Total Discretely Presented Component Unit - School Board	\$ 15,520,895	\$ 15,776,557	\$ 15,278,978	\$ 497,579

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

Table 1

County of Lancaster, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Total
2002-03	\$ 963,574	\$ 440,484	\$ 2,148,043	\$ 944,910	\$ 1,523,266	\$ 7,659,616	\$ 135,106	\$ 1,205,019	\$ 263,601	\$ 15,283,619
2003-04	979,427	440,008	2,480,075	1,403,626	1,602,982	8,619,986	135,055	1,326,710	305,922	17,293,791
2004-05	1,125,855	494,903	3,361,408	1,000,932	1,895,987	7,497,873	134,026	519,733	341,405	16,372,122
2005-06	1,038,227	504,831	3,166,110	1,213,930	1,988,050	9,085,541	153,219	825,533	284,499	18,259,940
2006-07	1,196,615	595,329	3,401,929	1,068,661	2,380,967	9,451,156	156,351	986,907	192,771	19,430,686
2007-08	1,521,966	610,071	3,695,460	1,236,465	2,501,442	9,814,756	161,940	1,294,897	272,582	21,109,579
2008-09	897,403	599,799	3,662,812	1,177,914	2,202,534	11,031,828	160,839	1,283,578	306,444	21,323,151
2009-10	1,204,355	616,607	3,872,862	1,048,830	2,332,650	10,188,939	160,179	1,711,279	398,847	21,534,548
2010-11	1,427,317	761,709	4,064,428	1,132,419	2,391,444	10,318,017	172,801	1,453,260	444,034	22,165,429
2011-12	1,582,525	807,167	3,845,479	1,110,981	2,517,020	10,768,097	172,895	1,119,775	426,296	22,350,235

County of Lancaster, Virginia
 Government-Wide Revenues
 Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs			
2002-03	\$ 197,046	\$ 3,406,015	\$ -	\$ 8,933,525	\$ 1,444,609	\$ 131,840	\$ 25,232	\$ 973,997	\$ 15,112,264		
2003-04	212,658	4,498,793	74,750	9,127,057	1,620,618	92,084	46,392	1,003,272	16,675,624		
2004-05	450,869	3,187,079	-	10,028,659	1,824,726	126,155	26,299	970,081	16,613,868		
2005-06	472,945	3,437,061	47,600	9,675,920	1,985,483	205,097	29,702	1,048,734	16,902,542		
2006-07	531,837	3,568,636	185,505	11,358,649	2,029,167	190,307	25,485	1,054,455	18,944,041		
2007-08	484,423	3,862,996	801,066	12,893,466	2,212,575	266,252	26,037	997,110	21,543,925		
2008-09	476,784	3,359,779	943,083	15,383,703	2,013,343	337,290	135,390	900,904	23,550,276		
2009-10	492,903	3,975,191	668,227	15,284,455	1,865,960	205,834	47,921	980,269	23,520,760		
2010-11	477,621	4,738,390	-	14,656,899	1,892,761	161,276	41,957	1,000,772	22,969,676		
2011-12	526,885	4,019,711	50,000	14,923,610	1,950,576	135,618	43,915	1,337,343	22,987,658		

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
2003	\$ 962,360	\$ 430,415	\$ 2,128,740	\$ 956,859	\$ 1,510,720	\$ 11,344,327	\$ 135,106	\$ 1,222,830	\$ 949,881	\$ 19,641,238
2004	953,348	429,939	2,475,784	1,437,285	1,600,791	11,797,408	135,055	1,351,553	998,289	21,179,452
2005	956,836	494,551	3,222,842	1,023,802	1,877,480	12,919,647	139,026	562,977	1,474,856	22,672,017
2006	1,077,633	546,710	3,040,856	1,105,569	1,979,628	13,926,398	153,219	857,335	1,210,862	23,898,210
2007	1,202,178	596,834	3,274,791	1,074,404	2,390,250	15,091,424	156,351	1,027,945	974,364	25,788,541
2008	1,541,154	605,152	3,586,684	1,234,680	2,491,874	15,389,246	161,940	1,346,638	947,744	27,305,112
2009	1,252,466	604,767	3,568,597	1,172,357	2,207,354	15,278,613	160,839	1,311,718	1,053,149	26,609,860
2010	1,235,687	607,641	3,749,601	1,072,457	2,288,465	15,389,267	160,179	1,743,331	1,453,989	27,700,617
2011	1,341,422	618,495	4,141,836	1,120,296	2,366,967	15,707,417	172,801	1,486,288	1,498,206	28,453,728
2012	1,501,800	625,449	3,779,509	1,116,041	2,482,024	15,285,122	172,895	1,152,343	7,003,073	33,118,256

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

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

(3) Excludes Capital Projects funds.

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2003	\$ 8,892,992	\$ 1,444,609	\$ 117,418	\$ 18,251	\$ 89,688	\$ 296,686	\$ 100,167	\$ 100,392	\$ 9,291,872	\$ 20,352,075
2004	9,101,760	1,620,618	136,245	16,685	72,512	287,009	182,204	30,597	10,580,190	22,027,820
2005	10,052,004	1,824,726	159,503	20,160	126,857	520,361	140,648	50,668	9,560,211	22,455,138
2006	9,804,068	1,985,483	171,020	19,455	133,843	546,112	166,611	72,659	10,149,098	23,048,349
2007	11,316,916	2,029,167	164,660	18,184	138,119	631,574	183,238	44,111	10,723,724	25,249,693
2008	12,865,681	2,212,575	138,683	19,840	216,879	584,112	251,943	64,743	11,528,616	27,883,072
2009	15,149,635	2,013,343	142,355	28,029	202,512	527,518	352,749	47,510	10,281,484	28,745,135
2010	15,208,025	1,865,960	149,757	20,168	169,681	512,438	319,456	50,812	10,651,224	28,947,521
2011	14,595,997	1,892,761	142,764	16,314	137,139	488,592	70,775	269,465	11,073,878	28,687,685
2012	14,742,887	1,950,576	149,016	16,626	129,677	531,002	77,737	284,593	10,072,348	27,954,462

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

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

(3) Excludes Capital Projects funds.

Table 5

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

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of		Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)		
2003	\$ 9,643,570	\$ 9,323,066	96.68%	\$ 252,573	\$ 9,575,639	99.30%	\$ 505,008	5.24%	
2004	9,901,330	9,609,077	97.05%	214,684	9,823,761	99.22%	491,063	4.96%	
2005	10,772,116	10,474,804	97.24%	238,435	10,713,239	99.45%	513,614	4.77%	
2006	10,555,764	10,326,368	97.83%	228,678	10,555,046	99.99%	401,020	3.80%	
2007	11,260,311	10,977,793	97.49%	195,485	11,173,278	99.23%	516,166	4.58%	
2008	12,739,466	12,448,235	97.71%	232,606	12,680,841	99.54%	531,551	4.17%	
2009	15,037,856	14,640,508	97.36%	268,363	14,908,871	99.14%	728,623	4.85%	
2010	15,031,753	14,629,582	97.32%	331,663	14,961,245	99.53%	835,636	5.56%	
2011	14,472,243	13,993,953	96.70%	357,927	14,351,880	99.17%	941,217	6.50%	
2012	15,470,572	14,963,025	96.72%	400,496	15,363,521	99.31%	1,000,012	6.46%	

(1) Exclusive of penalties and interest.

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

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)	Total
2003	\$ 1,174,552,962	\$ 151,970,745	\$ 268,800	\$ 7,723,670	\$ 38,887,441	\$ 1,373,403,618
2004	1,194,596,853	163,564,533	274,100	8,699,601	31,498,632	1,398,633,719
2005	1,842,873,500	159,922,950	280,300	8,474,342	38,101,271	2,049,652,363
2006	1,889,426,637	169,982,846	211,600	9,036,830	35,705,141	2,104,363,054
2007	1,955,748,546	179,478,372	190,250	9,584,128	32,717,833	2,177,719,129
2008	2,011,440,053	149,516,502	343,350	10,907,813	28,828,991	2,201,036,709
2009	3,047,826,152	161,929,534	309,350	12,444,246	37,970,594	3,260,479,876
2010	3,084,145,548	147,216,942	248,650	11,959,791	42,470,454	3,286,041,385
2011	3,109,524,980	144,199,002	199,250	11,191,102	44,516,230	3,309,630,564
2012	3,130,960,535	144,354,545	181,750	12,081,091	44,173,669	3,331,751,590

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

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

Table 7

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

Fiscal Year	Real Estate	Personal Property	Merchant's Capital	Machinery and Tools
2003	\$ 0.60	\$ 1.52	\$ 1.00	\$ 1.52
2004	0.60	1.52	1.00	1.52
2005	0.44	1.52	1.00	1.52
2006	0.41	1.52	1.00	1.52
2007	0.46	1.52	1.00	1.52
2008	0.53	2.04	1.00	1.52
2009	0.42	2.04	1.00	1.52
2010	0.42	2.04	1.00	1.52
2011	0.40	2.04	1.00	1.52
2012	0.40	2.04	1.00	1.52

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less:		Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt Service Monies Available	Debt Assumed by Other Localities (4)			
2003	11,567	\$ 1,373,403,618	\$ 2,198,910	\$ -	\$ -	\$ 2,198,910	0.16%	\$ 190
2004	11,567	1,398,633,719	1,675,000	-	-	1,675,000	0.12%	145
2005	11,567	2,049,652,363	1,255,000	-	-	1,255,000	0.06%	108
2006	11,567	2,104,363,054	925,000	-	-	925,000	0.04%	80
2007	11,567	2,177,719,129	600,000	-	-	600,000	0.03%	52
2008	11,567	2,201,036,709	275,000	-	-	275,000	0.01%	24
2009	11,567	3,260,479,876	-	-	-	-	0.00%	-
2010	11,391	3,286,041,385	-	-	-	-	0.00%	-
2011	11,391	3,309,630,564	2,280,000	-	-	2,280,000	0.07%	200
2012	11,391	3,331,751,590	2,170,000	-	-	2,170,000	0.07%	191

(1) Weldon Cooper Center for 2000 and 2010 Census.

(2) From Table 6.

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

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

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

COMPLIANCE

THIS PAGE LEFT BLANK INTENTIONALLY

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

*Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Lancaster, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Lancaster, Virginia's basic financial statements and have issued our report thereon dated January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of County of Lancaster, Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of Lancaster, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Lancaster, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Lancaster, Virginia's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
January 11, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited County of Lancaster, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Lancaster, Virginia's major federal programs for the year ended June 30, 2012. The County of Lancaster, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Lancaster, Virginia's management. Our responsibility is to express an opinion on the County of Lancaster, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Lancaster, Virginia's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Lancaster, Virginia's compliance with those requirements.

In our opinion, the County of Lancaster, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the County of Lancaster, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Lancaster, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Lancaster, Virginia's internal control over compliance.

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

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

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

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia
January 11, 2013

County of Lancaster, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 13,770
Temporary Assistance for Needy Families	93.558	0400109/0400110	124,143
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	241
Low-Income Home Energy Assistance	93.568	0600409/00600410	17,099
Chafee Education and Training Vouchers Program	93.599	9160108/9160199	684
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	49,065
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	35,671
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/090110	397
Foster Care - Title IV-E	93.658	1100109/1100110	40,782
Adoption Assistance	93.659	1120109/1120110	5,881
Social Services Block Grant	93.667	1000109/1000110	93,239
Chafee Foster Care Independence Program	93.674	9150109/9150110	1,557
Children's Health Insurance Program	93.767	0540109/0540110	5,206
Medical Assistance Program	93.778	1200109/1200110	<u>106,499</u>
Total Department of Health and Human Services			<u>\$ 494,234</u>
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Assistance:			
State Homeland Security Program	97.073	77501-52717	<u>\$ 25,968</u>
Department of Agriculture:			
Direct Payments:			
Community Facilities Loans and Grants	10.766	N/A	\$ 100,258
Child Nutrition Cluster:			
Summer Food Service Program for Children Food Distribution	10.559	N/A	1,191
Pass Through Payments:			
Department of Agriculture:			
Summer Food Service Program for Children	10.559	17901-45707	23,195
Total CFDA# 10.559			<u>\$ 24,386</u>
National School Lunch Food Distribution	10.555	17901-45707	31,092
Department of Education:			
National School Lunch Program	10.555	17901-40623	303,343
Total CFDA# 10.555			<u>\$ 334,435</u>
School Breakfast Program	10.553	17901-40591	<u>103,489</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010110	<u>176,131</u>
Total Department of Agriculture			<u>\$ 738,699</u>

County of Lancaster, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-5015	\$ 9,440
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Home Investment Partnerships Program	14.239	4580500-45856	\$ 807,606
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-86000	16,945
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 68,605
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 437,042
ARRA - Title I Grants to Local Educational Agencies	84.389	17901-42913	27,228
Special Education Cluster:			
Special Education - Grants to States	84.027	17901-43071	241,139
ARRA - Special Education - Grants to States	84.391	17901-61245	15,659
ARRA - Special Education - Preschool Grants	84.392	17901-61247	973
Career and Technical Education - Basic Grants to States	84.048	17901-61095	25,810
Safe and Drug-Free Schools and Communities - State Grants	84.186	18204-86871	5,551
Rural Education	84.358	17901-43481	23,240
Improving Teacher Quality State Grants	84.367	17901-61480	38,435
ARRA - 1003G School Improvement Grant	84.388	17901-43040	35,549
ARRA - Education Jobs Fund	84.410	17901-62700	149,733
Total Department of Education			\$ 1,000,359
Total Expenditures of Federal Awards			\$ 3,161,856

See accompanying notes to schedule of expenditures of federal awards.

County of Lancaster, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Lancaster, Virginia under programs of the federal government for the year ended June 30, 2012. 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*. Because the Schedule presents only a selected portion of the operations of the County of Lancaster, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Lancaster, Virginia.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C - Food Donation

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

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 1,646,561
Component Unit School Board:	
School Operating Fund	\$ 1,068,964
School Cafeteria Fund	462,310
Total Component Unit School Board	\$ 1,531,274
Total federal expenditures per basic financial statements	\$ 3,177,835
BABs subsidy	\$ (15,979)
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 3,161,856

County of Lancaster, Virginia
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *unqualified*
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes ✓ no
 Significant deficiency(ies) identified? _____ yes ✓ none reported
 Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ yes ✓ no
 Significant deficiency(ies) identified? _____ yes ✓ none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.410	ARRA-Education Jobs Fund
14.239	Home Investment Partnerships Program

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

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

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

County of Lancaster, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2012

Prior Year Financial Statement Findings

None

THIS PAGE LEFT BLANK INTENTIONALLY