

COUNTY OF PITTSYLVANIA, VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF PITTSYLVANIA, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-16

	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	17
Statement of Activities	2	18
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	5	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	22
Statement of Net Position - Proprietary Funds	7	23
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8	24
Statement of Cash Flows - Proprietary Funds.....	9	25
Statement of Fiduciary Net Position - Fiduciary Funds	10	26
Notes to Financial Statements		27-74

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund.....	11	75
Special Revenue Fund - Industrial Development	12	76
Special Revenue Fund - Workforce Investment Act	13	77
Schedule of Pension and OPEB Funding Progress.....	14	78

**COUNTY OF PITTSYLVANIA, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS (CONTINUED)

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION (Continued)		
Other Supplementary Information:		
Combining and Individual Fund Statements and Schedules:		
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:		
Debt Service Fund - Debt Service Reserve Fund	15	79
Combining Balance Sheet - Nonmajor Governmental Funds	16	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	17	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Fund	18	82
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Capital Projects Fund	19	83
Combining Statement of Net Position - Internal Service Funds	20	84
Combining Statement of Revenues, Expenses and Changes in Net Position - Internal Service Funds	21	85
Combining Statement of Cash Flows - Internal Service Funds	22	86
Combining Statement of Fiduciary Net Position - Fiduciary Funds	23	87
Combining Statement of Changes in Assets and Liabilities - Fiduciary Funds	24	88
Discretely Presented Component Unit - School Board:		
Balance Sheet	25	89
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	26	90
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	27	91
	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	92-98
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	99-103
Other Statistical Information:		
	<u>Table</u>	<u>Page</u>
Government-Wide Information:		
Government-Wide Expenses by Function	1	104
Government-Wide Revenues	2	105

COUNTY OF PITTSYLVANIA, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

Other Statistical Information: (Continued)

	<u>Table</u>	<u>Page</u>
Fund Information:		
General Governmental Expenditures by Function	3	106
General Governmental Revenues by Source	4	107
Property Tax Levies and Collections	5	108
Assessed Value of Taxable Property	6	109
Property Tax Rates	7	110
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	111
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	112
Assessed Valuation of Top Ten Taxpayers	10	113

COMPLIANCE SECTION

Compliance:

Independent Auditors' 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>	114-115
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	116-117
Schedule of Expenditures of Federal Awards	118-120
Schedule of Findings and Questioned Costs	121-122

INTRODUCTORY SECTION

COUNTY OF PITTSYLVANIA, VIRGINIA

BOARD OF SUPERVISORS

Tim R. Barber, Vice Chair	Jessie L. Barksdale, Chair	Jerry A. Hagerman
Coy E. Harville		Elton W. Blackstock
Brenda H. Bowman		James H. Snead

COUNTY SCHOOL BOARD

W. Neal Oakes, Vice Chair	Calvin D. Doss, Chair	Charles H. Miller, Jr.
W. William Robertson		Don C. Moon
Morris C. Stowe		R. Todd Sanders
	Janet Hancock, Clerk	

SOCIAL SERVICES BOARD

	Rev. Stedman Payne, Sr., Chairperson	
Earl C. Hodnett, Vice Chairperson		Susan Paynter
Jessie L. Barksdale		Gracie Mayes
Diane D. McMahon		Andrea Johnson
James B. Williams		

OTHER OFFICIALS

Clerk of the Circuit Court	H. F. Haymore, Jr.
Commonwealth's Attorney	Robert "Bryan" Haskins
Commissioner of the Revenue	Samuel W. Swanson, Jr.
Treasurer	M. Kate Berger
Sheriff	Michael W. Taylor
Superintendent of Schools	James E. McDaniel
Director of Social Services	Sherry R. Flanagan
County Administrator	Clarence Monday
County Attorney	J. Vaden Hunt
County Finance Director	Kimberly G. Van Der Hyde

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Pittsylvania, Virginia
Chatham, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of County of Pittsylvania, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Industrial Development Authority of Pittsylvania County, Virginia or the Pittsylvania County Service Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority of Pittsylvania County, Virginia and the Pittsylvania County Service Authority is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Pittsylvania, Virginia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16, budgetary comparison information, and schedule of pension and OPEB funding progress on pages 75-78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Pittsylvania, Virginia's basic financial statements. The introductory section, other supplementary information and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other statistical information have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the County of Pittsylvania, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Pittsylvania, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
December 10, 2014

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Pittsylvania, Virginia for the fiscal year ended June 30, 2014. The purpose of this Management Discussion and Analysis is to provide an overview of the County's financial activity, to assist the reader in understanding significant financial issues and to provide information concerning changes in the County's financial position. This narrative provides additional information that should be read in conjunction with reviewing the County's Financial Statements.

Financial Highlights

Government-wide Financial Statements

The assets of the County of Pittsylvania, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$64,767,298 (net position). Of this amount, \$34,230,735 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Information concerning net position for the County, its business-type activities and its component units is located on Exhibit 1. The business-type activities include the Landfill Enterprise Fund. The business-type activities' liabilities exceeded its assets by \$1,063,410. Of this amount, \$(3,171,254) is unrestricted. The component units include the School Board's net position totaling \$14,779,351 of which \$(1,077,846) is unrestricted, the Industrial Development Authority's net position totaling \$2,183,607 all of which is unrestricted and Pittsylvania County Service Authority's net position totaling \$35,638,608 of which \$2,800,649 is unrestricted. (See Exhibit 1.) This exhibit provides insight into the future by using a full accrual accounting method. This model considers all factors when showing the financial position of the County.

The Government's net position increased by \$5,701,224. In addition, the School Board's net position increased by \$487,360 and the IDA's net position increased by \$185,096 and the PCSA's net position decreased by \$251,667. Business-type activities' net position decreased by \$495,933. (See Exhibit 2.)

Fund Financial Statements

Unlike the Government-wide Financial Statements which use a full accrual accounting approach, the Fund Financial Statements use a modified accrual method of accounting. This method differs from the full accrual method by showing a picture of the County's financial position at the present time. A reconciliation of the two methods is provided in Exhibit 4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$34,339,392 or 54 percent of total general fund expenditures. (See Exhibit 3.) This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2014 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2015.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$39,772,042, a decrease of \$3,205,587 from last year. Approximately 96 percent of this total amount, or \$38,327,757 (which includes committed, assigned and unassigned funds), is available for spending at the government's discretion. This unrestricted balance has three parts, (1) committed funds which represents \$2,404,238, (2) assigned funds which represent \$1,584,127 and (3) unassigned funds which represents \$34,339,392. (See Exhibit 3.)

Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical and compliance.

- The *introductory section* provides a listing of principal officers for 2013-2014.
- The *financial section* has three component parts – managements' discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplemental information.
- The *statistical section* includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The *compliance section* is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget circular A-133, Audits of State, Local Governments and Non-profit Organizations.

Local government accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justification from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continued to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

4The statement of net position presents all of the County's permanent accounts, or assets, liabilities and net position. The difference between assets and liabilities is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs

through user fees and charges. The County currently has one business-type activity which is the Landfill Enterprise Fund.

The government-wide financial statements include, in addition to the primary government or County, three component units: 1) the Pittsylvania County School Board, 2) Industrial Development Authority and 3) Pittsylvania County Service Authority. Although these component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit.

Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary 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, reconciliations between the two methods are presented in exhibits 4 and 6 of the financial section of this report.

Proprietary funds

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The County of Pittsylvania has one enterprise fund, which is the Landfill Enterprise Fund and two internal service funds: the Central Stores Fund and the Self-Insurance Fund. The Central Stores Fund accounts for the government's consolidated purchasing of office supplies and telephone charges. The Self-Insurance Fund accounts for insurance premiums paid by the County and School Board for all departments. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As previously noted, net assets may serve as a useful indicator of a government's financial position. Again, the full accrual accounting method is used to derive these figures. For the County of Pittsylvania, assets exceeded liabilities by \$64,767,298 at the end of the fiscal year.

The County's net position is divided into three categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

County of Pittsylvania's Net Position			
	2014		2013
	Governmental		Governmental
	Activities		Activities
Current and other assets	\$ 68,283,067	\$	70,609,477
Capital assets	128,496,193		126,793,997
Total assets	<u>\$ 196,779,260</u>	<u>\$</u>	<u>197,403,474</u>
Deferred Outflows of Resources	602,834		703,256
Long-term liabilities	\$ 111,323,453	\$	118,424,540
Other liabilities	4,391,762		4,747,952
Total liabilities	<u>\$ 115,715,215</u>	<u>\$</u>	<u>123,172,492</u>
Deferred Inflows of Resources	16,899,581		15,868,164
Net Position:			
Net investment in capital assets	\$ 23,792,738	\$	24,456,484
Restricted	6,743,825		6,727,132
Unrestricted	34,230,735		27,882,458
Total net position	<u>\$ 64,767,298</u>	<u>\$</u>	<u>59,066,074</u>

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 37 percent of total net

position. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position represents resources that are subject to external restrictions on how they may be used. These assets include funds restricted for grants, law library, courthouse maintenance and courthouse security. Also included in these restricted assets are assets seized by the Sheriff's Department and can only be used for law enforcement. The County's restricted net position accounts for 10 percent of the total net position.

The remaining balance of unrestricted net position, which is \$34,230,735 or 53 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report positive balances in all three categories of net position.

The government's net position increased by \$5,701,224 during the current fiscal year. The majority of this increase can be attributed to the completion of the upgrade of E911 radios and towers. There was also a decrease in the County's long-term liabilities.

This space left blank intentionally.

Governmental Activities

Governmental activities increased the County's net position by \$5,701,224. Key elements of this increase are as follows:

	2014 <u>Business- type Activities</u>	2014 <u>Governmental Activities</u>	2013 <u>Business- type Activities</u>	2013 <u>Governmental Activities</u>
Revenues:				
Program revenues:				
Charges for services	\$ 1,998,386	\$ 718,041	\$ 1,971,415	\$ 980,736
Operating grants & contributions		16,749,661		16,862,088
General revenues:				
General property taxes		32,312,752		31,959,232
Other local taxes		7,058,150		6,759,321
Use of money and property	283	817,576	2,482	638,443
Other	78,079	225,808	5,134	444,856
Grants and contributions not restricted to specific programs		6,992,924		6,781,594
Community Development Grants		-		-
Total revenues	\$ <u>2,076,748</u>	\$ <u>64,874,912</u>	\$ <u>1,979,031</u>	<u>64,426,270</u>
Expenses:				
General government	\$	\$ 2,779,007	\$	3,151,761
Judicial administration		1,616,010		1,577,467
Public safety		15,412,231		14,150,804
Public works		1,065,750		1,722,616
Landfill	2,610,768	-	(355,066)	-
Health and welfare		11,203,241		11,742,309
Education		17,456,021		17,610,398
Parks, recreation and cultural		1,544,778		1,519,663
Community development		3,595,993		4,541,281
Interest on long-term debt		4,462,480		5,044,241
Total expense	\$ <u>2,610,768</u>	\$ <u>59,135,601</u>	\$ <u>(355,066)</u>	<u>61,060,540</u>
Transfer In/(Out)	38,087	(38,087)	1,885,837	(1,885,837)
Increase/(Decrease) in net assets	(495,933)	5,701,224	4,219,934	1,479,893
Net assets, Beginning*	(567,477)	59,066,074	(4,812,647)	58,003,731
Net assets, Ending	\$ <u>(1,063,410)</u>	\$ <u>64,767,298</u>	\$ <u>(592,713)</u>	<u>59,483,624</u>

*beginning assets balance for FY2014 was restated-see note 22

-Revenues: Under the full accrual method, general property taxes increased by 1% from last year. Under the modified accrual basis, real property taxes experienced an increase of 5%, public service corps experienced an increase of 5% and personal property taxes experienced an increase of 3%. These increases were due in large part to a 3¢ per \$100 tax increase on real estate approved by the Board of Supervisors on April 22, 2014 and to the completion of the County's general reassessment. The new tax rate was effective for property owned January 1, 2014. The first half of the real estate tax billing with the new effective rate was received prior to June 30, 2014.

-Revenues: Other local taxes experienced an increase of 4% from FY2013, which was due primarily to the increase in Motor Vehicle Licenses and Consumers' Utility Tax. The increase in Motor Vehicle Licenses equated to 6% and the increase in Consumers' Utility Tax equated to 10%. While the County experienced major increases in these two categories, Local Sales Tax was down by 2% while meals tax was up by 1%.

-Expenses: Overall primary government expenditures decreased by 25% over FY2013. Expenditures decreased this year primarily because Community Development expenditures decreased by roughly \$4.2 for the Berry Hill Project and debt retirement of \$20.1 million in 2013 was not repeated in 2014.

-Expenses: Education increased by less than 1% from FY2014. While instruction costs decreased slightly compared to the prior year, administration and operating costs increased slightly compared to the prior year.

-Expenses: Community Development decreased by 59%. Community Development expenditures decreased because of the completion of several tobacco grant projects including the Berry Hill debt grant as well as the Hurt Klopman Mills water and sewer grant.

Financial Analysis of the Government's Funds

Governmental funds

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$39,772,042. Approximately 86 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is legally restricted for a specific purpose.

The general fund is the chief operating fund of the County. As of June 30, 2014, total fund balance of the general fund was \$36,540,504 of which \$34,339,392 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 54 percent of total general fund expenditures, which includes transfers to and expenses on behalf of the School Board component unit of \$14,440,239.

Following is a reconciliation of the Treasurer's books to the Audited Financial Statements.

**County of Pittsylvania's Reconciliation of Treasurer's General Fund Balance
To Audited General Fund Balance**

For the Years Ended June 30, 2014 and June 30, 2013

	2014	2013
General Fund Balance per Treasurer	\$ 30,774,239	\$ 29,580,990

Funds merged for financial reporting purposes:

Adjustment for Central Stores negative cash	(63,917)	(43,239)
Adjustment for WIA negative cash	-	-
Animal Friendly Plates Revenue Fund	1,470	624
Debt Reserve Fund-Human Services Fund	107,521	111,974
County Jail CIP Fund	67,271	105,895
Bond Fund	2,400	2,400
Grants Fund	835,996	645,358
Capital Improvement Fund	252,681	214,039
Rural Roads Fund	244,674	244,674
Landfill Bond Fund	-	-
Courthouse Security Fund	635,632	562,676
Jail Processing Fee Fund	5,397	51,414
Library Gifts Fund	10,829	36,589
Courthouse Maintenance Fund	9,447	53,845
Law Library Fund	18,419	14,515
E-911 Bond Fund	39,046	4,060,781
Rescue Billing	122,246	128,456
Subtotal - Merged Funds	\$ 2,289,112	\$ 6,190,001

Adjustments to covert cash basis records to the modified accrual

Reversion of School Salaries Payable Fund	\$ 2,248,797	\$ 2,223,469
Adjustment for Landfill Fund	-	26,458
Adjustment for VRS amounts moved to payables	154,565	-
Total Cash Adjustments	\$ 2,403,362	\$ 2,249,927
Total Cash/Investments – Exhibit 3	\$ 35,466,713	\$ 38,020,918

Accrual Entries:

Taxes and fees receivable	(1,119,716)	(2,156,848)
Accounts Receivable	753,070	618,359
Amounts due from other funds	280,058	43,239
Amounts due from other Governments	2,534,354	2,105,405
Accounts Payable	(562,441)	(727,761)
Salaries Payable	(44,935)	(30,886)
Retainage Payable	-	-
Due to other funds	(121,222)	(18,337)
Amount due the Component Unit School Board	(645,377)	(185,781)
Total Accrual Entries	\$ 1,073,791	\$ (352,610)
Total Fund Balance General Fund – Exhibit 3	\$ 36,540,504	\$ 37,668,308

The fund balance of the County's general fund decreased by \$1,127,804 during the current fiscal year. The majority of the decrease in the General Fund Balance can be attributed to the completion of the new E911 equipment upgrade.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were net increase of \$7,222,989. This increase occurred because of various budget increases/reductions that occurred after the 2014 budget process was complete. There were also increases that were made to the 2014 budget because of unforeseen events that occurred during the year. Significant budgetary reduction/supplements are included below:

- A major budget reduction was made in the E911 project upgrade. This reduction was necessary because more expense occurred before year-end 2012 than originally anticipated during the budget process.
- A total of \$1,957,630 of the final amended budgeted expenditures and revenues was actually budgeted twice. This was done in order to show an appropriation for the transfer as well for the expense.
- During the budget process, an estimate is made for carryover funds not expended in the prior year. These estimates are adjusted at July 1 to accurately show the true amount that remained in these funds at 6/30 of that year. Budgeted carryovers were increased by \$5,616,266 during FY 2014.
- Grant Funds increased the budget during FY 2014. New grants received during the year totaled \$612,732.
- Unexpected expenditures appropriated from undesignated fund balance totaled \$130,528.

This space left blank intentionally.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2014 is \$128,496,193 (net of accumulated depreciation). This investment in capital assets includes land buildings and system, machinery and equipment, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- E911 Equip. & Tower Project (Complete Project) \$13,220,661
- Fire & Rescue Radios \$90,326
- Voting Machines \$333,300

County of Pittsylvania, Virginia Capital Assets for Governmental Activities (net of depreciation)

	2014 Governmental activities	2013 Governmental activities
Land	\$ 4,904,148	\$ 4,904,148
Buildings and system	107,480,582	110,987,584
Machinery and equipment	16,095,356	1,662,353
Construction in progress	16,107	9,239,912
Total	<u>\$ 128,496,193</u>	<u>\$ 126,793,997</u>

School Board Assets financed with debt are considered assets of the General government until debt on these assets has been defeased. As such, the above listed assets include School Board Assets net of related depreciation of \$101,210,239. Additional information on the County's capital assets can be found in the notes to the financial statements.

This space left blank intentionally.

Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Pittsylvania's Outstanding Debt

	2014	2014	2013	2013
	Business- type activities	Governmental activities	Business- type activities	Governmental activities
General obligation bonds	\$ 3,735,063	89,849,311	\$ 4,256,121	95,055,922
Loan Anticipation Note		-		-
Lease Revenue Notes		1,866,820		2,304,931
Deferred Amounts:				
Bond Premium	263,989	1,333,406	299,188	1,570,800
On Refunding				
Bond Discounts		(128,270)		(136,287)
Landfill closure/post-closure	3,222,649	-	3,128,613	-
Capital leases		13,831,818		15,389,129
Net Pension Obligation		849,366		417,550
Net OPEB Obligation		868,000		761,000
Compensated absences	31,151	1,103,002	31,111	1,061,495
Contingency for CSA		1,750,000		2,000,000
Total	\$ 7,252,852	111,323,453	\$ 7,715,033	118,424,540

Legislations enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board has been assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- At June 30, 2014, the unemployment rate for the County was 6.9 percent, which is an increase from the rate of 6.8 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.4 percent and favorably to the national average rate of 7.3 percent.
- Pittsylvania County continues to work jointly with the City of Danville through a joint authority known as the Danville-Pittsylvania County Regional Facilities Authority. This authority works to attract industry and business to Southside Virginia.
- Pittsylvania County has a median household income of \$39,531 compared to the State median household income of \$62,666.
- Pittsylvania County's population was estimated at 62,426 in 2013 compared with 63,506 based on US Census Bureau information from 2010.

All of these factors were considered in preparing the County's budget for the 2014 fiscal year.

Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund, therefore, it is not anticipated that fund balance will be used to finance daily operations for the 2015 budget year.

Requests for Information

This financial report is designed to provide readers with a general overview of the County of Pittsylvania's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, P.O. Box 426, Chatham, Virginia 24531. The County's website at www.pittgov.org may also be visited to obtain valuable information about the County.

Information relative to the Pittsylvania County Public Service Authority and the Pittsylvania County Industrial Development Authority financial statements may be obtained from those organizations directly.

Basic Financial Statements

County of Pittsylvania, Virginia
Statement of Net Position
June 30, 2014

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Pittsylvania County Service Authority
ASSETS						
Cash and cash equivalents	\$ 43,950,496	\$ 93,337	\$ 44,043,833	\$ 1,276,196	\$ 610,155	\$ 581,814
Investments	40,167	-	40,167	-	-	1,453,022
Receivables (net of allowance for uncollectibles):						
Taxes receivable	19,440,573	-	19,440,573	-	-	-
Accounts receivable	1,790,229	492,144	2,282,373	50,816	-	403,875
Notes receivable	-	-	-	-	710,599	-
Interest receivable	-	-	-	-	9,762	501
Capital lease receivable	-	-	-	-	-	17,907
Due from primary government	-	-	-	645,378	-	-
Due from other governmental units	2,828,563	-	2,828,563	2,646,474	-	-
Inventories	16,898	-	16,898	-	-	38,014
Assets held for resale - Industrial sites	-	-	-	-	987,700	-
Internal balances	216,141	(216,141)	-	-	-	-
Prepaid items	-	-	-	590,503	-	53,604
Restricted assets:						
Cash and cash equivalents	-	-	-	16,769	-	-
Investments	-	-	-	-	-	901,026
Noncurrent assets:						
Notes receivable	-	-	-	-	6,838,205	-
Capital lease receivable	-	-	-	-	-	254,898
Net OPEB asset	-	-	-	134,000	-	-
Capital assets (net of accumulated depreciation):						
Land	4,904,148	95,000	4,999,148	2,709,971	-	-
Buildings and improvements	107,480,582	-	107,480,582	9,927,183	-	-
Machinery and equipment	16,095,356	789,659	16,885,015	2,667,369	-	-
Infrastructure	-	5,201,383	5,201,383	-	-	-
Utility plant in service	-	-	-	-	-	33,546,366
Construction in progress	16,107	-	16,107	-	-	-
Total assets	196,779,260	6,455,382	203,234,642	20,664,659	9,156,421	37,251,027
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	602,834	20,853	623,687	-	-	-
LIABILITIES						
Accounts payable	1,059,202	14,505	1,073,707	1,817,392	-	112,071
Salaries payable	44,994	1,574	46,568	2,265,567	-	6,198
Grant payable	-	-	-	-	150,000	-
Customer deposits	-	-	-	-	-	150,429
Retainage payable	9,806	-	9,806	-	-	-
Estimate of incurred but unreported health claims	767,795	-	767,795	-	-	-
Accrued interest payable	1,743,366	42,341	1,785,707	-	9,762	7,756
Due to others	121,222	-	121,222	-	-	-
Due to component unit	645,377	-	645,377	-	-	-
Unearned revenue	-	228,374	228,374	-	-	72,004
Long-term liabilities:						
Due within one year	8,305,970	608,624	8,914,594	1,207,264	642,280	426,665
Due in more than one year	103,017,483	6,644,227	109,661,710	595,085	6,170,772	837,296
Total liabilities	115,715,215	7,539,645	123,254,860	5,885,308	6,972,814	1,612,419
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	16,899,581	-	16,899,581	-	-	-
NET POSITION						
Net investment in capital assets	23,792,738	2,107,844	25,900,582	15,304,523	-	32,837,959
Restricted:						
Grant funds	972,864	-	972,864	-	-	-
Asset forfeiture funds	467,563	-	467,563	-	-	-
Health Insurance	5,303,398	-	5,303,398	-	-	-
School Cafeteria	-	-	-	552,674	-	-
Unrestricted (deficit)	34,230,735	(3,171,254)	31,059,481	(1,077,846)	2,183,607	2,800,649
Total net position	\$ 64,767,298	\$ (1,063,410)	\$ 63,703,888	\$ 14,779,351	\$ 2,183,607	\$ 35,638,608

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

County of Pittsylvania, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Governmental Activities	Business-type Activities	School Board	Industrial Development Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,779,007	\$ 98,498	\$ 413,947	\$ -	\$ (2,266,562)	\$ -	\$ -	\$ -
Judicial administration	1,616,010	12,506	1,088,375	-	(515,129)	-	-	-
Public safety	15,412,321	512,350	4,841,957	234,754	(9,823,260)	-	-	-
Public works	1,065,750	15,602	19,784	-	(1,030,364)	-	-	-
Health and welfare	11,203,241	-	8,757,224	-	(2,446,017)	-	-	-
Education	17,456,021	-	-	-	(17,456,021)	-	-	-
Parks, recreation, and cultural	1,544,778	79,085	156,137	-	(1,309,556)	-	-	-
Community development	3,595,993	-	1,555,708	-	(2,040,285)	-	-	-
Interest on long-term debt	4,462,480	-	-	-	(4,462,480)	-	-	-
Total governmental activities	59,135,601	718,041	16,833,132	234,754	(41,349,674)	-	-	-
Business-type activities:								
Landfill	2,610,768	1,998,386	-	-	-	(612,382)	-	-
Total primary government	\$ 61,746,369	\$ 2,716,427	\$ 16,833,132	\$ 234,754	\$ (41,349,674)	\$ (612,382)	\$ (18,364,683)	\$ (266,356)
COMPONENT UNITS:								
School Board	\$ 83,736,025	\$ 1,757,581	\$ 63,613,761	\$ -	-	-	(401,332)	-
Industrial Development Authority	401,332	-	-	-	-	-	-	-
Pittsylvania County Service Authority	3,229,788	2,653,533	-	309,899	-	-	-	(266,356)
Total component units	\$ 87,367,145	\$ 4,411,114	\$ 63,613,761	\$ 309,899	-	(18,364,683)	(401,332)	(266,356)
General revenues:								
General property taxes					32,312,752	-	-	-
Other local taxes:								
Local sales and use taxes					2,034,975	-	-	-
Consumers' utility taxes					1,383,273	-	-	-
Motor vehicle licenses					2,325,003	-	-	-
Other local taxes					1,314,899	-	-	-
Unrestricted revenues from use of money and property				-	817,576	283	41,022	386,428
Miscellaneous					225,808	78,079	1,159,544	14,689
Payments from the County of Pittsylvania					-	-	17,651,477	-
Grants and contributions not restricted to specific programs					6,674,699	-	-	-
Gain on disposal of capital assets					-	-	-	-
Transfers					(38,087)	38,087	200,000	-
Total general revenues and transfers					47,050,898	116,449	18,852,043	586,428
Change in net position					5,701,224	(495,933)	487,360	185,096
Net position - beginning, as restated					59,066,074	(567,477)	14,291,991	1,998,511
Net position - ending					\$ 64,767,298	\$ (1,063,410)	\$ 14,779,351	\$ 2,183,607
								\$ 35,638,608

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

County of Pittsylvania, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Industrial Development</u>	<u>Workforce Investment Act</u>	<u>Debt Service Reserve</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 35,426,546	\$ 2,601,641	\$ 140,896	\$ 222,869	\$ 467,563	\$ 38,859,515
Investments	40,167	-	-	-	-	40,167
Receivables (net of allowance for uncollectibles):						
Taxes receivable	19,440,573	-	-	-	-	19,440,573
Accounts receivable	753,070	922	-	-	-	753,992
Due from other funds	280,058	-	-	-	-	280,058
Due from other governmental units	2,534,354	-	294,209	-	-	2,828,563
Total assets	58,474,768	2,602,563	435,105	222,869	467,563	62,202,868
LIABILITIES						
Accounts payable	562,441	188,519	298,178	-	-	1,049,138
Salaries payable	44,935	-	59	-	-	44,994
Retainage payable	-	9,806	-	-	-	9,806
Due to others	121,222	-	-	-	-	121,222
Due to component unit	645,377	-	-	-	-	645,377
Total liabilities	1,373,975	198,325	298,237	-	-	1,870,537
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	20,560,289	-	-	-	-	20,560,289
FUND BALANCES						
Fund balances:						
Restricted:						
Construction Fund	3,858	-	-	-	-	3,858
Grants Fund	835,996	-	136,868	-	-	972,864
Asset Forfeiture Fund	-	-	-	-	467,563	467,563
Committed:						
Special revenue funds	-	2,404,238	-	-	-	2,404,238
Assigned:						
Veterinary Expense Fund	1,470	-	-	-	-	1,470
Law Library Fund	18,419	-	-	-	-	18,419
Library Gifts Fund	10,829	-	-	-	-	10,829
Capital Outlay Fund	252,681	-	-	-	-	252,681
Jail Inmate Management Fund	37,600	-	-	-	-	37,600
Courthouse Maintenance Fund	9,447	-	-	-	-	9,447
Courthouse Security Fund	635,632	-	-	-	-	635,632
Jail Processing Fund	5,397	-	-	-	-	5,397
Rural Road Addition Fund	244,674	-	-	-	-	244,674
Debt Service Reserve Fund	-	-	-	222,869	-	222,869
Social Services Bond Fund	107,521	-	-	-	-	107,521
EMS Billing Fund	35,188	-	-	-	-	35,188
Schools Bond Fund	2,400	-	-	-	-	2,400
Unassigned	34,339,392	-	-	-	-	34,339,392
Total fund balances	36,540,504	2,404,238	136,868	222,869	467,563	39,772,042
Total liabilities, deferred inflows of resources, and fund balances	\$ 58,474,768	\$ 2,602,563	\$ 435,105	\$ 222,869	\$ 467,563	\$ 62,202,868

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

County of Pittsylvania, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 39,772,042
--	---------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Jointly owned assets are included in the total capital assets.

Land	\$ 4,904,148	
Buildings and improvements	107,480,582	
Machinery and equipment	16,095,356	
Construction in progress	16,107	128,496,193

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,660,708
--	-----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	5,302,340
--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (89,849,311)	
Lease revenue notes	(1,866,820)	
Capital lease	(13,831,818)	
Unamortized premiums	(1,333,406)	
Unamortized discounts	128,270	
Deferred charges on refundings	602,834	
Accrued interest payable	(1,743,366)	
Net OPEB Obligation	(868,000)	
Net pension obligation	(849,366)	
Compensated absences	(1,103,002)	
Due to the Commonwealth - CSA	(1,750,000)	(112,463,985)

Net position of governmental activities	\$ 64,767,298
---	---------------

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

County of Pittsylvania, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	<u>General</u>	<u>Industrial Development</u>	<u>Workforce Investment Act</u>	<u>Debt Service Reserve</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES						
General property taxes	\$ 32,986,528	\$ -	\$ -	\$ -	\$ -	\$ 32,986,528
Other local taxes	7,058,150	-	-	-	-	7,058,150
Permits, privilege fees, and regulatory licenses	175,564	-	-	-	-	175,564
Fines and forfeitures	224,057	-	-	-	-	224,057
Revenue from the use of money and property	628,634	-	185,364	13	3,565	817,576
Charges for services	318,420	-	-	-	-	318,420
Miscellaneous	224,752	-	1,056	-	-	225,808
Recovered costs	951,591	155,870	-	-	-	1,107,461
Intergovernmental:						
Commonwealth	16,816,667	1,555,708	-	-	640	18,373,015
Federal	2,441,725	-	2,443,091	-	234,754	5,119,570
Total revenues	61,826,088	1,711,578	2,629,511	13	238,959	66,406,149
EXPENDITURES						
Current:						
General government administration	3,294,816	-	-	-	-	3,294,816
Judicial administration	1,575,143	-	-	-	-	1,575,143
Public safety	15,116,014	-	-	-	672,724	15,788,738
Public works	1,113,579	-	-	-	-	1,113,579
Health and welfare	8,682,457	-	2,543,074	-	-	11,225,531
Education	14,448,982	-	-	-	-	14,448,982
Parks, recreation, and cultural	1,497,279	-	-	-	-	1,497,279
Community development	2,249,569	1,592,733	-	-	-	3,842,302
Capital projects	3,997,820	842,821	-	-	-	4,840,641
Debt service:						
Principal retirement	7,202,033	-	-	-	-	7,202,033
Interest and other fiscal charges	4,744,605	-	-	-	-	4,744,605
Total expenditures	63,922,297	2,435,554	2,543,074	-	672,724	69,573,649
Excess (deficiency) of revenues over (under) expenditures	(2,096,209)	(723,976)	86,437	13	(433,765)	(3,167,500)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,570,617	412,166	-	-	-	1,982,783
Transfers out	(602,212)	-	-	(821,832)	(596,826)	(2,020,870)
Total other financing sources (uses)	968,405	412,166	-	(821,832)	(596,826)	(38,087)
Net change in fund balances	(1,127,804)	(311,810)	86,437	(821,819)	(1,030,591)	(3,205,587)
Fund balances - beginning	37,668,308	2,716,048	50,431	1,044,688	1,498,154	42,977,629
Fund balances - ending	\$ 36,540,504	\$ 2,404,238	\$ 136,868	\$ 222,869	\$ 467,563	\$ 39,772,042

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

County of Pittsylvania, 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, 2014

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

Net change in fund balances - total governmental funds \$ (3,205,587)

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.

Capital outlays	\$ 5,691,496	
Depreciation expense	<u>(3,989,300)</u>	1,702,196

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (673,776)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Payments

Bonds	\$ 5,206,611	
Lease revenue notes	438,111	
Lease purchase agreements	1,557,311	
Due to Commonwealth - CSA	<u>250,000</u>	7,452,033

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.

(Increase) decrease in compensated absences	\$ (41,507)	
(Increase) decrease in accrued interest payable	153,170	
(Increase) decrease in net OPEB obligation	(107,000)	
(Increase) decrease in VRS net pension obligation	(431,816)	
Amortization of bond premium	237,394	
Amortization of bond discount	(8,017)	
Amortization of loss on refunding	<u>(100,422)</u>	(298,198)

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

724,556

Change in net position of governmental activities	<u>\$ 5,701,224</u>
---	---------------------

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

County of Pittsylvania, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2014

	Enterprise Fund Landfill Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 93,337	\$ 5,090,981
Accounts receivables, net of allowances for uncollectibles	492,144	1,036,237
Inventories	-	16,898
Total current assets	585,481	6,144,116
Noncurrent assets:		
Capital assets: (net of related depreciation)		
Land	95,000	-
Machinery and equipment	789,659	-
Infrastructure	5,201,383	-
Total capital assets	6,086,042	-
Total noncurrent assets	6,086,042	-
Total assets	6,671,523	6,144,116
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	20,853	-
LIABILITIES		
Current liabilities:		
Accounts payable	14,505	10,064
Estimate of incurred but unreported health claims	-	767,795
Accrued salaries	1,574	-
Due to other funds	216,141	63,917
Interest payable	42,341	-
Unearned revenue	228,374	-
Compensated absences - current portion	23,363	-
Bonds payable - current portion	585,261	-
Total current liabilities	1,111,559	841,776
Noncurrent liabilities:		
Landfill closure/postclosure liability	3,222,649	-
Bonds payable - net of current portion	3,413,790	-
Compensated absences - net of current portion	7,788	-
Total noncurrent liabilities	6,644,227	-
Total liabilities	7,755,786	841,776
NET POSITION		
Net investment in capital assets	2,107,844	-
Restricted for health insurance claims	-	5,303,398
Unrestricted	(3,171,254)	(1,058)
Total net position	\$ (1,063,410)	\$ 5,302,340

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

County of Pittsylvania, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund Landfill Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Materials and supplies	\$ -	\$ 645,906
Insurance premiums	-	10,845,777
Recycling	6,109	-
Solid waste collections	1,960,027	-
Penalties and interest	32,250	-
Miscellaneous	78,079	-
Total operating revenues	<u>2,076,465</u>	<u>11,491,683</u>
OPERATING EXPENSES		
Supplies, insurance and telephone	-	674,449
Insurance claims and expenses	-	10,092,678
Salaries	591,030	-
Fringes	259,442	-
Contractual services	293,156	-
Utilities	38,549	-
Insurance	14,354	-
Fuel	287,248	-
Supplies	164,032	-
Landfill monitoring	125,594	-
Improvements and closure costs	167,129	-
Miscellaneous	91,910	-
Depreciation	451,879	-
Total operating expenses	<u>2,484,323</u>	<u>10,767,127</u>
Change in Net Position	<u>(407,858)</u>	<u>724,556</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	283	-
Interest expense	(126,445)	-
Total nonoperating revenues (expenses)	<u>(126,162)</u>	<u>-</u>
Income before transfers	(534,020)	724,556
Transfers in	64,546	-
Transfers out	(26,459)	-
Change in Net Position	<u>(495,933)</u>	<u>724,556</u>
Total net position - beginning, as restated	(567,477)	4,577,784
Total net position - ending	<u>\$ (1,063,410)</u>	<u>\$ 5,302,340</u>

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

County of Pittsylvania, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	Enterprise Fund Landfill Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,909,347	\$ -
Receipts for materials and supplies	-	650,321
Receipts for insurance premiums	-	10,874,671
Payments to suppliers	(1,093,800)	(650,321)
Payments to employees	(852,180)	-
Payments for insurance premiums	-	(10,169,169)
Net cash provided by (used for) operating activities	(36,633)	705,502
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(8,122)	-
Transfers from other funds	280,687	-
Net cash provided by (used for) noncapital financing activities	272,565	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of utility plant	(764,254)	-
Principal payments on bonds	(521,058)	-
Interest payments	(162,589)	-
Net cash provided by (used for) capital and related financing activities	(1,447,901)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	283	-
Net cash provided by (used for) investing activities	283	-
Net increase (decrease) in cash and cash equivalents	(1,211,686)	705,502
Cash and cash equivalents - beginning (including \$590,096 in restricted)	1,305,023	4,385,479
Cash and cash equivalents - ending	\$ 93,337	\$ 5,090,981
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (407,858)	\$ 724,556
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	451,879	-
(Increase) decrease in accounts receivable	(141,786)	33,309
(Increase) decrease in inventories	-	5,769
Increase (decrease) in accrued salaries	(1,748)	-
Increase (decrease) in closure/postclosure liability	94,036	-
Increase (decrease) in accounts payable	(5,864)	(78,810)
Increase (decrease) in compensated absences	40	-
Increase (decrease) in unearned revenue	(25,332)	-
Increase (decrease) in due to other funds	-	20,678
Total adjustments	371,225	(19,054)
Net cash provided by (used for) operating activities	\$ (36,633)	\$ 705,502

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

County of Pittsylvania, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 352,560
Cash in custody of others	174,872
Total assets	<u>\$ 527,432</u>
LIABILITIES	
Amounts held for social services clients	\$ 8,813
Amounts held for developers	343,747
Amounts held for land sales	149,748
Amounts held for inmates	25,124
Total liabilities	<u>\$ 527,432</u>

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

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1-Summary of Significant Accounting Policies:

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

A. Financial Reporting Entity

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

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

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

The Industrial Development Authority of Pittsylvania County (IDA) encourages and provides financing for industrial development in Pittsylvania County. The County has executed a support agreement with the IDA to provide funding sufficient to meet principal and interest payments on the Authority's \$2,000,000 revenue bond dated August 1, 2005. As such, the IDA is fiscally dependent upon the County. The IDA's fiscal year end is December 31st and financial data presented herewith for the Authority is for the fiscal year ended December 31, 2013. The IDA issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

The Pittsylvania County Service Authority (Service Authority) provides water and sewer service to residents of Pittsylvania County. The County has executed two support agreements with the Service Authority to provide funding sufficient to meet principal and interest payments on the Service Authority's Series 2006 and 2007 Revenue Notes in the amount of \$622,117 and \$660,000, respectively. As such, the Service Authority is fiscally dependent upon the County. The Service Authority's fiscal year end is December 31st and financial data presented herewith for the Service Authority is for the fiscal year ended December 31, 2013. The Service Authority issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

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

A. Financial Reporting Entity (continued)

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The County, in conjunction with the City of Danville, participates in supporting the Danville-Pittsylvania Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$251,856 to the Community Services Board.

The County in conjunction with the City of Danville participates in supporting the Regional Industrial Facilities Authority.

B. 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 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).

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

B. Government-wide and Fund Financial Statements (continued)

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

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

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

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

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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Social Services, Debt Reserve, Bond, Zoning, Grants, CIP, Jail Operations, Rural Roads, Building Code Academy, Courthouse Security, Jail Inmate Management, Landfill Bond, Library Gifts, Courthouse Maintenance, Law Library, Animal Friendly Plates, and Jail Processing Funds. The aforementioned Funds have been merged with the General Fund for financial reporting purposes.

The Industrial Development and Workforce Investment Act Funds serve as the County's major *Special Revenue Funds*. The Industrial Development Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for industrial and community development benefiting the County. The Industrial Development Fund includes the activities of the cyclical and non-cyclical industrial development funds. The Workforce Investment Act Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for administering programs to improve the workforce of Pittsylvania County and surrounding jurisdictions.

The Debt Service Reserve Fund is the County's only *Debt Service Reserve Fund*. It accounts for and reports financial resources to be used for the payment of debt of the County as well as jointly governed organizations.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The nonmajor governmental funds of the County are:

The School Capital Improvements Fund is the County's only nonmajor *Capital Projects Fund*. It accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities of the school board.

The Forfeited Assets Fund is a *Special Revenue Fund* that accounts for and reports financial resources to be used in connection with the Sheriff and Commonwealth Attorney's asset forfeiture funds.

The County reports the following major enterprise fund:

The *Landfill Fund* accounts for activities of the landfill, including charges for services, expenses, assets, and related debts.

Additionally, the government reports the following fund types:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Central Stores and Self Insurance Funds.

Fiduciary funds (Trust and Agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Cash Bond, Land Sales, and Sheriff's Inmate Trust and Canteen Account Funds.

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

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

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to departments for sales and health insurance. Operating expenses for Internal Service Funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Cash and Cash Equivalents

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

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").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted cash and cash equivalents consist of unspent bond proceeds.

2. Inventory

Inventories of material and supplies are recorded at cost, using the first-in, first-out method of valuation.

3. 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 portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in installments on June 29th and December 5th. Personal property taxes are due and collectible in installments on June 5th and December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,627,397 at June 30, 2014 and is comprised solely of property taxes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

6. 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.

7. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment and infrastructure of the primary government, as well as the Component Unit - School Board, are depreciated using the straight line method over the following estimated useful lives:

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

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

10. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

11. Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

12. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 prepaid expenditures) 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.

The Board of Supervisors is the County's highest level of decision-making authority and a resolution is required prior to the last day of the fiscal year in order to establish, modify, or rescind a fund balance commitment. The amount subject to the constraint may be determined in the subsequent period.

The County's Board of Supervisors has authorized the Finance Director to assign fund balance in accordance with the County's fund balance policy.

The County will maintain an unassigned fund balance in the general fund equal to 10% of expenditures/revenues. The County considers a balance of less than 10% to be cause for concern, barring unusual, or deliberate circumstances.

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

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

12. Fund Equity (continued)

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

13. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

14. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

The remainder of this page left blank intentionally.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

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

A. Excess of expenditures over appropriations

At June 30, 2014, no departments had expenditures in excess of its appropriations.

B. Deficit fund equity

At June 30, 2014, no funds had deficit fund equity.

Note 3-Deposits and Investments:**Deposits**

Deposits with banks are covered by the Federal Deposit Insurance Corporations (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 has not adopted an investment policy for credit risk.

The County's rated debt investments for LGIP and Government Obligations were rated by Standard and Poor's and Moody's, respectively, as of June 30, 2014 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
LGIP	\$ 36,309
Government Obligations	3,858
Total	\$ 40,167

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2014.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 4-Due from Other Governmental Units:**

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

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 355,732	\$ -
Communication sales tax	384,984	-
State sales tax	-	1,585,494
Non-categorical aid	119,542	-
Categorical aid-shared expenses	454,856	-
Categorical aid-Virginia Public Assistance funds	60,750	-
Categorical aid-other	128,863	256,134
Categorical aid-Comprehensive Services Act funds	937,057	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	84,434	-
Categorical aid-Workforce Investment Act funds	294,209	-
Categorical aid-other	8,136	804,846
Total Amount Due from Other Governmental Units	\$ 2,828,563	\$ 2,646,474

Note 5-Interfund/Component-Unit Obligations:

Fund	Due to Primary Government/ Component Unit	Due from Primary Government/ Component Unit
Primary Government:		
General Fund	\$ 645,378	\$ -
Component Unit - School Board:		
School Fund	\$ -	\$ 645,378

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 5-Interfund/Component-Unit Obligations: (continued)**

Interfund balances for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 280,058	\$ -
<i>Enterprise Funds:</i>		
Landfill fund	-	216,141
<i>Internal Service Funds:</i>		
Central Stores Fund	-	63,917
Total	<u>\$ 280,058</u>	<u>\$ 280,058</u>

All balances are the results of time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The County expects all balances to be repaid within one year.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 1,570,617	\$ (602,212)
Industrial Development Fund	412,166	-
Debt Service Reserve Fund	-	(821,832)
<i>Enterprise Funds:</i>		
Landfill fund	64,546	(26,459)
<i>Nonmajor Governmental Funds:</i>		
School Capital Improvements Fund	-	(596,826)
Total	<u>\$ 2,047,329</u>	<u>\$ (2,047,329)</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014Note 6-Long-Term Obligations:Primary Government - Governmental Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

	Restated Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General obligation bonds	\$ 95,055,922	\$ -	\$ (5,206,611)	\$ 89,849,311
Lease revenue notes	2,304,931	-	(438,111)	1,866,820
Deferred Amounts:				
Bond premiums	1,570,800	-	(237,394)	1,333,406
Bond discounts	(136,287)	8,017	-	(128,270)
Capital leases	15,389,129	-	(1,557,311)	13,831,818
Net pension obligation	417,550	431,816		849,366
Net OPEB obligation	761,000	169,000	(62,000)	868,000
Compensated absences	1,061,495	837,628	(796,121)	1,103,002
Due to Commonwealth (CSA)	2,000,000	-	(250,000)	1,750,000
Total	\$ 118,424,540	\$ 1,446,461	\$ (8,547,548)	\$ 111,323,453

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Notes	
	Principal	Interest	Principal	Interest
2015	\$ 5,432,369	\$ 3,963,744	\$ 461,152	\$ 70,210
2016	5,463,178	3,750,824	479,268	48,195
2017	5,155,955	3,542,398	243,000	32,116
2018	24,375,821	3,011,061	252,700	22,226
2019	4,617,830	2,514,708	262,700	11,944
2020-2024	24,767,865	9,109,104	168,000	3,352
2025-2029	16,561,293	3,683,434	-	-
2030	3,475,000	199,812	-	-
Totals	\$ 89,849,311	\$ 29,775,085	\$ 1,866,820	\$ 188,043

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:							
General Obligation Bond (1)	3.00%	12/13/2012	7/15/2017	lump sum	\$ 19,945,000	\$ 19,945,000	\$ -
General Obligation Bond (1)	4.31%	12/22/1998	7/1/2014	\$346,883-352,402 sa	6,622,000	689,937	689,937
General Obligation Bond (2)	3.28%	2/16/2005	2/1/2016	\$966,750-996,072 a+	9,240,000	1,930,000	950,000
General Obligation Bond (1)	4.10-5.60%	11/10/2004	7/15/2024	\$999,906-1,010,000 a+	15,735,749	9,640,374	769,432
General Obligation Bond	3.60%	12/20/2007	3/1/2025	\$723,218-859,192 a+	10,000,000	7,829,000	593,000
General Obligation Bond	3.50-5.75%	10/30/2008	2/1/2030	\$2,330,368-3,574,906 a+	40,000,000	37,970,000	1,340,000
General Obligation Bond (1)	3.00%	5/21/2009	3/1/2017	\$132,575-918,575 a+	1,612,500	1,395,000	115,000
General Obligation Bond	2.00-5.00%	4/22/2010	3/1/2023	\$1,189,963-1,414,500 a+	12,485,000	10,450,000	975,000
Total GO Bonds						<u>\$ 89,849,311</u>	<u>\$ 5,432,369</u>
Lease Revenue Notes:							
Revenue Bond - IDA	5.32%	8/16/2005	8/15/2015	\$244,833-257,849 a+	\$ 2,000,000	\$ 489,320	\$ 238,152
Revenue Bond - SSB	3.99%	4/27/2006	7/15/2019	\$244,017-271,292 a+	2,900,000	1,377,500	223,000
Total lease revenue notes						<u>\$ 1,866,820</u>	<u>\$ 461,152</u>
Deferred amounts:							
Plus:							
Unamortized Premium						\$ 1,333,406	\$ 237,394
Less:							
Unamortized Discount						(128,270)	(8,017)
Total deferred amounts						<u>\$ 1,205,136</u>	<u>\$ 229,377</u>
Other Obligations:							
Capital Leases (Note 7)					\$ 13,831,818	\$ 1,105,820	
Net OPEB Obligation					868,000	-	
Net Pension Obligation					849,366	-	
Compensated Absences					1,103,002	827,252	
CSA-Due to Commonwealth (Note 13)					1,750,000	250,000	
Total Other Obligations					<u>\$ 18,402,186</u>	<u>\$ 2,183,072</u>	
Total Long-Term Obligations						<u>\$ 111,323,453</u>	<u>\$ 8,305,970</u>

(1) Refunding bond

(2) Advanced refunding bond

(a+) - annual principal installments shown, does not include semi-annual interest installments

(sa) - semi-annual installments, includes interest as applicable

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014Note 6-Long-Term Obligations: (continued)Primary Government - Business-type Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

	Restated Balance July 1, 2013	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2014
General obligation bonds	\$ 4,256,121	\$ -	\$ (521,058)	\$ 3,735,063
Deferred Amounts:				
Bond premiums	299,187	-	(35,199)	263,988
Landfill Closure/Postclosure	3,128,613	94,036	-	3,222,649
Compensated absences	31,111	23,373	(23,333)	31,151
Total	\$ <u>7,715,032</u>	\$ <u>117,409</u>	\$ <u>(579,590)</u>	\$ <u>7,252,851</u>

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 550,063	\$ 137,749
2016	615,000	118,556
2017	1,155,000	96,375
2018	260,000	57,781
2019	270,000	46,425
2020-2022	<u>885,000</u>	<u>65,522</u>
Totals	\$ <u>3,735,063</u>	\$ <u>522,408</u>

The remainder of this page left blank intentionally.

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 6-Long-Term Obligations: (continued)

Primary Government - Business-type Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest <u>Rates</u>	Date <u>Issued</u>	Final Maturity <u>Date</u>	Installment <u>Amount</u>	Amount of Original <u>Issue</u>	Balance Business-type <u>Activities</u>	Amount Due Within <u>One Year</u>
General Obligation Bonds:							
General Obligation Bond (1)	4.31%	12/22/1998	7/1/2014	\$105,615 sa	\$ 1,978,000	\$ 210,063	\$ 210,063
General Obligation Bond	2.125-5.125%	11/16/2011	11/1/2021	\$268,616-317,944 a+	2,555,000	2,130,000	225,000
General Obligation Bond (1)	3.00%	5/21/2009	3/1/2017	\$110,000-905,000 a+	1,612,500	1,395,000	115,000
Total GO Bonds						<u>\$ 3,735,063</u>	<u>\$ 550,063</u>
Deferred amounts:							
Plus:							
Unamortized Premium						\$ 263,988	\$ 35,198
<u>Other Obligations:</u>							
Landfill Closure/Postclosure Liability						\$ 3,222,649	\$ -
Compensated Absences						31,151	23,363
Total Other Obligations						<u>\$ 3,253,800</u>	<u>\$ 23,363</u>
Total Long-Term Obligations						<u>\$ 7,252,851</u>	<u>\$ 608,624</u>

(1) Refunding Bond

a+ - annual principal installments shown, does not include semi-annual interest payments

sa - semiannual installments, includes interest as applicable

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014Note 7-Capital Leases:Primary Government

The School Board issued a lease purchase agreement to pay for supplies and non-capitalized equipment used to implement an energy savings plan. The County entered into a capital lease agreement to upgrade its E-911 equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	E - 911 Equipment
Machinery and equipment	\$ 13,310,986
Less: Accumulated depreciation	<u>(11,672)</u>
Net capital assets	<u>\$ 13,299,314</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30,	Energy Savings Lease	E - 911 Equipment Lease	Total
2015	\$ 324,043	\$ 1,415,542	\$ 1,739,585
2016	324,043	1,415,536	1,739,579
2017	324,043	1,415,540	1,739,583
2018	324,043	1,415,536	1,739,579
2019	324,043	1,415,534	1,739,577
2020-2024	<u>-</u>	<u>7,077,692</u>	<u>7,077,692</u>
Subtotal	\$ 1,620,215	\$ 14,155,380	\$ 15,775,595
Less, amount representing interest	<u>(177,277)</u>	<u>(1,766,500)</u>	<u>(1,943,777)</u>
Present Value of Lease Agreement	<u>\$ 1,442,938</u>	<u>\$ 12,388,880</u>	<u>\$ 13,831,818</u>

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014Note 8-Long-Term Obligations-Component Unit School Board:Discretely Presented Component Unit-School Board-Indebtedness

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2014:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Net OPEB asset	\$ 35,000	\$ 680,000	\$ (849,000)	\$ (134,000)
Net pension obligation	94,592	98,072	-	192,664
Compensated absences	<u>1,638,460</u>	<u>1,200,070</u>	<u>(1,228,845)</u>	<u>1,609,685</u>
Total	\$ <u>1,768,052</u>	\$ <u>1,978,142</u>	\$ <u>(2,077,845)</u>	\$ <u>1,668,349</u>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Other Obligations:</u>		
Net OPEB obligation	\$ (134,000)	\$ -
VRS net pension obligation	192,664	-
Compensated absences	<u>1,609,685</u>	<u>1,207,264</u>
Total Long-Term Obligations	\$ <u>1,668,349</u>	\$ <u>1,207,264</u>

The remainder of this page left blank intentionally.

Note 9-Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer 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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

The remainder of this page left blank intentionally.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

- 14. Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1–Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

The remainder of this page left blank intentionally.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

- 16. Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

- 17. Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

The remainder of this page left blank intentionally.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
 - State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
 - Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

The remainder of this page left blank intentionally.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1-Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

- 8. Average Final Compensation** - Same as VRS Plan 2-Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2-Refer to Section 13.

Defined Contribution Component - Not Applicable.

Note 9-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

14. **Eligibility** - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 15.
16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2-Refer to Section 17.

Defined Contribution Component - Not Applicable.

The System issues a publicly available comprehensive annual financial report 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://www.varetire.org/Pdf/Publications/2013-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

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of this 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was 9.00% (not included the 5% member contribution) of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 9-Pension Plan: (continued)****B. Funding Policy (continued)**Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. All or part of this 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2014 was 7.53% (not included the 5% member contribution) of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$1,595,391 was not equal to the County's required and actual contributions of \$1,163,575. For fiscal year 2014, the School Board's annual pension cost of \$327,415 was not equal to the School Board's required and actual contributions of \$229,343.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2012	\$ 1,111,822	100.00%	\$ -
	6/30/2013	1,542,684	72.93%	417,550
	6/30/2014	1,595,391	72.93%	849,366
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2012	\$ 201,188	100.00%	\$ -
	6/30/2013	315,795	70.05%	94,592
	6/30/2014	327,415	70.05%	192,664

¹ Employer portion only

The remainder of this page left blank intentionally.

Note 9-Pension Plan: (continued)

C. Annual Pension Cost (Continued)

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers 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 for Plan 1 employees and 2.25% for Plan 2 employees. 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, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2013, the most recent actuarial valuation date, the plan was 80.68% funded. The actuarial accrued liability for benefits was \$56,300,301, and the actuarial value of assets was \$45,425,142, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,875,159. The covered payroll (annual payroll of active employees covered by the plan) was \$12,657,967, and ratio of the UAAL to the covered payroll was 85.92%.

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

As of June 30, 2013, the most recent actuarial valuation date, the plan was 80.18% funded. The actuarial accrued liability for benefits was \$13,529,211, and the actuarial value of assets was \$10,848,316, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,680,895. The covered payroll (annual payroll of active employees covered by the plan) was \$2,902,279, and ratio of the UAAL to the covered payroll was 92.37%.

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 for benefits.

The remainder of this page left blank intentionally.

Note 9-Pension Plan: (continued)

E. Discretely Presented Component Unit - School Board (Professional Employees)

Plan Description

The Pittsylvania County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the State legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. The most recent report may be downloaded from the System's website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf> or obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$4,448,846, \$4,315,891 and \$4,383,891, for the fiscal years ended 2014, 2013, and 2012, respectively. Employer contributions represented 11.66%, 11.66%, and 6.33% of covered payroll for the fiscal years ended 2014, 2013, and 2011, respectively.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 10-Capital Assets:**

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,904,148	\$ -	\$ -	\$ 4,904,148
Construction in progress	9,239,912	4,087,181	(13,310,986)	16,107
Total capital assets not being depreciated	<u>\$ 14,144,060</u>	<u>\$ 4,087,181</u>	<u>\$ (13,310,986)</u>	<u>\$ 4,920,255</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 141,398,755	\$ 28,520	\$ -	\$ 141,427,275
Machinery and equipment	15,169,296	14,886,781	(47,130)	30,008,947
Total capital assets being depreciated	<u>\$ 156,568,051</u>	<u>\$ 14,915,301</u>	<u>\$ (47,130)</u>	<u>\$ 171,436,222</u>
Accumulated depreciation:				
Buildings and improvements	\$ (30,411,171)	\$ (3,535,522)	\$ -	\$ (33,946,693)
Machinery and equipment	(13,506,943)	(453,778)	47,130	(13,913,591)
Total accumulated depreciation	<u>\$ (43,918,114)</u>	<u>\$ (3,989,300)</u>	<u>\$ 47,130</u>	<u>\$ (47,860,284)</u>
Total capital assets being depreciated, net	<u>\$ 112,649,937</u>	<u>\$ 10,926,001</u>	<u>\$ -</u>	<u>\$ 123,575,938</u>
Governmental activities capital assets, net	<u>\$ 126,793,997</u>	<u>\$ 15,013,182</u>	<u>\$ (13,310,986)</u>	<u>\$ 128,496,193</u>

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 10-Capital Assets: (continued)**

Primary Government: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,000</u>
Capital assets, being depreciated:				
Infrastructure	\$ 7,333,072	\$ -	\$ -	\$ 7,333,072
Machinery and equipment	3,447,558	764,254	-	4,211,812
Total capital assets being depreciated	<u>\$ 10,780,630</u>	<u>\$ 764,254</u>	<u>\$ -</u>	<u>\$ 11,544,884</u>
Accumulated depreciation:				
Infrastructure	\$ (1,799,988)	\$ (331,701)	\$ -	\$ (2,131,689)
Machinery and equipment	(3,301,975)	(120,178)	-	(3,422,153)
Total accumulated depreciation	<u>\$ (5,101,963)</u>	<u>\$ (451,879)</u>	<u>\$ -</u>	<u>\$ (5,553,842)</u>
Total capital assets being depreciated, net	<u>\$ 5,678,667</u>	<u>\$ 312,375</u>	<u>\$ -</u>	<u>\$ 5,991,042</u>
Business-type activities capital assets, net	<u><u>\$ 5,773,667</u></u>	<u><u>\$ 312,375</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,086,042</u></u>

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

Governmental activities:

General governmental administration	\$ 78,758
Judicial administration	24,620
Public safety	216,572
Public works	254,100
Health and welfare	89,260
Education	3,211,238
Parks, recreation, and cultural	48,839
Community development	65,913
Total depreciation expense-governmental activities	<u><u>\$ 3,989,300</u></u>

Business-type activities:

Public works	<u>\$ 451,879</u>
--------------	-------------------

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 10-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,662,750	\$ 47,221	\$ -	\$ 2,709,971
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,365,632	\$ 554,935	\$ -	\$ 22,920,567
Machinery and equipment	15,087,114	775,437	-	15,862,551
Total capital assets being depreciated	\$ 37,452,746	\$ 1,330,372	\$ -	\$ 38,783,118
Accumulated depreciation:				
Buildings and improvements	\$ (12,670,020)	\$ (323,364)	\$ -	\$ (12,993,384)
Machinery and equipment	(12,349,629)	(845,553)	-	(13,195,182)
Total accumulated depreciation	\$ (25,019,649)	\$ (1,168,917)	\$ -	\$ (26,188,566)
Total capital assets being depreciated, net	\$ 12,433,097	\$ 161,455	\$ -	\$ 12,594,552
Governmental activities capital assets, net	\$ 15,095,847	\$ 208,676	\$ -	\$ 15,304,523

Note 11-Risk Management:

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

The remainder of this page left blank intentionally.

Note 12-Contingent Liabilities:

Federal programs in which the County and its component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 13-Comprehensive Services Act-Amount Due to Commonwealth:

In an Order entered December 16, 2011, the State Executive Council ("SEC") found that Pittsylvania County is liable for \$7,699,933 in reimbursement for CSA funds used for ineligible students and services based on an audit conducted by the Auditor of Public Accounts. The SEC agreed to allow the CPMB to pay the Commonwealth of Virginia \$250,000 per year for a ten (10) year period, and if the CPMB abides by several probationary actions during the ten (10) year period, the SEC will forgo requiring the CPMB to repay the balance of the amount due and owing. At the December 20, 2011, Pittsylvania County Board of Supervisors' ("BOS") meeting, the BOS objected to the findings in the SEC's Order, but agreed to its disposition of the matter, i.e. repayment of \$2.5 million dollars over a ten (10) year period with probationary measures.

Note 14-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
H. F. Haymore, Jr., Clerk of the Circuit Court	\$ 25,000
M. Kate Berger, Treasurer	750,000
Samuel W. Swanson, Jr., Commissioner of the Revenue	3,000
Michael W. Taylor, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
 <u>VACo Insurance Programs:</u>	
All County employees - blanket bond	\$ 250,000
 <u>National Grange Mutual Insurance Company:</u>	
All Social Services employees - blanket bond	\$ 100,000

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 15-Landfill Closure and Postclosure Care Cost:**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$7,654,985 is the total estimated closure and postclosure care liability at June 30, 2014. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and postclosure in 2013. The liability on the statement of net position of \$3,222,649 is based on the County's estimate that the landfill has reached 100% of Phase I and 25% of Phase II of capacity with a remaining useful life of 20.5 years for phase II. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs. The County demonstrated financial assurance requirements for closure, post-closure care and corrective action costs through the submission of a Local Government Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 16-Self Health Insurance:

The County of Pittsylvania, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2014, a total of \$10,092,678 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$767,795 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2014 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2013-14	\$ 844,286	\$ 10,016,187	\$ (10,092,678)	\$ 767,795

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 17- Deferred Inflows of Resources:**

Unavailable 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. Unavailable revenue is comprised of the following:

	<u>Unavailable</u>
Delinquent property taxes receivable-2nd half 2014	\$ 13,886,024
Prepaid taxes	<u>3,013,557</u>
Total unavailable revenue for governmental activities	\$ 16,899,581
Taxes receivable due prior to June 30, 2014, not collected within 60 days	\$ <u>3,660,708</u>
Total unavailable revenue for governmental funds	<u>20,560,289</u>

Note 18-Commitments and Contingencies:

The Board of Supervisors approved moral obligation support agreements with the Pittsylvania County Service Authority, whereby the County will provide funding, if necessary, to repay the Service Authority's Series 2006 and 2007 Revenue Notes.

The Board of Supervisors of Pittsylvania County and the City Council of the City of Danville, Virginia approved support agreements with the Danville-Pittsylvania Regional Industrial Facility Authority to provide funding (subject to annual appropriations) sufficient to meet principal and interest payments on the Authority's \$7,300,000 revenue bonds.

The County has obligated funds for the projects described below as of June 30, 2014:

	Original Contract	Amount Paid As of 6/30/2014	Remaining Contract Amount	Retainage Payable
Jail Showers	\$ 145,500	\$ 16,107	\$ 129,393	\$ -
Mega Park Water System	1,006,200	667,076	339,124	-
Brosville Industrial Park	1,202,207	48,450	1,153,757	9,806
Total Contracts	<u>\$ 2,353,907</u>	<u>\$ 731,633</u>	<u>\$ 1,622,274</u>	<u>\$ 9,806</u>

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 18-Commitments and Contingencies: (continued)**

The County has also obligated funds for the development of projects initiated by the Regional Industrial Facilities Authority. The County's share of the projects as described below was 50% as of June 30, 2014:

Contractor	Service Provided	Project	Contract Total	Paid as of 6/30/2014	Contract Remaining	Retainage
Dewberry	Engineering	Berry Hill Industrial Park	\$2,259,337	\$ 1,052,944	\$1,206,393	\$ -
Dewberry	Engineering	Cane Creek Park	71,881	21,529	50,352	-
Wetland Studies & Solutions	Consulting	Berry Hill Permit Assistance	141,996	47,232	94,764	-
Jones Lang LaSalle	Consulting	Berry Hill Economic Analysis	12,000	-	12,000	-
Totals			\$ 2,485,214	\$ 1,121,705	\$ 1,363,509	\$ -
County's 50% obligation			\$ 1,242,607	\$ 560,853	\$ 681,755	\$ -

School Board Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. Early retirement is available to those employees with a minimum of twenty years of service in the Pittsylvania School System, including the five consecutive years immediately preceding the effective date of retirement. In addition, employees must be at least 55 years of age and less than 65 years of age to be eligible for the program. To participate, the employee must be a vested member of the Virginia Retirement System (VRS). In addition, employees may not work for any other agency covered under the VRS during their tenure in the program. The program allows for payment of 20% of an employee's final contracted salary, earned before the effective date of retirement, for a period of 7 years or until the participant reaches the age of sixty-five. The School Board reserves the right to amend or terminate the program. Employees are required to work twenty days per year to receive their payment. At June 30, 2014 the commitment related to the Early Retirement Incentive Program was \$8,113,340.

The remainder of this page left blank intentionally.

Note 19-Other Postemployment Benefits-Health Insurance:

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

A. Plan Description

The County of Pittsylvania and Pittsylvania County's Component Unit - School Board administers a single-employer healthcare plan ("the Plan"). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County and School Board. Any County eligible retiree may receive this benefit until death. Any School Board eligible retiree may receive this benefit until he/she has reached sixty five years of age.

To be eligible for this benefit a retiree must meet at least one of the following criteria: attained age 50 and 10 years of service, attained age 55 and five years of service, or disabled with no age or service requirements. In addition, the School System has an Early Retirement Incentive Program that allows retirees to continue working and receive special benefits for five years if they retire after age 55 with 20 years as a participant of the Virginia Retirement System and have a minimum of 20 years of full-time employment with Pittsylvania County School System. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action respectively. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 340 and 1,039 employees that are eligible, respectively, for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents.

Retirees are eligible to choose one of the following medical options through the County and School Board. The rates are as follows:

Medical & Dental	KeyCare 500	Key Care 30	Dental Basic	Dental Comprehensive
Employee Only	533.78	479.44	23.96	41.00
Employee & Spouse	1,179.02	1,059.38	47.04	81.84
Employee & Child	818.75	735.60	39.76	69.16
Family	1,598.03	1,436.40	78.76	118.70

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 19-Other Post-Employment Benefits-Health Insurance: (continued)****B. Funding Policy (continued)**

The County eligible retirees may continue to receive the benefit past the age of 65. The rates for this group are as follows:

Medical & Dental	KeyCare 500	Key Care 30	Dental Basic	Dental Comprehensive
Employee Only	480.03	431.09	23.96	41.00
Employee & Spouse	960.06	862.18	47.04	81.84
Employee & Child	NA	NA	39.76	69.16
Family	NA	NA	78.76	118.70

C. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 171,000
Interest on net OPEB obligation	30,000
Adjustment to annual required contribution	(32,000)
Annual OPEB cost (expense)	169,000
Contributions made	(62,000)
Increase in net OPEB obligation	107,000
Net OPEB obligation - beginning of year	761,000
Net OPEB obligation - end of year	\$ 868,000

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 249,000	21%	\$ 661,000
6/30/2013	161,000	38%	761,000
6/30/2014	169,000	37%	868,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 19-Other Post-Employment Benefits-Health Insurance: (continued)****C. Annual OPEB Cost and Net OPEB Obligation (continued)**

For 2014, the School Board's annual OPEB cost (expense) of \$680,000 was not equal to the ARC of \$679,000. The obligation calculation is as follows:

Annual required contribution	\$ 679,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(1,000)
Annual OPEB cost (expense)	680,000
Contributions made	(849,000)
Increase (Decrease) in net OPEB obligation	(169,000)
Net OPEB obligation - beginning of year	35,000
Net OPEB obligation - end of year	\$ (134,000)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2012	\$ 737,000	125%	\$ 219,000
6/30/2013	673,000	127%	35,000
6/30/2014	680,000	125%	(134,000)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of July 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,532,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,532,000
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 12,781,000
UAAL as a percentage of covered payroll	11.99%

The remainder of this page left blank intentionally.

Note 19-Other Post-Employment Benefits-Health Insurance: (continued)**D. Funded Status and Funding Progress (continued)**

The funded status of the Plan for the School Board as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	7,559,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	7,559,000
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	40,344,647
UAAL as a percentage of covered payroll		18.74%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.5 percent, and investments rate of return at 4.00 percent, and a health care trend rate of 9.00 percent graded to 5.00 percent over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2012 was 30 years.

Note 20—Other Post-Employment Benefits-VRS Health Insurance Credit:

County:

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and 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.

An employee of the County, 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 \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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 9.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was 0.13% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The remainder of this page left blank intentionally.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 20—Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)**County: (continued)**C. Annual OPEB Cost and Net OPEB Obligation (continued)**

For 2014, the County's contribution of \$16,805 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years are as follows:

Primary Government:	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
County	6/30/2012	\$ 19,765	100.00%	\$ -
	6/30/2013	16,252	100.00%	-
	6/30/2014	16,805	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 537,319
Actuarial value of plan assets	\$ 307,513
Unfunded actuarial accrued liability (UAAL)	\$ 229,806
Funded ratio (actuarial value of plan assets/AAL)	57.23%
Covered payroll (active plan members)	\$ 12,657,967
UAAL as a percentage of covered payroll	1.82%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The remainder of this page left blank intentionally.

Note 20—Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)

County: (continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2013 was 29 years.

Professional Employees - Discretely Presented Component Unit School Board:

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.

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.

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 1.11% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2014 was \$423,623 and equaled the required contributions.

Note 21—Litigation:

As of June 30, 2014, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**Note 22—Restatement of Beginning Net Position:**

The County has restated the net position as demonstrated below.

	Governmental Activities	Business - Type Activities	Total
Net Position as previously reported 6/30/13	\$ 59,483,624	\$ (592,713)	\$ 58,890,911
Net Pension Obligation	(417,550)	-	(417,550)
Compensated absences	-	(16,708)	(16,708)
Accounts Receivable	-	41,944	41,944
Net Position as restated 6/30/13	<u>\$ 59,066,074</u>	<u>\$ (567,477)</u>	<u>\$ 58,498,597</u>

Note 23—Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County has not determined the impact of this pronouncement on its financial statements.

Required Supplementary Information

County of Pittsylvania, Virginia
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 31,644,442	\$ 31,644,443	\$ 32,986,528	\$ 1,342,085
Other local taxes	6,757,800	6,757,800	7,058,150	300,350
Permits, privilege fees, and regulatory licenses	166,094	166,094	175,564	9,470
Fines and forfeitures	175,500	175,500	224,057	48,557
Revenue from the use of money and property	620,000	620,000	628,634	8,634
Charges for services	266,400	266,400	318,420	52,020
Miscellaneous	163,400	267,222	224,752	(42,470)
Recovered costs	1,414,071	1,625,343	951,591	(673,752)
Intergovernmental:				
Commonwealth	17,824,781	18,180,725	16,810,359	(1,370,366)
Federal	2,912,978	2,859,478	2,448,033	(411,445)
Total revenues	61,945,466	62,563,005	61,826,088	(736,917)
EXPENDITURES				
Current:				
General government administration	3,588,815	3,744,000	3,294,816	449,184
Judicial administration	1,631,909	1,675,844	1,575,143	100,701
Public safety	14,805,289	16,315,655	15,116,014	1,199,641
Public works	1,258,812	1,256,375	1,113,579	142,796
Health and welfare	11,178,346	11,133,495	8,682,457	2,451,038
Education	15,638,959	15,988,382	14,448,982	1,539,400
Parks, recreation, and cultural	1,468,530	1,575,658	1,497,279	78,379
Community development	2,478,322	2,661,264	2,249,569	411,695
Capital projects	8,827,710	8,909,069	3,997,820	4,911,249
Debt service:				
Principal retirement	7,016,698	7,013,112	7,202,033	(188,921)
Interest and other fiscal charges	4,622,509	4,620,147	4,744,605	(124,458)
Total expenditures	72,515,899	74,893,001	63,922,297	10,970,704
Excess (deficiency) of revenues over (under) expenditures	(10,570,433)	(12,329,996)	(2,096,209)	10,233,787
OTHER FINANCING SOURCES (USES)				
Transfers in	2,418,635	3,129,992	1,570,617	(1,559,375)
Transfers out	(1,808,704)	(2,286,761)	(602,212)	1,684,549
Issuance of capital leases	348,300	15,000	-	(15,000)
Total other financing sources (uses)	958,231	858,231	968,405	110,174
Net change in fund balances	(9,612,202)	(11,471,765)	(1,127,804)	10,343,961
Fund balances - beginning	9,612,202	11,471,765	37,668,308	26,196,543
Fund balances - ending	\$ -	\$ -	\$ 36,540,504	\$ 36,540,504

County of Pittsylvania, Virginia
Special Revenue Fund - Industrial Development
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Recovered costs	\$ 3,688	\$ 153,106	\$ 155,870	\$ 2,764
Intergovernmental:				
Commonwealth	7,047,106	9,465,296	1,555,708	(7,909,588)
Total revenues	7,050,794	9,618,402	1,711,578	(7,906,824)
EXPENDITURES				
Current:				
Community development	9,279,799	12,358,137	1,592,733	10,765,404
Capital projects	100,000	865,190	842,821	22,369
Total expenditures	9,379,799	13,223,327	2,435,554	10,787,773
Excess (deficiency) of revenues over (under) expenditures	(2,329,005)	(3,604,925)	(723,976)	2,880,949
OTHER FINANCING SOURCES (USES)				
Transfers in	387,166	362,166	412,166	50,000
Net change in fund balances	(1,941,839)	(3,242,759)	(311,810)	2,930,949
Fund balances - beginning	1,941,839	3,192,759	2,716,048	(476,711)
Fund balances - ending	\$ -	\$ (50,000)	\$ 2,404,238	\$ 2,454,238

County of Pittsylvania, Virginia
Special Revenue Fund - Workforce Investment Act
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ 184,108	\$ 185,364	\$ 1,256
Miscellaneous	1,500	2,371	1,056	(1,315)
Intergovernmental:				
Federal	3,021,935	3,071,935	2,443,091	(628,844)
Total revenues	<u>3,023,435</u>	<u>3,258,414</u>	<u>2,629,511</u>	<u>(628,903)</u>
EXPENDITURES				
Current:				
Health and welfare	<u>3,023,435</u>	<u>3,258,414</u>	<u>2,543,074</u>	<u>715,340</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>86,437</u>	<u>86,437</u>
Net change in fund balances	-	-	86,437	86,437
Fund balances - beginning	-	-	50,431	50,431
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,868</u>	<u>\$ 136,868</u>

County of Pittsylvania, Virginia

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

Primary Government

County Retirement Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 45,425,142	\$ 56,300,301	\$ 10,875,159	80.68%	\$ 12,657,967	85.92%
June 30, 2012	43,972,176	56,549,216	12,577,040	77.76%	12,469,723	100.86%
June 30, 2011	43,854,412	54,482,086	10,627,674	80.49%	12,314,137	86.30%

County VRS Health Insurance Credit Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 307,513	\$ 537,319	\$ 229,806	57.23%	\$ 12,657,967	1.82%
June 30, 2012	286,145	342,855	56,710	83.46%	12,469,723	0.45%
June 30, 2011	293,905	344,127	50,222	85.41%	12,314,137	0.41%

County Healthcare Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	\$ -	\$ 1,532,000	\$ 1,532,000	0.00%	\$ 12,781,000	11.99%
July 1, 2010	-	2,009,000	2,009,000	0.00%	12,354,518	16.26%
July 1, 2008	-	1,622,000	1,622,000	0.00%	12,263,717	13.23%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 10,848,316	\$ 13,529,211	\$ 2,680,895	80.18%	\$ 2,902,279	92.37%
June 30, 2012	10,789,089	14,073,684	3,284,595	76.66%	2,989,830	109.86%
June 30, 2011	11,088,588	13,672,566	2,583,978	81.10%	3,107,765	83.15%

School Board Healthcare Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2012	\$ -	\$ 7,559,000	\$ 7,559,000	0.00%	\$ 40,344,647	18.74%
July 1, 2010	-	8,562,000	8,562,000	0.00%	46,278,550	18.50%
July 1, 2008	-	6,368,000	6,368,000	0.00%	52,347,852	12.16%

Other Supplementary Information

County of Pittsylvania, Virginia
Debt Service Reserve Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 13	\$ 13
Excess (deficiency) of revenues over (under) expenditures	-	-	13	13
OTHER FINANCING SOURCES (USES)				
Transfers out	(821,832)	(821,832)	(821,832)	-
Total other financing sources (uses)	(821,832)	(821,832)	(821,832)	-
Net change in fund balances	(821,832)	(821,832)	(821,819)	13
Fund balances - beginning	821,832	821,832	1,044,688	222,856
Fund balances - ending	\$ -	\$ -	\$ 222,869	\$ 222,869

NONMAJOR FUNDS

NONMAJOR SPECIAL REVENUE FUND

Forfeited Assets - The Forfeited Assets fund accounts for financial resources to be used in connection with the Sheriff's asset forfeited funds.

NONMAJOR CAPITAL PROJECTS FUND

School Capital Projects Fund - The School Capital Projects fund accounts for financial resources to be used in connection with the acquisition and construction of major capital facilities of the School Board.

County of Pittsylvania, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Forfeited Assets <u>Fund</u>	School Capital Improvements <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 467,563	\$ -	\$ 467,563
Total assets	<u>467,563</u>	<u>-</u>	<u>467,563</u>
 Fund balances:			
Restricted:			
Forfeited Assets Fund	<u>467,563</u>	<u>-</u>	<u>467,563</u>
Total fund balances	<u>467,563</u>	<u>-</u>	<u>467,563</u>
Total liabilities and fund balances	<u>\$ 467,563</u>	<u>\$ -</u>	<u>\$ 467,563</u>

County of Pittsylvania, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Forfeited Assets <u>Fund</u>	School Capital Improvements <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 908	\$ 2,657	\$ 3,565
Intergovernmental:			
Commonwealth	640	-	640
Federal	234,754	-	234,754
Total revenues	<u>236,302</u>	<u>2,657</u>	<u>238,959</u>
EXPENDITURES			
Current:			
Public safety	<u>672,724</u>	-	<u>672,724</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(436,422)</u>	<u>2,657</u>	<u>(433,765)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(596,826)	(596,826)
Total other financing sources (uses)	<u>-</u>	<u>(596,826)</u>	<u>(596,826)</u>
Net change in fund balances	(436,422)	(594,169)	(1,030,591)
Fund balances - beginning	903,985	594,169	1,498,154
Fund balances - ending	<u>\$ 467,563</u>	<u>\$ -</u>	<u>\$ 467,563</u>

County of Pittsylvania, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund
For the Year Ended June 30, 2014

	Forfeited Assets Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 908	\$ 908
Intergovernmental:				
Commonwealth	22,092	22,092	640	(21,452)
Federal	16,000	213,590	234,754	21,164
Total revenues	38,092	235,682	236,302	620
EXPENDITURES				
Current:				
Public safety	190,092	957,472	672,724	284,748
Excess (deficiency) of revenues over (under) expenditures	(152,000)	(721,790)	(436,422)	285,368
Net change in fund balances	(152,000)	(721,790)	(436,422)	285,368
Fund balances - beginning	152,000	721,790	903,985	182,195
Fund balances - ending	\$ -	\$ -	\$ 467,563	\$ 467,563

County of Pittsylvania, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Capital Projects Fund
For the Year Ended June 30, 2014

	School Improvements Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,657	\$ 2,657
Total revenues	-	-	2,657	2,657
Excess (deficiency) of revenues over (under) expenditures	-	-	2,657	2,657
OTHER FINANCING SOURCES (USES)				
Transfers out	(573,111)	(596,826)	(596,826)	-
Net change in fund balances	(573,111)	(596,826)	(594,169)	2,657
Fund balances - beginning	573,111	596,826	594,169	(2,657)
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

INTERNAL SERVICE FUNDS

Central Stores - The Central Stores fund accounts for the Primary Government's consolidated purchasing. The Primary Government bills internally for the department's usage.

Self-Insurance - The Self-Health Insurance fund accounts for insurance premiums paid by the County and for all departments. Internal billings are prepared for all departments.

County of Pittsylvania, Virginia
Combining Statement of Net Position
Internal Service Funds
June 30, 2014

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 5,090,981	\$ 5,090,981
Accounts receivables, net of allowances for uncollectibles	56,025	980,212	1,036,237
Inventories	16,898	-	16,898
Total assets	<u>72,923</u>	<u>6,071,193</u>	<u>6,144,116</u>
LIABILITIES			
Current liabilities:			
Accounts payable	10,064	-	10,064
Estimate of incurred but unreported health claims	-	767,795	767,795
Due to other funds	63,917	-	63,917
Total liabilities	<u>73,981</u>	<u>767,795</u>	<u>841,776</u>
NET POSITION			
Restricted for health insurance claims	\$ -	\$ 5,303,398	\$ 5,303,398
Unrestricted	(1,058)	-	(1,058)
Total net position	<u>\$ (1,058)</u>	<u>\$ 5,303,398</u>	<u>\$ 5,302,340</u>

County of Pittsylvania, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2014

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Materials and supplies	\$ 645,906	\$ -	\$ 645,906
Insurance premiums	-	10,845,777	10,845,777
Total operating revenues	<u>645,906</u>	<u>10,845,777</u>	<u>11,491,683</u>
OPERATING EXPENSES			
Supplies, insurance and telephone	674,449	-	674,449
Insurance claims and expenses	-	10,092,678	10,092,678
Total operating expenses	<u>674,449</u>	<u>10,092,678</u>	<u>10,767,127</u>
Operating income (loss)	<u>(28,543)</u>	<u>753,099</u>	<u>724,556</u>
Total net position - beginning	27,485	4,550,299	4,577,784
Total net position - ending	<u>\$ (1,058)</u>	<u>\$ 5,303,398</u>	<u>\$ 5,302,340</u>

County of Pittsylvania, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2014

	Central Stores Fund	Self- Insurance Fund	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for materials and supplies	\$ 650,321	\$ -	\$ 650,321
Receipts for insurance premiums	-	10,874,671	10,874,671
Payments to suppliers	(650,321)	-	(650,321)
Payments for premiums	-	(10,169,169)	(10,169,169)
Net cash provided by (used for) operating activities	-	705,502	705,502
Net increase (decrease) in cash and cash equivalents	-	705,502	705,502
Cash and cash equivalents - beginning	-	4,385,479	4,385,479
Cash and cash equivalents - ending	\$ -	\$ 5,090,981	\$ 5,090,981
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (28,543)	\$ 753,099	\$ 724,556
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	4,415	28,894	33,309
(Increase) decrease in inventories	5,769	-	5,769
Increase (decrease) in accounts payable	(2,319)	(76,491)	(78,810)
Increase (decrease) in due to other funds	20,678	-	20,678
Total adjustments	28,543	(47,597)	(19,054)
Net cash provided by (used for) operating activities	\$ -	\$ 705,502	\$ 705,502

FIDUCIARY FUNDS

Special Welfare Fund - The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

Cash Bond Fund - The Cash Bond fund accounts for those escrow funds received from developers or contractors which, upon satisfactory project completion, are returned to the developer or contractor.

Sheriff Inmate Trust and Canteen Funds - The Sheriff Inmate Trust and Canteen funds account for the inmate commissary, inmate trust, and inmate monitoring funds.

Land Sales Fund - The County's attorneys have established an account to account for funds received as the result of land sales for delinquent taxes. Funds are kept in this account until transferred to the County's Clerk's office for processing.

County of Pittsylvania, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds				Total
	Special Welfare	Cash Bond Fund	Land Sales Fund	Sheriff's Inmate Trust and Canteen Account Fund	
ASSETS					
Cash and cash equivalents	\$ 8,813	\$ 343,747	\$ -	\$ -	\$ 352,560
Cash in custody of others	-	-	149,748	25,124	174,872
Total assets	8,813	343,747	149,748	25,124	527,432
LIABILITIES					
Amounts held for social services clients	8,813	-	-	-	8,813
Amounts held for developers	-	343,747	-	-	343,747
Amounts held for land sales	-	-	149,748	-	149,748
Amounts held for inmates	-	-	-	25,124	25,124
Total liabilities	\$ 8,813	\$ 343,747	\$ 149,748	\$ 25,124	\$ 527,432

County of Pittsylvania, Virginia
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
June 30, 2014

	Agency Funds			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 22,964	\$ 66,129	\$ 80,280	\$ 8,813
Cash Bond Fund	352,572	47,629	56,454	343,747
Land Sales Fund	183,273	180,144	213,669	149,748
Cash in Custody of Others:				
Sheriff Inmate Trust Fund	1,132	156,498	150,258	7,372
Sheriff Canteen Fund	21,005	52,729	55,982	17,752
Total assets	580,946	503,129	556,643	527,432
LIABILITIES				
Amounts held for social services clients	\$ 22,964	\$ 66,129	\$ 80,280	\$ 8,813
Amounts held for developers	352,572	47,629	56,454	343,747
Amounts held for land sales	183,273	180,144	213,669	149,748
Amounts held for inmates	22,137	209,227	206,240	25,124
Total liabilities	\$ 580,946	\$ 503,129	\$ 556,643	\$ 527,432

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

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

County of Pittsylvania, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	School Operating Fund
ASSETS	
Cash and cash equivalents	\$ 1,276,196
Receivables (net of allowance for uncollectibles):	
Accounts receivable	50,816
Due from primary government	645,378
Due from other governmental units	2,646,474
Restricted assets:	
Cash and cash equivalents	16,769
Total assets	<u>4,635,633</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	1,817,392
Salaries payable	2,265,567
Total liabilities	<u>4,082,959</u>
Fund balances:	
Restricted:	
School Cafeteria	552,674
Total fund balances	<u>552,674</u>
Total liabilities and fund balances	<u>\$ 4,635,633</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 552,674
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 2,709,971
Buildings and improvements	9,927,183
Machinery and equipment	<u>2,667,369</u>
	15,304,523
The net pension asset is not an available resource and, therefore, is not reported in the funds.	134,000
Other long-term assets are not available to pay for current period expenditures, and, therefore are reported as unavailable revenue in the funds.	590,503
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.	
VRS Net pension obligation (NPO)	\$ (192,664)
Compensated absences	<u>(1,609,685)</u>
	(1,802,349)
Net position of governmental activities	<u>\$ 14,779,351</u>

County of Pittsylvania, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund
REVENUES	
Revenue from the use of money and property	\$ 41,022
Charges for services	1,757,581
Miscellaneous	1,159,544
Recovered costs	3,825,176
Intergovernmental:	
Local government	14,440,239
Commonwealth	55,876,217
Federal	7,737,544
Total revenues	<u>84,837,323</u>
EXPENDITURES	
Current:	
Education	<u>84,731,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>105,804</u>
Net change in fund balances	105,804
Fund balances - beginning	446,870
Fund balances - ending	<u>\$ 552,674</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	\$ 105,804
--	------------

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 assets additions exceeded depreciation in the current period.

Capital asset additions	\$ 1,377,593	
Depreciation in current year	<u>(1,168,917)</u>	208,676

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.

(Increase) decrease in compensated absences	\$ 28,775	
(Increase) decrease in VRS net pension obligation (NPO)	169,000	
(Increase) decrease in net OPEB obligation	<u>(98,072)</u>	99,703

Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.

Change in net position of governmental activities	<u>\$ 487,360</u>
---	-------------------

County of Pittsylvania, 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, 2014

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 40,988	\$ 40,988	\$ 41,022	\$ 34
Charges for services	2,198,758	2,198,758	1,757,581	(441,177)
Miscellaneous	1,210,564	1,210,564	1,159,544	(51,020)
Recovered costs	3,536,013	3,536,014	3,825,176	289,162
Intergovernmental:				
Local government	15,630,178	15,979,601	14,440,239	(1,539,362)
Commonwealth	56,538,913	56,538,913	55,876,217	(662,696)
Federal	10,617,643	10,617,643	7,737,544	(2,880,099)
Total revenues	89,773,057	90,122,481	84,837,323	(5,285,158)
EXPENDITURES				
Current:				
Education	89,773,057	90,122,481	84,731,519	5,390,962
Excess (deficiency) of revenues over (under) expenditures	-	-	105,804	105,804
Net change in fund balances	-	-	105,804	105,804
Fund balances - beginning	-	-	446,870	446,870
Fund balances - ending	\$ -	\$ -	\$ 552,674	\$ 552,674

SUPPORTING SCHEDULES

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 1 of 7

<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 Tax	\$ 20,964,210	\$ 20,964,210	\$ 21,703,610	\$ 739,400
Real and Personal PSC Tax	2,037,006	2,037,006	2,197,072	160,066
Personal Property Tax	6,228,414	6,228,414	6,255,425	27,011
Mobile Home Tax	257,771	257,771	248,685	(9,086)
Machinery and Tools Tax	1,438,540	1,438,540	1,698,328	259,788
Merchants Capital	205,501	205,501	280,478	74,977
Penalties	336,000	336,001	360,056	24,055
Interest	177,000	177,000	242,874	65,874
Total general property taxes	\$ 31,644,442	\$ 31,644,443	\$ 32,986,528	\$ 1,342,085
Other local taxes:				
Local Sales and Use Tax	\$ 1,975,000	\$ 1,975,000	\$ 2,034,975	\$ 59,975
Consumers' Utility Tax	1,290,000	1,290,000	1,383,273	93,273
Consumption Taxes	240,000	240,000	227,672	(12,328)
Franchise License Tax	-	-	43,850	43,850
Business License Tax	2,800	2,800	2,650	(150)
Meals Tax	705,000	705,000	651,729	(53,271)
Motor Vehicle Licenses	2,210,000	2,210,000	2,325,003	115,003
Bank Stock Tax	60,000	60,000	70,980	10,980
Taxes on Recordation and Wills	275,000	275,000	318,018	43,018
Total other local taxes	\$ 6,757,800	\$ 6,757,800	\$ 7,058,150	\$ 300,350
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 90,000	\$ 90,000	\$ 100,925	\$ 10,925
Cellular tower fees	19,044	19,044	26,543	7,499
Animal licenses	37,500	37,500	28,245	(9,255)
Permits and other licenses	19,550	19,550	19,851	301
Total permits, privilege fees, and regulatory licenses	\$ 166,094	\$ 166,094	\$ 175,564	\$ 9,470
Fines and forfeitures:				
Court fines and forfeitures	\$ 175,500	\$ 175,500	\$ 224,057	\$ 48,557
Revenue from use of money and property:				
Revenue from use of money	\$ 400,000	\$ 400,000	\$ 305,834	\$ (94,166)
Revenue from use of property	220,000	220,000	322,800	102,800
Total revenue from use of money and property	\$ 620,000	\$ 620,000	\$ 628,634	\$ 8,634
Charges for services:				
Charges for courthouse security	\$ 55,000	\$ 55,000	\$ 79,874	\$ 24,874
Charges for parks and recreation	65,000	65,000	50,128	(14,872)
Charges for jail inmates	24,700	24,700	66,150	41,450
Charges for administration	44,500	44,500	44,765	265
Charges for library	22,000	22,000	28,957	6,957
Charges for courthouse maintenance	15,000	15,000	15,602	602
Charges for law library	16,000	16,000	7,898	(8,102)

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 2 of 7

<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 fire prevention	\$ 5,100	\$ 5,100	\$ 4,050	\$ (1,050)
Charges for commonwealth's attorney	5,500	5,500	4,608	(892)
Charges for law enforcement	4,500	4,500	4,644	144
Charges for Animal Control	5,000	5,000	4,405	(595)
Other charges for services	4,100	4,100	7,339	3,239
Total charges for services	\$ 266,400	\$ 266,400	\$ 318,420	\$ 52,020
Miscellaneous revenue:				
Tax sales	\$ -	\$ -	\$ 23,257	\$ 23,257
Miscellaneous other	32,900	33,002	50,196	17,194
J.T. Minnie Maude recreation grants	37,500	124,000	86,500	(37,500)
Gifts and donations	43,000	60,220	25,114	(35,106)
City of Danville, Virginia revenue sharing	50,000	50,000	39,685	(10,315)
Total miscellaneous revenue	\$ 163,400	\$ 267,222	\$ 224,752	\$ (42,470)
Recovered costs:				
Jail reimbursements	\$ 215,509	\$ 235,509	\$ 256,740	\$ 21,231
Sheriffs extra duty	125,000	125,000	87,277	(37,723)
Soil and water conservation district	116,482	122,482	121,808	(674)
School resource officer	91,218	91,218	95,202	3,984
City of Danville, Virginia	-	-	74,189	74,189
Health department	65,000	65,000	55,819	(9,181)
Social Services	60,000	60,000	48,567	(11,433)
Other recovered costs	740,862	926,134	211,989	(714,145)
Total recovered costs	\$ 1,414,071	\$ 1,625,343	\$ 951,591	\$ (673,752)
Total revenue from local sources	\$ 41,207,707	\$ 41,522,802	\$ 42,567,696	\$ 1,044,894
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 80,000	\$ 80,000	\$ 97,853	\$ 17,853
Mobile home titling tax	90,000	90,000	52,407	(37,593)
Motor vehicle rental tax	5,000	5,000	5,249	249
State recordation tax	75,000	75,000	95,775	20,775
State Communications Tax	2,135,000	2,135,000	2,284,138	149,138
Personal property tax relief act funds	4,139,276	4,139,276	4,139,277	1
Total noncategorical aid	\$ 6,524,276	\$ 6,524,276	\$ 6,674,699	\$ 150,423
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 541,845	\$ 541,845	\$ 529,229	\$ (12,616)
Sheriff	4,072,226	4,072,226	4,049,815	(22,411)
Commissioner of revenue	148,637	156,762	157,837	1,075
Treasurer	168,196	168,196	165,029	(3,167)
Registrar/electoral board	47,400	47,400	46,081	(1,319)

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 3 of 7

<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: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Shared expenses: (Continued)				
Clerk of the Circuit Court	\$ 412,866	\$ 434,453	\$ 422,008	\$ (12,445)
Circuit Court	75,000	75,000	61,270	(13,730)
Total Shared Expenses	\$ 5,466,170	\$ 5,495,882	\$ 5,431,269	\$ (64,613)
Other categorical aid:				
Victim witness grant	\$ 17,676	\$ 17,676	\$ 34,687	\$ 17,011
VJCCA grant	41,765	41,765	41,765	-
Records preservation grant	5,000	8,663	-	(8,663)
Law enforcement grants	8,000	10,203	2,203	(8,000)
E-911 grants	110,185	110,185	57,975	(52,210)
EMS grants	75,000	75,000	64,058	(10,942)
Fire program funds	204,000	204,000	179,195	(24,805)
Library grants	149,432	156,137	156,137	-
Litter control grants	24,000	24,000	19,784	(4,216)
Public assistance	1,894,110	1,894,110	1,137,113	(756,997)
Comprehensive services act	3,250,000	3,250,000	2,690,775	(559,225)
Babycare grant	55,167	55,167	15,804	(39,363)
Crisis interv prevention	-	173,809	173,829	20
RASAP grant	-	2,500	2,500	-
School resource officer	-	137,352	128,566	(8,786)
Total other categorical aid	\$ 5,834,335	\$ 6,160,567	\$ 4,704,391	\$ (1,456,176)
Total categorical aid	\$ 11,300,505	\$ 11,656,449	\$ 10,135,660	\$ (1,520,789)
Total revenue from the Commonwealth	\$ 17,824,781	\$ 18,180,725	\$ 16,810,359	\$ (1,370,366)
Revenue from the federal government:				
Categorical aid:				
DMV grants	\$ 6,500	\$ 6,500	\$ 5,997	\$ (503)
Homeland security	10,000	10,000	6,632	(3,368)
Emergency management preparedness	198,605	100,105	69,715	(30,390)
Law enforcement block grants	60,000	60,000	42,681	(17,319)
Crime victim assistance	53,027	53,027	41,181	(11,846)
Bureau of justice assistance	55,500	55,500	3,056	(52,444)
Voting machine grant	-	45,000	45,000	-
Bullet proof vest	21,077	21,077	13,330	(7,747)
Public assistance	2,389,582	2,389,582	2,220,441	(169,141)
Total revenue from the federal government	\$ 2,912,978	\$ 2,859,478	\$ 2,448,033	\$ (411,445)
Total General Fund	\$ 61,945,466	\$ 62,563,005	\$ 61,826,088	\$ (736,917)

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 4 of 7

<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 Funds:				
Industrial Development Fund:				
Revenue from local sources:				
Recovered costs:				
Industrial Development Authority	\$ 3,688	\$ 153,106	\$ 155,870	\$ 2,764
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco indemnification funds	\$ 7,047,106	\$ 9,315,296	\$ 1,405,708	\$ (7,909,588)
AFID grant funds	-	150,000	150,000	-
Total revenue from the Commonwealth	\$ 7,047,106	\$ 9,465,296	\$ 1,555,708	\$ (7,909,588)
Total Industrial Development Fund	\$ 7,050,794	\$ 9,618,402	\$ 1,711,578	\$ (7,906,824)
Workforce Investment Act Fund:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ 184,108	\$ 185,364	\$ 1,256
Miscellaneous revenue:				
Other miscellaneous	\$ 1,500	\$ 2,371	\$ 1,056	\$ (1,315)
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
WIA adult programs, youth activities, and dislocated workers	\$ 3,021,935	\$ 3,071,935	\$ 2,443,091	\$ (628,844)
Total Workforce Investment Act Fund	\$ 3,023,435	\$ 3,258,414	\$ 2,629,511	\$ (628,903)
Debt Service Reserve Funds:				
Debt Service Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 13	\$ 13
Total Debt Service Reserve Fund	\$ -	\$ -	\$ 13	\$ 13
Nonmajor Special Revenue Funds:				
Forfeited Assets Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 908	\$ 908

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 5 of 7

<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>
Forfeited Assets Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	\$ 22,092	\$ 22,092	\$ 640	\$ (21,452)
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture funds	\$ 16,000	\$ 213,590	\$ 234,754	\$ 21,164
Total Forfeited Assets Fund	\$ 38,092	\$ 235,682	\$ 236,302	\$ 620
Nonmajor Capital Projects Funds:				
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,657	\$ 2,657
Total School Capital Improvements Fund	\$ -	\$ -	\$ 2,657	\$ 2,657
Total Primary Government	\$ 72,057,787	\$ 75,675,503	\$ 66,406,149	\$ (9,269,354)
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 money	\$ 638	\$ 638	\$ 268	\$ (370)
Revenue from the use of property	40,350	40,350	40,754	404
Total revenue from use of money and property	\$ 40,988	\$ 40,988	\$ 41,022	\$ 34
Charges for services:				
School food	\$ 2,076,278	\$ 2,076,278	\$ 1,662,978	\$ (413,300)
Tuition and payments from other divisions	122,480	122,480	94,603	(27,877)
Total charges for services	\$ 2,198,758	\$ 2,198,758	\$ 1,757,581	\$ (441,177)
Miscellaneous revenue:				
Other miscellaneous	\$ 1,210,564	\$ 1,210,564	\$ 1,159,544	\$ (51,020)
Recovered costs:				
Other recovered costs	\$ 3,536,013	\$ 3,536,014	\$ 3,825,176	\$ 289,162
Total revenue from local sources	\$ 6,986,323	\$ 6,986,324	\$ 6,783,323	\$ (203,001)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Pittsylvania, Virginia	\$ 15,630,178	\$ 15,979,601	\$ 14,440,239	\$ (1,539,362)

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 6 of 7

<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: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Share of state sales tax	\$ 9,411,495	\$ 9,411,495	\$ 9,080,841	\$ (330,654)
Basic Aid	27,438,146	27,438,146	27,552,185	114,039
Remedial summer education	185,441	185,441	194,695	9,254
Regular foster care	34,831	34,831	11,603	(23,228)
Gifted and talented	309,901	309,901	309,161	(740)
Remedial education	1,010,547	1,010,547	1,008,134	(2,413)
Special education	4,091,353	4,091,353	4,025,815	(65,538)
Textbook payment	604,509	604,509	603,066	(1,443)
Alternative education	189,632	189,632	189,564	(68)
Algebra readiness	161,096	161,096	156,397	(4,699)
Mentor teacher program	8,585	8,585	6,361	(2,224)
Social security fringe benefits	1,879,618	1,879,618	1,875,129	(4,489)
Group life	121,266	121,266	120,976	(290)
Retirement fringe benefits	3,139,434	3,139,434	3,131,936	(7,498)
Governor's school	17,630	17,630	17,630	-
Early reading intervention	166,806	166,806	206,745	39,939
Homebound education	104,915	104,915	74,783	(30,132)
Vocation education	1,450,017	1,450,017	1,426,553	(23,464)
Salary Supplement	704,596	704,596	702,533	(2,063)
JROTC	264,435	264,435	266,655	2,220
Special education - foster children	-	-	28,517	28,517
At risk payments	1,181,437	1,181,437	1,178,793	(2,644)
Primary class size	1,476,994	1,476,994	1,463,055	(13,939)
Technology	621,200	621,200	376,597	(244,603)
At risk four-year olds	1,011,360	1,011,360	1,011,360	-
School Food	183,270	183,270	94,681	(88,589)
English as a second language	118,900	118,900	97,812	(21,088)
Other state funds	616,112	616,112	627,523	11,411
GED prep program	23,576	23,576	23,576	-
Project Graduation	11,811	11,811	13,541	1,730
Total categorical aid	\$ 56,538,913	\$ 56,538,913	\$ 55,876,217	\$ (662,696)
Total revenue from the Commonwealth	\$ 56,538,913	\$ 56,538,913	\$ 55,876,217	\$ (662,696)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 2,307,758	\$ 2,307,758	\$ 1,856,501	\$ (451,257)
Special Education	1,886,227	1,886,227	1,775,924	(110,303)
Title VI-B, preschool	26,526	26,526	23,846	(2,680)
Vocational education	153,296	153,296	185,873	32,577
School food program	5,726,132	5,726,132	3,244,757	(2,481,375)
Title II	340,805	340,805	376,381	35,576
Title IV Part B-21	105,752	105,752	110,005	4,253
Language acquisition	16,962	16,962	21,078	4,116

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 7 of 7

<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: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
School improvement grant	\$ -	\$ -	\$ 138,994	\$ 138,994
Other federal funds	54,185	54,185	4,185	(50,000)
Total revenue from the federal government	<u>\$ 10,617,643</u>	<u>\$ 10,617,643</u>	<u>\$ 7,737,544</u>	<u>\$ (2,880,099)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 89,773,057</u>	<u>\$ 90,122,481</u>	<u>\$ 84,837,323</u>	<u>\$ (5,285,158)</u>

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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	\$ 127,621	\$ 159,691	\$ 142,174	\$ 17,517
General and financial administration:				
County administrator	\$ 278,536	\$ 296,576	\$ 288,552	\$ 8,024
Legal services	195,397	195,546	172,619	22,927
Independent auditor	72,000	77,948	78,763	(815)
Commissioner of revenue	578,189	590,376	556,272	34,104
Reassessment	562,074	562,074	343,240	218,834
Treasurer	651,528	655,526	653,559	1,967
Central accounting	294,268	300,179	300,462	(283)
Management information systems	329,412	359,494	356,335	3,159
Central purchasing	116,326	116,376	118,836	(2,460)
Grants administration	74,758	74,758	71,187	3,571
Total general and financial administration	\$ 3,152,488	\$ 3,228,853	\$ 2,939,825	\$ 289,028
Board of elections:				
Electoral board	\$ 170,919	\$ 217,619	\$ 80,411	\$ 137,208
Registrar	137,787	137,837	132,406	5,431
Total board of elections	\$ 308,706	\$ 355,456	\$ 212,817	\$ 142,639
Total general government administration	\$ 3,588,815	\$ 3,744,000	\$ 3,294,816	\$ 449,184
Judicial administration:				
Courts:				
Circuit court	\$ 134,251	\$ 134,913	\$ 123,006	\$ 11,907
General district court	11,706	11,706	9,563	2,143
Special magistrates	4,200	4,200	3,316	884
Juvenile & Domestic relations Court	21,900	22,081	19,799	2,282
Clerk of the circuit court	644,754	681,470	662,222	19,248
Law Library	25,800	25,800	12,107	13,693
Victim and witness assistance	70,703	70,703	62,880	7,823
Commissioner of Accounts	960	960	758	202
Total courts	\$ 914,274	\$ 951,833	\$ 893,651	\$ 58,182
Commonwealth's attorney:				
Commonwealth's attorney	\$ 717,635	\$ 724,011	\$ 681,492	\$ 42,519
Total judicial administration	\$ 1,631,909	\$ 1,675,844	\$ 1,575,143	\$ 100,701
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 6,127,724	\$ 6,453,523	\$ 6,031,074	\$ 422,449
Sheriff - grants	301,077	601,690	313,937	287,753
Sheriff - 911 System	100,185	100,185	55,821	44,364
Total law enforcement and traffic control	\$ 6,528,986	\$ 7,155,398	\$ 6,400,832	\$ 754,566

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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 Marshall	\$ 27,162	\$ 27,162	\$ 22,663	\$ 4,499
Volunteer fire department	1,824,646	2,378,167	2,238,125	140,042
Ambulance and rescue services	125,000	125,000	58,818	66,182
Total fire and rescue services	<u>\$ 1,976,808</u>	<u>\$ 2,530,329</u>	<u>\$ 2,319,606</u>	<u>\$ 210,723</u>
Correction and detention:				
Sheriff - correction and detention	\$ 4,022,573	\$ 4,121,005	\$ 4,096,422	\$ 24,583
Court services unit	402,837	466,982	395,427	71,555
Other correction and detention	26,100	31,218	30,378	840
Total correction and detention	<u>\$ 4,451,510</u>	<u>\$ 4,619,205</u>	<u>\$ 4,522,227</u>	<u>\$ 96,978</u>
Inspections:				
Building inspections	\$ 304,471	\$ 314,357	\$ 303,568	\$ 10,789
Other protection:				
Animal control	\$ 265,376	\$ 269,124	\$ 240,871	\$ 28,253
Medical examiner	2,500	2,500	740	1,760
E911 System	1,247,033	1,384,501	1,293,607	90,894
Emergency Management	28,605	40,241	34,563	5,678
Emergency Services	-	-	-	-
Total other protection	<u>\$ 1,543,514</u>	<u>\$ 1,696,366</u>	<u>\$ 1,569,781</u>	<u>\$ 126,585</u>
Total public safety	<u>\$ 14,805,289</u>	<u>\$ 16,315,655</u>	<u>\$ 15,116,014</u>	<u>\$ 1,199,641</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works	\$ 160,757	\$ 142,807	\$ 68,864	\$ 73,943
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 978,555	\$ 994,068	\$ 947,532	\$ 46,536
Fleet management	119,500	119,500	97,183	22,317
Total maintenance of general buildings and grounds	<u>\$ 1,098,055</u>	<u>\$ 1,113,568</u>	<u>\$ 1,044,715</u>	<u>\$ 68,853</u>
Total public works	<u>\$ 1,258,812</u>	<u>\$ 1,256,375</u>	<u>\$ 1,113,579</u>	<u>\$ 142,796</u>
Health and welfare:				
Health:				
Local health department	\$ 498,600	\$ 498,600	\$ 498,600	\$ -
Mental health and mental retardation:				
Mental health and mental retardation	\$ 251,856	\$ 251,856	\$ 251,856	\$ -

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Welfare administration	\$ 4,589,584	\$ 4,589,733	\$ 3,474,689	\$ 1,115,044
Public assistance	1,243,000	1,198,000	596,584	601,416
Comprehensive Services Act	4,495,139	4,495,139	3,775,151	719,988
Family preservation grant	45,000	45,000	32,352	12,648
Baby care grant	55,167	55,167	53,225	1,942
Total welfare	<u>\$ 10,427,890</u>	<u>\$ 10,383,039</u>	<u>\$ 7,932,001</u>	<u>\$ 2,451,038</u>
Total health and welfare	<u>\$ 11,178,346</u>	<u>\$ 11,133,495</u>	<u>\$ 8,682,457</u>	<u>\$ 2,451,038</u>
Education:				
Other instructional costs:				
Contribution to local school board	\$ 15,630,178	\$ 15,979,601	\$ 14,440,239	\$ 1,539,362
Contributions to community college	8,781	8,781	8,743	38
Total education	<u>\$ 15,638,959</u>	<u>\$ 15,988,382</u>	<u>\$ 14,448,982</u>	<u>\$ 1,539,400</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Administration of parks and recreation	\$ 297,662	\$ 326,446	\$ 256,576	\$ 69,870
State Forestry	33,984	33,984	33,521	463
Total parks and recreation	<u>\$ 331,646</u>	<u>\$ 360,430</u>	<u>\$ 290,097</u>	<u>\$ 70,333</u>
Library:				
Library administration	\$ 1,136,884	\$ 1,215,228	\$ 1,207,182	\$ 8,046
Total parks, recreation, and cultural	<u>\$ 1,468,530</u>	<u>\$ 1,575,658</u>	<u>\$ 1,497,279</u>	<u>\$ 78,379</u>
Community development:				
Planning and community development:				
Planning commission	\$ 168,987	\$ 169,037	\$ 166,981	\$ 2,056
Community development	967,074	1,157,561	818,802	338,759
Zoning board	234,644	234,644	232,882	1,762
Economic development	897,364	869,648	838,498	31,150
Total planning and community development	<u>\$ 2,268,069</u>	<u>\$ 2,430,890</u>	<u>\$ 2,057,163</u>	<u>\$ 373,727</u>
Environmental management:				
Soil and water conservation district	\$ 116,482	\$ 122,482	\$ 121,999	\$ 483
Other environmental management	24,000	38,121	26,320	11,801
Total environmental management	<u>\$ 140,482</u>	<u>\$ 160,603</u>	<u>\$ 148,319</u>	<u>\$ 12,284</u>
Cooperative extension program:				
Cooperative extension program	\$ 69,771	\$ 69,771	\$ 44,087	\$ 25,684
Total community development	<u>\$ 2,478,322</u>	<u>\$ 2,661,264</u>	<u>\$ 2,249,569</u>	<u>\$ 411,695</u>

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 4 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)				
Capital projects:				
Other capital projects	\$ 8,827,710	\$ 8,909,069	\$ 3,997,820	\$ 4,911,249
Debt service:				
Principal retirement	\$ 7,016,698	\$ 7,013,112	\$ 7,202,033	\$ (188,921)
Interest and other fiscal charges	4,622,509	4,620,147	4,744,605	(124,458)
Total debt service	\$ 11,639,207	\$ 11,633,259	\$ 11,946,638	\$ (313,379)
Total General Fund	\$ 72,515,899	\$ 74,893,001	\$ 63,922,297	\$ 10,970,704
Special Revenue Funds:				
Industrial Development Fund:				
Community development:				
Planning and community development:				
Industrial development	\$ 1,471,294	\$ 2,924,933	\$ 1,083,895	\$ 1,841,038
Berry Hill Projects	7,808,505	9,394,989	508,838	8,886,151
Hurt Klopman Mills water and sewer improvements	-	38,215	-	38,215
Total planning and community development	\$ 9,279,799	\$ 12,358,137	\$ 1,592,733	\$ 10,765,404
Capital projects:				
Capital Projects	\$ 100,000	\$ 865,190	\$ 842,821	\$ 22,369
Total Industrial Development Fund	\$ 9,379,799	\$ 13,223,327	\$ 2,435,554	\$ 10,787,773
Workforce Investment Act Fund:				
Health and welfare:				
Welfare:				
Workforce investment act	\$ 3,023,435	\$ 3,258,414	\$ 2,543,074	\$ 715,340
Total Workforce Investment Act Fund	\$ 3,023,435	\$ 3,258,414	\$ 2,543,074	\$ 715,340
Nonmajor Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 190,092	\$ 957,472	\$ 672,724	\$ 284,748
Total Forfeited Asset Fund	\$ 190,092	\$ 957,472	\$ 672,724	\$ 284,748
Total Primary Government	\$ 85,109,225	\$ 92,332,214	\$ 69,573,649	\$ 22,758,565

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 5 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>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 3,136,135	\$ 3,208,634	\$ 3,102,801	\$ 105,833
Instruction costs:				
Instructional costs	\$62,218,661	\$60,597,602	\$59,461,129	\$ 1,136,473
Technology	2,571,313	2,623,888	2,515,273	108,615
Total instruction costs	<u>\$64,789,974</u>	<u>\$63,221,490</u>	<u>\$61,976,402</u>	<u>\$ 1,245,088</u>
Operating costs:				
Pupil transportation	\$ 6,123,704	\$ 6,217,103	\$ 6,000,669	\$ 216,434
Operation and maintenance of school plant	7,575,799	8,638,148	7,893,690	744,458
Food service and non-instructional	8,147,445	8,234,950	5,155,801	3,079,149
Facilities	-	602,156	602,156	-
Total operating costs	<u>\$21,846,948</u>	<u>\$23,692,357</u>	<u>\$19,652,316</u>	<u>\$ 4,040,041</u>
Total education	<u>\$89,773,057</u>	<u>\$90,122,481</u>	<u>\$84,731,519</u>	<u>\$ 5,390,962</u>
Total Discretely Presented Component Unit - School Board	<u>\$89,773,057</u>	<u>\$90,122,481</u>	<u>\$84,731,519</u>	<u>\$ 5,390,962</u>

OTHER STATISTICAL INFORMATION

Table 1

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (2)	Health and Welfare	Education (1)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Landfill (2)	Total
2013-14	\$ 2,779,007	\$ 1,616,010	\$ 15,412,321	\$ 1,065,750	\$ 11,203,241	\$ 17,456,021	\$ 1,544,778	\$ 3,595,993	\$ -	\$ 4,462,480	\$ 2,610,768	\$ 61,746,369
2012-13	3,151,761	1,577,467	14,150,804	1,722,616	11,742,309	17,610,398	1,519,663	4,541,281	-	5,044,241	(355,066)	60,705,474
2011-12	2,352,270	1,604,516	14,004,881	1,312,173	11,725,859	17,483,731	1,389,794	5,297,007	-	4,852,814	3,192,265	63,215,310
2010-11	2,317,903	1,521,622	13,492,424	5,199,400	15,013,208	16,068,919	1,212,790	6,009,715	-	5,052,047	-	65,888,028
2009-10	3,008,491	1,289,615	13,884,135	5,552,474	18,784,848	11,601,833	1,179,959	5,879,792	-	5,658,339	-	66,839,486
2008-09	2,953,224	1,579,879	13,399,420	4,495,239	15,855,096	13,030,727	1,163,559	6,642,658	-	4,706,088	-	63,825,890
2007-08	2,268,035	1,554,911	12,356,590	4,416,883	15,780,009	15,904,724	1,170,737	7,041,212	-	2,799,504	-	63,292,605
2006-07	2,271,683	1,464,735	11,577,156	3,420,748	16,364,479	14,808,363	938,209	6,967,075	-	2,677,642	-	60,490,090
2005-06	2,563,706	1,402,086	10,803,557	5,646,411	13,944,548	17,754,863	895,838	6,727,152	17,373	2,826,528	-	62,582,062
2004-05	2,285,096	1,582,446	10,020,520	3,144,897	11,611,407	23,251,349	892,832	4,127,916	-	2,169,822	-	59,086,285

(1) Debt financed assets are transferred to the School Board upon defeasance of debt.

This amounts includes assets (net of related depreciation) that were transferred to the School Board during the fiscal year.

(2) In FY 2012, the County implemented a Landfill Fund which decreased the Public Works expenses.

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services (3)	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes (2)	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs (2)		
2013-14	\$ 2,716,427	\$ 16,833,132	\$ 234,754	\$ 32,312,752	\$ 7,058,150	\$ 817,859	\$ 303,887	\$ 6,674,699	\$ 66,951,660	
2012-13	2,952,151	16,862,088	-	31,959,232	6,759,321	640,925	449,990	6,781,594	66,405,301	
2011-12	924,023	15,633,076	2,405,211	31,373,406	6,805,947	651,947	409,617	6,698,703	64,901,930	
2010-11	861,632	16,037,575	3,564,213	28,781,337	6,696,327	646,849	673,095	6,760,306	64,021,334	
2009-10	885,248	21,413,814	3,006,599	27,907,392	6,414,085	1,174,002	758,424	6,748,918	68,308,482	
2008-09	776,068	22,813,227	-	29,680,376	8,304,925	1,520,387	272,379	4,483,640	67,851,002	
2007-08	924,114	24,461,459	-	24,012,434	7,748,448	1,708,824	512,564	4,523,327	63,891,170	
2006-07 (1)	829,230	14,801,890	-	39,379,257	5,932,477	1,477,238	494,659	13,480,047	76,394,798	
2005-06	774,016	20,133,387	-	25,730,408	7,670,729	1,219,586	333,902	3,563,250	59,425,278	
2004-05	531,084	16,502,453	-	21,149,043	7,447,714	809,786	47,292	7,392,906	53,880,278	

- (1) Fiscal year 2006-07 was the first time the County started twice a year collections for property taxes, as such general property taxes increased significantly due to collecting one and a half years of taxes.
- (2) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.
- (3) The Landfill fund created in fiscal year 2012 started billings in fiscal year 2013.

Table 3

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (3)	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2013-14	\$ 3,294,816	\$ 1,575,143	\$ 15,788,738	\$ 1,113,579	\$ 11,225,531	\$ 84,740,262	\$ 1,497,279	\$ 3,842,302	\$ 4,840,641	\$ -	\$ 11,946,638	\$ 139,864,929
2012-13 (4)	3,495,374	1,566,578	14,763,371	1,300,429	11,927,840	84,680,673	1,509,918	7,586,932	5,794,131	-	9,450,033	142,075,279
2011-12	2,768,169	1,566,584	14,222,860	1,215,984	11,862,939	85,983,611	1,384,918	5,540,095	3,705,766	-	9,948,658	138,199,584
2010-11	2,784,289	1,494,085	13,806,655	3,244,763	12,690,342	82,087,870	1,178,396	6,502,580	398,872	-	9,436,325	133,624,177
2009-10 (4)	3,149,941	1,536,157	14,173,636	3,634,763	18,836,521	82,202,930	1,116,757	6,385,274	-	8,342	10,609,182	141,653,503
2008-09	3,138,333	1,610,990	14,046,712	3,867,606	16,044,417	85,614,779	1,101,641	11,053,679	-	14,414	9,655,047	146,147,618
2007-08	2,540,697	1,563,729	12,980,722	3,474,763	15,680,679	80,580,365	1,117,971	8,628,219	-	10,123	8,428,853	135,006,121
2006-07	2,410,245	1,457,412	11,716,463	3,258,613	17,740,409	79,929,753	1,059,877	7,240,548	-	17,966	7,985,324	132,816,610
2005-06	2,867,450	1,485,388	11,085,605	4,909,283	15,318,430	75,191,815	848,209	7,000,961	-	17,372	7,729,334	126,453,847
2004-05 (4)	2,406,966	1,570,920	9,494,823	2,367,735	8,377,443	69,384,008	832,365	2,246,097	-	-	6,194,358	102,874,715

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

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

(3) In FY 2012, the County implemented a Landfill Fund which decreased the Public Works expenditures.

(4) Refunding debt excluded from Debt Service.

Table 4

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

Fiscal Year	General Property Taxes (3)	Other Local Taxes (4)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services (5)	Miscellaneous	Recovered Costs	Inter-governmental (2,4)	Total
2013-14	\$ 32,986,528	\$ 7,058,150	\$ 175,564	\$ 224,057	\$ 858,598	\$ 2,076,001	\$ 1,385,352	\$ 4,932,637	\$ 87,106,346	\$ 136,803,233
2012-13	31,732,883	6,759,321	188,607	197,581	638,443	2,509,379	1,250,731	7,523,537	87,096,527	137,897,009
2011-12	29,536,089	6,805,947	162,287	173,265	670,207	2,393,242	1,270,149	4,672,806	88,822,247	134,506,239
2010-11	29,100,604	6,696,327	178,650	170,237	688,107	2,877,131	1,173,698	5,320,326	88,957,513	135,162,593
2009-10	29,247,029	6,414,085	179,480	166,937	740,864	2,801,689	981,228	1,779,199	100,511,627	142,822,138
2008-09	28,538,436	8,304,925	187,789	76,900	728,070	2,778,471	413,763	5,608,484	97,486,830	144,123,668
2007-08	26,648,575	7,748,448	228,189	59,939	1,617,807	2,807,395	752,137	2,865,162	93,065,615	135,793,267
2006-07	37,457,835	5,932,477	190,647	59,261	1,502,448	2,664,912	928,174	2,930,935	91,314,513	142,981,202
2005-06	23,973,358	7,670,729	194,032	35,858	1,212,422	2,527,252	364,769	2,669,158	79,797,186	118,444,764
2004-05	22,118,617	7,447,714	99,367	30,696	808,248	2,261,561	246,988	2,477,978	77,002,158	112,493,327

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

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

(3) Fiscal year 2006-07 was the first time the County started twice a year collections for property taxes, as such general property taxes increased significantly due to collecting one and a half years of taxes.

(4) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.

(5) In fiscal year 2011-2012 the County implemented a Landfill fund and charges for those services were included in that fund.

Table 5

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

Fiscal Year	Total Tax Levy (1,2,3)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections (2)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1), (4)	Percent of Delinquent Taxes to Tax Levy
2013-14	\$ 38,160,477	\$ 35,105,305	91.99%	\$ 1,417,570	\$ 36,522,875	95.71%	\$ 5,996,958	15.72%
2012-13	35,706,993	34,265,018	95.96%	908,882	35,173,900	98.51%	4,969,523	13.92%
2011-12	34,990,189	32,026,677	91.53%	1,158,500	33,185,177	94.84%	4,388,377	12.54%
2010-11	32,592,883	31,183,881	95.68%	1,432,717	32,616,598	100.07%	4,024,379	12.35%
2009-10	31,940,215	30,753,521	96.28%	2,000,871	32,754,392	102.55%	4,372,838	13.69%
2008-09	32,080,815	31,031,751	96.73%	1,055,873	32,087,624	100.02%	6,093,598	18.99%
2007-08	30,622,788	29,287,616	95.64%	995,228	30,282,844	98.89%	5,162,664	16.86%
2006-07 (3)	42,906,728	40,904,736	95.33%	1,372,240	42,276,976	98.53%	5,442,012	12.68%
2005-06	27,550,647	25,301,243	91.84%	1,244,080	26,545,323	96.35%	3,890,053	14.12%
2004-05	25,825,295	24,583,223	95.19%	910,357	25,493,580	98.72%	3,274,117	12.68%

(1) Exclusive of penalties and interest.

(2) Includes amount received under the Personal Property Tax Relief Act.

(3) Fiscal year 2006-07 was the first time the County started twice a year collections for property taxes, as such the tax levy increased significantly due to levying one and a half years of taxes.

(4) In fiscal year 2011-2012, the 60 day collections were subtracted from the outstanding delinquent taxes due to the change in due date to June 29, 2012.

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property	Machinery				Mobile Homes	Public Service (2)	Total
			and Tools	Merchant's Capital					
2013-14	\$ 3,880,009,003	\$ 122,969,818	\$ 39,320,240	\$ 9,880,649	\$ 44,322,009	\$ 355,616,806	\$ 4,452,118,525		
2012-13	3,765,453,474	119,660,633	39,087,600	8,899,321	47,871,206	338,873,822	4,319,846,056		
2011-12	3,701,567,643	116,972,188	35,378,260	8,856,290	46,913,277	316,586,962	4,226,274,620		
2010-11	3,703,464,286	112,839,901	34,298,350	8,580,130	47,038,600	326,907,505	4,233,128,772		
2009-10	3,658,961,545	111,212,898	30,661,670	8,358,600	46,670,090	302,840,801	4,158,705,604		
2008-09	3,441,025,740	116,284,250	27,960,420	10,958,360	53,850,620	279,532,952	3,929,612,342		
2007-08	3,340,200,900	126,995,535	30,406,175	14,075,345	53,156,985	303,006,203	3,867,841,143		
2006-07	3,283,464,100	124,122,610	31,212,500	14,007,680	52,996,310	319,260,819	3,825,064,019		
2005-06	2,611,570,600	118,411,320	31,222,910	7,285,270	59,329,740	276,384,720	3,104,204,560		
2004-05	2,548,462,609	111,655,846	34,479,460	12,614,550	59,705,300	300,082,626	3,067,000,391		

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

(2) Assessed values are established by the State Corporation Commission-includes all property types.

Table 7

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

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes	Generating Equipment (2)
2013-14	\$ 0.56/0.59	\$ 8.75	\$ 4.50	\$ 2.75	\$ 0.56/0.59	\$ 0.56/0.59
2012-13	0.56	8.75	4.50	2.75	0.56	0.56
2011-12	0.52/0.56	8.75	4.50	2.75	0.52/0.56	0.52/0.56
2010-11	0.52	8.50	4.50	2.75	0.52	0.52
2009-10	0.56/0.52	8.50	4.50	2.75	0.56/0.52	0.56/0.52
2008-09	0.53/0.56	7.75/8.50	4.50	2.75	0.53/0.56	0.53/0.56
2007-08	0.53	7.75	4.50	2.75	0.53	0.53
2006-07	0.50	7.75	4.50	2.75	0.50	0.48
2005-06	0.57	7.75	4.50	2.75	0.57	0.55
2004-05	0.55	7.25	4.50	2.75	0.55	0.45

(1) Per \$100 of assessed value. Property taxes are assessed on January 1 of each year and therefore, the rates for amounts due on December 5th, may be different from the rates for amounts due on June 5th.

(2) Included as part of Public Service Corporations in other schedules

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2013-14	63,506	\$ 4,452,119	\$ 95,451,194	95,451,194	2.14%	\$ 1,503
2012-13	63,506	4,319,846	101,616,973	101,616,973	2.35%	1,600
2011-12	63,506	4,226,275	107,562,022	107,562,022	2.55%	1,694
2010-11	63,506	4,233,129	110,332,166	110,332,166	2.61%	1,737
2009-10	61,745	4,158,706	114,021,227	114,021,227	2.74%	1,847
2008-09	61,745	3,929,612	116,514,098	116,514,098	2.97%	1,887
2007-08	61,745	3,867,841	60,326,400	60,326,400	1.56%	977
2006-07	61,745	3,825,064	54,194,748	54,194,748	1.42%	878
2005-06	61,745	3,104,205	57,958,492	57,958,492	1.87%	939
2004-05	61,745	3,067,000	58,888,579	58,888,579	1.92%	954

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

(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 abser

Table 9

County of Pittsylvania, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2013-14	\$ 11,946,638	\$ 139,864,929	8.54%
2012-13 (2)	9,450,033	142,075,279	6.65%
2011-12	9,948,658	138,199,584	7.20%
2010-11	9,436,325	133,624,177	7.06%
2009-10 (2)	10,992,554	141,653,503	7.76%
2008-09	9,587,217	146,147,618	6.56%
2007-08	8,428,853	135,006,121	6.24%
2006-07	7,985,324	132,816,610	6.01%
2005-06	7,729,334	126,453,847	6.11%
2004-05 (2)	6,194,358	102,874,715	6.02%

(1) Includes all governmental funds of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit-School Board.

(2) Excludes refunding debt.

Table 10

County of Pittsylvania, Virginia
Assessed Valuation of Top Ten Taxpayers
Fiscal Year 2014

Taxpayer	Type of Business	2014 Assessed Valuation	Percentage of Total Assessed Valuation
Virginia Electric & Power	Electric Utility	\$ 117,868,439	2.86%
Appalachian Power Company	Electric Utility	71,174,978	1.73%
Transcontinental Gas Pipeline	Gas Utility	39,755,408	0.97%
Swedwood	Manufacturer	31,822,720	0.77%
Colonial Pipeline	Gas Utility	25,371,710	0.62%
Norfolk Southern	Railroad	24,012,236	0.58%
Mecklenburg Electric Coop, Inc.	Electric Utility	22,353,899	0.54%
Intertape Polymer Corp	Electric Utility	21,268,510	0.52%
Sartomer USA LLC	Manufacturer	12,861,150	0.31%
Dan Chem	Manufacturer	2,259,710	0.05%
Total		\$ 368,748,760	8.96%
All Others		\$ 3,748,779,530	91.04%
Total Assessed Valuation		\$ 4,117,528,290	100.00%

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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 Board of Supervisors
County of Pittsylvania, Virginia
Chatham, Virginia**

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of County of Pittsylvania, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Pittsylvania, Virginia's basic financial statements and have issued our report thereon dated December 10, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Pittsylvania, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Pittsylvania, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Pittsylvania, Virginia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2014-001].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Pittsylvania, Virginia's financial statements are free from 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*.

County of Pittsylvania, Virginia's Response to Finding

County of Pittsylvania, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Pittsylvania, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Turner, & Associates

Blacksburg, Virginia
December 10, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Supervisors
County of Pittsylvania, Virginia
Chatham, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Pittsylvania, 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 Pittsylvania, Virginia's major federal programs for the year ended June 30, 2014. County of Pittsylvania, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County of Pittsylvania, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 County of Pittsylvania, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of County of Pittsylvania, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Pittsylvania, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of County of Pittsylvania, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Pittsylvania, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Pittsylvania, 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Blacksburg, Virginia
December 10, 2014

County of Pittsylvania, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Page 1 of 3

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	0950113	\$ 27,202
Temporary Assistance for Needy Families	93.558	0400113, 0400114	491,678
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113, 0500113	2,841
Low-Income Home Energy Assistance	93.568	0600413, 0600414	57,765
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770113, 0770114	(214)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113, 0760114	69,471
Chafee Education and Training Vouchers Program	93.599	9160112, 9160113	1,927
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113, 0900114	3,668
Foster Care - Title IV-E	93.658	1100113, 1100114	204,069
Adoption Assistance	93.659	1120113, 1120114	48,440
Social Services Block Grant	93.667	1000113, 1000114	371,747
Chafee Foster Care Independence Program	93.674	9150113, 9150114	4,584
Children's Health Insurance Program	93.767	0540113, 0540114	16,709
Medical Assistance Program	93.778	1200113, 1200114	443,410
Total Department of Health and Human Services			\$ 1,743,297
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture & Consumer Services:			
Food Distribution-Schools (Note D)	10.555	Not applicable	\$ 337,348
Department of Education:			
National School Lunch Program	10.555	40623	\$ 2,175,722
National School Lunch Program Subtotal	10.555		\$ 2,513,070
Virginia Department of Agriculture & Consumer Services:			
Summer Food Service Program for Children (Note D)	10.559	Not applicable	\$ 2,850
Department of Education:			
School Breakfast Program	10.553	40591	\$ 728,837
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010113, 0010114, 0030113, 0030114, 0040113, 0040114, 0050113, 0050114	\$ 477,144
Total Department of Agriculture			\$ 3,721,901
Department of Justice:			
Direct payments:			
Public Safety Partnership and Community Policing Grants	16.710	Not applicable	\$ 13,330
Equitable Sharing Program	16.922	Not applicable	234,754
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not applicable	3,056
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	56000, 66000	41,181
Total Department of Justice			\$ 292,321

County of Pittsylvania, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Page 2 of 3

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:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	53414, 54456	\$ 42,681
Occupant Protection Incentive Grants	20.602	K2-2013-53378-5093	5,997
Total Department of Transportation			<u>\$ 48,678</u>
Department of Labor:			
Pass Through Payments:			
Virginia Community College System:			
Workforce Investment Act Cluster:			
Workforce Investment Act Adult Program	17.258	53427	\$ 936,810
Workforce Investment Act Youth Activities	17.259	53427	855,963
Workforce Investment Act Dislocated Workers	17.278	53427	650,318
Total Department of Labor			<u>\$ 2,443,091</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	42901	\$ 1,856,501
Special Education Cluster:			
Special Education: Grants to States	84.027	43071	1,775,924
Special Education: Preschool Grants	84.173	62521	23,846
Career and Technical Education: Basic Grants to States	84.048	61095, 61159	185,873
Twenty-First Century Community Learning Centers	84.287	60565	110,005
Advanced Placement Program	84.330	60957	4,185
English Language Acquisition State Grants	84.365	60512	21,078
Improving Teacher Quality - State Grants	84.367	61480	376,381
School Improvement Grants	84.377	43040	138,994
Total Department of Education			<u>\$ 4,492,787</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
State Domestic Preparedness Equipment Support Program	97.004	52741	\$ 50,000
State Homeland Security Program	97.073	52700, 52702	6,632
Emergency Management Performance Grants	97.042	52742	19,715
Total Department of Homeland Security			<u>\$ 76,347</u>
U.S. Election Assistance Commission:			
Pass Through Payments:			
State Board of Elections:			
Help America Vote Act Requirements Payments	90.401	40040	\$ 45,000
Total Expenditures of Federal Awards			<u>\$ 12,863,422</u>

County of Pittsylvania, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Page 3 of 3

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
---	---------------------------	---	-------------------------

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Pittsylvania County, Virginia under programs of the federal government for the year ended June 30, 2014. 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 Pittsylvania, Virginia, it is not intended to and does not present the financial position, changes in nets position, or cash flows of the County of Pittsylvania, 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 -- Subrecipients

Of the federal expenditures presented in the schedule, Pittsylvania County, Virginia provided federal awards to subrecipients as follows:

CFDA Numbers: 17.245, 17.258, 17.259 and 17.260

Program Name: Workforce Development Act Cluster

Amount Provided to Subrecipients: \$2,443,091

Note D -- Food Donation:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2014, The Pittsylvania County School Board had food commodities totaling \$0 in inventory.

Note E -- 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	\$ 2,448,033
Workforce Investment Act Fund	2,443,091
Forfeited Assets Fund	<u>234,754</u>

Total primary government:	<u>\$ 5,125,878</u>
---------------------------	---------------------

Component Unit School Board:

School Operating Fund	<u>\$ 7,737,544</u>
-----------------------	---------------------

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 12,863,422</u></u>
---	-----------------------------

County of Pittsylvania, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program
17.258/17.259/17.278	Workforce Investment Act Cluster
93.778	Medical Assistance Program
84.027/84.173	Special Education (IDEA) - Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$385,713
Auditee qualified as low-risk auditee?	No

County of Pittsylvania, Virginia

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

Section II - Financial Statement Findings

2014-001

Criteria: Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose *adjustments* necessary to comply with reporting standards is not a component of such controls.

Condition: The Landfill Fund as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause of Condition: The Landfill Fund is new to the County and requires entries different from other funds.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the Landfill Fund will not be prevented or detected by the County's internal controls over financial reporting.

Recommendation: The County should review the auditors' proposed audit adjustments for fiscal year 2014 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: Management agrees with this finding and will continue to work toward having the Landfill Fund trial balance more complete and ready for the audit process.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Finding 2013-1 was recurring in the current year.