

COUNTY OF
CAMPBELL, VIRGINIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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COUNTY OF CAMPBELL

SUPERVISORS

JAMES A. BORLAND
STANLEY I. GOLDSMITH
EDDIE GUNTER, JR.
J.D. PUCKETT
MIKE P. ROUSSEAU
STEVEN M. SHOCKLEY
ERIC R. ZEHR



BOARD OF SUPERVISORS
POST OFFICE BOX 100, RUSTBURG, VIRGINIA 24588
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COUNTY ADMINISTRATOR
FRANK J. ROGERS

ALTAVISTA (434) 592-9525
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November 17, 2014

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

We are pleased to present the Comprehensive Annual Financial Report of the County of Campbell, Virginia, (the "County"), for the fiscal year ended June 30, 2014. This report was prepared by the County's Department of Management Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls: In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects funds are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations.

RESPECTING THE PAST, ATTENDING THE PRESENT, CONCENTRATING ON THE FUTURE

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of Campbell report includes all funds of the “primary government.” In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, public works, libraries, economic development, law enforcement, social services, recreation and cultural activities, and community development. Additionally, the County is responsible for funding primary and secondary education and appoints a separate board to handle utilities. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, “The Financial Reporting Entity,” the County has identified two discrete component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board and the Industrial Development Authority are reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government. The IDA is a legally separate organization providing economic development services to the County whose board is appointed by the County Board of Supervisors. In addition, the IDA imposes a financial burden on the County.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION

During FY 2014, Campbell County reached numerous economic milestones. Areva announced their second expansion project in December of 2013. This expansion is a joint venture between Areva’s Lynchburg & Campbell County facilities and will result in new county investment of \$6.9 million. An announcement of a new 100 room Comfort Inn & Suites Hotel on Rt. 29 near the airport was made in February. StarTek announced a relocation and expansion in Campbell County. StarTek’s new facility will add 200 jobs to their existing workforce. CarMax announced they would build a retail auto sales center in Campbell County.

Campbell County’s existing industrial sectors include but are not limited to advanced manufacturing, agricultural, automotive, banking/finance, call centers, forest/wood products, furniture, metal fabrication, nuclear engineering/fabrication, pharmaceutical, plastics, printing, textile, and trucking.

In FY 2014 Campbell County’s unemployment rate ranged from a high of 6.2% in July 2013 to a low of 4.7% in December of 2013, with an average of 5.47%. During FY 2014 Virginia averaged 5.30% in unemployment rates and the national average was 6.76%. Again, Campbell County trended slightly higher than the state but significantly lower than the national averages.

Campbell County’s U S Census estimated population for 2013 was 55,235 up slightly from the 2012 count of 55,163.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

FY 2014 Major Economic Development Department Accomplishments

- **Business Appreciation Week** During the week of June 23rd, Campbell County mailed roughly 2,200 appreciation letters to local businesses and hosted its 11th Annual Business Appreciation Week luncheon. Approximately 70 were in attendance at the luncheon including major county employers and both local and state officials. Jeremy Satterfield with Mid Atlantic Broadband Cooperative was the featured speaker.
- **Tobacco Agriculture Grants** In FY 2014 Campbell County was awarded the Tobacco Commission's Central Virginia Produce Program Grant totaling \$487,000. The grant will provide farmers from 14 different counties with reimbursements towards hay sheds, grain bins, produce/greenhouses structures, pasture shade structures for livestock, & commodity storage sheds. The grant is currently in progress and is anticipated to be completed by August 2015. Additionally, the County is in the process of closing out the completed FY 2012 Livestock grant.
- **Tobacco Southside Economic Development Grant- Seneca Commerce Park Public Sewer** The gravity sewer line installation at Seneca Commerce Park and the Pump Station construction were completed.
- **501 Regional Coalition** The County continues administrative responsibility in facilitating the activities of the 501 Regional Coalition. This is a coalition of four counties and one city that comprise the US Route 501 corridor. The Coalition's goal is to seek safety and other improvements to the road conditions of this important transportation corridor.
- **Brookneal Campbell County Airport** The Department of Economic Development provides administrative support to the Brookneal Campbell County Airport. The AWOS (Automated Weather Observation System) installation at the Airport was completed as was a project to seal the cracks in the runway pavement and remark/stripe the runway.
- **Banker Steel** The IDA started the process of refinancing the loans for the Banker Steel expansion project. This is due to some restructuring of Banker Steel and the need to revise the lease agreement.
- **Tourism Brochure** The Economic Development Department revised and printed the Campbell County Tourism brochure. This revision captured updates to existing attractions as well as listed new ones.

The total reported value of all types of construction for permits issued in FY2014 was down 69% from FY2013 and down 28% as compared to FY2012, due primarily to a decline in institutional and major commercial development. The total reported value of residential construction for permits issued in FY2014 was down 44% from FY 2013, and down 21% from FY2012; most of the fluctuation in residential construction value can be attributed to a large apartment complex beginning construction in FY12, and a large assisted living facility permitted in FY13. Both of these projects were somewhat atypical. Single family home construction remains relatively stable.

FY 2014 Other Initiatives:

For fiscal year 2014: The Priority Initiatives established by the Campbell County Board of Supervisors as guided by the County Administrator and implemented and completed by staff resulted in a more cost efficient government along with enhanced quality of life and increased employment opportunities.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

FY 2014 Other Initiatives: (Continued)

Initiatives begun, continued, or completed during this fiscal year are as follows:

- 20 Year school Construction Plan - The County School Division completed an analysis that included a citizen group of nearly 400 participants to evaluate the best educational structure for County school facilities over the next 50 years. For long term planning purposes the analysis concluded that in order to provide for the best educational quality in a cost effective manner the County should move to a two high school and two middle school concept on shared campuses. The County currently utilizes a four high school model. Consolidating facilities or renovating existing facilities both have significant impacts to the County. The Board of Supervisors and School Board plan to continue discussing this issue to determine a final course of action.
- The Department of Community Development continues to plan for the full implementation of new state stormwater management regulations on July 1, 2014. The Department continues to work with other area jurisdictions on a regional approach to help standardize the implementation in our area.
- The Department of Community Development launched a new, feature-rich website that makes searching local property maps, real estate information and geographical data much easier. Expanding on the existing GIS platform, the new site now provides more in-depth mapping detail on the physical attributes of a property and conveniently conveys related information. It consolidates the County's various community development and real estate data frameworks toward a more streamlined, intuitive searching experience for the user.
- Broadband Access Options were approved by the Board for providing public safety and business access options to broadband based on available funding and resources. A plan was developed to implement broadband access for businesses in the areas of the County currently zoned industrial, and a plan has been developed to deploy broadband access for public safety resources for implementation in future years.
- The County completed a long-term Information Technology master plan. The resultant plan will help guide the County over the next five to ten years in terms of information technology integration and maximization of both fiscal and IT resources.
- The Public Safety Department completed a radio communications system implementation that will result in a new and upgraded emergency radio structure that incorporates countywide simulcast. Additionally, the project includes a study that will include a fourth phase that looks at options on migration to the regional radio system.
- The Public Safety Department completed the upgrade of the 911 Emergency Communications Center Stancil Logging Recorder to be Next Generation Compliant. This will allow for the recording and saving of videos, pictures and text messages received from the public for calls for assistance.
- Public Works completed the expansion and upgrade of the Groundwater Extraction Treatment System for the closed phase of the landfill. The system enables the County to comply with DEQ requirements to treat some low level contaminants located along the southeast side of the old closed landfill. The extracted groundwater is discharged into the public sewer system instead of treating it onsite and discharging it.
- The Timbrook Library capital project has made significant progress in developing an achievable design, funding plan, and construction timeline for an estimated completion date of fall of 2015 upon Board of Supervisor approval.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

FY 2014 Other Initiatives: (Continued)

- The exploration of regionalizing library services with neighboring localities has reached a decision-making point, with the decision to merge collections with the City of Lynchburg already approved. This sharing of collections (already shared with Bedford County) provides an extensive improvement in services by depth of collection and geographical access.
- The Library converted an existing position to that of a second children's program manager in response to overwhelming success of and demand for additional children's programming year-round.
- The Human Resources Department took the lead in working with County and School system staff on implementation of an enhanced employee wellness program. The wellness program is focused on improving employee and family member long term health and wellness, reducing costs for healthcare, and improving employee attendance and morale.
- On December 16, 2013 Governor Robert McDonnell recognized Campbell County Social Services as one of the 5 top social service agencies in the Virginia Adopts: Campaign for 1,000. The adoption staff was recognized for efforts relating to placing foster children in permanent adoptive homes.

PROPERTY TAX RATES

There were no changes in property tax rates for FY 2014.

GOVERNMENT'S FINANCIAL POLICIES AND LONG TERM FINANCIAL PLANNING

The County experienced significant reductions in funding from the State from FY 2009 through FY 2012. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure they were reduced in direct proportion to the reduction in State funding. This was accomplished in part due to the County instituting a mandatory rolling vacancy program of 180 days for open staff positions before the open positions could be filled. During the FY 2010 budget in the spring of 2009 the Board of Supervisors adopted a strategy to build up fund reserves through the use of heightened expenditure controls. A portion of those additional fund reserves would be used as needed as part of a step-down strategy over a period of four years to offset revenue losses due to the weakened economy and due to funding reductions from the State in order to help offset service delivery reductions, primarily in the area of education, until the economy improved. This adopted fund reserve strategy served its purpose well and enabled the county to weather the adverse economic environment until the local economy showed significant improvement beginning in FY 2013. The local economy continued to show significant improvement in FY 2014.

The County has established a target unassigned general fund balance of 15% of the combined non-duplicated budget of the General Fund and School Operating Fund. For the FY 2015 budget year this totals 15% of \$116,000,000 or \$17.4 million. The minimum target set by the County is 10%, or \$11.6 million based on the FY 2015 budget. The 15% target represents approximately 60 days of operating reserve, and additionally serves to meet required financial assurance measures for solid waste activities, and demonstrates the County's fiscal soundness for borrowing capacity. The year-end unassigned general fund balance of \$17,337,694 is slightly below the targeted \$17.4 million, however continues to see improvement as the County reinvests reverted funds into the fund balance after five years of reserves being used as temporary step-down resources used during the economic downturn. The balance is now well above the 10% minimum. Additionally, the Board of Supervisors appropriated \$1,375,000 from this unassigned fund balance in September 2014 (FY2015). \$1,100,000 of this amount was appropriated as a transfer from the General Fund to the Health Insurance Fund in order to continue to pay for contributions to employee-owned HSA accounts. These September 2014 appropriations reduced the Unassigned General Fund balance to \$15,962,694 at that time.

GOVERNMENT'S FINANCIAL POLICIES AND LONG TERM FINANCIAL PLANNING: (CONTINUED)

The County utilizes an annual comprehensive planning process to look at long-term capital and operational needs. This process leads to the development of a formal Priority Initiative Plan and Timeline that identifies future funding requirements of up to ten years for Priority Initiatives. This plan is adopted by the Board of Supervisors in February of each year and used to develop the annual operating budget. Additionally, this same process yields a five-year Capital Improvement Plan (CIP) for the primary government and schools that is formally adopted by the Board in the spring of each year in conjunction with the annual operating budget.

OTHER INFORMATION


Management's Discussion and Analysis: Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Campbell's MD&A can be found immediately following the report of the independent auditors.

Independent Audit: The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

Certificate of Achievement: In order to be awarded a Certificate of Achievement from the Government Finance Officers Association, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The County has been the recipient of this prestigious award for the last seven successive years.

Acknowledgments: The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Management Services. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner. In addition we would like to thank the Treasurer's Office, Commissioner of the Revenue, Real Estate Office, Community Development, Economic Development and other employees for their assistance in the preparation of this report.

Respectfully submitted,



Frank J. Rogers
County Administrator



Alan C. Lane
Director of Management Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of Campbell
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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COUNTY OF CAMPBELL, VIRGINIA
DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2014

BOARD OF SUPERVISORS

James D. Puckett, Chairman
James A. Borland, Vice-Chairman

Stanley I. Goldsmith
Eddie Gunter, Jr.

Steven M. Shockley
Mike P. Rousseau
Eric R. Zehr

COUNTY SCHOOL BOARD

R. Leon Brandt, Chairman
G. Roger Akers, Vice-Chairman

Mark Epperson
Barry A. Jones
Susan Hogg

Gary R. Mattox
Scott A. Miller

COUNTY LIBRARY BOARD

Rita Clark, Chairwoman
Joe Lunsford, Vice-Chairman

Ernest Bender
Kelly Griffen
Karen Gunter

Charlotte Lane
Sandra Lichtenberger

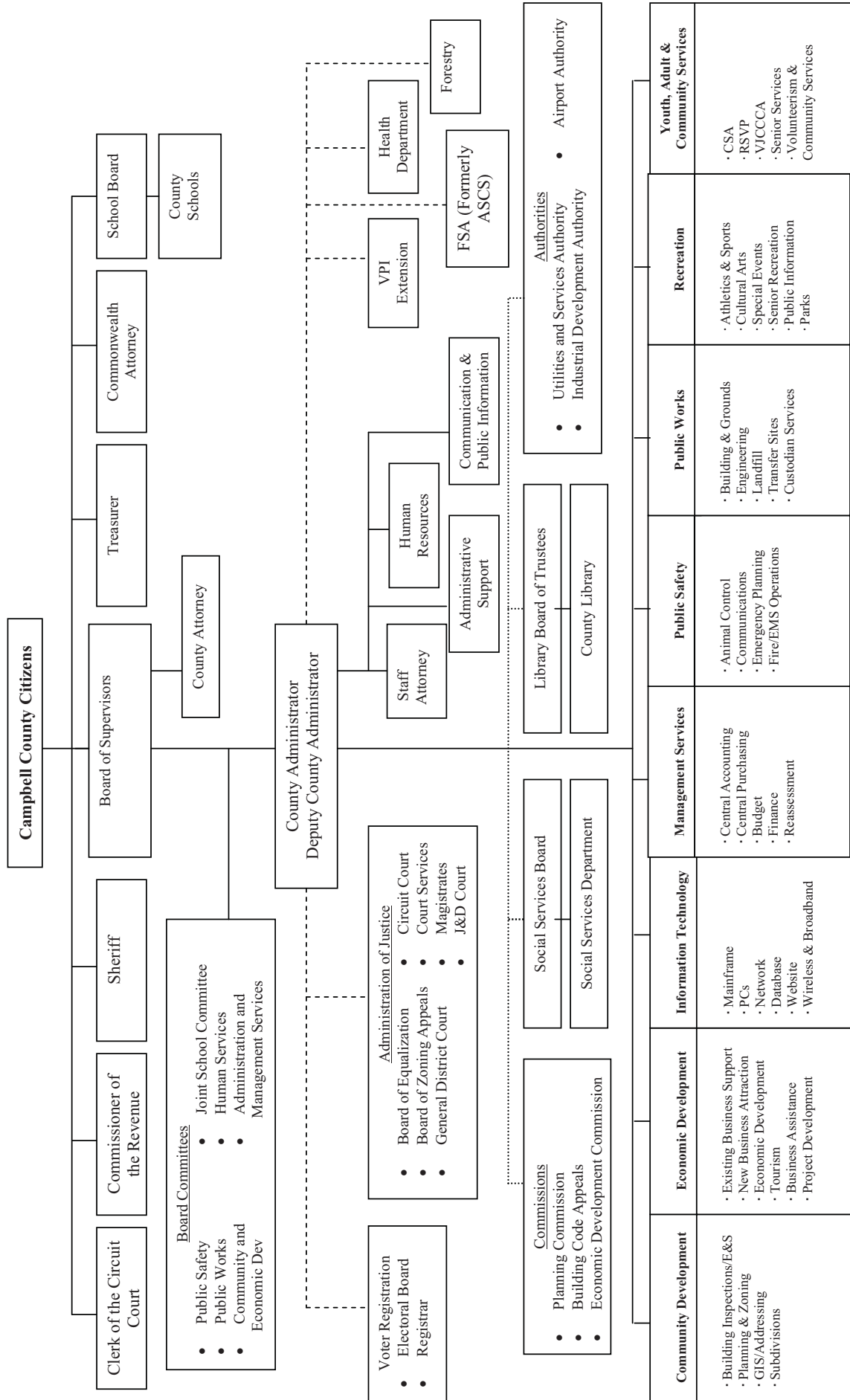
OTHER OFFICIALS

Judge of the Circuit Court
Clerk of the Circuit Court
Judge of the General District Court
Judge of the General District Court
Judge of the General District Court
Judge of the Juvenile & Domestic Relations Circuit Court
Commonwealth's Attorney
County Attorney
Commissioner of the Revenue
Treasurer
Sheriff
Superintendent of Schools
Social Services Director
Library Director
County Administrator

John T. Cook
Sheila Bosiger
Harold A. Black
R. Edwin Burnette, Jr.
Sam D. Eggleston, III
A. Ellen White
Paul McAndrews
David W. Shreve
Calvin C. Massie, Jr.
Robin T. Jefferson
Steve A. Hutcherson
Dr. Robert Johnson
Richard M. Verilla
Nan Carmack
R. David Laurell

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CAMPBELL COUNTY, VIRGINIA – ORGANIZATIONAL CHART



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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Campbell, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, 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, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 17-28, 89-92, and 93-94, 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 Campbell, Virginia's basic financial statements. The introductory section, and statistical section, 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 the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, other supplementary information and the 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 and statistical sections 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 November 17, 2014, on our consideration of the County of Campbell, 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 Campbell, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 17, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Campbell, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$58,908,448 (net position). During the current fiscal year, the County's net position increased by \$890,742 or 1.5% primarily due to a decrease in long-term debt principal resulting from the scheduled pay-down of \$3.1 million of outstanding bonds and Literary Loans.
- The County's combined funds reported year-ending fund balances totaling \$30,832,094 and reflected an increase of \$469,857 or 1.5% from the previous year. Approximately fifty-six percent of the year-ending combined fund balances, or \$17,337,694, is available for spending at the County's discretion (unassigned fund balances).
- At the end of the current fiscal year 2014, the unassigned fund balance for the general fund of \$17,337,694 represented 26.7% percent of total general fund expenditures and transfers for the year. The unassigned fund balance for the general fund increased by \$1,736,611 resulting from year-end favorable net reversions of appropriated expenditures and revenues. \$1,375,000 of this fund balance increase was subsequently appropriated in FY 2015. \$1,100,000 of this amount was appropriated as a transfer from the General Fund to the Health Insurance Fund in order to continue to pay for contributions to employee-owned HSA accounts.
- The County has established a target unassigned general fund balance of 15% of the combined non-duplicated budget of the General Fund and School Operating Fund. For the FY 2015 budget year this totals 15% of \$116,000,000 or \$17.4 million. The minimum target set by the County is 10%, or \$11.6 million, based on the FY 2015 budget. The 15% target represents approximately 60 days of operating reserve, and additionally serves to meet required financial assurance measures for solid waste activities, and demonstrates the County's fiscal soundness for borrowing capacity.
- The year-end unassigned general fund balance of \$17,337,694 is very close to the targeted \$17.4 million. As stated above this unassigned fund balance of \$17,337,694 was subsequently reduced in the form of \$1,375,000 that was appropriated in FY 2015.

Overview of the Financial Statements

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

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

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

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

Overview of the Financial Statements: (Continued)

The Statement of Net Position is designed to display the 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.

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).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government administration, public safety, administration of justice, education, health and welfare, planning and community development and parks, recreation, and cultural activities.

The government-wide financial statements include not only the County of Campbell, Virginia itself (known as the primary government), but also a legally separate school district and an Industrial Development Authority for which the County of Campbell, Virginia has incurred a moral obligation to provide funding for the payment of debt. Financial information for these component units is reported separately from the financial information present for the primary government itself.

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

Governmental funds - *Governmental funds* are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County’s near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Solid Waste Management Fund, the General Capital Projects Fund, and the School Construction Capital Projects Fund, all of which are considered to be major funds.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund, the Special Revenue Fund the Capital Projects Funds, and the School Construction Projects fund to demonstrate compliance with this budget.

Overview of the Financial Statements: (Continued)

Proprietary funds - The County maintains one proprietary fund - the Health Insurance Fund. The Health Insurance Fund is an internal service fund and is used to account for costs of providing health and dental insurance to county and school employees as well as employees of the Water Authority. Proprietary funds use the accrual basis of accounting, similar to a private sector business. These funds are restricted in their use for current and future health related costs only, including a reserve to meet future retiree obligations.

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 58,908,448 at the close of the most recent fiscal year.

Summary of Net Position			
		Governmental Activities	
		2014	2013
Assets			
Current and other assets	\$	78,355,311	\$ 80,987,639
Capital assets		73,019,116	74,102,533
Total assets	\$	151,374,427	\$ 155,090,172
Deferred outflows of resources	\$	2,937,680	\$ 3,349,154
Liabilities			
Long-term liabilities	\$	50,714,599	\$ 53,378,771
Current liabilities		6,609,928	6,837,913
Total liabilities	\$	57,324,527	\$ 60,216,684
Deferred inflows of resources	\$	38,079,132	\$ 40,204,936
Net position:			
Net investment in capital assets	\$	28,719,429	\$ 26,658,220
Unrestricted		30,189,019	31,359,486
Total net position	\$	58,908,448	\$ 58,017,706

NOTE: There exists a derivative instrument liability in the amount of \$2,937,680 for interest rate swap related to the 2008 bond issue. For more information refer to Note 7.

Government-wide Financial Analysis: (Continued)

The largest portion of the County's net position of \$28.7 million, (48.8 percent of total), reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, 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 remaining portion of the County's net position is \$30.2 million (51.2 percent of total) and primarily consists of cash, cash equivalents and investments. At the end of the current fiscal year, the County is able to report positive balances in all categories of net position.

During the fiscal year, the County's net position experienced an increase in the amount of \$890,742 or 1.5% primarily due to the scheduled pay down in long-term debt principal of \$3.1 million of outstanding bonds and Literary Loans. Capital assets net of depreciation decreased by \$1.1 million due primarily to an additional year of depreciation. Landfill Closure/Post Closure liabilities increased slightly by \$33,974 due to inflation.

The net OPEB obligation for the primary government recorded as of June 30, 2014 was \$2,544,471 covering the liability for post retiree costs for health insurance benefits as required by GASB Statement Number 45. This represents an increase of \$423,194 for this obligation from the previous fiscal year end. The County has chosen not to fund the OPEB liability, but rather has changed its retirement benefits policy to no longer offer County subsidized health insurance premiums to retirees hired after July 1, 2010, and extended the policy for those hired between July 1, 2006 and June 30, 2010 to be eligible only after 20 years of service with the County rather than 10 years of service. These policy changes have dramatically reduced the OPEB liability and annual OPEB costs. The OPEB liability and OPEB annual costs going forward will still increase on the County's balance sheet going forward due to inflationary pressures of future health care costs for the foreseeable future. However, the OPEB liability and the OPEB annual costs would be increasing at a much higher amount had the county not made these changes to the health insurance retiree benefits program coverage for early retirees.

Long Term Debt principal was paid down as scheduled by \$3,124,118 during the year.

Health Insurance Fund: Health Insurance Fund net position of \$4.9 million decreased by \$1,387,884 primarily as a result of the continued contribution from the Health Insurance Fund reserves for contributions to employee-owned HSA accounts of \$1.6 million annually.

On an annualized basis HSA contributions from the Health Insurance Fund reserves amount to approximately \$1.6 million for County and Schools employees. The County and Schools system implemented a high deductible plan coupled with an IRS qualified Health Savings Account (HSA) on January 1, 2012 and this has resulted in significantly lower claims and administrative costs than would be expected with a traditional guaranteed-cost health insurance program. Monthly contribution amounts paid into the Health Insurance Fund in the form of premiums paid by the employer and by the employees were unchanged from the previous fiscal year.

The County's policy is to maintain a fund balance in the Health Insurance Fund that represents 10% of the total anticipated cost for the upcoming year, plus the estimated cost for claims incurred but not reported (IBNR). This is to provide funding for the short-term self-insured liability of the Fund. Funds above this amount are utilized to stabilize premium contribution rates over a longer period of time and pay for the continuation of the contributions to the Health Savings Accounts. Over the next five years the County plans to increase premium contributions by approximately \$200,000 per year to offset the current use of fund balance to meet HSA contributions. This is in addition to any normal premium increase needed to meet actual health care cost expenditures resulting from inflation for claims costs. At the end of the five-year period premium contributions should meet both actual health care costs and the cost of HSA contributions on a combined basis. Based on the FY 2015 budget the minimum Health Insurance Fund Balance would be approximately \$1.8 million without taking into consideration premium smoothing or HSA contributions.

Government-wide Financial Analysis: (Continued)

Governmental Activities: as stated earlier Governmental Activities increased the County's net position by \$890,742 or 1.5% primarily due to a decrease in long-term debt principal resulting from the scheduled pay-down of \$3.1 million of outstanding bonds and Literary Loans. Key elements of the changes in net position of the Primary Government are summarized as follows:

Changes in Net Position - Statement of Activities			
		Governmental Activities	
		2014	2013
Program Revenues:			
Charges for services	\$	3,434,052	\$ 3,528,650
Operating grants and contributions		11,050,952	11,243,741
Capital grants and contributions		775,951	450,560
General Revenues:			
General property taxes		37,049,057	36,936,888
Other local taxes		9,722,828	9,571,055
Use of money and property		466,368	153,943
Grants and contributions not restricted		5,316,657	5,275,066
Gain on sale of capital assets		-	62,284
Miscellaneous revenue		390,512	406,963
Total revenues	\$	<u>68,206,377</u>	\$ <u>67,629,150</u>
Expenses			
General government administration	\$	4,836,557	\$ 4,832,503
Judicial administration		1,742,957	1,678,561
Public safety		14,361,780	14,282,692
Public works		3,983,923	3,299,182
Health and welfare		9,882,472	9,816,547
Education		27,033,049	26,144,199
Parks, recreation and cultural		1,776,225	1,723,223
Community development		2,142,982	2,745,880
Interest and other fiscal charges		1,555,690	2,108,383
Total expenses	\$	<u>67,315,635</u>	\$ <u>66,631,170</u>
Change in net position		890,742	997,980
Net position, beginning	\$	<u>58,017,706</u>	\$ <u>57,019,726</u>
Net position, ending	\$	<u><u>58,908,448</u></u>	\$ <u><u>58,017,706</u></u>

Government-wide Financial Analysis: (Continued)

Actual revenues for governmental activities for all primary government funds for the year on a combined basis exceeded actual expenses in the amount of \$890,742 including current year depreciation on capital assets. Current year depreciation expense for capital assets for the primary government totaled \$3,312,091. Revenues for governmental activities increased by \$577,227 or 0.9%. Governmental-Wide expenses, including current year depreciation on capital assets, increased by \$684,465 or 1% as is explained below.

EXPENSES - PRIMARY GOVERNMENT

- Education actual expenses for the primary government increased by \$888,850 or 3.4% primarily in the form of the transfer from the General Fund to the Schools Operating Fund. The transfer increase was used to help offset some of the much larger reductions in state funding for Schools over the last few years. However, the actual transfer to the Schools from the General Fund was still well below what was budgeted in the fiscal year and the great majority of the difference was subsequently appropriated by the Board of Supervisors for the coming year in the form of encumbrances and carryovers.
- Public Works actual expenses increased \$684,741 or 20.8% primarily due to increases within the Solid Waste Management Fund for the Landfill totaling \$461,358 for an upgrade to the groundwater remediation system.
- Actual Interest & Other Fiscal Charges decreased \$552,693 or 26.3% primarily due to \$400,976 in VPSSA bond refinancing refunds for bonds previously issued years ago for school construction projects.
- Community Development actual expenses decreased \$602,898 or 22% primarily due to a decrease in Economic Incentives. Tobacco Commission grants for livestock and livestock feed storage decreased by \$383,197 as this regional grant program was completed this year. All of these livestock and livestock feed storage expenses paid by the county have been reimbursed from the Tobacco Commission grant. Additionally, a number of other economic incentive programs were completed in the previous fiscal year.
- All other functional areas of expense were up on a combined basis in the amount of \$266,465. Total actual expenses of the primary government were up \$648,465 or 1%.

PROGRAM/GENERAL REVENUES - PRIMARY GOVERNMENT

As stated above total revenues for governmental activities increased by a modest amount of \$577,227, or 0.8%, as compared to the previous year. The great majority of revenue categories also each changed by modest amounts. Interest earnings on investments was the lone exception increasing \$312,425 as interest rates available for investments, though still very low, were better than for the previous year.

NOTE: In recent years the County instituted a new Transient Occupancy Tax of 2% of charges for occupancy. This new tax generated \$71,222 of revenue for the County for FY 2014. This revenue is expected to increase substantially over the next two years as one new major chain hotel has been constructed and another one is currently under construction.

Financial Analysis of the County's Funds

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

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

Approximately fifty-six percent of the combined governmental fund balance or \$17,337,694 comprises the unassigned fund balances, which are available for spending at the County's discretion. The remainder of fund balances is *Committed, Assigned or Nonspendable* to indicate that it is not available for new spending because it has already been committed for:

- Capital improvement projects
- Education encumbrances and carryovers for expenditures
- Other encumbrances and carryovers for expenditures
- Prepaid Items

Unassigned fund balance of the General Fund was \$17,337,694, while the total general fund balance was \$24,762,349. 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 on an annualized basis. Unassigned general fund balance represents 26.7 percent of total general fund expenditures and transfers, while total fund balance represents 38.1 percent of total general fund expenditures and transfers.

GENERAL FUND: The general fund balance experienced an increase in the amount of \$1,941,200 or 8.5%. The general fund unassigned fund balance increased by \$1,736,611 or 11.1%. \$1,375,000 of this unassigned fund balance increase was subsequently appropriated in FY 2015. \$1,100,000 of this amount was appropriated as a transfer from the General Fund to the Health Insurance Fund in order to continue to pay for contributions to employee-owned HSA accounts. General Fund expenditures and transfers to other funds decreased \$1,115,636 or 1.7% from the previous year. The transfer to the Schools was up \$888,850 or 3.4% to help offset some of the much larger reductions in State funding for Schools over the last few years. Actual General fund revenues and transfers received increased by a modest \$577,227 or 0.8% from the previous year. Total actual revenues and transfers combined exceeded total actual expenditures and transfers out by \$1,941,200.

- Education expenditures as noted above in terms of the transfer to the School Operating Fund increased by \$888,850 or 3.4%.
- General fund actual expenditures for Public Safety/Law Enforcement increased by \$545,822 or 4.4%. Expenditures for EMS increased \$226,590 primarily due to the addition of paid staff to man the ambulances as the county continues to transition from a dependence on volunteer rescue squads to career paid staff. Payments by the county to support the six volunteer fire companies increased by \$135,208. Additionally, two school resource officers were added at a cost of \$89,699 to be stationed on a rotating basis at the elementary schools.
- Actual Debt Service expenditures decreased by \$683,913 or 12.6% as debt principal was paid down \$3.1 million during the year thereby reducing interest expense. However, remaining Debt Stabilization Reserve Funds in the amount of \$118,120 were used to help pay debt service as was intended. The County has used Debt Stabilization reserve funds the last few years in order not to have to rely on future revenue increases to pay for known debt service as it reached its peak level and then started to slowly decline in amount. FY 2014 will be the last year that debt stabilization funds will be available to help fund debt service payments. Additionally, the county received a VPSA financing refund credit in the amount of \$400,976 for bonds issued years ago for school construction projects.

Financial Analysis of the County's Funds

Actual General Fund revenues and transfers in from other funds combined increased by \$793,908 or 1.2% from the previous year. Transfers in from other funds were very small for both fiscal years.

Increases in General Property Taxes amounted to \$535,471, or 1.5%, based on the continued local economic recovery. The County Real Estate Tax rate remained the same at 53 cents per \$100 of assessed value. The Personal Property Tax rate also remained the same at \$4.45 per \$100 of assessed value. All other tax rates remained the same as the previous year. The largest contributor of the increase in General Property Tax revenue consisted of Real Estate Taxes which increased by \$603,9600, or 3%, primarily due to new construction. Apportioned Vehicles for Hire personal property taxes were down \$273,009, or 45.8%, primarily due to commercial vehicles owned by a large construction firm that were permanently relocated outside of the county limits. BPOL Tax was up \$181,580, or 9.3%, due to local economic growth. Interest earnings on investments for the General Fund was up \$228,075, or 55%, as interest rates available on investments, though still very low, were better than for the previous year.

SOLID WASTE MANAGEMENT FUND: Funding for the Solid Waste Management Fund for FY 2014 totaled \$1,466,106 with \$636,087 of this amount coming from a transfer from the General Fund. The transfer in from the General Fund was down \$114,501 from the previous fiscal year due to a reduction in the opening expenditure budget for environmental compliance costs. Additionally, revenue was received in the Solid Waste Management Fund in the amount of \$802,978 from the Region 2000 Regional Landfill Authority for Solid Waste Management representing the County's portion of the excess of actual revenues versus actual expenses for the year for operations as recorded by the Regional Authority. This revenue sharing source was down \$21,015 from the previous fiscal year. Another \$10,322 was generated from the sale of some fixed assets that were no longer needed. All other forms of revenue for this fund on a combined basis totaled \$16,719.

Expenditures and Transfers Out to other funds on a combined basis for the County's Solid Waste Management Fund totaled \$2,111,138 for the year. Tipping fees of \$583,036 were paid to the Region 2000 Services Authority for solid waste received at the regional landfill from County citizens and businesses. Transfer site operations throughout the County cost \$487,190 for the year which included delivery costs of trash from transfer sites to the regional landfill. In-House Construction for small projects cost \$142,190 while landfill environmental compliance and legal costs totaled \$863,504. All other actual expenditures for the Solid Waste Management Fund totaled \$35,218.

There exists a year end fund balance of \$2,262,837 residing in the Solid Waste Management Fund (SWMF). The year-end fund balance is down in the amount of \$645,029 from the previous year. The remaining fund balance will be needed to pay for anticipated future environmental requirements.

COUNTY CAPITAL PROJECTS FUND: The County Capital Projects (CIP) Fund balance reported a decrease of \$826,314 from the previous year to \$3,806,907. The fund balance in the Capital Projects Fund is either reserved or designated in its entirety for capital projects already under construction or for future capital projects included in the adopted five-year Capital Improvement Plan.

General Fund Budgetary Highlights

Differences between the general fund original expenditure budget of \$65,289,655 and the final amended budget of \$74,471,904 amounted to an increase of \$9,182,249 in budgeted expenditure appropriations and can be briefly summarized as follows:

- \$5,714,250 increase in budget for the transfer to the Schools for additional funding consisting of budget encumbrances and carryovers approved from FY2013 to FY2014. An additional transfer increase to the Schools in September was approved in the amount of \$200,000 for additional operating funds assuming these funds actually existed as reversions at year's end FY2014. That was the case at year end FY2014.
- \$1,171,491 increase in the budget for encumbrances and carryovers for other general fund department expenditures approved from FY2013 to FY2014. This number is the net number after deducting carryovers of appropriated revenues totaling \$150,164 associated with these same expenditure carryover requests.
- \$625,000 increase in the budget for the transfer to the CIP Fund to continue funding for the next phase of the Radio Communications System Upgrade.
- \$274,000 Tax Relief for the Elderly and Disabled recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled as well as a corresponding expenditure for the same amount. This is the corresponding expenditure.
- \$187,000 increase in the budget for various economic incentives.
- \$125,908 increase in the budget for the transfer to the Health Insurance Fund to cover employer premium contribution increases for the last six months of the fiscal year.
- \$55,400 increase in the budget to pay for higher electrical utility and propane costs that were not budgeted in Maintenance and Buildings.
- The great majority of the remaining increases in the budget resulted from Public Safety, Law Enforcement and Court related grants approved throughout the year primarily funded by State/Federal sources.

Differences between the general fund original revenue budget of \$62,289,655 and the final amended revenue budget of \$66,371,158 amounted to an increase of \$1,081,503 in budgeted revenues and can be briefly summarized as follows:

- \$274,000 increase for Tax Relief for the Elderly and Disabled. As mentioned above \$274,000 of revenue was recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled allowed as well as a corresponding expenditure for the same amount. The corresponding expenditure is noted above in the expenditure section.
- \$150,164 increase in the budget due to revenue carryovers approved from FY2013 to FY2014. These revenue carryovers are associated with expenditure carryovers noted above in the expenditures section.
- \$102,310 increase in the budget for state funding for Social Services public assistance programs based on increase in expenditures for these programs.
- The great majority of the remaining increases in budgeted revenues resulted from Public Safety, Law Enforcement and Court related grants approved throughout the year as well as additional EMS billing revenue.

General Fund Budgetary Highlights: (Continued)

- During the year general fund actual revenues exceeded original budget by \$1,637,600 and exceeded amended budget by \$556,097. As noted above the general fund revenue budget was supplemented in the amount of \$1,081,503 during the year for the reasons also noted above. Actual expenditures were less than original budget by \$303,600 and actual expenditures were less than the amended budget by \$9,485,665.

Revenues & Expenditures General Fund - Budget to Actual				
	General Fund Budget to Actual			
	Final Budget	Actual	Variance	
Revenues:				
Local revenue sources	\$ 48,860,481	\$ 50,401,062	\$ 1,540,581	
Intergovernmental revenues	17,510,677	16,526,193	(984,484)	
Total revenues	\$ <u>66,371,158</u>	\$ <u>66,927,255</u>	\$ <u>556,097</u>	
Expenditures:				
General government administration	\$ 4,791,748	\$ 4,306,051	\$ 485,697	
Judicial administration	1,719,855	1,611,258	108,597	
Public safety	13,617,357	12,968,541	648,816	
Public works	1,627,569	1,563,954	63,615	
Health and welfare	10,921,442	9,650,094	1,271,348	
Education	30,469,700	24,102,429	6,367,271	
Parks, recreation and cultural	1,795,940	1,653,349	142,591	
Community development	2,247,372	1,579,983	667,389	
Debt service	5,185,051	4,739,710	445,341	
Nondepartmental	(715,000)	-	(715,000)	
Total expenditures	\$ <u>71,661,034</u>	\$ <u>62,175,369</u>	\$ <u>9,485,665</u>	

Actual Transfers Out from the General Fund to funds other than to the Schools Operating Fund totaled \$2,810,870 versus \$3,773,757 for FY 2013.

Revenues: Total actual revenues exceeded final budget by \$556,097. Total local revenue comprised 75.3% of total actual General Fund revenue while Intergovernmental Revenue (State/Federal) comprised the remaining 24.7% of total actual General Fund revenue. Intergovernmental revenue was \$984,484 less than final budget (5.6% less). Actual local revenue exceeded final budget by \$1,540,581 or 3.2%.

\$212,591 of final budgeted intergovernmental revenue not actually received during the year will be carried over into next fiscal year as these revenues will be received next fiscal year. These carryover revenues approved were for grant funded programs and purchases. The great majority of the revenue shortfall of \$771,893 in Intergovernmental revenue after adjusting for carryovers was caused by reimbursements from State/Federal being less than budget in Social Service programs and administration along with the Comprehensive Services Act Program (CSA). The County's actual reimbursement revenue for these Health & Welfare programs is based on actual expenditures centered in these same programs and is not based on budgeted expenditures. The great majority of the Health & Welfare revenue shortfall for these programs of \$838,530 resulted from corresponding actual expenditures being less than budget by \$1,269,052 for these same Health & Welfare programs. This results in a favorable net cost variance to the county of \$430,522. CSA alone resulted in a favorable net cost variance of \$255,020.

General Fund Budgetary Highlights: (Continued)

Expenditures: Total General Fund actual expenditures and transfers of \$64,986,055 on a combined basis were \$9,485,665 less than the final budget of \$74,471,720. The largest component of this difference in the level of actual expenditures versus amended budget is for Education. Actual education expenditures were \$6,367,271 less than the amended budget. The Board of Supervisors subsequently re-appropriated \$5,611,345 of this amount to the schools as encumbrances for FY2015 covering school contracts and obligations not completed as of June 30, 2014. The Board re-appropriated an additional \$450,000 to the Schools as a carry over to purchase school buses. The Board also subsequently re-appropriated other General Fund expenditures for encumbrances and carryovers totaling \$1,221,947 for FY 2015. This number is the net number after deducting carryovers of appropriated revenues totaling \$212,591 associated with these same expenditure carryover requests.

As mentioned above expenditures centered in Social Service programs and administration along with the Comprehensive Services Act Program (CSA) reported combined expenditures of \$1,269,052 less than amended budget based on lower than anticipated utilization of these programs. As stated above revenue reimbursements for these same Social Services programs along with CSA were also \$838,530 less than the final combined amended budget due to corresponding expenditures being substantially less than budget for these programs.

Strong expense control throughout the government organization contributed substantially to overall expenditure savings for the fund. This was particularly true for vacancy position savings in compensation and fringe benefits until vacant positions could be filled with qualified personnel. The level of expenditure reversions in the general fund at year's end was planned in part as a response by the Board of Supervisors to continued state funding cuts and increased unfunded mandates over the years. Year-end expenditure reversion savings continue to decline but they are still significant. Year-end expenditure reversion savings are becoming increasingly difficult to achieve on top of very frugal budgeting processes when the budget is submitted each year to the Board.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds as of June 30, 2014 totals \$73 million (net of accumulated depreciation) for a decrease of \$1.1 million as a result of depreciation on existing capital assets for the year exceeding new purchases of capital assets. The investment in County capital assets includes land and land improvements, buildings and improvements, vehicles and machinery and equipment. Depreciation expense for the year for all capital assets for all funds totaled \$3.3 million. Readers interested in additional information relating to capital assets should refer to Note 6 to the financial statements.

Capital Assets - Condensed **At June 30, 2014**

Governmental Activities	Ending Balance Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land	\$ 2,477,080	\$ -	\$ 2,477,080
Total capital assets, not being depreciated	\$ 2,477,080	\$ -	\$ 2,477,080
Other capital assets:			
Buildings and improvements	\$ 19,643,657	\$ 5,179,430	\$ 14,464,227
Other improvements	9,909,207	4,446,781	5,462,426
School buildings	71,588,488	23,425,443	48,163,045
Equipment	11,409,343	8,957,005	2,452,338
Total other capital assets	\$ 112,550,695	\$ 42,008,659	\$ 70,542,036
Total capital assets	\$ 115,027,775	\$ 42,008,659	\$ 73,019,116

Capital Asset and Debt Administration: (Continued)

School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

DEBT SCHEDULES

Of the \$44 million total principal balance of outstanding debt at the end of the year, \$37.4 million was for General Obligation Bonds and \$6.6 million was for State Literary Loans payable. General Obligation Bonds amounted to less than 1% of the County's assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. The County's total outstanding debt principal was paid down by \$3.1 million during the year.

Annual requirements to amortize all remaining long-term debt and related interest expense are as follows:

Debt Service				
Year Ending June 30	Principal		Interest	Total
2015	\$	3,159,124	\$ 1,887,224	\$ 5,046,348
2016		3,260,390	1,750,570	5,010,960
2017		3,372,540	1,607,464	4,980,004
2018		3,265,876	1,464,969	4,730,845
2019		3,198,565	1,327,299	4,525,864
2020-2024		14,433,937	4,669,271	19,103,208
2025-2029		13,280,000	1,317,453	14,597,453
Total	\$	<u>43,970,432</u>	\$ <u>14,024,250</u>	\$ <u>57,994,682</u>

Debt service paid during the year amounted to \$4.7 million for principal, interest and bank service charges for the reporting period. There are no obligations for capitalized lease payments going forward. Readers interested in additional information should refer to Note 7 to the financial statements.

The County provides other postemployment benefits (OPEB) as described in Note 13 and reported in Note 7. The County has elected not to fund the outstanding OPEB liability and has instead reduced the benefits provided to employees hired after 2010. The County's OPEB cost was \$2.8 million for the year.

CONTACT THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions concerning any information provided in this report or need additional financial information, contact:

Director of Management Services
Campbell County
P.O. Box 100
Rustburg, Virginia 24588
Phone number 434-332-9667

Phone Number - 434-332-9667
email - aclane@co.campbell.va.us
You may visit us on the web at:
www.co.campbell.va.us

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2014

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	\$ 15,306,493	\$ 10,324,668	\$ 422,019
Investments	16,815,006	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	39,464,062	-	-
Accounts receivable	1,205,246	-	-
Interest receivable	55,101	-	-
Advance to primary government	-	-	113,763
Due from component unit	2,732,408	-	-
Due from other governmental units	2,590,620	2,294,417	-
Inventories	22,665	-	-
Prepaid expenses	163,710	400,297	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	88,660	-
Industrial assets held for industry	-	-	2,315,873
Capital assets (net of accumulated depreciation):			
Land	2,477,080	309,661	-
Buildings and improvements	14,464,227	3,073,826	-
Other improvements	5,462,426	593,314	-
Equipment	2,452,338	5,236,002	-
School buildings	48,163,045	-	-
Construction in progress	-	201,340	-
Total assets	<u>\$ 151,374,427</u>	<u>\$ 22,522,185</u>	<u>\$ 2,851,655</u>
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of interest rate swap agreement	<u>\$ 2,937,680</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 992,886	\$ 903,571	\$ -
Accrued liabilities	1,217,067	6,402,190	-
Accrued interest payable	319,991	-	6,734
Due to primary government	-	2,732,408	1,030
Advance from component unit	113,763	-	-
Unearned revenue	1,028,541	-	-
Derivative instrument - interest rate swap agreement	2,937,680	-	-
Long-term liabilities:			
Due within one year	3,391,092	56,887	238,774
Due in more than one year	47,323,507	5,122,821	2,033,005
Total liabilities	<u>\$ 57,324,527</u>	<u>\$ 15,217,877</u>	<u>\$ 2,279,543</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	<u>\$ 38,079,132</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 28,719,429	\$ 9,414,143	\$ -
Restricted:			
Capital projects - restricted by donors	-	88,660	-
Unrestricted (deficit)	30,189,019	(2,198,495)	572,112
Total net position	<u>\$ 58,908,448</u>	<u>\$ 7,304,308</u>	<u>\$ 572,112</u>

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

COUNTY OF CAMPBELL, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,836,557	\$ 414,893	\$ 344,069	\$ -
Judicial administration	1,742,957	10,163	973,393	16,768
Public safety	14,361,780	1,954,759	2,853,308	513,970
Public works	3,983,923	803,031	16,418	-
Health and welfare	9,882,472	-	6,701,721	-
Education	27,033,049	-	-	-
Parks, recreation, and cultural	1,776,225	200,099	157,142	-
Community development	2,142,982	51,107	4,901	245,213
Interest on long-term debt	1,555,690	-	-	-
Total governmental activities	<u>\$ 67,315,635</u>	<u>\$ 3,434,052</u>	<u>\$ 11,050,952</u>	<u>\$ 775,951</u>
Total primary government	<u>\$ 67,315,635</u>	<u>\$ 3,434,052</u>	<u>\$ 11,050,952</u>	<u>\$ 775,951</u>
COMPONENT UNITS:				
School Board	\$ 77,352,843	\$ 1,280,164	\$ 51,003,828	\$ -
Industrial Development Authority	133,808	8,261	-	-
Total component units	<u>\$ 77,486,651</u>	<u>\$ 1,288,425</u>	<u>\$ 51,003,828</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumer utility taxes				
Business license tax				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Contributions from Campbell County				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Gain on sale of capital assets				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government	Component Units		
Governmental Activities	School Board	Industrial Development Authority	
\$ (4,077,595)	\$ -	\$ -	
(742,633)	-	-	
(9,039,743)	-	-	
(3,164,474)	-	-	
(3,180,751)	-	-	
(27,033,049)	-	-	
(1,418,984)	-	-	
(1,841,761)	-	-	
(1,555,690)	-	-	
<u>\$ (52,054,680)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (52,054,680)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (25,068,851)	\$ -	
-	-	(125,547)	
<u>\$ -</u>	<u>\$ (25,068,851)</u>	<u>\$ (125,547)</u>	
\$ 37,049,057	\$ -	\$ -	
4,496,321	-	-	
864,268	-	-	
1,962,487	-	-	
1,492,367	-	-	
907,385	-	-	
466,368	9,524	230,323	
-	24,102,429	109,616	
390,512	109,776	-	
5,316,657	-	-	
-	-	-	
<u>\$ 52,945,422</u>	<u>\$ 24,221,729</u>	<u>\$ 339,939</u>	
<u>\$ 890,742</u>	<u>\$ (847,122)</u>	<u>\$ 214,392</u>	
<u>58,017,706</u>	<u>8,151,430</u>	<u>357,720</u>	
<u>\$ 58,908,448</u>	<u>\$ 7,304,308</u>	<u>\$ 572,112</u>	

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Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2014

	General	Special Revenue (Solid Waste)	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 7,928,450	\$ 1,586,785	\$ 837,649	\$ 10,352,884
Investments	11,938,654	-	2,858,551	14,797,205
Receivables (net of allowance for uncollectibles):				
Taxes receivable	39,464,062	-	-	39,464,062
Accounts receivable	372,265	802,981	30,000	1,205,246
Interest receivable	39,122	-	9,367	48,489
Due from component units	2,732,408	-	-	2,732,408
Due from other governmental units	2,439,614	-	151,006	2,590,620
Inventories	22,665	-	-	22,665
Prepaid items	118,698	1,012	-	119,710
Total assets	<u>\$ 65,055,938</u>	<u>\$ 2,390,778</u>	<u>\$ 3,886,573</u>	<u>\$ 71,333,289</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 577,816	\$ 126,526	\$ 79,666	\$ 784,008
Accrued liabilities	334,878	1,414	-	336,292
Unearned revenue	28,638	-	-	28,638
Total liabilities	<u>\$ 941,332</u>	<u>\$ 127,940</u>	<u>\$ 79,666</u>	<u>\$ 1,148,938</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	<u>\$ 39,352,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,352,257</u>
FUND BALANCES				
Nonspendable				
Inventories	\$ 22,665	\$ -	\$ -	\$ 22,665
Prepaid items	118,698	1,012	-	119,710
Committed to:				
Education	6,061,345	-	-	6,061,345
Capital improvements	-	-	2,918,043	2,918,043
Public works	-	110,158	-	110,158
Operations	1,221,947	-	-	1,221,947
Assigned to:				
Public works	-	2,151,668	-	2,151,668
Capital improvements	-	-	888,864	888,864
Unassigned	17,337,694	-	-	17,337,694
Total fund balances	<u>\$ 24,762,349</u>	<u>\$ 2,262,838</u>	<u>\$ 3,806,907</u>	<u>\$ 30,832,094</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 65,055,938</u>	<u>\$ 2,390,778</u>	<u>\$ 3,886,573</u>	<u>\$ 71,333,289</u>

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

Total fund balances - governmental funds - per above	30,832,094
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (Cost of \$115,027,775 less accumulated depreciation of \$42,008,659)	73,019,116
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,273,125
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the self insurance internal service fund are included in the governmental activities in the Statement of Net Position	4,932,466
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds	
Accrued interest payable	(319,991)
Long term commitments to IDA	(113,763)
General obligation bonds and literary fund loans	(43,970,432)
Bond premiums	(329,255)
Landfill closure/postclosure	(2,460,707)
Net OPEB obligation	(2,544,471)
Compensated absences	(1,409,734)
Net position of governmental activities	<u>\$ 58,908,448</u>

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

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

	General	Special Revenue (Solid Waste)	Capital Projects	Total
REVENUES				
General property taxes	\$ 37,019,002	\$ -	\$ -	\$ 37,019,002
Other local taxes	9,722,828	-	-	9,722,828
Permits, privilege fees, and regulatory licenses	254,802	-	-	254,802
Fines and forfeitures	136,015	-	-	136,015
Revenue from the use of money and property	375,207	248	53,294	428,749
Charges for services	2,240,204	803,031	-	3,043,235
Miscellaneous	350,190	-	30,000	380,190
Recovered costs	302,814	-	-	302,814
Intergovernmental:				
Commonwealth	12,994,434	16,418	600,949	13,611,801
Federal	3,531,759	-	-	3,531,759
Total revenues	<u>\$ 66,927,255</u>	<u>\$ 819,697</u>	<u>\$ 684,243</u>	<u>\$ 68,431,195</u>
EXPENDITURES				
Current:				
General government administration	\$ 4,306,051	\$ -	\$ -	\$ 4,306,051
Judicial administration	1,611,258	-	-	1,611,258
Public safety	12,968,541	-	-	12,968,541
Public works	1,563,954	2,111,135	-	3,675,089
Health and welfare	9,650,094	-	-	9,650,094
Education	24,102,429	-	-	24,102,429
Parks, recreation, and cultural	1,653,349	-	-	1,653,349
Community development	1,579,983	-	-	1,579,983
Nondepartmental	-	-	-	-
Capital projects	-	-	3,665,156	3,665,156
Debt service:				
Principal retirement	3,124,117	-	-	3,124,117
Interest and other fiscal charges	1,615,593	-	-	1,615,593
Total expenditures	<u>\$ 62,175,369</u>	<u>\$ 2,111,135</u>	<u>\$ 3,665,156</u>	<u>\$ 67,951,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 4,751,886</u>	<u>\$ (1,291,438)</u>	<u>\$ (2,980,913)</u>	<u>\$ 479,535</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 184	\$ 636,087	\$ 2,154,783	\$ 2,791,054
Transfers out	(2,810,870)	-	(184)	(2,811,054)
Sale of capital assets	-	10,322	-	10,322
Total other financing sources (uses)	<u>\$ (2,810,686)</u>	<u>\$ 646,409</u>	<u>\$ 2,154,599</u>	<u>\$ (9,678)</u>
Net change in fund balances	\$ 1,941,200	\$ (645,029)	\$ (826,314)	\$ 469,857
Fund balances - beginning	22,821,149	2,907,867	4,633,221	30,362,237
Fund balances - ending	<u>\$ 24,762,349</u>	<u>\$ 2,262,838</u>	<u>\$ 3,806,907</u>	<u>\$ 30,832,094</u>

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

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	\$	469,857
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$	2,228,674	
Depreciation expense		<u>(3,312,091)</u>	(1,083,417)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	30,055
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	(1,387,884)
--	-------------

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 retired on long-term debt	\$	3,124,117	
Premium on bond issuance		<u>20,508</u>	<u>3,144,625</u>

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 landfill closure, postclosure liability	\$	(33,974)	
(Increase)/decrease in accrued interest		39,394	
(Increase)/decrease in compensated absences		(23,286)	
(Increase)/decrease in long term commitments to IDA		158,566	
(Increase)/decrease in other net OPEB obligation		<u>(423,194)</u>	<u>(282,494)</u>

Change in net position of governmental activities	\$	<u>890,742</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Health Insurance Fund
 June 30, 2014

	Health Insurance Fund
	<hr/>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,953,609
Investments	2,017,801
Interest receivable	6,612
Prepaid claims expense	44,000
	<hr/>
Total assets	\$ 7,022,022
	<hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 208,878
Claims incurred but not reported	880,775
Unearned revenue	999,903
	<hr/>
Total liabilities	\$ 2,089,556
	<hr/>
NET POSITION	
Unrestricted	\$ 4,932,466
Total net position	\$ 4,932,466
	<hr/>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Health Insurance Fund
 For the Year Ended June 30, 2014

	Health Insurance Fund
	<hr/>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 10,346,782
Total operating revenues	<u>\$ 10,346,782</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 11,792,285
Total operating expenses	<u>\$ 11,792,285</u>
Operating income (loss)	<u>\$ (1,445,503)</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers in	\$ 20,000
Interest Income	<u>37,619</u>
Total nonoperating revenues (expenses)	<u>\$ 57,619</u>
Change in net position	\$ (1,387,884)
Total net position - beginning	<u>6,320,350</u>
Total net position - ending	<u><u>\$ 4,932,466</u></u>

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

Statement of Cash Flows
Health Insurance Fund
For the Year Ended June 30, 2014

	<u>Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 10,707,048
Payments for premiums	(11,805,765)
Net cash provided by (used for) operating activities	<u>\$ (1,098,717)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 20,000
Net cash provided by (used for) noncapital financing activities	<u>\$ 20,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	\$ 37,926
Sale of investments	2,570,913
Net cash provided by (used for) investing activities	<u>\$ 2,608,839</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,530,122
Cash and cash equivalents - beginning	3,423,487
Cash and cash equivalents - ending	<u><u>\$ 4,953,609</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (1,445,503)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ 3,709
Increase (decrease) in accounts payable	(4,479)
Increase (decrease) in claims incurred but not reported	(9,001)
Increase (decrease) in unearned revenue	356,557
Total adjustments	<u>\$ 346,786</u>
Net cash provided by (used for) operating activities	<u><u>\$ (1,098,717)</u></u>

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 360,212
Receivables	
Accounts receivable	143
Total assets	\$ <u>360,355</u>
LIABILITIES	
Amounts held for others	\$ 360,335
Total liabilities	\$ <u>360,335</u>

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

Campbell County, Virginia (the “County”) is a political subdivision of the Commonwealth of Virginia governed under the County Administrator - Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development and recreation, and cultural activities.

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

Discretely Presented Component Units: Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationship with the County is such that exclusion would cause the County’s financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Campbell County School Board

The Campbell County School Board (the “School Board”) is responsible for elementary and secondary education within the County’s jurisdiction. The School Board is comprised of seven members elected by County voters. The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School Board does not issue separate financial statements.

Campbell County Industrial Development Authority

The Campbell County Industrial Development Authority (the “IDA”) was created to encourage and provide financing for economic development in the County. The IDA’s directors are appointed by the Board of Supervisors and the County is financially accountable for the IDA in that it provides local funding for the IDA’s activities. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The IDA is presented as a proprietary fund type and does not issue separate financial statements.

Related Organizations: The following entities are excluded from the accompanying financial statements:

Campbell County Utilities and Service Authority

The Campbell County Utilities and Service Authority was created by the Board of Supervisors to operate the County’s water and sewer systems. This Authority is excluded from the accompanying financial statements as the County neither exercises oversight responsibility nor has accountability for the fiscal affairs of the Authority. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Financial Reporting Entity (Continued)

Central Virginia Community Services Board

The County, in conjunction with the Counties of Amherst, Appomattox, and Bedford, and the Cities of Bedford and Lynchburg, participates in the Central Virginia Community Services Board (CVCSB), which is composed of two members from each of the participating localities. The County contributed \$167,000 to the CVCSB for the current year.

Blue Ridge Regional Jail Authority

The County, in conjunction with the Counties of Halifax and Bedford, and the Cities of Bedford and Lynchburg, participates in the Blue Ridge Regional Jail Authority (the “Authority”). Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$3,100,000 for the current year.

Region 2000 Services Authority

The County, in conjunction with the Cities of Lynchburg and Bedford, and the Counties of Appomattox and Nelson, participates in the Region 2000 Services Authority for solid waste disposal. The County paid the Authority tipping fees of \$583,036 for solid waste transferred to the Authority, and received \$802,977 in distributions from the Authority for 2014 profits.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities that report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County reports no business-type activities. 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 the financial position of the primary government (governmental 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).

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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.

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred inflows of resources and receivables when levied, net of allowances for uncollectible amounts. Real and personal property taxes recorded at June 30 and received within the first 60 days after year end are included in tax revenues, with the related amount reduced from deferred inflows of resources. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the County. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

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

The County reports the following major governmental funds:

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

Special Revenue Fund - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Solid Waste Fund is a special revenue fund which accounts for revenues from landfill operations and related expenditures.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

Proprietary Funds are used to account for the reporting entity's activities similar to those often found in the private sector. The County reports the following major proprietary fund:

Internal Service Fund - Health Insurance Fund - Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The County's internal service fund is the Health Insurance Fund, through which the County self-insures the costs of providing health insurance to employees.

In addition to its major funds, the County reports the following fund category:

Fiduciary Funds - Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds which consist of the following: Special Welfare, Drug Enforcement, Commonwealth Attorney Drug, Flexible Benefits, and the County Agency Fund.

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

Operating revenues and expenses in the proprietary fund result from providing services in connection with its principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges for health investment services. Nonoperating revenues consist of interest income. Operating expenses include the costs of claims and administrative expenses.

D. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to April 15, 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 related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Budgetary Information (Continued)

- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories. The Board of Supervisors approved supplemental appropriations in the General Fund totaling \$9,182,065 for additional requests from various departments including contribution to the School Board and transfers to other funds. The Board of Supervisors also approved additional appropriations to the Solid Waste Fund of \$815,346 and the County Capital Projects fund of \$3,547,225.
- Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Fund, and the two Capital Project Funds.
- All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30 for all County and School Board units.
- All budgetary data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and investments with a maturity date within three months of the date acquired.

Investments

Investments are reported at fair value.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment. The allowance for uncollectibles was comprised of property taxes in the amount of \$305,711.

Inventories

Inventories generally are recorded at the lower of cost (first-in/first-out (FIFO) method) or market except for any commodities received from the U.S. Department of Agriculture, which are valued at market. Inventories of the County's governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist of expendable supplies in the General Fund and USDA commodities in the Component Unit - School Board.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
(Continued)

Prepaid Items

Payments made for services that will benefit periods beyond June 30 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

Capital assets include property, plant, and equipment and are reported in the government-wide financial statements. The County does not own infrastructure assets. Capital assets are defined as items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Other improvements	2-40 years
Equipment	5-10 years

Compensated Absences

County and School Board employees are granted a specified number of days of leave with pay each year. The statements reflect, as of June 30, the amount payable for all unused vacation, sick and compensatory leave, payable upon termination. Employer related taxes payable are also included. The cost of accumulated leave is accounted for as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when the amounts have become due and payable.

Deferred/Unearned Revenue

Deferred/Unavailable revenue consists primarily of property taxes receivable not collected within 60 days of year end, as well as property taxes, either receivable or already collected, intended to finance a future fiscal period. Unearned revenue includes grants which have been advanced to the County but have not yet been earned.

Unearned revenue in the internal service fund represents advances by other funds, component units, and outside entities for the cost of insurance for periods after June 30.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance
(Continued)

Economic Incentive Grants Payable

Economic incentive grants payable are recorded when, in management’s opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of these incentives are reflected as revenues when collection is determined to be likely.

Long-Term Obligations

Long-term debt obligations are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period but no long-term liabilities. 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. Repayments are reported as debt service expenditures.

Encumbrances

The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

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.

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.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

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 has one item that qualifies for reporting in this category. It is the accumulated decrease in the fair market value of the interest rate swap agreement in the government-wide statement of net position. The fair market value of the interest rate swap agreement is adjusted annually.

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.

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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

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

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

IDA Transactions and Conduit Obligations

In addition to disbursing incentives to promote the expansion of business initiatives in the County, the IDA may also structure ownership of properties through lease purchase arrangements or issue Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. However, all rights to payments on these bonds have been assigned to the trustees, agents, or the holders of the bonds, and purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases the IDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the IDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the IDA does not recognize associated assets, liabilities, income or interest expense in its financial statements.

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Pursuant to Sec. 2.1-234.7 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share).

Credit Risk of Debt Securities

As required by state statute or by the County, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service.

County's Rated Debt Investments' Values - Standard & Poor's Rating		
<u>Rated Debt Investments</u>	<u>Fair Quaiy Ratings</u>	<u>Amount at June 30</u>
U.S. Agency Securities	AA+	\$ 7,211,373
Commercial Paper	AA-	4,729,086
Fixed Income - Municipal	AA+	4,845,637
Federated Prime Money Market	AAAm	28,910
LGIP	AAAm	4,000,300

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk

The County's current Policy places restrictions on the diversification by type of investments. The Policy provides the following restrictions on diversification as a percentage of the County's total investments. The maximum allowable concentration by investment type is as follows:

US Treasury Bills, Notes and Bonds	50%
Certificates of Deposit	70%
LGIP	50%
Bankers Acceptances	35%
Prime Quality Commercial Paper	35%
High Quality Commercial Notes	35%
Overnight Repurchase Agreement	50%

In accordance with GASB 40, the County reports the following single investment held at June 30, 2014 greater than 5% of total investments.

Security	Investment Type	Amount	Percent of Total Investments
Commonwealth Bank Australia	Commercial paper	\$ 2,520,500	12%
Westpac Bank Corporation	Commercial paper	2,008,060	9%
Federal Farm Credit Bank	U.S. Agency Security	2,000,120	9%
Federal National Mortgage Note	U.S. Agency Security	4,211,963	20%
Virginia St Housing Dev Auth Bds	Fixed Income - Municipal	3,404,555	16%

Interest Rate Risk

The County's current Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States; to fifteen years for any single corporate security; and five years for any single asset-backed security.

The carrying values and weighted average maturity were as follows:

Investment Type	Investment Maturity*	
	Fair Value	1 - 5
U.S. Agency Securities	\$ 7,211,373	\$ 7,211,373
Fixed Income - Municipal	4,845,637	4,845,637
Commercial Paper	4,729,086	4,729,086
Total investments	\$ 16,786,096	\$ 16,786,096

* Weighted average maturity in years.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk

The Policy requires that all investment securities be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all investments are held in a bank’s trust department in the County’s name.

Cash and investments are reflected in the financial statements as follows:

	Primary Government	Component Units	
		School Board	IDA
Deposits and investments:			
Cash on hand	\$ 3,150	\$ -	\$ -
Deposits	15,303,343	10,413,328	422,019
Investments	16,815,006	-	-
Total	<u>\$ 32,121,499</u>	<u>\$ 10,413,328</u>	<u>\$ 422,019</u>
Statement of net position:			
Cash and cash equivalents	\$ 15,306,493	\$ 10,324,668	\$ 422,019
Investments	16,815,006	-	-
Restricted cash and equivalents	-	88,660	-
Total	<u>\$ 32,121,499</u>	<u>\$ 10,413,328</u>	<u>\$ 422,019</u>

NOTE 3—RECEIVABLES AND DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

Receivables consist of the following:

	General Fund	Solid Waste	Capital Projects	Health Insurance	Total
Receivables:					
Taxes	\$ 39,769,773	\$ -	\$ -	\$ -	\$ 39,769,773
Accounts	372,265	802,981	30,000	-	1,205,246
Interest	39,122	-	9,367	6,612	55,101
Gross receivables	<u>\$ 40,181,160</u>	<u>\$ 802,981</u>	<u>\$ 39,367</u>	<u>\$ 6,612</u>	<u>\$ 41,030,120</u>
Less:					
Allowance for uncollectible amounts	<u>\$ 305,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,711</u>
Net receivables	<u>\$ 39,875,449</u>	<u>\$ 802,981</u>	<u>\$ 39,367</u>	<u>\$ 6,612</u>	<u>\$ 40,724,409</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 3-RECEIVABLES AND DEFERRED/UNAVAILABLE/UNEARNED REVENUE: (CONTINUED)

The taxes receivable account represents the current and past four years of uncollected tax levies on personal property taxes and the current and past nineteen years of uncollected tax levies on real property. Real estate taxes are recorded as receivable when they attach as an enforceable lien, therefore, real estate taxes based on the January 1, 2014, assessment date are included in taxes receivable at June 30, 2014, even though taxpayers had not yet been billed. Additionally personal property taxes are assessed on January 1, 2014 and the County does not prorate assessments, therefore the assessment is included in taxes receivable. However, since the January 1, 2014 levy is intended to finance a future period, these amounts have been included in unavailable revenue as discussed below.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, as well as for receivables which are considered unearned in that they are intended to finance a future period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of unavailable/unearned revenue were as follows:

Exhibit 3 Reconciliation

Advance payments of state and federal grants - unearned	\$ 28,638
Total unearned revenue - governmental funds (Exhibit 3)	\$ 28,638
Property taxes receivable - due after June 30	\$ 37,993,033
Property taxes receivable - due prior to June 30	1,471,030
Advance collection of 20143-2015 property taxes	86,099
Less amounts collected within 60 days	(197,905)
Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	\$ 39,352,257

Exhibit 1 Reconciliation

Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	\$ 39,352,257
Less property taxes due prior to June 30 (net of 60 day collections)	(1,273,125)
Deferred property taxes - Deferred Inflows of Resources - Statement of Net Position (Exhibit 1)	\$ 38,079,132
Advance payments of state and federal grants - unearned	\$ 28,638
Internal service fund deferrals related to discretely presented component units and outside entities	999,903
Unearned revenue - Statement of Net Position (Exhibit 1)	\$ 1,028,541

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 4–DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments consist of the following:

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 818,214	\$ -
State sales tax	-	1,430,296
Comprehensive Services Act	221,725	-
Public assistance	183,913	-
Motor vehicle rental tax	38,521	-
Mobile home titling tax	25,173	-
Shared expenses and grants	290,632	-
Railroad rolling stock	168,212	-
Communications tax	236,014	-
Recordation tax	22,701	-
Fire program funds	151,006	-
Other state funds	99,092	-
<u>Local Governments:</u>		
Laurel Regional Program	-	137,688
<u>Federal Government</u>		
Public assistance	252,485	-
Violence Against Women grant	8,131	-
Crimes Victims Assistance	57,351	-
Title I	-	258,610
Title II, Part A	-	59,710
Title VI-B special education cluster	-	291,755
Career and Technical Education	-	35,551
School nutrition program	-	54,751
Other federal grants	17,450	26,056
Total	\$ 2,590,620	\$ 2,294,417

NOTE 5–INTERFUND AND INTRA-ENTITY TRANSACTIONS AND BALANCES:

Interfund and Intra-Entity transfers are as follows:

Transfer Out Fund	Transfers In Fund	Amount
General Fund	Capital Projects Fund	\$ 2,154,783
General Fund	Solid Waste Fund	636,087
Capital Projects Fund	General Fund	184
General Fund	Health Insurance Fund	20,000

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 5-INTERFUND AND INTRA-ENTITY TRANSACTIONS AND BALANCES: (CONTINUED)

The transfer from the General Fund to the Capital Projects Fund was to support general government capital projects. Transfers from the General Fund to the Solid Waste Fund were to offset shortfalls in operating revenues. Transfers between Solid Waste Fund and General Fund were to reimburse for operating costs. Transfers from Solid Waste Fund to the Capital Projects Fund were to fund landfill project costs. Transfers from the General Fund to the Health Insurance Fund are to provide funding for health benefits.

Balances due to and from the primary government and its component units consist of the following:

The Component Unit-School Board owed \$2,732,408 to the General Fund at year end as a result of appropriated local funds in excess of actual school expenditures in the current and previous years.

The primary government owed the Component Unit-IDA \$113,763 for economic incentive grants awarded by the IDA for which the County is ultimately responsible. This is discussed further in Note 16.

NOTE 6-CAPITAL ASSETS:

Primary Government

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 2,454,038	\$ 23,042	\$ -	\$ 2,477,080
Total capital assets, nondepreciable	\$ 2,454,038	\$ 23,042	\$ -	\$ 2,477,080
Capital assets, depreciable:				
Buildings and improvements	\$ 19,531,910	\$ 111,747	\$ -	\$ 19,643,657
Other improvements	8,735,384	1,173,823	-	9,909,207
Equipment	10,903,535	920,062	414,254	11,409,343
School buildings	71,588,488	-	-	71,588,488
Total capital assets, depreciable	\$ 110,759,317	\$ 2,205,632	\$ 414,254	\$ 112,550,695
Less accumulated depreciation for:				
Buildings and improvements	\$ 4,663,402	\$ 516,028	\$ -	\$ 5,179,430
Other improvements	4,036,243	410,538	-	4,446,781
Equipment	8,775,447	595,812	414,254	8,957,005
School buildings	21,635,730	1,789,713	-	23,425,443
Total accumulated depreciation	\$ 39,110,822	\$ 3,312,091	\$ 414,254	\$ 42,008,659
Capital assets, depreciable, net	\$ 71,648,495	\$ (1,106,459)	\$ -	\$ 70,542,036
Governmental activities capital assets, net	\$ 74,102,533	\$ (1,083,417)	\$ -	\$ 73,019,116

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 427,760
Judicial administration	83,176
Public safety	638,718
Public works	169,831
Health and welfare	60,867
Education	1,807,696
Parks, recreation, and cultural	69,426
Community development	54,617
Total depreciation	<u>\$ 3,312,091</u>

Discretely Presented Component Unit-School Board

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 309,661	\$ -	\$ -	\$ 309,661
Construction in progress	<u>-</u>	<u>201,340</u>	<u>-</u>	<u>201,340</u>
Total capital assets, nondepreciable	<u>\$ 309,661</u>	<u>\$ 201,340</u>	<u>\$ -</u>	<u>\$ 511,001</u>
Capital assets, depreciable:				
Buildings and improvements	\$ 17,373,852	\$ 277,624	\$ -	\$ 17,651,476
Other improvements	1,869,155	28,859	-	1,898,014
Equipment	<u>14,256,885</u>	<u>965,297</u>	<u>526,232</u>	<u>14,695,950</u>
Total capital assets, depreciable	<u>\$ 33,499,892</u>	<u>\$ 1,271,780</u>	<u>\$ 526,232</u>	<u>\$ 34,245,440</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 14,149,034	\$ 428,616	\$ -	\$ 14,577,650
Other improvements	1,143,514	161,186	-	1,304,700
Equipment	<u>9,106,462</u>	<u>802,458</u>	<u>448,972</u>	<u>9,459,948</u>
Total accumulated depreciation	<u>\$ 24,399,010</u>	<u>\$ 1,392,260</u>	<u>\$ 448,972</u>	<u>\$ 25,342,298</u>
Capital assets, depreciable, net	<u>\$ 9,100,882</u>	<u>\$ (120,480)</u>	<u>\$ 77,260</u>	<u>\$ 8,903,142</u>
Governmental activities capital assets, net	<u>\$ 9,410,543</u>	<u>\$ 80,860</u>	<u>\$ 77,260</u>	<u>\$ 9,414,143</u>

All depreciation expense in the School Board was charged to the Education function.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 39,647,215	\$ -	\$ 2,251,885	\$ 37,395,330	\$ 2,286,891
Literary fund loans	7,447,335	-	872,233	6,575,102	872,233
Bond premiums	<u>349,763</u>	<u>-</u>	<u>20,508</u>	<u>329,255</u>	<u>20,508</u>
Total bonds payable	\$ 47,444,313	\$ -	\$ 3,144,626	\$ 44,299,687	\$ 3,179,632
Landfill closure/postclosure (Note 8)	2,426,733	33,974	-	2,460,707	-
Compensated absences	1,386,448	1,219,785	1,196,499	1,409,734	211,460
OPEB (Note 13)	<u>2,121,277</u>	<u>728,709</u>	<u>305,515</u>	<u>2,544,471</u>	<u>-</u>
Total Primary Government	\$ <u>53,378,771</u>	\$ <u>1,982,468</u>	\$ <u>4,646,640</u>	\$ <u>50,714,599</u>	\$ <u>3,391,092</u>
Component Unit-School Board:					
Compensated absences	\$ 365,251	\$ 13,993	\$ -	\$ 379,244	\$ 56,887
OPEB (Note 13)	<u>3,937,725</u>	<u>2,088,398</u>	<u>1,225,659</u>	<u>4,800,464</u>	<u>-</u>
Total Component Unit- School Board	\$ <u>4,302,976</u>	\$ <u>2,102,391</u>	\$ <u>1,225,659</u>	\$ <u>5,179,708</u>	\$ <u>56,887</u>
Component Unit-IDA:					
Notes payable	\$ 2,242,217	\$ 21,038	\$ 105,239	\$ 2,158,016	\$ 125,011
Economic incentive grants payable (Note 9)	<u>272,329</u>	<u>-</u>	<u>158,566</u>	<u>113,763</u>	<u>113,763</u>
Total Component Unit - IDA	\$ <u>2,514,546</u>	\$ <u>21,038</u>	\$ <u>263,805</u>	\$ <u>2,271,779</u>	\$ <u>238,774</u>

Debt service requirements of general obligation bonds and literary fund loans are paid by the General Fund. Costs related to landfill closure/postclosure are paid by the General Capital Projects Fund or the Solid Waste Fund. Requirements of the compensated absences and other postemployment benefits are paid by the General Fund for the primary government and the school operating and school cafeteria fund for the component unit-school board. Requirements of the notes payable incurred by the IDA are payable by the IDA supported by a lease agreement with an industry.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

The primary government's and component unit IDA annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities				Component Unit - IDA	
	General Obligation Bonds		Literary Fund Loans		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,286,891	\$ 1,733,722	\$ 872,233	\$ 153,502	\$ 125,011	\$ 79,889
2016	2,388,157	1,617,263	872,233	133,307	129,470	75,430
2017	2,500,307	1,494,351	872,233	113,113	134,091	70,809
2018	2,393,643	1,372,051	872,233	92,918	138,882	66,018
2019	2,326,332	1,254,576	872,233	72,723	138,506	75,141
2020-2024	12,220,000	4,550,324	2,213,937	118,947	480,551	351,261
2025-2029	13,280,000	1,317,453	-	-	506,268	243,401
2030-2032	-	-	-	-	505,237	52,645
Total	\$ 37,395,330	\$ 13,339,740	\$ 6,575,102	\$ 684,510	\$ 2,158,016	\$ 1,014,594

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
<u>General Obligation Bonds:</u>					
School Construction	5.10-6.10%	Nov 1996	July 2016	3,202,504 \$	604,709
School Construction	4.35-5.23%	Nov 1997	July 2017	2,709,756	662,713
School Construction	3.60-5.10%	Nov 1998	Jan 2019	3,323,952	972,908
School Construction	4.35-5.10%	April 2005	July 2030	8,685,000	6,190,000
VML/VACO Bonds-School	4.61%	June 2008	July 2029	16,000,000	13,525,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	5,475,000	4,625,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	12,800,000	10,815,000
Total General Obligation Bonds				\$	<u>37,395,330</u>
<u>Literary Fund Loans</u>					
School Construction	2.00%	Aug 1998	Aug 2018	\$ 5,000,000	\$ 1,250,000
School Construction	3.00%	Nov 2001	Nov 2021	5,500,000	2,200,000
School Construction	2.00%	July 2002	July 2022	6,944,667	3,125,102
Total Literary Fund Loans				\$	<u>6,575,102</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Component Unit - IDA</u>
<u>Notes Payable:</u>					
Real Estate Loan - Industry	3.92 - 4.85%	May 2013	June 2033	\$ 1,799,979	\$ 1,741,368
Equipment Loan - Industry *	3.00%	June 2013	August 2020	466,915	416,648
Total Notes Payable				\$	<u>2,158,016</u>

Interest rate swap

Objective of the interest rate swap.

As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in June 2008 the County entered into an interest rate swap in connection with its \$34,275,000 VACO / VML variable rate demand revenue bonds. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 4.055%. Utilizing the synthetic instrument method, the County has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms - The bonds and the related swap agreement mature on August 1, 2028. The swap's market value of \$32,314,154 is more than the balance outstanding on the bonds payable of \$28,965,000. The difference of \$3,349,154 is reported in these financial statements as a derivative instrument liability.

A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued.

Fair Value. The fair value and changes in fair value of the swap are as follows:

Fair value at June 30, 2014	\$ (2,937,680)
Change in fair value	411,474

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The County's landfill consists of four phases described as follows: Phase I of the landfill has never been intended to be used for actual waste disposal and serves only as a storage area. Phase II of the landfill was closed in 1995. Phase III opened in 1995 and Phase IV was never opened. The remaining capacity of Phase III and all of Phase IV were sold to the regional landfill authority, Region 2000 Services Authority, during fiscal year 2012.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS: (CONTINUED)

In accordance with state and Federal laws, the County placed a final cover on Phase II of the landfill in 1995 and is required to perform certain maintenance and monitoring functions at this site for a minimum of thirty years after closure. The cumulative amount of estimated postclosure care costs and corrective action costs for this site, less amounts expended for such costs to date were \$798,503 and \$1,662,204, respectively. The liability for Phase II reported is equal to 100% of the estimated liability.

The closure and postclosure care costs for Phase III were assumed by the Region 2000 Services Authority as part of the purchase of Phase III and IV. The cumulative amount reported as postclosure care costs and corrective action liability is \$2,460,707 as of June 30, 2014, all of which is for Phase II. The liability reported is based on what it would cost to perform all postclosure care in 2014.

The County demonstrates financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA-20-70 of the Virginia Administrative Code.

NOTE 9—IDA ECONOMIC INCENTIVE GRANTS PAYABLE:

As discussed in Note 16, the IDA has awarded certain economic incentive grants to businesses within the County; typically the grants are paid over a 1-3 year period. Outstanding grants approved by the governing body as of June 30, 2014 that have been substantially earned by the business.

NOTE 10—SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - SCHOOL BOARD:

Certain transactions between the County and School Board component unit are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

- A. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board and related capital expenditures are recorded in the County’s funds.
- B. Debt service payments for school bonded debt are reported as part of the primary government in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.
- C. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation as “jointly owned” assets. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 10–SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - SCHOOL BOARD:

D. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board - Component Unit (Exhibit 18)	\$ 76,930,869
School-related principal and other debt service expenditures included in primary government (Exhibit 4)	<u>2,443,279</u>
Total expenditures for school activities	<u><u>\$ 79,374,148</u></u>

NOTE 11–SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - IDA:

The IDA was created to encourage economic development in the County. To that end, the County appropriates periodic contributions to the IDA. In addition, the County provides certain economic incentive grants to encourage development in the County. These grants pass through the IDA but ultimately are long-term obligations reported in the County's government-wide statement of net position. When the underlying requirements have been substantially met, these amounts are recorded by the IDA as payable to the grant recipient and as receivable from the County. At year end the IDA reported economic incentive grants payable of \$113,763 and an equal amount was reported as receivable from the County.

Amounts reported as payable to the IDA by the County consist of the following:

Long-term commitments to IDA, reported in the government-wide Statement of Net Position	\$ <u>113,763</u>
Total payable to IDA	<u><u>\$ 113,763</u></u>

The County also provides personnel and office space to the IDA at no charge.

NOTE 12–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.

NOTE 12—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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.

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.

NOTE 12—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

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.

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%.

NOTE 12—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

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.

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.

NOTE 12-PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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.

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.

NOTE 12—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

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.
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.

NOTE 12-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.

NOTE 12—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 12—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.

NOTE 12—PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

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.

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.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 12—PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 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 and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's and School Board's contribution rates for the fiscal year ended 2014 were **12.97%** and **10.80%** (nonprofessional employees) of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$4,408,330, \$4,254,277, and \$2,232,252, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, County's annual pension cost of \$1,645,132 was equal to the County's required and actual contributions.

Three-Year Trend Information for Campbell County			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 1,645,132	100%	\$ -
June 30, 2013	1,549,419	100%	-
June 30, 2012	1,035,474	100%	-

For fiscal year 2014, School Board's annual pension cost for nonprofessional employees of \$318,763 was equal to the School Board's required and actual contributions.

Three-Year Trend Information for Campbell County School Board-Nonprofessional			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 318,763	100%	\$ -
June 30, 2013	321,133	100%	-
June 30, 2012	210,297	100%	-

(1) Employer portion only

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 12—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's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 77.23% funded. The actuarial accrued liability for benefits was \$57,068,131, and the actuarial value of assets was \$44,071,511, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,996,620. The covered payroll (annual payroll of active employees covered by the plan) was \$12,031,360 and ratio of the UAAL to the covered payroll was 108.02%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 79.77% funded. The actuarial accrued liability for benefits was \$13,337,611, and the actuarial value of assets was \$10,639,046, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,698,565. The covered payroll (annual payroll of active employees covered by the plan) was \$2,995,330 and ratio of the UAAL to the covered payroll was 90.09%.

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

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS:

The Governmental Accounting Standards Board ("GASB") Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes standards for the measurement, recognition and display of other postemployment benefits ("OPEB") expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The County and Schools adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance

A. Plan Description

The County and School Board provide postemployment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

A Campbell County retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the County or Schools and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and Schools. County employees hired prior to July 1, 2006 and School employees hired for the 2006-2007 school year and before must have 10 years of service with Campbell County in order to be eligible for postretirement medical coverage. All subsequently hired employees must have 20 years of service with Campbell County to be eligible. Retired employees, hired on or after July 1, 2010, eligible for VRS retirement benefits with at least 20 years of consecutive County service may continue their health insurance under the County insurance plan until age 65 if they elect to pay the entire insurance premium established for regular employees in that classification. The Schools allow dependents to be covered if eligible employees are hired on or after July 1, 2010; employees hired prior to July 1, 2010 are also provided dependent coverage if they meet the previously stated eligibility requirements. Coverage for County employees will be limited to the retired employee and will not include dependents.

Retirees not yet eligible for Medicare coverage have one coverage choice, just as active employees have. Retirees eligible for Medicare coverage have access to plans that supplement Medicare, however, the retiree is responsible for the full cost of the plan.

The number of participants at June 30, 2014 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Retirees currently receiving benefits	39	118
Active employees	250	799
Total	<u>289</u>	<u>917</u>

B. Funding Policy

The County and Schools currently fund postemployment health care benefits on a pay-as-you-go basis. During fiscal year 2014, neither the County nor the Schools designated any funding for the OPEB liability.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

C. Annual Required Contribution (ARC):

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC an amount actuarially determined with the parameters of GASB 45. The estimated pay as you go cost for OPEB benefits for fiscal year 2014 was \$728,709 for the County and \$2,088,398 for the School Board. The County and School Board have paid \$305,515 and \$1,225,659, respectively towards this obligation during the fiscal year. 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 on an open basis. The components of the annual OPEB cost are depicted in the following table.

	<u>Primary Government</u>	<u>School Board</u>
Annual required contribution	\$ 733,926	\$ 2,098,081
Interest on net OPEB obligation	84,851	157,509
Adjustment to annual required contribution	<u>(90,068)</u>	<u>(167,192)</u>
Annual OPEB cost	\$ 728,709	\$ 2,088,398
Contributions made	<u>305,515</u>	<u>1,225,659</u>
Increase in net OPEB obligation	\$ 423,194	\$ 862,739
Net OPEB obligation-beginning of year	<u>2,121,277</u>	<u>3,937,725</u>
Net OPEB obligation-end of year	<u>\$ 2,544,471</u>	<u>\$ 4,800,464</u>

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.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 728,709	41.93%	\$ 2,544,471
June 30, 2013	707,536	39.25%	2,121,277
June 30, 2012	825,549	49.33%	1,691,482

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation: (Continued)

C. Annual Required Contribution (ARC): (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 2,088,398	58.69%	\$ 4,800,464
June 30, 2013	2,005,468	55.56%	3,937,725
June 30, 2012	2,719,748	70.22%	3,046,492

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Valuation Date	July 1, 2013	July 1, 2013
Actuarial Accrued Liability (AAL)	\$ 8,311,631	\$ 24,454,112
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	8,311,631	24,454,112
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-	-
Covered Payroll (Active Plan Members)	N/A	N/A
UAAL as a Percentage of Covered Payroll	N/A	N/A

Information about annual covered payroll is unavailable.

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. Examples include assumptions about future employment, mortality, and healthcare cost trends. 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 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.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2014 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation: (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 the plan members) and include the type 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 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4% discount, 3% inflation rate and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 7.5%. The unfunded accrued liability is being amortized as a level percentage over 30 years on an open basis. The remaining amortization period at July 1, 2013 (actuarial valuation date) is 30 years.

School Board Health Insurance Credit Program

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 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 School Board, 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.

B. Funding Policy

As a participating local political subdivision, the School Board 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 School Board's contribution rate for the fiscal year ended 2014 was .71% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)**C. Annual OPEB Cost and Net OPEB Obligation**

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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, on an open basis.

For 2014, the School Board's contribution of \$22,952 was equal to the ARC and OPEB cost. 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 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 22,952	100.00%	\$ -
June 30, 2013	21,112	100.00%	-
June 30, 2012	19,964	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)	\$ 389,304
Actuarial Value of Plan Assets	180,848
Unfunded Actuarial Accrued Liability (UAAL)	208,456
Funded Ratio (Actuarial Value of Plan Assets/AAL)	46.45%
Covered Payroll (Active Plan Members)	2,995,330
UAAL as a Percentage of Covered Payroll	6.96%

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 Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to the healthcare cost trend rates is needed or applied.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

D. Funded Status and Funding Progress: (Continued)

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.

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 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll 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 years ended June 30, 2014, 2013 and 2012 were \$420,336, \$404,996, and \$211,588, respectively, and equaled the required contributions for each year.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2014 (CONTINUED)

NOTE 14-PROPERTY TAXES:

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue. Public utility property is assessed by the Commonwealth. All real property is assessed at 100 percent of fair market value and reassessed every four years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in annual installments due December 5. The taxes receivable balance at June 30, 2013 includes amounts not yet received from the January 1, 2014 levy. Property taxes attach as an enforceable lien on property as of January 1.

In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was \$.53 and \$.53 per \$100 of assessed value for calendar years 2014 and 2013, respectively.

Personal property tax assessments on all motor vehicles is \$4.45 per \$100 assessed value. Personal property tax on business machinery and tools is \$3.25 per \$100 of assessed value. Personal property taxes for the calendar year are due on December 5. Personal property tax assessments are not prorated. Property is assessed as of January 1st of each year.

NOTE 15-RISK MANAGEMENT:

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation claims; and natural disasters.

The County contracts with VACorp to provide insurance coverage for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the League, the League may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage consists of \$1 million primary and \$4 million excess coverage.

The School Board contracts with private insurers for property and liability coverage.

Unemployment Insurance

The County and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

Employee Health Insurance

The County is self-insured for medical coverage for County and School employees. Anthem serves as the administrator of a group medical insurance program in which the County and School Board's participating employees are combined into one overall funding program. The program includes a specific stop loss of \$125,000 for the program year ending September 30, 2013, and a maximum aggregate liability of 115% of Anthem's estimate of the expected liability.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 15–RISK MANAGEMENT: (CONTINUED)

Employee Health Insurance: (Continued)

Liabilities for unpaid claims and claims incurred but not reported (IBNR) are estimated based on the estimated ultimate costs of settling the claims. Changes in the balances of claim liabilities are as follows:

<u>Fiscal Year Ending</u>	<u>Beginning of Year</u>	<u>Insured Claims (Including IBNR)</u>	<u>Claim Payments</u>	<u>End of Year</u>
June 30, 2014	\$ 889,776	\$ 8,875,356	8,884,357	\$ 880,775
June 30, 2013	906,004	8,429,283	8,445,511	889,776
June 30, 2012	802,753	9,507,387	9,404,136	906,004

In fiscal year 2012 the County started offering health benefits with a health savings account. The County has provided an annual contribution to each employee's health savings account.

NOTE 16–COMMITMENTS AND CONTINGENCIES:

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required they will be immaterial.

Revenue Bonds of Campbell County Utilities and Service Authority

The County Board of Supervisors has issued expressions of intent to provide the debt service payments on certain revenue bonds issued by the Campbell County Utilities and Service Authority (CCUSA). This support agreement is a non-binding obligation to appropriate to the CCUSA such funds as may be requested from time to time to pay these debt service costs for the life of the bonds, or 20 years. The County paid CCUSA \$212,417 for debt service in fiscal year 2014. In turn, the County receives water and sewer access fees related to these projects. In 2014, the County received approximately \$94,059 in such fees.

Library Foundation

The County has agreed to provide \$700,000 in financing for the construction of a new library and recreation center. Additionally, the County is the recipient of a grant from the Department of Housing and Urban Development in the amount of \$500,000. The Library Foundation, an independent organization from the County will provide the remaining amounts necessary to fund the total estimated cost of construction in the amount of \$1.85 million.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 (CONTINUED)

NOTE 16—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

IDA - Adverse IRS Determination

The Internal Revenue Service (IRS) has concluded that certain revenue bonds issued in 1994 by the IDA on behalf of a private company do not qualify as tax exempt bonds. No estimate of any potential liability under this finding has been provided to the IDA, and the company is legally obligated to indemnify the IDA for any assessments. Management does not believe this action will result in any expense to the IDA, and accordingly no liability has been recorded.

Leesville Road Waterline

The County financed the construction of the Leesville Road waterline. CCUSA will own and operate the assets. All connection fees received as a result of the waterline will be remitted to the County until the costs are recovered. If the total costs are not recovered, CCUSA is not responsible for the difference.

NOTE 17—NEW ACCOUNTING STANDARDS:

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 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

NOTE 18—RESTRICTED ASSETS:

The School Board reports the following restricted assets:

Cash: Donations - Brookville High School Fieldhouse	\$ <u>88,660</u>
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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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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 - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 36,288,070	\$ 36,562,070	\$ 37,019,002	\$ 456,932
Other local taxes	8,990,484	8,990,484	9,722,828	732,344
Permits, privilege fees, and regulatory licenses	277,666	287,166	254,802	(32,364)
Fines and forfeitures	146,690	146,690	136,015	(10,675)
Revenue from the use of money and property	232,410	232,410	375,207	142,797
Charges for services	2,072,359	2,136,890	2,240,204	103,314
Miscellaneous	67,950	202,193	350,190	147,997
Recovered costs	302,578	302,578	302,814	236
Intergovernmental:				
Commonwealth	13,811,558	14,071,807	12,994,434	(1,077,373)
Federal	3,099,890	3,438,870	3,531,759	92,889
Total revenues	\$ 65,289,655	\$ 66,371,158	\$ 66,927,255	\$ 556,097
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	\$ 89,531	\$ 94,734	\$ 82,931	\$ 11,803
County administrator	348,507	360,371	355,410	4,961
Independent auditor	61,500	65,000	61,500	3,500
Business auditor	104,279	107,438	79,458	27,980
Commissioner of the Revenue	407,510	413,949	344,255	69,694
Reassessment	399,880	425,307	366,724	58,583
Central purchasing	153,859	160,555	159,390	1,165
Legal services	263,814	282,105	278,325	3,780
Treasurer	521,258	554,198	517,958	36,240
Information systems	767,087	746,742	606,366	140,376
Management services	379,828	396,535	380,108	16,427
Vehicle licensing	32,350	32,674	21,278	11,396
Human resources	199,740	212,431	178,678	33,753
Other	1,204,657	617,726	570,551	47,175
Registrar	194,991	202,930	185,906	17,024
Public information	115,555	119,053	117,213	1,840
Total general government administration	\$ 5,244,346	\$ 4,791,748	\$ 4,306,051	\$ 485,697
Judicial administration				
Circuit court	\$ 82,449	\$ 94,061	\$ 79,144	\$ 14,917
General district court	14,383	16,234	13,886	2,348
Magistrates	1,411	1,411	1,164	247
Juvenile and domestic relations court	15,186	16,383	14,497	1,886
Clerk of the circuit court	517,682	611,319	579,175	32,144
Law library	3,940	5,311	-	5,311
Victim witness program	156,880	185,926	151,704	34,222
Commissioner of accounts	1,320	1,320	1,062	258
Commonwealth attorney	734,519	787,890	770,626	17,264
Total judicial administration	\$ 1,527,770	\$ 1,719,855	\$ 1,611,258	\$ 108,597

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2014 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Public safety				
Sheriff	\$ 4,660,221	\$ 5,195,431	\$ 4,930,455	\$ 264,976
E - 911 system	988,895	1,030,756	954,911	75,845
Fire departments	592,487	638,280	600,485	37,795
Ambulance and rescue services	498,687	708,911	656,386	52,525
Paid EMT services	1,296,733	1,483,367	1,462,697	20,670
Forest fire extinction service	18,941	20,781	20,780	1
Jail	3,100,000	3,100,000	3,100,000	-
Probation office	6,100	6,100	4,147	1,953
Local corrections	611,657	612,006	440,393	171,613
Building inspections	302,974	311,707	307,163	4,544
Animal control	233,012	254,229	241,392	12,837
Medical examiner	600	900	680	220
Emergency services	235,202	254,889	249,052	5,837
Total public safety	\$ 12,545,509	\$ 13,617,357	\$ 12,968,541	\$ 648,816
Public works				
Highway services	\$ 18,000	\$ 23,100	\$ 23,024	\$ 76
Street lights	10,600	10,600	7,804	2,796
Maintenance of buildings and grounds	1,255,848	1,383,816	1,325,168	58,648
Public works administration	188,996	210,053	207,958	2,095
Total public works	\$ 1,473,444	\$ 1,627,569	\$ 1,563,954	\$ 63,615
Health and welfare				
Health department	\$ 409,181	\$ 409,181	\$ 405,623	\$ 3,558
Chapter X board	167,000	167,000	167,000	-
Welfare assistance and administration	6,936,390	7,086,318	6,477,098	609,220
At risk youth program	2,732,955	2,739,876	2,060,868	679,008
Property tax relief for elderly/handicapped	-	274,000	324,403	(50,403)
Housing assistance	106,441	107,093	105,020	2,073
Strategic prevention framework incentive	121,758	123,186	95,294	27,892
Other health and welfare	14,788	14,788	14,788	-
Total health and welfare	\$ 10,488,513	\$ 10,921,442	\$ 9,650,094	\$ 1,271,348
Education				
Contribution to School Board				
Component unit	\$ 24,648,202	\$ 30,469,700	\$ 24,102,429	\$ 6,367,271
Total education	\$ 24,648,202	\$ 30,469,700	\$ 24,102,429	\$ 6,367,271

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2014 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Parks, recreation, and cultural				
Parks and recreation	\$ 510,102	\$ 529,906	\$ 471,925	\$ 57,981
Community recreation	195,591	195,591	149,893	45,698
Historic landmarks	5,000	5,000	5,000	-
Library	972,017	1,033,695	998,299	35,396
Literacy	29,248	31,748	28,232	3,516
Total parks, recreation, and cultural	\$ 1,711,958	\$ 1,795,940	\$ 1,653,349	\$ 142,591
Community Development				
Zoning	\$ 383,318	\$ 424,034	\$ 419,886	\$ 4,148
Economic development	431,291	1,066,667	644,347	422,320
Planning	111,100	111,100	111,100	-
Campbell County Utility Service Authority	118,918	366,936	212,417	154,519
Environmental management program	108,403	192,992	115,088	77,904
Soil and water conservation district	16,000	16,000	10,070	5,930
Cooperation extension program	69,644	69,643	67,075	2,568
Total community development	\$ 1,238,674	\$ 2,247,372	\$ 1,579,983	\$ 667,389
Debt Service				
Principal	\$ 3,124,118	\$ 3,124,118	\$ 3,124,117	\$ 1
Interest and fiscal charges	1,941,034	2,060,933	1,615,593	445,340
Total debt service	\$ 5,065,152	\$ 5,185,051	\$ 4,739,710	\$ 445,341
Nondepartmental	\$ (715,000)	\$ (715,000)	\$ -	\$ (715,000)
Total expenditures	\$ 63,228,568	\$ 71,661,034	\$ 62,175,369	\$ 9,485,665
Excess (deficiency) of revenues over (under) expenditures	\$ 2,061,087	\$ (5,289,876)	\$ 4,751,886	\$ 10,041,762
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 184	\$ 184	\$ -
Transfers out	(2,061,087)	(2,810,870)	(2,810,870)	-
Total other financing sources (uses)	\$ (2,061,087)	\$ (2,810,686)	\$ (2,810,686)	\$ -
Net change in fund balances	\$ -	\$ (8,100,562)	\$ 1,941,200	\$ 10,041,762
Fund balance - beginning	-	8,100,562	22,821,149	14,720,587
Fund balance - ending	\$ -	\$ -	\$ 24,762,349	\$ 24,762,349

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Solid Waste 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 - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 248	\$ (4,752)
Charges for services	890,473	890,473	803,031	(87,442)
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	13,065	16,418	16,418	-
Total revenues	\$ 908,538	\$ 911,891	\$ 819,697	\$ (92,194)
EXPENDITURES				
Current:				
Public Works - Solid Waste	\$ 1,544,625	\$ 2,359,971	\$ 2,111,135	\$ 248,836
Total expenditures	\$ 1,544,625	\$ 2,359,971	\$ 2,111,135	\$ 248,836
Excess (deficiency) of revenues over (under) expenditures	\$ (636,087)	\$ (1,448,080)	\$ (1,291,438)	\$ 156,642
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 636,087	\$ 636,087	\$ 636,087	\$ -
Sale of capital assets	-	-	10,322	10,322
Total other financing sources (uses)	\$ 636,087	\$ 636,087	\$ 646,409	\$ 10,322
Net change in fund balances	\$ -	\$ (811,993)	\$ (645,029)	\$ 166,964
Fund balance - beginning	-	811,993	2,907,867	2,095,874
Fund balance - ending	\$ -	\$ -	\$ 2,262,838	\$ 2,262,838

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Schedule of Pension Funding Progress - Virginia Retirement System

County:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 44,071,511	\$ 57,068,131	\$ 12,996,620	77.23%	\$ 12,031,360	108.02%
6/30/2012	42,464,312	56,397,320	13,933,008	75.29%	11,316,988	123.12%
6/30/2011	42,687,383	54,723,305	12,035,922	78.01%	11,627,556	103.51%

School Board Non-Professionals:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 10,639,046	\$ 13,337,611	\$ 2,698,565	79.77%	\$ 2,995,330	90.09%
6/30/2012	10,489,555	13,561,865	3,072,310	77.35%	2,758,337	111.38%
6/30/2011	10,784,821	13,112,757	2,327,936	82.25%	2,758,378	84.40%

Required Supplementary Information
Schedule of OPEB Funding Progress

County:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll (1)	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2011	\$ -	\$ 8,721,654	\$ 8,721,654	0.00%	\$ 11,373,671	76.68%
7/1/2012	-	7,920,240	7,920,240	0.00%	N/A	N/A
7/1/2013	-	8,311,631	8,311,631	0.00%	N/A	N/A

School Board:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll (1)	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2011	\$ -	\$ 29,214,436	\$ 29,214,436	0.00%	\$ 42,144,022	69.32%
7/1/2012	-	23,641,170	23,641,170	0.00%	N/A	N/A
7/1/2013	-	24,454,112	24,454,112	0.00%	N/A	N/A

School Board - Health Insurance Credit Program:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2011	\$ 182,604	\$ 387,354	\$ 204,750	47.14%	\$ 2,758,378	7.42%
6/30/2012	172,231	397,316	225,085	43.35%	2,758,337	8.16%
6/30/2013	180,848	389,304	208,456	46.45%	2,995,330	6.96%

(1) Information about annual covered payroll is unavailable

OTHER SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 30,000	\$ 30,000	\$ 53,294	\$ 23,294
Miscellaneous	-	-	30,000	30,000
Intergovernmental revenues:				
Commonwealth	454,750	1,314,076	600,949	(713,127)
Total revenues	\$ 484,750	\$ 1,344,076	\$ 684,243	\$ (659,833)
EXPENDITURES				
Current:				
Capital projects	\$ 4,586,555	\$ 8,131,896	\$ 3,665,156	\$ 4,466,740
Total expenditures	\$ 4,586,555	\$ 8,131,896	\$ 3,665,156	\$ 4,466,740
Excess (deficiency) of revenues over (under) expenditures	\$ (4,101,805)	\$ (6,787,820)	\$ (2,980,913)	\$ 3,806,907
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,425,000	\$ 2,154,783	\$ 2,154,783	\$ -
Transfers out	-	(184)	(184)	-
Total other financing sources (uses)	\$ 1,425,000	\$ 2,154,599	\$ 2,154,599	\$ -
Net change in fund balances	\$ (2,676,805)	\$ (4,633,221)	\$ (826,314)	\$ 3,806,907
Fund balance - beginning	2,676,805	4,633,221	4,633,221	-
Fund balance - ending	\$ -	\$ -	\$ 3,806,907	\$ 3,806,907

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2014

	<u>Special Welfare</u>	<u>Drug Enforcement</u>	<u>Commonwealth Attorney Drug Fund</u>	<u>Flexible Benefits</u>	<u>County Agency</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 53,878	\$ 142,973	\$ 84,776	\$ 42,033	\$ 36,552	\$ 360,212
Receivables						
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>143</u>	<u>-</u>	<u>143</u>
Total assets	<u>\$ 53,878</u>	<u>\$ 142,973</u>	<u>\$ 84,776</u>	<u>\$ 42,176</u>	<u>\$ 36,552</u>	<u>\$ 360,355</u>
LIABILITIES						
Amounts held for social service clients	\$ 53,878	\$ -	\$ -	\$ -	\$ -	\$ 53,878
Amounts held for others	<u>-</u>	<u>142,973</u>	<u>84,776</u>	<u>42,156</u>	<u>36,552</u>	<u>306,457</u>
Total liabilities	<u>\$ 53,878</u>	<u>\$ 142,973</u>	<u>\$ 84,776</u>	<u>\$ 42,156</u>	<u>\$ 36,552</u>	<u>\$ 360,335</u>

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 57,904	\$ 180,750	\$ 184,776	\$ 53,878
Liabilities:				
Amounts held for social service clients	\$ 57,904	\$ 180,750	\$ 184,776	\$ 53,878
Drug Enforcement:				
Assets:				
Cash and cash equivalents	\$ 108,238	\$ 34,735	\$ -	\$ 142,973
Liabilities:				
Amounts held for others	\$ 108,238	\$ 34,735	\$ -	\$ 142,973
Commonwealth Attorney Drug Fund:				
Assets:				
Cash and cash equivalents	\$ 56,933	\$ 29,459	\$ 1,616	\$ 84,776
Accounts receivable	6,480	-	6,480	-
Total assets	\$ 63,413	\$ 29,459	\$ 8,096	\$ 84,776
Liabilities:				
Amounts held for others	\$ 63,413	\$ 29,459	\$ 8,096	\$ 84,776
Flexible Benefits:				
Assets:				
Cash and cash equivalents	\$ 44,080	\$ 3,079,249	\$ 3,081,296	\$ 42,033
Accounts receivable	143	123	143	123
Total assets	\$ 44,223	\$ 3,079,372	\$ 3,081,439	\$ 42,156
Liabilities:				
Amounts held for others	\$ 44,223	\$ 3,079,372	\$ 3,081,439	\$ 42,156
County Agency:				
Assets:				
Cash and cash equivalents	\$ 34,945	\$ 1,607	\$ -	\$ 36,552
Liabilities:				
Amounts held for others	\$ 34,945	\$ 1,607	\$ -	\$ 36,552
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 302,100	\$ 3,325,800	\$ 3,267,688	\$ 360,212
Accounts receivable	6,623	123	6,623	123
Total assets	\$ 308,723	\$ 3,325,923	\$ 3,274,311	\$ 360,335
Liabilities:				
Amounts held for social service clients	\$ 57,904	\$ 180,750	\$ 184,776	\$ 53,878
Amounts held for others	250,819	3,145,173	3,089,535	306,457
Total liabilities	\$ 308,723	\$ 3,325,923	\$ 3,274,311	\$ 360,335

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,590,535	\$ 1,386,656	\$ 1,347,477	\$ 10,324,668
Due from other governmental units	2,239,666	54,751	-	2,294,417
Prepaid items	388,433	11,864	-	400,297
Restricted assets:				
Cash and cash equivalents	-	-	88,660	88,660
Total assets	<u>\$ 10,218,634</u>	<u>\$ 1,453,271</u>	<u>\$ 1,436,137</u>	<u>\$ 13,108,042</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 872,898	\$ 30,673	\$ -	\$ 903,571
Accrued liabilities	6,219,919	182,271	-	6,402,190
Due to primary government	2,732,408	-	-	2,732,408
Total liabilities	<u>\$ 9,825,225</u>	<u>\$ 212,944</u>	<u>\$ -</u>	<u>\$ 10,038,169</u>

Fund balances:

Nonspendable:				
Prepaid items	\$ 388,433	\$ 11,864	\$ -	\$ 400,297
Restricted:				
BHS fieldhouse construction	-	-	88,660	88,660
Committed:				
Education	6,061,345	-	-	6,061,345
Assigned:				
Education	4,976	1,228,463	-	1,233,439
Education - capital projects	-	-	1,347,477	1,347,477
Unassigned	(6,061,345)	-	-	(6,061,345)
Total fund balances	<u>\$ 393,409</u>	<u>\$ 1,240,327</u>	<u>\$ 1,436,137</u>	<u>\$ 3,069,873</u>
Total liabilities and fund balances	<u>\$ 10,218,634</u>	<u>\$ 1,453,271</u>	<u>\$ 1,436,137</u>	<u>\$ 13,108,042</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above	\$ 3,069,873
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds (Cost of \$34,756,441 and accumulated depreciation of \$25,342,298)	9,414,143
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Net OPEB obligation	\$ (4,800,464)
Compensated absences	(379,244)
Net position of governmental activities	<u>\$ 7,304,308</u>

Combining 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	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 7,776	\$ 247	\$ 1,501	\$ 9,524
Charges for services	128,451	1,151,713	-	1,280,164
Miscellaneous	12,792	14,474	82,510	109,776
Recovered costs	451,158	-	-	451,158
Intergovernmental:				
Local government	24,102,429	-	-	24,102,429
Commonwealth	44,776,924	68,500	-	44,845,424
Federal	3,911,024	2,247,380	-	6,158,404
Total revenues	<u>\$ 73,390,554</u>	<u>\$ 3,482,314</u>	<u>\$ 84,011</u>	<u>\$ 76,956,879</u>
EXPENDITURES				
Current:				
Education	\$ 73,330,767	\$ 3,434,443	\$ 165,659	\$ 76,930,869
Total expenditures	<u>\$ 73,330,767</u>	<u>\$ 3,434,443</u>	<u>\$ 165,659</u>	<u>\$ 76,930,869</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 59,787</u>	<u>\$ 47,871</u>	<u>\$ (81,648)</u>	<u>\$ 26,010</u>
Net change in fund balances	\$ 59,787	\$ 47,871	\$ (81,648)	\$ 26,010
Fund balances - beginning	333,622	1,192,456	1,517,785	3,043,863
Fund balances - ending	<u>\$ 393,409</u>	<u>\$ 1,240,327</u>	<u>\$ 1,436,137</u>	<u>\$ 3,069,873</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 \$ 26,010

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized expenditures exceeded depreciation expense in the current period

Capital outlay	\$ 1,473,120	
Depreciation expense	<u>(1,392,260)</u>	80,860
Government to the Component Unit		

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals) is to decrease net position (77,260)

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	\$ (13,993)	
(Increase)/decrease in net OPEB obligation	<u>(862,739)</u>	<u>(876,732)</u>

Change in net position of governmental activities \$ (847,122)

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				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,500	\$ 3,500	\$ 7,776	\$ 4,276
Charges for services	121,500	121,500	128,451	6,951
Miscellaneous	26,500	31,250	12,792	(18,458)
Recovered costs	190,500	466,658	451,158	(15,500)
Intergovernmental:				
Local government	24,848,202	30,469,700	24,102,429	(6,367,271)
Commonwealth	45,249,260	45,318,896	44,776,924	(541,972)
Federal	5,147,305	5,218,831	3,911,024	(1,307,807)
Total revenues	<u>\$ 75,586,767</u>	<u>\$ 81,630,335</u>	<u>\$ 73,390,554</u>	<u>\$ (8,239,781)</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 54,320,310	\$ 56,569,817	\$ 52,666,709	\$ 3,903,108
Administration, attendance and health	3,834,003	3,948,920	3,732,190	216,730
Pupil transportation	5,015,893	5,198,575	4,765,942	432,633
Operation and maintenance services	8,160,108	10,085,579	7,760,393	2,325,186
Technology	4,256,453	5,828,401	4,405,533	1,422,868
Total expenditures	<u>\$ 75,586,767</u>	<u>\$ 81,631,292</u>	<u>\$ 73,330,767</u>	<u>\$ 8,300,525</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (957)</u>	<u>\$ 59,787</u>	<u>\$ 60,744</u>
Net change in fund balances	\$ -	\$ (957)	\$ 59,787	\$ 60,744
Fund balance - beginning	<u>-</u>	<u>957</u>	<u>333,622</u>	<u>332,665</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 393,409</u>	<u>\$ 393,409</u>

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2014

	<u>Enterprise Fund</u>
ASSETS	
Cash and cash equivalents	\$ 422,019
Due from primary government	113,763
Industrial assets held for industry - real property	1,829,927
Industrial assets held for industry - equipment	485,946
Total assets	\$ <u>2,851,655</u>
LIABILITIES	
Accounts payable	\$ 1,030
Accrued interest payable	6,734
Long-term liabilities:	
Due within one year	238,774
Due in more than one year	2,033,005
Total liabilities	\$ <u>2,279,543</u>
NET POSITION	
Unrestricted	\$ <u><u>572,112</u></u>

Schedule of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2014

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 8,261
Revenue from the use of property	225,216
Total operating revenues	<u>\$ 233,477</u>
OPERATING EXPENSES	
Economic incentive grants	\$ 41,803
Other operating costs	5,422
Total operating expenses	<u>\$ 47,225</u>
Operating income (loss)	<u>\$ 186,252</u>
NONOPERATING REVENUES (EXPENSES)	
Contributions from Campbell County	\$ 109,616
Interest income	5,107
Interest expense	<u>(86,583)</u>
Net nonoperating revenues (expenses)	<u>\$ 28,140</u>
Change in net position	<u>\$ 214,392</u>
Net position - beginning	\$ 357,720
Net position - ending	<u><u>\$ 572,112</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2014

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grantors and customers	\$ 233,477
Payments to grantees and suppliers	(46,195)
Net cash provided by (used for) operating activities	\$ <u>187,282</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Campbell County	\$ 109,616
Interest Income	5,107
Net cash provided by (used for) noncapital financing activities	\$ <u>114,723</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on long term debt	\$ (105,239)
Proceeds from indebtedness	21,038
Additions to industrial assets held for resale	(43,738)
Interest paid on long term debt	(87,297)
Net cash provided by (used for) capital and related financing activities	\$ <u>(215,236)</u>
Net increase (decrease) cash and cash equivalents	\$ 86,769
CASH AND CASH EQUIVALENTS	
Cash balance - beginning	335,250
Cash balance - ending	\$ <u><u>422,019</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ 186,252
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Change in assets and liabilities:	
Increase (decrease) in accounts payable	1,030
Net cash provided by (used for) operating activities	\$ <u><u>187,282</u></u>

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Other Statistical Information

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.

1 - 4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.

5 - 7

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.

8 - 9

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

10-14

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

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COUNTY OF CAMPBELL, VIRGINIA

Table 1

Net Position by Component
Last Ten Fiscal Years
(*accrual basis of accounting*)

	2005	2006	2007	2008	2009	2010	2011	2012	2013 (1)	2014
Primary government										
Governmental activities										
Net investment in capital assets	\$ 21,669,556	\$ 28,478,148	\$ 30,237,231	\$ 39,715,828	\$ 31,775,484	\$ 28,284,570	\$ 27,643,364	\$ 25,710,879	\$ 26,658,220	\$ 28,719,429
Restricted	7,638,827	1,239,449	-	-	-	-	-	-	-	-
Unrestricted	14,266,395	11,235,965	16,516,792	11,756,092	20,312,047	23,778,379	24,548,926	31,368,847	31,359,486	30,189,019
Total governmental activities net position	\$ 43,574,778	\$ 40,953,562	\$ 46,754,023	\$ 51,471,920	\$ 52,087,531	\$ 52,062,949	\$ 52,192,290	\$ 57,079,726	\$ 58,017,706	\$ 58,908,448
Primary government										
Governmental activities										
Net investment in capital assets										
Unrestricted										
Total governmental activities net position										

(1) - The County implemented GASB Statement No. 63 and 65, effective fiscal year 2013

COUNTY OF CAMPBELL, VIRGINIA

Table 2
Page 1 of 2

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013**	2014
Expenses										
Governmental activities:										
General government administration	\$ 9,941,425	\$ 10,769,897	\$ 10,442,305	\$ 10,558,342	\$ 13,001,378	\$ 12,928,427	\$ 12,555,596	\$ 14,367,571	\$ 4,832,503	\$ 4,836,557
Judicial administration	1,717,599	1,790,192	1,442,333	1,528,774	1,637,800	1,708,920	1,686,219	1,634,401	1,678,561	1,742,957
Public safety	7,896,036	8,660,249	9,595,475	10,869,255	11,261,624	13,092,272	13,228,773	12,712,040	14,282,692	14,361,780
Public works	5,710,494	4,573,187	4,547,485	5,432,700	7,721,687	5,397,503	4,568,411	3,431,997	3,299,182	3,983,923
Health and welfare	9,238,509	9,699,537	11,038,564	11,738,042	10,582,093	9,613,637	9,556,302	9,329,764	9,816,547	9,882,472
Education	17,023,061	21,872,581	18,929,774	20,812,779	18,207,914	19,502,314	21,571,119	21,786,877	26,144,199	27,033,049
Parks, recreation and cultural	1,690,409	1,755,200	1,871,066	1,933,983	1,866,239	2,083,747	1,822,030	1,762,788	1,723,223	1,776,225
Community development	1,652,963	3,002,164	2,134,058	2,139,589	2,139,309	1,572,293	2,967,441	2,316,684	2,745,880	2,142,982
Interest on long-term debt	1,008,709	1,275,358	1,185,531	1,123,787	2,568,222	2,515,923	2,384,806	2,244,465	2,108,383	1,555,690
Total governmental activities expenses	\$ 55,879,205	\$ 63,398,365	\$ 61,186,591	\$ 66,137,251	\$ 68,986,266	\$ 68,415,036	\$ 70,340,697	\$ 69,586,587	\$ 66,631,170	\$ 67,315,635
Total primary government expenses	\$ 55,879,205	\$ 63,398,365	\$ 61,186,591	\$ 66,137,251	\$ 68,986,266	\$ 68,415,036	\$ 70,340,697	\$ 69,586,587	\$ 66,631,170	\$ 67,315,635
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	\$ 6,821,627	\$ 7,728,331	\$ 8,569,047	\$ 9,541,595	\$ 9,319,950	\$ 8,895,934	\$ 8,763,016	\$ 8,852,653	\$ 390,947	\$ 414,893
Judicial administration	111,595	136,082	118,653	111,540	85,601	122,019	121,039	31,272	28,690	10,163
Public safety	462,834	511,544	1,322,373	1,348,131	1,706,266	1,958,620	1,683,597	1,841,768	2,031,695	1,954,759
Public works	1,049,226	1,295,080	1,343,752	1,105,008	945,665	1,005,159	945,976	636,348	823,993	803,031
Health and welfare	-	-	-	-	-	34,680	-	-	-	-
Parks, recreation and cultural	204,412	223,948	226,963	234,040	227,362	249,297	274,777	209,061	209,368	200,099
Community development	-	-	-	-	-	48,943	32,052	46,174	43,957	51,107
Operating grants and contributions	10,295,570	11,212,583	12,571,430	13,171,193	12,425,500	11,558,109	11,512,825	10,765,466	11,243,741	11,050,952
Capital grants and contributions	374,983	1,366,882	659,373	1,181,992	246,851	585,146	704,737	480,513	450,560	775,951
Total governmental activities program revenues	\$ 19,320,247	\$ 22,474,450	\$ 24,811,591	\$ 26,693,499	\$ 24,957,195	\$ 24,457,907	\$ 24,038,019	\$ 22,863,255	\$ 15,222,951	\$ 15,260,955
Total primary government program revenues	\$ 19,320,247	\$ 22,474,450	\$ 24,811,591	\$ 26,693,499	\$ 24,957,195	\$ 24,457,907	\$ 24,038,019	\$ 22,863,255	\$ 15,222,951	\$ 15,260,955
Net (expense) / revenue										
Governmental activities	\$ (36,558,958)	\$ (40,923,915)	\$ (36,375,000)	\$ (39,443,752)	\$ (44,029,071)	\$ (43,957,129)	\$ (46,302,678)	\$ (46,723,332)	\$ (51,408,219)	\$ (52,054,680)
Total primary government net expense	\$ (36,558,958)	\$ (40,923,915)	\$ (36,375,000)	\$ (39,443,752)	\$ (44,029,071)	\$ (43,957,129)	\$ (46,302,678)	\$ (46,723,332)	\$ (51,408,219)	\$ (52,054,680)

COUNTY OF CAMPBELL, VIRGINIA

Table 2
Page 2 of 2

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013**	2014
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 24,112,674	\$ 25,384,031	\$ 26,181,462	\$ 27,801,209	\$ 29,695,573	\$ 29,816,678	\$ 30,846,372	\$ 31,620,082	\$ 36,936,888	\$ 37,049,057
Other local taxes **	8,992,259	9,001,449	9,985,749	10,409,697	10,044,925	8,520,653	8,455,611	8,871,212	9,571,055	9,722,828
Interest and Investment income	672,786	1,321,908	1,641,200	1,406,527	1,047,057	397,787	351,069	241,235	153,943	466,368
Unrestricted grants and contributions	3,765,191	3,947,082	4,092,302	4,051,899	4,013,350	4,914,103	5,460,420	5,373,618	5,275,066	5,316,657
Other	212,718	236,053	274,748	344,739	351,051	283,326	1,318,547	183,127	406,963	390,512
Gain (loss) on sale of capital assets *	805,142	-	-	147,578	(507,274)	-	-	5,321,494	62,284	-
Total governmental activities	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547	\$ 46,432,019	\$ 51,610,768	\$ 52,406,199	\$ 52,945,422
Total primary government	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547	\$ 46,432,019	\$ 51,610,768	\$ 52,406,199	\$ 52,945,422
Change in Net Position										
Governmental activities	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)	\$ 129,341	\$ 4,887,436	\$ 997,980	\$ 890,742
Total primary government	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)	\$ 129,341	\$ 4,887,436	\$ 997,980	\$ 890,742

* As of fiscal year 2010 (loss) on sale of capital assets is reported within the expense function.

** As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as unrestricted grants and contributions.

*** The County implemented GASB Statement 63 and 65, effective July 1, 2012 -

Certain revenue and expense items were reclassified and netted to reflect changes in the allocation of the internal service fund

COUNTY OF CAMPBELL, VIRGINIA

Table 3

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014
General fund										
Reserved	\$ 458,843	\$ 461,700	\$ 805,534	\$ 1,205,792	\$ 1,302,297	\$ 1,251,774				
Unreserved:										
Designated	5,325,348	5,647,091	5,300,955	5,326,719	7,212,014	8,540,762				
Undesignated	9,475,953	8,858,777	9,068,757	10,170,316	12,884,404	13,760,966				
Total general fund	\$ 15,260,144	\$ 14,967,568	\$ 15,175,246	\$ 16,702,827	\$ 21,398,715	\$ 23,553,502				
All other governmental funds										
Reserved	\$ 8,549,132	\$ 2,779,309	\$ 2,052,726	\$ 11,790,190	\$ 7,524,054	\$ 916,524				
Unreserved, reported in:										
Special revenue funds	417,066	559,314	502,654	2,837,950	3,355,746	2,301,181				
Capital projects funds	5,403,193	4,214,182	6,690,341	19,908,448	2,247,383	3,070,446				
Total all other governmental funds	\$ 14,369,391	\$ 7,552,805	\$ 9,245,721	\$ 34,536,588	\$ 13,127,183	\$ 6,288,151				
Total fund balance, governmental funds	\$ 29,629,535	\$ 22,520,373	\$ 24,420,967	\$ 51,239,415	\$ 34,525,898	\$ 29,841,653				
General fund										
Nonspendable	\$						\$ 141,964	\$ 1,461,885	\$ 137,125	\$ 141,363
Committed							6,494,918	7,226,668	7,082,941	7,283,292
Assigned							2,029,391	-	-	-
Unassigned							13,857,696	14,140,923	15,601,083	17,337,694
Total general fund							\$ 22,523,969	\$ 22,829,476	\$ 22,821,149	\$ 24,762,349
All other governmental funds										
Nonspendable	\$						873	\$ 873	\$ 542	\$ 1,012
Committed							1,073,022	2,507,129	2,694,012	3,028,201
Assigned							6,569,201	5,996,277	4,846,534	3,040,532
Unassigned							(13,778)	-	-	-
Total all other governmental funds							\$ 7,629,318	\$ 8,504,279	\$ 7,541,088	\$ 6,069,745
Total fund balance, governmental funds	\$						\$ 30,153,287	\$ 31,333,755	\$ 30,362,237	\$ 30,832,094

(1) - The County implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The classification of fund balance commencing with fiscal year 2011 will report the fund balance in accordance with this reporting standard.

COUNTY OF CAMPBELL, VIRGINIA

Table 4

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	\$ 23,928,684	\$ 25,646,344	\$ 26,191,914	\$ 27,687,218	\$ 29,656,273	\$ 29,878,623	\$ 30,862,061	\$ 31,394,666	\$ 36,483,531	\$ 37,019,002
Other local taxes	8,992,259	9,001,449	9,985,749	10,409,697	10,044,925	8,520,653	8,455,611	8,871,212	9,571,055	9,722,828
Permits, privilege fees and regulatory licenses	324,390	382,254	397,580	373,627	295,858	260,941	267,595	309,389	309,438	254,802
Fines and forfeitures	133,364	122,262	137,224	160,047	157,178	215,515	260,671	178,962	161,464	136,015
Revenue from use of money and property	634,832	1,263,526	1,534,263	1,334,532	998,803	386,752	326,240	230,873	150,512	428,749
Charges for services	1,761,000	2,109,654	2,787,445	2,937,786	2,977,873	3,130,057	2,937,777	2,793,238	3,057,748	3,043,235
Miscellaneous	212,718	236,053	274,748	344,740	358,953	283,326	1,318,547	308,612	347,112	380,190
Recovered costs	188,316	278,295	292,641	303,760	302,932	311,572	345,738	295,141	314,854	302,814
Intergovernmental	14,435,743	16,251,097	17,260,605	18,405,084	16,685,701	17,057,358	18,026,749	16,424,139	16,969,367	17,143,560
Total revenues	\$ 50,611,306	\$ 55,290,934	\$ 58,862,169	\$ 61,956,491	\$ 61,478,496	\$ 60,044,797	\$ 62,800,989	\$ 60,806,232	\$ 67,365,081	\$ 68,431,195
Expenditures										
General government administration	\$ 3,308,198	\$ 3,378,466	\$ 3,638,781	\$ 3,934,042	\$ 4,016,873	\$ 3,915,300	\$ 4,089,668	\$ 4,073,250	\$ 4,283,849	\$ 4,306,051
Judicial administration	1,628,951	1,713,703	1,415,742	1,498,818	1,569,234	1,600,405	1,575,260	1,507,600	1,559,058	1,611,258
Public safety	7,114,334	8,132,163	9,148,605	9,891,105	10,177,131	11,985,338	12,605,698	11,905,232	12,422,719	12,968,541
Public works	1,861,671	2,108,693	2,473,011	3,673,818	3,566,034	4,226,429	3,308,866	3,113,380	3,229,978	3,675,089
Health and welfare	9,100,767	9,575,423	10,973,695	11,836,735	10,521,422	9,390,648	9,422,479	8,980,678	9,586,967	9,650,094
Education	15,761,459	19,650,698	17,418,375	19,286,028	16,633,517	17,718,603	20,034,312	20,022,771	23,902,801	24,102,429
Parks, recreation and cultural	1,572,665	1,657,866	1,721,718	1,806,558	1,766,398	1,972,890	1,723,843	1,654,803	1,617,241	1,653,349
Community development	1,231,551	1,422,436	1,991,215	1,605,571	1,805,956	1,512,187	2,430,107	1,931,433	2,096,644	1,579,983
Non-departmental	-	-	-	-	-	-	-	357	96	-
Capital projects	5,917,076	10,950,983	4,422,204	13,095,157	23,220,618	6,826,686	1,472,522	1,057,458	2,741,894	3,665,156
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	2,284,782	2,262,480	2,513,356	2,483,080	2,656,078	3,007,153	3,457,196	3,259,527	3,252,633	3,124,117
Interest and other fiscal charges	986,672	1,189,582	1,244,873	1,257,691	2,617,944	2,573,403	2,438,998	2,301,424	2,170,990	1,615,593
Total expenditures	\$ 50,768,126	\$ 62,042,493	\$ 56,961,575	\$ 70,368,603	\$ 78,551,205	\$ 64,729,042	\$ 62,558,949	\$ 59,807,913	\$ 66,864,870	\$ 67,951,660
Excess (deficiency) of revenues over (under) expenditures	\$ (156,820)	\$ (6,751,559)	\$ 1,900,594	\$ (8,412,112)	\$ (17,072,709)	\$ (4,684,245)	\$ 242,040	\$ 998,319	\$ 500,211	\$ 479,535
Other financing sources (uses)										
Transfers in	\$ 2,741,859	\$ 3,370,764	\$ 5,678,421	\$ 7,902,569	\$ 2,340,457	\$ 2,846,052	\$ 4,091,288	\$ 2,383,573	\$ 4,173,957	\$ 2,791,054
Transfers out	(2,741,859)	(3,870,764)	(5,678,421)	(7,902,569)	(2,340,457)	(2,846,052)	(4,091,288)	(2,382,573)	(5,773,957)	(2,811,054)
Sale of capital assets	885,200	-	-	355,560	359,192	-	69,594	181,149	128,271	10,322
Bond proceeds	8,685,000	-	-	34,875,000	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	-	-	-	-	-
Premium on bonds issued	516,636	142,397	-	-	-	-	-	-	-	-
Total other financing sources (uses)	\$ 10,086,836	\$ (357,603)	\$ -	\$ 35,230,560	\$ 359,192	\$ -	\$ 69,594	\$ 182,149	\$ (1,471,729)	\$ (9,678)
Net change in fund balances	\$ 9,930,016	\$ (7,109,162)	\$ 1,900,594	\$ 26,818,448	\$ (16,713,517)	\$ (4,684,245)	\$ 311,634	\$ 1,180,468	\$ (971,518)	\$ 469,857
Debt service as a percentage of noncapital expenditures	7.00%	6.30%	7.00%	6.20%	8.70%	9.47%	9.53%	9.35%	8.23%	7.21%

* As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

COUNTY OF CAMPBELL, VIRGINIA

Table 5

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (5)	Mobile Homes	Machinery and Tools	Merchants' Capital (2)	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Overlapping Tax Rates		Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
									Town of Brookneal	Altavista		
2005	\$ 2,542,452,906	\$ 233,768,971	\$ 40,138,564	\$ 154,967,665	\$ -	\$ 215,735,186	\$ 3,187,063,292	\$ 0.90	\$ N/A	\$ N/A	\$ 3,420,832,263	93.17%
2006	2,601,326,824	244,399,720	37,759,625	161,101,468	-	200,396,983	3,244,984,620	0.91	N/A	N/A	3,489,384,340	93.00%
2007	2,651,326,904	263,432,872	38,559,730	166,449,183	-	188,588,574	3,308,357,263	0.92	N/A	N/A	3,571,790,135	92.62%
2008	3,544,470,652	283,008,367	35,253,947	165,736,642	-	218,197,839	4,246,667,447	0.77	N/A	N/A	4,529,675,814	93.75%
2009	3,627,444,441	290,675,456	35,812,054	178,158,301	-	227,290,354	4,359,380,606	0.80	N/A	N/A	4,650,056,062	93.75%
2010	3,446,391,746	275,659,287	38,104,148	181,371,640	-	225,843,782	4,167,370,603	0.80	N/A	N/A	4,443,029,890	93.80%
2011	3,481,544,084	290,493,898	38,124,281	178,812,591	-	229,811,578	4,218,786,432	0.80	N/A	N/A	4,509,280,330	93.56%
2012	3,569,563,504	293,444,818	33,350,485	176,187,896	-	227,802,743	4,300,349,446	0.80	N/A	N/A	4,593,794,264	93.61%
2013	3,603,683,524	329,262,195	33,492,140	162,685,289	-	233,962,523	4,363,085,671	0.87	N/A	N/A	4,692,347,866	92.98%
2014	3,912,428,038	323,800,332	33,896,613	164,990,259	-	269,437,638	4,704,552,880	0.87	N/A	N/A	5,028,353,212	93.56%

(1) Assessed value is as of January 1 of the previous fiscal year; does not include tax exempt property

(2) Merchants' capital is no longer assessed as of fiscal year 2004

(3) Real estate, mobile homes, and machinery and tools taxes are assessed on a taxable property value which is 100% of estimated fair market value

Personal property taxes are assessed on a taxable property value which is 50% of fair market.

(4) Per \$100 of assessed value.

(5) Includes recreational and apportioned vehicles

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 6

Principal Property Taxpayers
Current Year and the Seven Years Prior

Taxpayer	Fiscal Year 2014			Fiscal Year 2007		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
BWX Tech, Inc	\$ 88,893,840	1	2.02%	\$ 55,121,313	2	1.78%
Abbott Laboratories (Ross)	66,564,525	2	1.51%	59,488,251	1	1.92%
AREVA NP Inc (Framatone)	33,200,017	3	0.75%	22,903,620	5	0.74%
BGF Industries Inc	26,512,815	4	0.60%	23,188,763	4	0.75%
Georgia Pacific Wood Prod LLC	24,494,234	5	0.56%	23,642,211	3	0.76%
Timken Company	19,191,228	6	0.44%	20,109,625	6	0.65%
Progress Printing Company	16,126,545	7	0.37%	12,598,190	7	0.41%
Schrader-Bridgeport International	14,375,605	8	0.33%	11,167,998	8	0.36%
Graham Packaging Plastic Products	9,703,118	9	0.22%	5,019,291	na	0.16%
Boxley Materials Company Inc	8,315,741	10	0.19%	3,750,249	na	0.12%
	<u>\$ 307,377,668</u>		<u>6.99%</u>	<u>\$ 236,989,511</u>		<u>7.65%</u>

Note: Information from nine years ago not available

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 7

Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Current		Collections in Year of Levy			Collections in		Total Collections to Date	
	Tax	Levy (1)	Current Tax Amount	Percent of Levy Collected		Subsequent Years	Total Tax Collections	Percent of Levy Collected	
2005	\$	27,014,093	\$ 26,199,858	96.99%	\$	619,527	\$ 26,819,385	99.28%	
2006		29,425,081	28,544,069	97.01%		847,262	29,391,331	99.89%	
2007		30,130,010	29,453,668	97.76%		595,331	30,048,999	99.73%	
2008		31,437,939	30,569,832	97.24%		345,638	30,915,470	98.34%	
2009		33,407,401	32,226,034	96.46%		600,514	32,826,548	98.26%	
2010		33,210,365	32,310,883	97.29%		556,613	32,867,496	98.97%	
2011		33,876,914	33,329,195	98.38%		702,857	34,032,052	100.46%	
2012		34,291,683	33,598,099	97.98%		635,675	34,233,774	99.83%	
2013		36,438,020	35,105,656	96.34%		598,147	35,703,803	97.99%	
2014		36,680,581	35,493,051	96.76%		-	35,493,051	96.76%	

(1) Exclusive of penalties and interest.

COUNTY OF CAMPBELL, VIRGINIA

Table 8

Ratios of Total Outstanding Debt
Last Ten Fiscal Years

Fiscal Years	Governmental Activities						Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General		Literary Fund Loans	Capital Leases					
	Obligation	Bonds							
2005	\$	20,263,385	\$	15,254,902	\$	-	\$	2.6%	699
2006		19,033,693		14,203,978		137,215		2.5%	651
2007		17,583,127		13,153,056		104,840		2.2%	593
2008		51,023,657		12,118,623		70,156		2.4%	1,213
2009		49,415,066		11,087,788		32,994		2.6%	1,151
2010		47,411,159		10,064,034		-		2.9%	1,100
2011		44,805,688		9,191,801		-		3.2%	985
2012		42,397,886		8,319,568		-		3.0%	922
2013		39,996,978		7,447,335		-		2.8%	862
2014		37,395,331		6,575,101		-		2.6%	796

Note: All of the County's debt is a direct obligation of the County; the County has no overlapping debt.

Debt is net of premiums and discounts

(1) Source - U.S. Department of Commerce, Bureau of Economic Analysis; Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available. Personal income was last updated for calendar year 2008.

COUNTY OF CAMPBELL, VIRGINIA

Table 9

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

Fiscal Year	General Obligation		Literary Fund		Total	Percentage of Actual Value of Taxable Property (2)	Total General Bonded Debt Per Capita (1)
	Bonds		Loans				
2005	\$	19,746,749	\$	15,254,902	\$ 35,001,651	1.02%	\$ 689
2006		18,540,374		14,203,978	32,744,352	0.94%	638
2007		17,110,316		13,153,056	30,263,372	0.85%	582
2008		50,571,354		12,118,623	62,689,977	1.38%	1,203
2009		48,983,271		11,087,788	60,071,059	1.29%	1,142
2010		47,411,159		10,064,034	57,475,193	1.29%	1,100
2011		44,805,688		9,191,801	53,997,489	1.20%	985
2012		42,397,886		8,319,568	50,717,454	1.10%	922
2013		39,996,978		7,447,335	47,444,313	1.01%	862
2014		37,395,331		6,575,101	43,970,432	0.87%	796

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans; excludes capital leases and compensated absences. Debt is net of premiums and discounts.

COUNTY OF CAMPBELL, VIRGINIA

Table 10

Principal Employers
Current Year

Employer	Industry	2013		
		Employees	Rank	% of Total Employment
Babcock & Wilcox Nuclear	Nuclear	1,500-2,499	1	9% - 16%
Campbell County Schools	Public Education	600-1,499	2	4% - 9%
BGF Industries	Fiberglass fabric	500-999	3	3% - 6%
Abbott Industries	Pharmaceuticals	500-999	4	3% - 6%
Campbell County Govt	Local Government	250-499	5	2% - 3%
Moore's Electrical and Mechanical	Specialty Trade Contractors	250-499	6	2% - 3%
Wal Mart	General Merchandise Stores	250-499	7	2% - 3%
Food Lion	Food and Beverage Stores	100-249	8	2% - 3%
Schrader Bridgeport International	Transportation Equipment Manufacturing	100-249	9	0.1% - 0.2%
Babcock & Wilcox Technical	Nuclear	100-249	10	0.1% - 0.2%
Dominos Pizza	Food and Beverage Stores	100-249	11	0.1% - 0.2%
Georgia Pacific Wood Prod	Wood Product Manufacturing	100-249	12	0.1% - 0.2%
Progress Printing Company, Inc.	Printing and Related Support Activities	100-249	13	0.1% - 0.2%
Totals		4,450-8,987		25.6% - 47.2%

Total employed 15,900

Note: Information from nine years ago is not available. Statistics include part time employees.

Source: Employer data; Virginia Employment Commission - as of 4th Quarter, 2013

COUNTY OF CAMPBELL, VIRGINIA

Table 11

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income		Per Capita Income (2)	School Enrollment(3)	Unemployment Rate (2)
		(in thousands)	(4)			
2004	50,800	\$	1,391,474	\$ 27,391	8,592	4.19%
2005	51,300		1,408,808	27,462	8,630	3.40%
2006	52,016		1,408,808	27,084	8,557	3.20%
2007	52,112		1,488,006	29,445	8,517	3.40%
2008	52,595		1,682,830	31,996	8,485	4.00%
2009	52,237		n/a*	30,229	8,341	7.20%
2010	54,842		n/a*	29,899	8,140	6.20%
2011	55,032		n/a*	33,664	8,029	6.70%
2012	55,030		n/a*	33,180	7,995	6.00%
2013	55,235		n/a*	n/a*	7,876	5.47%

(1) Population is based on figures available from Weldon Cooper Center, University of Virginia. 2010 and 2011 is based on US Census.

(2) Source - U.S. Department of Commerce, Bureau of Economic Analysis, for Campbell + Lynchburg MSA

(3) Source - Campbell County School Administration.

(4) Source - U.S. Department of Commerce, Bureau of Economic Analysis; Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available.

* Updated information not available

COUNTY OF CAMPBELL, VIRGINIA

Table 12

Full-Time Equivalent County Government Employees By Function
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Primary Government										
Function:										
General government administration	43	42	44	43	43	42	42	44	44	44
Judicial administration *	18	18	18	20	20	20	20	20	20	21
Public safety **	92	93	99	103	106	116	122	122	122	123
Public works	29	30	33	33	33	33	33	33	33	34
Health and welfare	81	82	82	82	82	82	82	82	82	82
Culture and recreation	22	22	22	22	22	22	22	20	20	20
Community development	8	8	8	8	9	9	9	9	9	10
Totals	293	295	306	311	315	324	330	330	330	334
Component Unit - School Board										
Function:										
Education - full and part-time	1334	1324	1347	1328	1343	1362	1303	1319	1311	1312

* Staff increases

** Staff increases in Public Safety in FY08 resulted from the hiring of two additional deputy sheriffs and two additional E-911 dispatchers. Staff increases in Public Safety from FY06 thru FY11 resulted from the hiring of seventeen career EMT technicians, one EMT program manager and one assistant fire marshal in line with the County transitioning away from an all all-volunteer rescue squad program. The Schools reduced positions in FY2011 due to reductions in State funding.

Source: Human Resources and annual fiscal year budget

COUNTY OF CAMPBELL, VIRGINIA

Table 13

Operating Indicators By Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Sheriffs department:										
Physical arrests	2,801	2,309	2,677	2,649	2,683	4,398	5,192	4,533	3,390	3,351
Parking violations	0	66	60	56	21	21	148	50	8	18
Traffic violations	1,056	1,129	1,618	1,592	1,306	1,561	2,631	1,620	807	858
Court security manhours worked	4,063	6,024	6,438	6,216	6,420	7,532	7,618	7,618	7,748	6,858
Prisoner transports	277	254	357	269	285	435	298	371	235	286
Code enforcement violations	121	141	251	216	1,358	87	25	27	26	41
DUIs	103	75	96	97	91	94	103	80	59	70
Culture and recreation										
Parks and recreation attendees/participants:										
Youth sports participants	3,105	3,697	3,053	3,026	2,807	2,792	2,317	2,393	2,245	2,241
Dance and crafts - youth and adult	909	452	340	482	359	348	362	310	350	300
Trips	39	158	157	263	311	269	303	310	30	6
Senior centers	224	270	289	258	286	618	695	616	1,619	1,028
Playground programs	319	404	278	171	230	-	-	-	-	-
Registered special events	99	322	420	439	177	500	236	386	368	678
Open special events	N/A	N/A	2,978	3,125	2,172	3,840	1,198	1,500	2,914	1,035
Cooperative events	2,000	1,980	1,360	2,025	1,796	1,484	2,086	2,564	2,835	4,281
Ticket sales	N/A	N/A	2,091	3,109	1,042	3,801	2,954	2,692	3,040	2,538
Library:										
Volumes in collection *	172,450	185,271	184,428	190,330	106,381	168,219	169,710	167,616	160,391	174,666
Total volumes borrowed	231,077	241,225	245,487	248,132	253,816	257,650	259,321	231,449	211,068	236,142
Number of borrowers	16,421	17,325	16,181	17,563	19,535	22,079	21,799	13,905	19,949	19,123
Number of new borrowers added	2,438	2,642	2,560	2,564	2,198	2,512	2,976	2,191	2,378	2,551
Family and children's programs attendance	5,236	5,550	3,989	7,010	7,609	8,359	4,997	5,725	6,204	8,582
Public computer usage	9,008	16,503	18,563	20,724	41,757	44,792	47,031	45,630	39,760	38,809
Library visits	172,096	190,205	188,364	208,999	219,840	233,606	231,091	223,477	213,556	209,107
Number of adult and family programs	5	27	40	32	69	72	147	762	588	365
Adult program attendance	N/A	N/A	N/A	N/A	446	1,192	1,709	4,665	1,547	2,199
Number of children's programs	176	154	183	206	233	376	254	-	-	-
Component Unit - School Board										
Education:										
Actual school enrollment	8,592	8,630	8,557	8,517	8,485	8,353	8,140	8,029	7,995	7,876

Source: Library, Recreation & Parks and Sheriff's annual report to the Board of Supervisors

* Note: Library volumes in collection declined in 2009 as inventory was reduced by either selling books or donating them to the public.

In 2012 inactive library cards were purged, thus the reduction in the number of borrowers reported for 2012.

Additionally, the Library now reports programs on a combined basis rather than breaking them down between adult and children programs.

COUNTY OF CAMPBELL, VIRGINIA

Table 14

Capital Asset Statistics By Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety - insured vehicles										
Law enforcement vehicles	79	81	80	75	77	89	84	76	84	84
Other public safety	12	12	18	19	21	22	22	19	17	18
Public works										
Vehicles	29	27	29	32	19	19	19	18	16	14
Health and welfare										
Vehicles	29	29	29	29	29	28	28	28	26	28
Parks, recreation and cultural										
Vehicles	6	7	7	7	7	7	7	7	7	7
Other										
Vehicles	9	4	7	8	8	7	7	7	7	8

Source: Motor vehicle registration and Purchasing Department motor vehicle insurance reports

Increase in Law Enforcement vehicles in 2010 comes from a late year purchase of vehicles where the vehicles being replaced were not turned in until after the end of the fiscal year. The Sheriff's Dept held on to a few of the older vehicles in FY11 to be used for parts.

Decrease in Public Works in 2009 comes from Landfill being merged with the Regional Landfill Authority

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 Honorable Members of
the Board of Supervisors
County of Campbell, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of County of Campbell, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Campbell, Virginia's basic financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Campbell, 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 Campbell, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Campbell, Virginia's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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, Farmer Cox Associates
(Charlottesville, Virginia
November 17, 2014

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the County of Campbell, 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 Campbell, Virginia's major federal programs for the year ended June 30, 2014. County of Campbell, Virginia's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Campbell, 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 Campbell, 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 Campbell, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Campbell, 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 the County of Campbell, 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 Campbell, 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 Campbell, 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
Charlottesville, Virginia
November 17, 2014

COUNTY OF CAMPBELL, VIRGINIA

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

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	\$ 27,392
Temporary Assistance for Needy Families (TANF)	93.558	0400113/0400114	600,675
Refugee and Entrant Assistance - State Administered Programs	93.566	0500113/0500114	3,551
Low-Income Home Energy Assistance Program	93.568	0600413/0600414	57,551
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760113/0760114	79,245
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900113/0900114	3,855
Foster Care - Title IV-E	93.658	1100113/1100114	292,596
Adoption Assistance	93.659	1120113/1120114	495,545
Social Services Block Grant	93.667	1000113/1000114	454,366
Chafee Foster Care Independence Program	93.674	9150113/9150114	8,174
Children's Health Insurance Program	93.767	0540113/0540114	17,261
Medical Assistance Program (Medicaid, Title XIX)	93.778	1200113/1200114	<u>519,628</u>
Total Department of Health and Human Services			\$ <u>2,559,839</u>
Corporation for National and Community Service:			
Direct Payments:			
Retired and Senior Volunteer Program	94.002		\$ <u>39,493</u>
Total Corporation for National and Community Service			\$ <u>39,493</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Homeland Security Grant Program	97.067	unknown	\$ 6,340
Emergency Management Performance Grants	97.042	unknown	<u>13,182</u>
Total Department of Homeland Security			\$ <u>19,522</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program - Food distribution	10.555	2013IN109941/2014IN109941	\$ 277,269
National School Lunch Program	10.555	2013IN109941/2014IN109941	<u>1,495,231</u>
Subtotal CFDA 10.555			1,772,500
School Breakfast Program	10.553	2013IN109941/2014IN109941	474,882
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010113/0040113/0040114	<u>596,325</u>
Total Department of Agriculture			\$ <u>2,843,707</u>

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct Payments:			
Project Safe Neighborhoods	16.609		\$ 10,450
Bulletproof Vest Partnership Program	16.607		4,781
Edward Byrne Memorial Justice Assistance Grant Program	16.738		13,000
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	12WFAX0038/13WFAX0043	41,421
Local Law Enforcement Block Grant	16.592	unknown	2,003
Crime Victim Assistance	16.575	12VAGX0001/13VAGX0025	23,439
Total Department of Justice			\$ 95,094
Department of Treasury:			
Direct Payments:			
Forfeited assets - equitable sharing program	21.000	unknown	\$ 155,234
Total Department of Treasury			\$ 155,234
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	AC1454209/OP1353535	\$ 15,161
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	M2HVE1454211	7,357
National Priority Safety Program	20.616	unknown	513
Alcohol Open Container Requirements	20.607	154AL1454087	2,979
Total Department of Transportation			\$ 26,010
Department of Housing and Urban Development:			
Direct Payments:			
Section 8 Housing Choice Vouchers	14.871		\$ 40,240
Total Department of Housing and Urban Development			\$ 40,240
Library of Congress:			
Direct Payments:			
Teaching With Primary Sources	42.000		\$ 12,093
Total Library of Congress			\$ 12,093
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	S010A120046/S010A130046	\$ 1,509,886
Adult Education Basic Grants to States	84.002	unknown	72,703
Advanced Placement	84.330	S330B130008	8,595
Career and Technical Education - Basic Grants to States	84.048	V048A120046/V048A130046	192,838
Special Education Cluster:			
Title VI-B: Special Education - Grants to States	84.027	H027A120107/H027A130107	1,669,865
Title VI-B: Special Education Preschool Grants	84.173	H173A120112/H173A130112	37,000
Title II, Part A: Improving Teacher Quality State Grants	84.367	S367A120044/S367A130044	265,667
Twenty-First Century Community Learning Centers	84.287	S287C120047/S287C130047	131,403
English Language Acquisition Grants	84.365	S365A120046	10,974
Total Department of Education			\$ 3,898,931
Total Expenditures of Federal Awards			\$ 9,690,163

COUNTY OF CAMPBELL, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the County of Campbell, 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 Campbell, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Campbell, Virginia.

Note 2 - Basis of Accounting

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. 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 3 - Food Commodities

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

Note 4 - 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	\$ 3,531,759
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Total primary government	\$ 3,531,759
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Component Unit School Board:

School Operating Fund	\$ 3,911,024
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School Cafeteria Fund	2,247,380
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Total Component Unit School Board	\$ 6,158,404
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Total federal expenditures per basic financial statements	\$ 9,690,163
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 9,690,163
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COUNTY OF CAMPBELL, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
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:

CFDA #	Name of Federal Program or Cluster
84.010	Title I: Grants to Local Educational Agencies
84.027	Title VI-B: Special Education - Grants to States
84.173	Title VI-B: Special Education Preschool Grants

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There are no prior year findings to report.