COUNTY OF PRINCE EDWARD, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

COUNTY OF PRINCE EDWARD, VIRGINIA

Board of Supervisors

William G. Fore, Jr., Chairman
Howard F. Simpson, Vice—Chairman

Pattie Cooper-Jones	Robert M. Jones
James R. Wilck	Don C. Gantt, Jr.
Howard M. Campbell	Charles W. McKay

Board of Social Services

Howard F. Simpson, Chairman
Lanay S. Walker, Vice-Chairman

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Zachary Jackson
Pauly Hollingsworth

County School Board

Russell L. Dove, Chairman

Dr. Ellery Sedgwick	Harriett E. Fentress
Darin E. Thomas	Linda Leatherwood
Dr. Osa S. Dowdy	Susan S. Lawman
	Dr. Lawrence C. Varner

Other Officials

Judge of Circuit Court	Leslie M. Osborn
Clerk of Circuit Court	Machelle J. Eppes
Judge of General District Court	Robert G. Woodson, Jr.
Judge of the Juvenile & Domestic Relations District Court	Marvin H. Dunkum, Jr.
Commonwealth's Attorney	James R. Ennis
Commissioner of the Revenue	Beverly M. Booth
Treasurer	Mable H. Shanaberger
Sheriff	Wesley Reed
Superintendent of Schools	Dr. K. David Smith
Director of Social Services	Roma R. Morris
County Administrator	Wade Bartlett

COUNTY OF PRINCE EDWARD, VIRGINIA

Financial Report
Year Ended June 30, 2012

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Independent Auditors' Report

The Honorable Members of
The Board of Supervisors
County of Prince Edward, Virginia

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Prince Edward, Virginia, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2013, on our consideration of the County of Prince Edward, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for the Virginia Retirement System and schedule of funding progress for other post-employment benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, schedule of funding progress for the Virginia Retirement System and schedule of funding progress for other post-employment benefits in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis, schedule of funding progress for the Virginia Retirement System and schedule of funding progress for other post-employment benefits because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Prince Edward, Virginia's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
January 4, 2013

To the Honorable Members of the Board of Supervisors
To the Citizens of the County of Prince Edward, Virginia

The management of the County of Prince Edward, Virginia, presents this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage you to read this discussion and analysis in conjunction with the accompanying auditor's opinion on internal controls, the basic financial statements and the notes to the financial statements.

Financial Highlights

Government-wide Financial Statements

- The assets of the County's Primary Governmental accounts exceeded its liabilities at the close of the most recent fiscal year by $8,527,167 (total net assets). This was an increase of $923,342 or 12% compared to the ending amount of $7,603,825 on June 30, 2011. $7,506,308 of the Net Assets are unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.

  The Governmental activities net assets were $8,271,640 of the County's total, an increase of $1,200,935 or 17% in comparison with net assets of $7,070,705 at June 30, 2011. Cash and cash equivalents for the Governmental Activities increased from $9,070,194 in FY11 to $10,415,444 at the end of FY12. This is an increase of $1,345,250 or 15%.

- The School Board's assets exceeded its liabilities by $10,194,509 a decrease of $355,495 when compared to the amount on June 30, 2011. However, $9,827,203 of this amount reflects the School Board's net investment in capital assets leaving $367,306 in unrestricted assets available to meet ongoing obligations. This is an increase of $90,438 or 32% in the School Board's unrestricted net assets for the fiscal year.

- In 2009, the County began operating its own utility system. The system consists of water and sewer lines and a sewer pump station purchased from the Town of Farmville. Business-Type Activities Net Assets were $255,527 which was a decrease of $277,593. Unrestricted net assets of Business-Type Activities increased $702,462 during the year ending with a positive balance of $755,314 on June 30, 2012 as compared to $52,852 on June 30, 2011.

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures exceeded revenues by $819,126 (Exhibit 5) before Other Financing Sources (Uses) and after making direct contributions totaling $7,684,333 to the School Board.

- At the close of the current fiscal year, the County's Governmental funds reported ending fund balances of $11,909,574 which is an increase of $837,959 or 8% in comparison with the prior fiscal year.

- At the close of the current fiscal year, the unassigned fund balance for the General Fund was $9,998,619 or 47% of total general fund expenditures excluding capital projects.

- The combined long-term Governmental obligations increased $926,719 during the current fiscal year. Details of this increase can be found under the long-term debt section of the management discussion and analysis and in Note 7 of the report. This increase includes premiums received on the bond issue that are not repaid but will be amortized.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the County's basic financial statements. These financial statements are comprised of three (3) components:

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

This report also contains other information to supplement the basic financial statements. Local governmental accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide the public with both justification from the government that public monies have been used to comply with the desires of the elected officials and whether operating objectives have been met efficiently and effectively and can continue to be met in the future.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. The statements include all assets and liabilities using the accrual basis of accounting. Both the financial overview and accrual accounting factors are used in the reporting of private-sector business. Government-wide financial reporting consists of two statements: (1) The Statement of Net Assets and (2) The Statement of Activities.

The Statement of Net Assets (exhibit one) presents information on all of the County's assets and liabilities. The difference between assets and liabilities is reported as net assets. Net assets are presented in three categories: invested in capital assets net of related debt, restricted and unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities (exhibit two) presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items which result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). This statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenues. The statement of activities presents expenses before revenues, emphasizing that in government revenues are generated for the express purpose of providing services to the public.

The Statement of Net Assets and The Statement of Activities are both divided into two types of activities:

1. Governmental Activities – Most of the County's basic services are reported in this column to include: General Administration, Courts, Social Services, Economic Development, and Capital Projects. Governmental activities are supported primarily by taxes, state and federal grants.

2. Business-Type Activities – The County has two business-type activities: Water and Sewer. It is the intent of the County to recover all or a significant portion of the costs associated with providing these services through user fees and charges to customers receiving these services.

3. Component Unit – The County has two component units, the Prince Edward County Public Schools and the Industrial Development Authority. While the Component Units are legally separate entities, the County of Prince Edward is financially accountable for them. A primary government is accountable for an organization if the primary government appoints the majority of the organization's governing body. Financial information for the component units is reported separately from the financial information presented for the primary government.

Overview of the Financial Statements: (Continued)

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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of these funds can be placed in either of three (3) categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – A *governmental fund* is used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. However, government-wide financial statements are prepared on the accrual basis of accounting while governmental fund financial statements are prepared on the modified accrual basis of accounting. Thus, governmental fund financial statements focus on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Such information is useful in evaluating the County's ability to satisfy near-term financing requirements. Since the focus of governmental funds is narrower than that of government-wide financial statements, reconciliation between the two methods is provided in exhibits 4 and 6, respectively. By comparing the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements readers may better understand the long-term impact of the County's near-term financing decisions.

The County has three funds considered major governmental funds - the *General Fund, Landfill Construction Fund, and School Debt Service Fund.* In addition, the County has one fund considered non-major – the *Recreation Fund.* Information on these funds is contained in exhibits eleven and fourteen through seventeen. This data is then displayed in the governmental fund balance sheet (exhibit 3) and the governmental fund statement of revenues, expenditures, and changes in fund balance (exhibit 5).

Proprietary funds – *Proprietary funds* consist of enterprise funds which are established to account for the delivery of goods and services to the public. These funds use the accrual basis of accounting, similar to private businesses. The County has two proprietary funds (Water and Sewer) at this time.

Enterprise funds are used to report the same functions as the business-type activities in the government-wide financial statements. Water and Sewer Funds are presented on the statements as major funds (Exhibits 7 – 9). Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business. The intent of the governing body is to finance these services primarily through user charges and fees.

Fiduciary funds – *Fiduciary funds* account for assets held by the government as a trustee or agent for another organization. The County is responsible for ensuring the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide statements since the funds are not available to support County activities. Information on these funds is contained in exhibits eighteen and nineteen.

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

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

Government-wide Financial Analysis

As stated earlier in this discussion, net assets may serve as a useful indicator of a County's financial position over time. For the County in FY2012, assets exceeded liabilities by $8,527,167 at the close of the fiscal year as presented in the Table below. This was an increase of $923,342 or 12% over the FY2011 ending amount of $7,603,825, as adjusted.

County of Prince Edward, Virginia

Schedule of Assets Liabilities and Net Assets
For the Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Current and other assets	$ 14,641,575	$ 13,552,338	$ 899,197	$ 166,540	$ 15,540,772	$ 13,718,878
Capital assets	12,270,397	11,136,604	4,162,016	4,230,268	16,432,413	15,366,872
Total assets	$ 26,911,972	$ 24,688,942	$ 5,061,213	$ 4,396,808	$ 31,973,185	$ 29,085,750
Long-term liabilities outstanding	$ 18,318,004	$ 17,391,285	$ 4,661,803	$ 3,750,000	$ 22,979,807	$ 21,141,285
Current liabilities	322,328	622,538	143,883	113,688	466,211	736,226
Total liabilities	$ 18,640,332	$ 18,013,823	$ 4,805,686	$ 3,863,688	$ 23,446,018	$ 21,877,511
Net assets:						
Invested in capital assets, net of related debt	$ 1,520,646	$ 2,584,694	$ (499,787)	$ 480,268	$ 1,020,859	$ 3,064,962
Unrestricted	6,750,994	4,090,425	755,314	52,852	7,506,308	4,143,277
Total net assets	$ 8,271,640	$ 6,675,119	$ 255,527	$ 533,120	$ 8,527,167	$ 7,208,239

At the end of FY2012, the County's investment in capital assets, net of related debt is $1,020,859. These capital assets are used to deliver services to County residents and business; and accordingly, these assets are not available for future spending. Although the important and needed investment in capital assets is reported net of related debt, it should be noted that resources needed to repay such debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources subject to external restrictions on how they may be used. The County had no restricted net assets at the end of the fiscal year. The remaining balance of net assets in the amount of $7,506,308 may be used to meet the government's ongoing obligations. While the unrestricted net asset amount is approximately $7.5 million Prince Edward County has more than $10.5 million in cash and cash equivalents that are unrestricted and are available to meet current obligations. The difference between the two amounts is due to the inclusion of capital assets and long-term liabilities in the net asset amount.

Government-wide Financial Analysis: (Continued)

Governmental Activities - Governmental activities increased Prince Edward County's net assets by $1,200,935. The key elements of this increase are found in exhibit 2 and 6 and the table below. Revenues decreased from the previous year by $726,434 and expenses decreased $309,744. The net effect was an increase in net assets of $1,200,935.

County of Prince Edward, Virginia

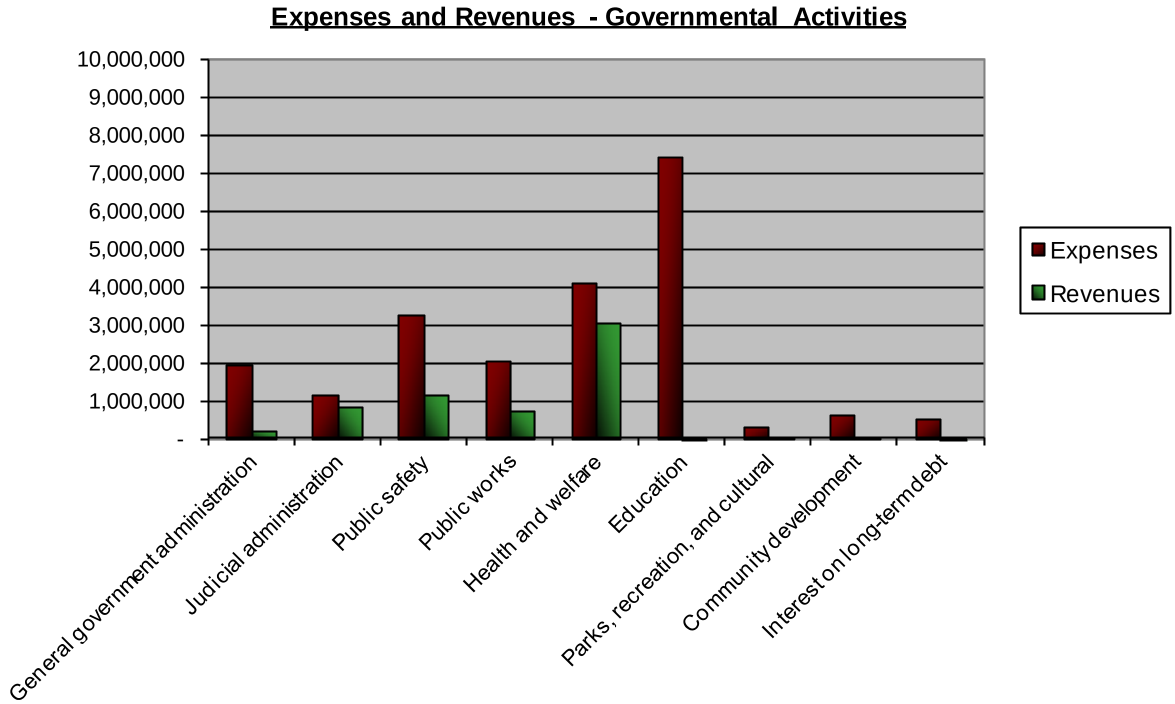
Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues:						
Program revenues:						
Charges for services	$ 938,028	$ 916,236	$ 1,847	$ 3,703	$ 939,875	$ 919,939
Operating grants and contributions	4,781,772	5,217,595	-	-	4,781,772	5,217,595
Capital grants and contributions	390,000	668,002	-	18,000	390,000	686,002
General revenues:						
General property taxes	10,919,152	10,796,720	-	-	10,919,152	10,796,720
Other local taxes	3,502,678	3,519,926	-	-	3,502,678	3,519,926
Commonwealth non-categorial aid	1,564,362	1,664,644	-	-	1,564,362	1,664,644
Other general revenues	504,955	544,258	-	-	504,955	544,258
Total revenues	$ 22,600,947	$ 23,327,381	$ 1,847	$ 21,703	$ 22,602,794	$ 23,349,084
Expenses:						
General government administration	$ 1,960,555	$ 1,869,443	$ -	$ -	$ 1,960,555	$ 1,869,443
Judicial administration	1,137,299	1,147,492	-	-	1,137,299	1,147,492
Public safety	3,270,479	3,118,622	-	-	3,270,479	3,118,622
Public works	2,058,022	2,228,299	-	-	2,058,022	2,228,299
Health and welfare	4,094,036	4,382,927	-	-	4,094,036	4,382,927
Education	7,440,879	7,695,814	-	-	7,440,879	7,695,814
Parks, recreation, and cultural	290,155	94,271	-	-	290,155	94,271
Community development	647,868	658,469	-	-	647,868	658,469
Interest on long-term debt	500,719	514,419	-	-	500,719	514,419
Water fund	-	-	200,571	127,189	200,571	127,189
Sewer fund	-	-	78,869	62,885	78,869	62,885
Total expenses	$ 21,400,012	$ 21,709,756	$ 279,440	$ 190,074	$ 21,679,452	$ 21,899,830
Increase (decrease) in net assets	$ 1,200,935	$ 1,617,625	$ (277,593)	$ (168,371)	$ 923,342	$ 1,449,254
Net assets-beginning (adjusted)	7,070,705	5,057,494	533,120	701,491	7,603,825	5,758,985
Net assets - ending	$ 8,271,640	$ 6,675,119	$ 255,527	$ 533,120	$ 8,527,167	$ 7,208,239

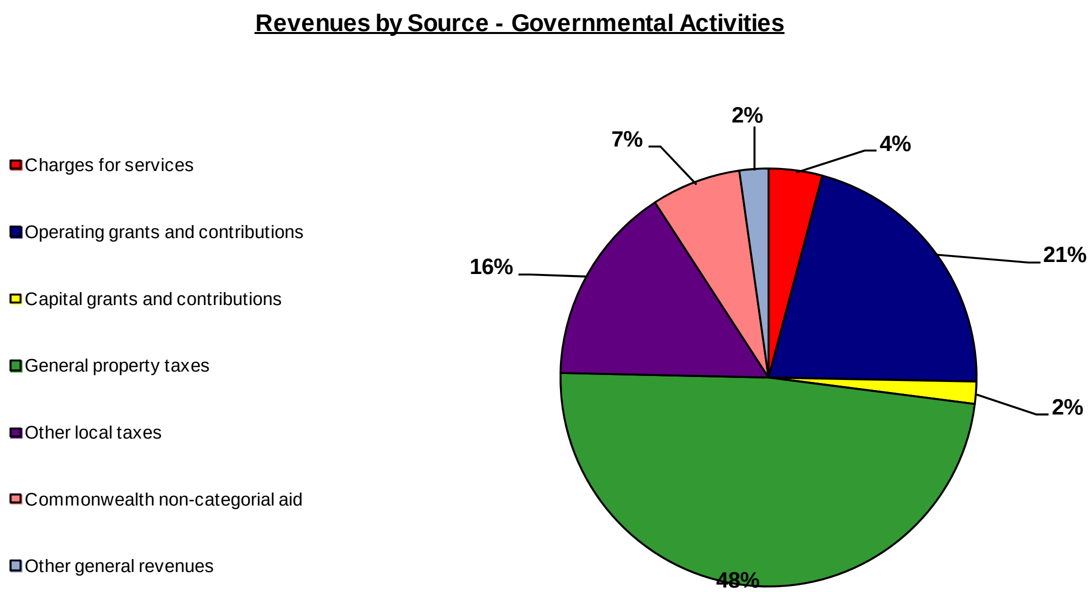
Revenues from governmental activities totaled $22,600,947 with general property taxes (48.3%), operating grants and contributions (21.2%), capital grants and contributions (1.7%) and other local taxes (15.5%) comprising 86.7% of the County's revenues. Expenses for education (34.8%), health and welfare (19.1%), public safety (15.3%) and, public works (9.6%) account for 78.8% of total governmental expenses of $21,400,012.

Government-wide Financial Analysis: (Continued)

The chart below compares the revenues and expenses by program for governmental activities. In every category expenses outpace the revenues generated. This is common throughout the Commonwealth because most of the programs are not able to generate revenue. For those programs that can generate revenue (Recreation, Building Inspections etc.) the County has traditionally followed a policy of maintaining associated charges at a minimal level and funding the expenses from other revenue sources.



The Chart below portrays the Sources of Revenue for the Governmental Activities of the County.



Business-Type Activities decreased the County's net assets by $277,593.

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 governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances at the end of the fiscal year can be used to measure net resources available for expenditure. Governmental Funds reported a combined ending fund balance of $11,909,574 an increase of $837,959 when compared to the prior year. Approximately 84 percent ($9,998,619) of the combined governmental fund balance is unassigned. The remaining 16% ($1,910,955) of the combined fund balance is restricted or assigned to show it is not available for spending because it has been committed for future capital projects or debt service. Cash and cash equivalents in the amount of $9,756,680 comprise 82% of the fund balance of the Governmental Funds. For the fiscal year cash and cash equivalents increased $686,484 or 8%.

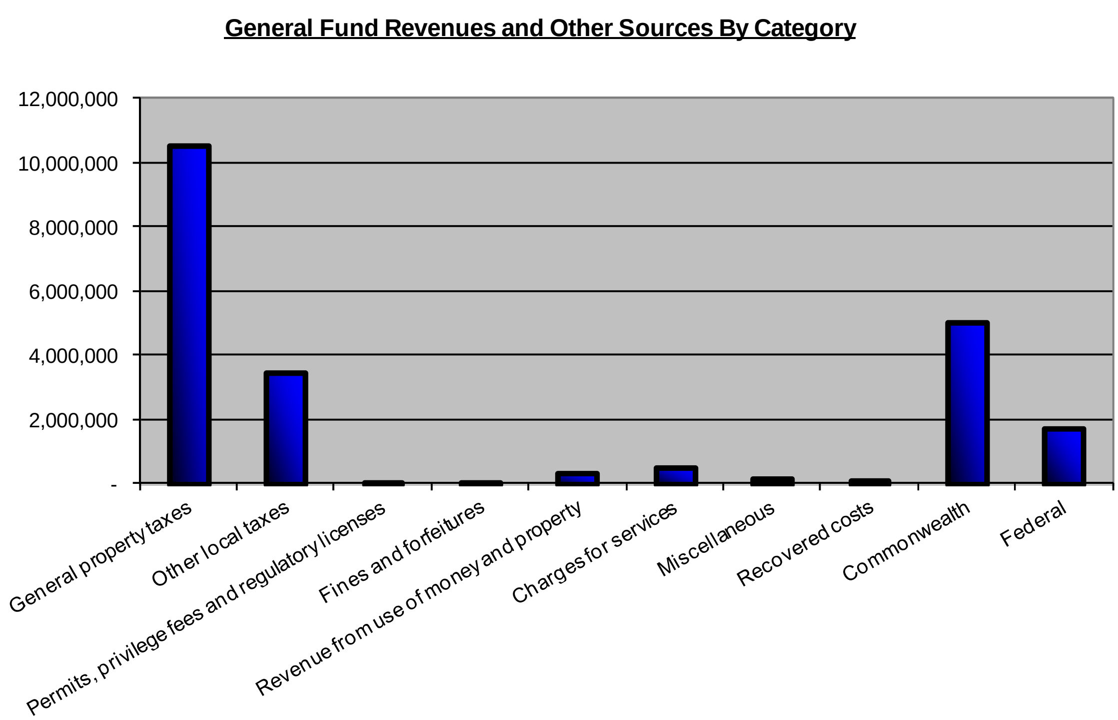
The General Fund is the primary operating fund of the County. The General Fund reports a fund balance at June 30, 2012 of $10,004,098. This is an increase from the prior year of $386,777.

The Landfill Construction Fund is used to pay expenses associated with the opening and closing of landfill cells. On June 30, 2012 the Landfill Construction Fund had a fund balance of $1,225,075, an increase of $327,016. This increase was the result of an increase in cash and cash equivalents as revenues exceeded expenses.

As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47% of General Fund expenditures excluding capital projects. Total fund balance represents approximately the same percentage due to the minimal amount of reserved fund balance reported.

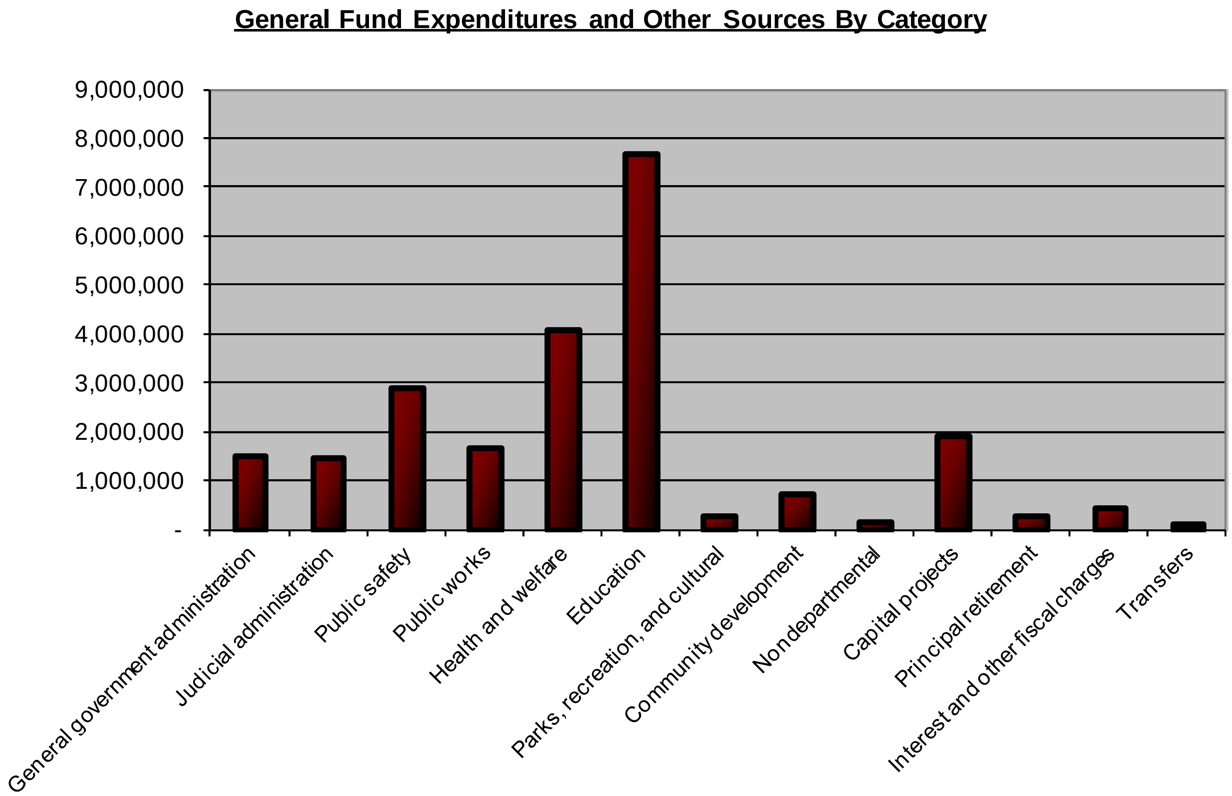
General Fund Revenues and Other Sources by Category

The following graph depicts General Fund revenues and other sources by categories. Total revenues and other sources are $22,107,130.



General Fund Revenues and Other Sources by Category

The graph below displays General Fund expenditures and other uses by category. Total expenditures and uses are $23,267,285 including transfers out of the fund of $110,153.



General Fund Budgetary Highlights

The final amended General Fund budget saw revenues increased by $2,871,083 over the original budgeted amount. The final expenditure budget reflected an increase of $5,355,816 when compared to the original budget. The revenue increases (decreases) were as follows:

- $23,000 in General Property Taxes
- $1,300 in Miscellaneous Revenues
- $203 in Recovered Costs
- $2,399,196 in intergovernmental revenues from the Commonwealth of Virginia
- $447,384 in intergovernmental revenues from the Federal Government.

The significant increase in budgeted revenues from the Commonwealth can be attributed primarily from grant funds received from the Tobacco Commission, Virginia Department of Transportation (VDOT) and Virginia Information Technology Agency (VITA). The increase from the Federal Government was due to the receipt of an Energy Efficiency and Conservation Block Grant (EECBG) for renovations to the STEPS building.

General Fund Budgetary Highlights: (Continued)

The Expenditure amendments were as follows:

- $38,482 increase in General government administration
- $24,595 increase in Judicial administration
- $501,088 increase Public Safety
- $390,000 increase in Health and Welfare
- $20,000 increase in Parks, recreation, and cultural
- $221,055 increase in Community Development
- ($77,724) decrease in Nondepartmental
- $4,225,557 increase in Capital projects
- ($137,237) decrease in debt service
- $150,000 increase in Education

As can be seen increases in Capital Projects and Health and Welfare accounted for approximately 67% of the increase in the budgeted expenditures. Grants from the Commonwealth and Federal Government used to fund projects at the Cannery, Prospect Train Depot and STEPS building accounted for over 50% of the capital projects increase.

Capital Asset and Debt Administration

Capital assets – The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2012, is $16,432,413 (net of accumulated depreciation) as listed below. This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

County of Prince Edward, Virginia
Capital Assets
June 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 1,501,360	$ 499,949	$ -	$ -	$ 1,501,360	$ 499,949
Buildings	9,290,500	9,552,498	-	-	9,290,500	9,552,498
Improvements other than buildings	298,528	600,878	-	-	298,528	600,878
Equipment	428,025	483,279	-	-	428,025	483,279
Utility plant in service	-	-	4,162,016	2,382,720	4,162,016	2,382,720
Construction in progress	751,984	-	-	1,847,548	751,984	1,847,548
Net capital assets	$ 12,270,397	$ 11,136,604	$ 4,162,016	$ 4,230,268	$ 16,432,413	$ 15,366,872

Additional information on Prince Edward County's capital assets can be found in Note 4 of this report.

Long-term debt – At the close of FY2012, Prince Edward County had total outstanding obligations of $23,051,707. Of this amount $11,240,878 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources, i.e., revenue bonds, landfill closure and post-closure liability, retirement note obligation, compensated absences and other post employment benefits.

During the fiscal year the County's long-term obligations increased by $926,719. This increase was a result of a refunding of general obligation bonds.

Additional information on the Prince Edward County's long-term debt can be found in Note 7 of this report.

Economic Factors Influencing FY2013 Budgets and Tax Rates

The recovering economy coupled with a slowdown in funding reductions from the Commonwealth allowed the County to balance the FY13 budget without increasing tax rates or decreasing service levels. The economic recovery is validated by the slowly improving unemployment rate and increasing local revenues. On June 30, 2012 Prince Edward County's unemployment rate was 9.3% which was an improvement over the 9.5% for the same period in 2011. The County's unemployment rate compares unfavorably to the state's average rate of 6.0% and the national average of 8.4% for the same period.

Overall local revenues were expected to increase by approximately $530,000. The primary reason for this increase was an increase in the number and value of motor vehicles owned by County residents. Revenues for Personal Property increased by almost $388,000 when compared to FY12. Increases in revenue estimates for real estate ($75,000) and local sales and use tax ($50,000) accounted for most of the remaining amount. All three are positive indicators that Prince Edward County's economy is recovering.

The greatest pressure on the County budget is the ongoing reduction in funding from the Commonwealth and the ever increasing list of unfunded mandates. In previous years the Commonwealth has reduced funding for Constitutional Offices, jail costs, registrars etc. In FY13 the Commonwealth continued those budget reductions and in addition reduced funding for education by approximately $710,000. These educational funding reductions have caused the School system to reduce the number of employees by 21 over the last 4 years and increased the local cost per student by $641. Additionally, unfunded mandates resulted in over $200,000 in new expenses to the County. If this trend continues the question will be when, not if, Prince Edward County will be forced to raise taxes.

The increase in revenues allowed the county to provide a 3.6% cost of living adjustment (COLA) for employees to include employees in the Constitutional Offices and Social Services. In addition to the COLA increase the additional revenue allowed the County to fund an increase in VRS rates of 2.14% and a health insurance rate increase of 5.7%.

Finally, the budget transfer to the Prince Edward County Public Schools was maintained at the 2012 level of $8,106,652. While being the same amount as in FY12, that amount represents an increase in available funds of $415,730 for the School Board to use due to a reduction in school debt payments ($189,210) and continuing to appropriate $226,520 that was provide in FY12 for a one-time bonus for School employees.

In order to balance the budget small reductions were taken in almost every department of the County and capital expenditures were once again delayed.

The actions mentioned above coupled with the revenue increases were adequate to balance the budget with no tax or rate increases.

Requests for Information

This financial report is designed to provide a general overview of the County of Prince Edward's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administration Office, 111 South Street, Farmville, Virginia 23901.

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Assets
June 30, 2012

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents	$ 9,756,680	$ 788,363	$ 10,545,043	$ 428,493	$ 107,990
Receivables (net of allowance for uncollectibles):					
Taxes receivable	13,762,145	-	13,762,145	-	-
Accounts receivable	138,910	-	138,910	34,638	-
Loan receivable, current	-	-	-	-	50,000
Note receivable	1,094,700	-	1,094,700	-	-
Due from component unit	58,521	-	58,521	-	-
Due from other governmental units	1,353,945	-	1,353,945	1,084,852	-
Prepaid expenses	-	-	-	219,607	-
Industrial assets	-	-	-	-	1,047,505
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	658,764	-	658,764	-	-
Other assets:					
Unamortized bond issue costs	101,983	110,834	212,817	-	-
Capital assets (net of accumulated depreciation):					
Land	1,501,360	-	1,501,360	99,952	-
Buildings	9,290,500	-	9,290,500	8,473,141	-
Improvements other than buildings	298,528	-	298,528	315,208	-
Equipment	428,025	-	428,025	938,902	-
Utility plant in service	-	4,162,016	4,162,016	-	-
Construction in progress	751,984	-	751,984	-	-
Total assets	$ 39,196,045	$ 5,061,213	$ 44,257,258	$ 11,594,793	$ 1,205,495
LIABILITIES					
Reconciled overdraft	$ -	$ 94,604	$ 94,604	$ -	$ -
Accounts payable	145,199	592	145,791	18,205	312
Accrued liabilities	-	-	-	1,251,658	-
Deposits	-	-	-	-	75,000
Accrued interest payable	143,438	48,687	192,125	-	-
Due to primary government	-	-	-	58,521	-
Unearned revenue	12,317,764	-	12,317,764	-	-
Long-term liabilities:					
Due within one year	973,589	158,263	1,131,852	-	-
Due in more than one year	17,344,415	4,503,540	21,847,955	71,900	-
Total liabilities	$ 30,924,405	$ 4,805,686	$ 35,730,091	$ 1,400,284	$ 75,312
NET ASSETS					
Invested in capital assets, net of related debt	$ 1,520,646	$ (499,787)	$ 1,020,859	$ 9,827,203	$ -
Unrestricted (deficit)	6,750,994	755,314	7,506,308	367,306	1,130,183
Total net assets	$ 8,271,640	$ 255,527	$ 8,527,167	$ 10,194,509	$ 1,130,183

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

COUNTY OF PRINCE EDWARD, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2012

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 1,960,555	$ -	$ 220,351	$ -
Judicial administration	1,137,299	63,456	758,676	-
Public safety	3,270,479	112,457	1,068,131	-
Public works	2,058,022	747,804	-	-
Health and welfare	4,094,036	-	2,671,097	390,000
Education	7,440,879	-	-	-
Parks, recreation, and cultural	290,155	-	7,474	-
Community development	647,868	14,311	56,043	-
Interest on longterm debt	500,719	-	-	-
Total governmental activities	$ 21,400,012	$ 938,028	$ 4,781,772	$ 390,000
Business-type activities:				
Water	$ 200,571	$ 628	$ -	$ -
Sewer	78,869	1,219	-	-
Total business-type activities	$ 279,440	$ 1,847	$ -	$ -
Total primary government	$ 21,679,452	$ 939,875	$ 4,781,772	$ 390,000
COMPONENT UNITS:				
School Board	$ 27,265,789	$ 544,041	$ 18,833,284	$ 35,702
Industrial Development Authority	23,723	-	-	-
Total component units	$ 27,289,512	$ 544,041	$ 18,833,284	$ 35,702

General revenues:
General property taxes
Other local taxes:
Local sales and use taxes
Consumers' utility taxes
Motor vehicle licenses
Taxes on recordation and wills
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Contributions from the County of Prince Edward, Virginia
Grants and contributions not restricted to specific programs

Total general revenues and transfers

Change in net assets
Net assets - beginning, as adjusted

Net assets - ending

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

Exhibit 2

	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
	$ (1,740,204)	$ -	$ (1,740,204)	$ -	$ -
	(315,167)	-	(315,167)	-	-
	(2,089,891)	-	(2,089,891)	-	-
	(1,310,218)	-	(1,310,218)	-	-
	(1,032,939)	-	(1,032,939)	-	-
	(7,440,879)	-	(7,440,879)	-	-
	(282,681)	-	(282,681)	-	-
	(577,514)	-	(577,514)	-	-
	(500,719)	-	(500,719)	-	-
	$ (15,290,212)	$ -	$ (15,290,212)	$ -	$ -
	$ -	$ (199,943)	$ (199,943)	$ -	$ -
	-	(77,650)	(77,650)	-	-
	$ -	$ (277,593)	$ (277,593)	$ -	$ -
	$ (15,290,212)	$ (277,593)	$ (15,567,805)	$ -	$ -
	-	-	-	$ (7,852,762)	$ -
	-	-	-	-	(23,723)
	$ -	$ -	$ -	$ (7,852,762)	$ (23,723)
	$ 10,919,152	$ -	$ 10,919,152	$ -	$ -
	2,614,512	-	2,614,512	-	-
	289,770	-	289,770	-	-
	445,920	-	445,920	-	-
	95,354	-	95,354	-	-
	57,122	-	57,122	-	-
	379,221	-	379,221	21,683	227
	125,734	-	125,734	46,982	11,350
	-	-	-	7,428,602	67,630
	1,564,362	-	1,564,362	-	-
	$ 16,491,147	$ -	$ 16,491,147	$ 7,497,267	$ 79,207
	$ 1,200,935	$ (277,593)	$ 923,342	$ (355,495)	$ 55,484
	7,070,705	533,120	7,603,825	10,550,004	1,074,699
	$ 8,271,640	$ 255,527	$ 8,527,167	$ 10,194,509	$ 1,130,183

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2012

	General	School Debt Service	Landfill Construction Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	$ 8,530,523	$ -	$ 1,199,041	$ 27,116	$ 9,756,680
Receivables (net of allowance					
for uncollectibles):					
Taxes receivable	13,762,145	-	-	-	13,762,145
Accounts receivable	112,876	-	26,034	-	138,910
Notes receivable	51,266	-	-	-	51,266
Due from component unit	58,521		-	-	58,521
Due from other governmental units	1,353,945	-	-	-	1,353,945
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	5,479	653,285	-	-	658,764
Total assets	$ 23,874,755	$ 653,285	$ 1,225,075	$ 27,116	$ 25,780,231
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 145,201	$ -	$ -	$ -	$ 145,201
Deferred revenue	13,725,456	-	-	-	13,725,456
Total liabilities	$ 13,870,657	$ -	$ -	$ -	$ 13,870,657
Fund balances:					
Restricted for:					
Retiree benefits	$ 5,479	$ -	$ -	$ -	$ 5,479
Debt service	-	653,285	-	-	653,285
Assigned for:					
Landfill construction	-	-	1,225,075	-	1,225,075
Recreation capital projects	-			27,116	27,116
Unassigned	9,998,619	-	-	-	9,998,619
Total fund balances	$ 10,004,098	$ 653,285	$ 1,225,075	$ 27,116	$ 11,909,574
Total liabilities and fund balances	$ 23,874,755	$ 653,285	$ 1,225,075	$ 27,116	$ 25,780,231

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

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

Amounts reported for governmental activities in the statement of net assets are different because:				
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds			$	11,909,574
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital assets, cost	$	21,467,961		
Less: accumulated depreciation		(9,197,564)		12,270,397
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.				
Deferred revenue		1,407,692		
Notes receivable		1,043,434		2,451,126
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				
Bonds and loans payable, including premium on bonds	$	(13,583,856)		
Unamortized bond issue costs		101,983		
Interest payable		(143,436)		
Compensated absences		(502,072)		
Early retirement obligation		(112,794)		
Other post-employment benefits		(88,600)		
Landfill closure, postclosure and corrective action cost liability		(4,030,682)		(18,359,457)
Net assets of governmental activities			$	8,271,640

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

COUNTY OF PRINCE EDWARD, VIRGINIA **Exhibit 5**

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

	General	School Debt Service	Landfill Construction Fund	Other Governmental Funds	Total
REVENUES					
General property taxes	$ 10,561,257	$ -	$ -	$ -	$ 10,561,257
Other local taxes	3,502,678	-	-	-	3,502,678
Permits, privilege fees, and regulatory licenses	62,437	-	-	-	62,437
Fines and forfeitures	41,216	-	-	-	41,216
Revenue from the use of money and property	351,034	13,899	14,170	114	379,217
Charges for services	521,529	-	312,846	-	834,375
Miscellaneous	200,465	-	-	-	200,465
Recovered costs	130,380	-	-	-	130,380
Intergovernmental revenues:					
Commonwealth	5,019,333	-	-	-	5,019,333
Federal	1,716,801	-	-	-	1,716,801
Total revenues	$ 22,107,130	$ 13,899	$ 327,016	$ 114	$ 22,448,159
EXPENDITURES					
Current:					
General government administration	$ 1,525,092	$ -	$ -	$ -	$ 1,525,092
Judicial administration	1,480,002	-	-	-	1,480,002
Public safety	2,914,040	-	-	-	2,914,040
Public works	1,665,056	-	-	-	1,665,056
Health and welfare	4,103,322	-	-	-	4,103,322
Education	7,696,610	-	-	-	7,696,610
Parks, recreation, and cultural	295,383	-	-	-	295,383
Community development	754,145	-	-	-	754,145
Nondepartmental	155,200	-	-	-	155,200
Capital projects	1,925,793	-	-	-	1,925,793
Debt service:					
Principal retirement	296,615	-	-	-	296,615
Interest and other fiscal charges	456,027	-	-	-	456,027
Total expenditures	$ 23,267,285	$ -	$ -	$ -	$ 23,267,285
Excess (deficiency) of revenues over (under) expenditures	$ (1,160,155)	$ 13,899	$ 327,016	$ 114	$ (819,126)
OTHER FINANCING SOURCES (USES)					
Transfers in	$ -	$ 110,153	$ -	$ -	$ 110,153
Transfers out	(110,153)	-	-	-	(110,153)
Issuance of general obligation refunding bond	2,080,820	-	-	-	2,080,820
Issuance of lease revenue refunding bonds	2,342,978	-	-	-	2,342,978
Issuance of general obligation refunding bonds	2,780,000	-	-	-	2,780,000
Premium on refunding bonds	983,512	-	-	-	983,512
Payments to refunding bond escrow agent	(6,530,225)	-	-	-	(6,530,225)
Total other financing sources (uses)	$ 1,546,932	$ 110,153	$ -	$ -	$ 1,657,085
Net change in fund balances	$ 386,777	$ 124,052	$ 327,016	$ 114	$ 837,959
Fund balances - beginning	9,617,321	529,233	898,059	27,002	11,071,615
Fund balances - ending	$ 10,004,098	$ 653,285	$ 1,225,075	$ 27,116	$ 11,909,574

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, 2012

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 837,959
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital asset additions	$ 1,857,148	
Net transfer of joint tenancy assets	(394,893)	
Depreciation expense	(724,048)	738,207
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		357,898
The issuance of long-term notes receivable consumes the current financial resources of governmental funds, while the receipt of repayment of the principal of long-term notes receivable provides current financial resources to governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term notes receivable.		105,339
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 assets. Also, governmental funds report the effect of issuance costs, 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.		
(Increase) decrease in landfill closure, postclosure and corrective action cost liability	$ (94,469)	
Issuance of long-term debt including premiums	(8,187,310)	
Payment to refunding bond escrow agent	6,530,225	
Bond issue costs capitalized	101,983	
Principal payments and premium amortization	814,296	(835,275)
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 accrued interest payable	$ (13,732)	
(Increase) decrease in compensated absences	40,939	
(Increase) decrease in other post-employment benefits	(30,400)	(3,193)
Change in net assets of governmental activities		$ 1,200,935

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

Statement of Fund Net Assets
Proprietary Funds
June 30, 2012

	Enterprise Funds		
	Water	Sewer	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 788,363	$ -	$ 788,363
Total current assets	$ 788,363	$ -	$ 788,363
Noncurrent assets:			
Other assets:			
Unamortized bond issue costs	$ 74,610	$ 36,224	$ 110,834
Capital assets:			
Utility plant in service	$ 3,107,261	$ 1,241,000	$ 4,348,261
Less accumulated depreciation	(111,785)	(74,460)	(186,245)
Total capital assets	$ 2,995,476	$ 1,166,540	$ 4,162,016
Total noncurrent assets	$ 3,070,086	$ 1,202,764	$ 4,272,850
Total assets	$ 3,858,449	$ 1,202,764	$ 5,061,213
LIABILITIES			
Current liabilities:			
Reconciled overdraft	$ -	$ 94,604	$ 94,604
Accounts payable	592	-	592
Accrued interest payable	35,514	13,173	48,687
Bonds payable - current portion	115,261	43,002	158,263
Total current liabilities	$ 151,367	$ 150,779	$ 302,146
Noncurrent liabilities:			
Bonds payable - net of current portion	$ 3,279,855	$ 1,223,685	$ 4,503,540
Total noncurrent liabilities	$ 3,279,855	$ 1,223,685	$ 4,503,540
Total liabilities	$ 3,431,222	$ 1,374,464	$ 4,805,686
NET ASSETS			
Invested in capital assets, net of related debt	$ (399,640)	$ (100,147)	$ (499,787)
Unrestricted	826,867	(71,553)	755,314
Total net assets	$ 427,227	$ (171,700)	$ 255,527

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water	**Sewer**	**Total**
OPERATING REVENUES			
Charges for services:			
Water revenues	$ 628	$ -	$ 628
Sewer revenues	-	1,219	1,219
Total operating revenues	$ 628	$ 1,219	$ 1,847
OPERATING EXPENSES			
Professional services	$ 2,719	$ -	$ 2,719
Supplies	1,438	-	1,438
Repairs and maintenance	160	-	160
Insurance	400	400	800
Utilities	-	457	457
Depreciation	62,145	24,820	86,965
Total operating expenses	$ 66,862	$ 25,677	$ 92,539
Operating income (loss)	$ (66,234)	$ (24,458)	$ (90,692)
NONOPERATING REVENUES (EXPENSES)			
Interest expense	$ (133,709)	$ (53,192)	$ (186,901)
Total nonoperating revenues (expenses)	$ (133,709)	$ (53,192)	$ (186,901)
Change in net assets	$ (199,943)	$ (77,650)	$ (277,593)
Total net assets - beginning	627,170	(94,050)	533,120
Total net assets - ending	$ 427,227	$ (171,700)	$ 255,527

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Enterprise Funds		
	Water	**Sewer**	**Total**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 628	$ 1,219	$ 1,847
Payments to suppliers	(79,296)	(889)	(80,185)
Net cash provided by (used for) operating activities	$ (78,668)	$ 330	$ (78,338)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	$ -	$ 62,333	$ 62,333
Net cash provided (used) by noncapital financing activities	$ -	$ 62,333	$ 62,333
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to capital assets	$ (18,713)	$ -	$ (18,713)
Principal payments on line of credit	(3,350,000)	(1,250,000)	(4,600,000)
Debt issuance costs	(74,610)	(36,224)	(110,834)
Proceeds from indebtedness	4,245,116	1,266,687	5,511,803
Interest payments	(101,302)	(43,126)	(144,428)
Net cash provided by (used for) capital and related financing activities	$ 700,491	$ (62,663)	$ 637,828
Net increase (decrease) in cash and cash equivalents	$ 621,823	$ -	$ 621,823
Cash and cash equivalents - beginning	166,540	-	166,540
Cash and cash equivalents - ending	$ 788,363	$ -	$ 788,363
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	$ (66,234)	$ (24,458)	$ (90,692)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	62,145	24,820	86,965
Increase (decrease) in accounts payable	(74,579)	(32)	(74,611)
Total adjustments	$ (12,434)	$ 24,788	$ 12,354
Net cash provided by (used for) operating activities	$ (78,668)	$ 330	$ (78,338)

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

		Agency Funds
ASSETS		
Cash and cash equivalents	$	680,184
Total assets	$	680,184
LIABILITIES		
Accrued liabilities	$	339,111
Amounts held for social services clients		4,264
Amounts held for Piedmont Alcohol Safety Action Program		336,809
Total liabilities	$	680,184

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

Note 1—Summary of Significant Accounting Policies:

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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, final budget, and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organizations governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Prince Edward, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Units - The County has no blended component units.

Discretely Presented Component Units - The component unit columns in the combined financial statements include the financial data of the County's component units. They are reported in a separate column to emphasize that they are legally separate from the County.

The Prince Edward County School Board operates the elementary and secondary public schools in the County. School Board members are appointed by the Board of Supervisors. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School board and provides significant funding to operate the public schools, since the School Board does not have separate taxing powers.

The Prince Edward County Industrial Development Authority was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors of Prince Edward County on October 21, 1971 pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.2-4900), et. seq., of the Code of Virginia (1950), as amended. The Authority is authorized to issue revenue bonds; acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade inducing enterprise to locate and remain in Virginia.

The Authority is governed by seven directors appointed by the Board of Supervisors of Prince Edward County. The Authority is fiscally dependent on the County. Complete financial statements of the Authority may be obtained at the Authority's administrative office.

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

C. Jointly Governed Organizations

The County, in conjunction with other localities, has created the Central Virginia Regional Library, the Piedmont Regional Jail, the Piedmont Regional Juvenile Detention Center, and Crossroads Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed $186,559 to the regional library, $84,341 to the juvenile detention center, and $62,643 to the Crossroads Community Services Board.

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following governmental funds.

a. General Fund

The General Fund is the primary operating fund of the County. 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.

b. 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. The Landfill Construction Fund is considered a major fund. The Recreation Fund is considered a nonmajor fund.

c. Debt Service Fund

The Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service. The School Debt Service Fund is considered a major fund.

2. Fiduciary Funds (Trust and Agency Funds)

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

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

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

3. Proprietary Funds

Proprietary Funds account for activities similar to those found in the private business sector. The measurement focus is upon determination of net income. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that the cost of providing services to the general public be financed or recovered through user charges. Currently the County's Water and Sewer Funds are accounted for as enterprise funds.

Proprietary funds distinguish operating revenues and expenses from *nonoperating items*. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees and facility fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Budgets and Budgetary Accounting:

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The total appropriation can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments and between County departments (excluding the Constitutional Officers); however, the School Board is authorized to transfer budgeted amounts within the school system's categories.

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

E. Budgets and Budgetary Accounting: (Continued)

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Recreation Fund, Landfill Capital Projects Fund, and the Water and Sewer Funds of the primary government and the School Fund and School Cafeteria Fund and School Capital Projects Fund of the School Board.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all county units.

8. Budgetary data presented in the accompanying financial statements includes the original and legally amended budgets at June 30. Several supplemental appropriations were necessary during the year and at year end because they were not included in the original budget.

9. The following departments reported expenditures in excess of appropriations:

   - Cafeteria fund

F. Receivables and payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $417,239 at June 30, 2012 and is comprised solely of property taxes.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable December 5th. The County bills and collects its own property taxes.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business—type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the year ended June 30, 2012.

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

G. Capital Assets: (Continued)

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

Assets	Years
Structures, lines & accessories	50
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	8
Police vehicles	3

H. Compensated Absences

Vested or accumulated vacation leave are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

I. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

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

J. Fund Equity

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

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

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by formal Board action. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by 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).

K. Retirement Plan

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

L. Use of Estimates

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

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

M. Restricted Assets

The County reports restricted assets of $658,764 of which $653,285 is to be used for debt service on QZAB bonds and $5,479 is for retiree insurance.

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.

Investments:

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

Custodial Credit Risk (Investments):

The County has no policy regarding investment custodial credit risk.

The County's investments at June 30, 2012 were held by the County or in the County's name by the County's custodial banks.

Credit Risk of Debt Securities:

The County's investment policy allows for any investments which are in accordance with the Code of Virginia. The County's rated debt investments as of June 30, 2012 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale.

County's Rated Debt Investments

Rated Debt Investments Value	Fair Quality Ratings
	AAA
US Government Money Market	
U.S. Agencies Securities	$ 162,419
Total	$ 162,419

Note 2—Deposits and Investments: (Continued)

Concentration of Credit Risk:

The County's investment policy states the importance of diversification within its portfolio. Excessive concentration of any type of investment or excessive transactions with a financial institution is prohibited.

The County had no concentration of credit risk at June 30, 2012.

Interest Rate Risk:

The County's investment policy prohibits investments that have a maturity date of greater than five years. Investments with a maturity date of between six months and five years are authorized on an individual basis determined by the time required to make a withdrawal without incurring penalties.

The County had no interest rate risk at June 30, 2012.

Note 3—Due From Other Governmental Units:

Amounts due from other governments are detailed as follows:

	Primary Government	Component Unit
Commonwealth of Virginia		
School funds	$ -	$ 14,383
State sales taxes	-	465,387
Local sales tax	437,968	-
Communication tax	54,267	-
Shared expenses	165,330	-
Social services funds	78,863	-
Comprehensive services	113,826	-
Shared revenues	47,874	-
Federal Government:		
School funds	-	605,082
General government	363,670	
Social services funds	92,147	-
	$ 1,353,945	$ 1,084,852

Note 4—Capital Assets:

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

	Balance (1) July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 499,949	$ 1,001,411	$ -	$ 1,501,360
Construction in progress	-	751,984	-	751,984
Total capital assets not being depreciated	$ 499,949	$ 1,753,395	$ -	$ 2,253,344
Capital assets, being depreciated:				
Buildings	$ 14,157,057	$ -	$ 530,421	$ 13,626,636
Improvements other than buildings	3,728,401	-	-	3,728,401
Equipment	1,755,827	103,753	-	1,859,580
Total capital assets being depreciated	$ 19,641,285	$ 103,753	$ 530,421	$ 19,214,617
Less accumulated depreciation for:				
Buildings	$ 4,208,973	$ 262,691	$ 135,528	$ 4,336,136
Improvements other than buildings	3,127,523	302,350	-	3,429,873
Equipment	1,272,548	159,007	-	1,431,555
Total accumulated depreciation	$ 8,609,044	$ 724,048	$ 135,528	$ 9,197,564
Total capital assets being depreciated, net	$ 11,032,241	$ (620,295)	$ 394,893	$ 10,017,053
Governmental activities capital assets, net	$ 11,532,190	$ 1,133,100	$ 394,893	$ 12,270,397

(1) - As adjusted, Note 16

Note 4—Capital Assets: (Continued)

Enterprise Funds (Business-type) Activities

The following is a summary of changes in Business-type capital assets during the year:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Business-Type Activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 1,847,548	$ 18,713	$ 1,866,261	$ -
Capital assets, being depreciated:				
Utility plant in service	$ 2,482,000	$ 1,866,261	$ -	$ 4,348,261
Less accumulated depreciation for:				
Utility plant in service	$ 99,280	$ 86,965	$ -	$ 186,245
Total capital assets being depreciated, net	$ 2,382,720	$ 1,779,296	$ -	$ 4,162,016
Business-type activities capital assets, net	$ 4,230,268	$ 1,798,009	$ 1,866,261	$ 4,162,016

The following is a summary of changes in School Board capital assets during the year:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 99,952	$ -	$ -	$ 99,952
Capital assets, being depreciated:				
Buildings	$ 19,001,036	$ 530,421	$ -	$ 19,531,457
Improvements other than buildings	720,057	-	-	720,057
Equipment	5,058,717	66,630	-	5,125,347
Total capital assets being depreciated	$ 24,779,810	$ 597,051	$ -	$ 25,376,861
Less accumulated depreciation for:				
Buildings	$ 10,395,856	$ 662,460	$ -	$ 11,058,316
Improvements other than buildings	387,133	17,716	-	404,849
Equipment	3,823,637	362,808	-	4,186,445
Total accumulated depreciation	$ 14,606,626	$ 1,042,984	$ -	$ 15,649,610
Total capital assets being depreciated, net	$ 10,173,184	$ (445,933)	$ -	$ 9,727,251
Governmental activities capital assets, net	$ 10,273,136	$ (445,933)	$ -	$ 9,827,203

Note 4—Capital Assets: (Continued)

Primary Government: (Continued)

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

Governmental activities:		
General government administration	$	296,547
Judicial administration		1,795
Public safety		95,557
Public works		294,666
Health & Welfare		5,725
Community development		29,758
Total Governmental Activities		724,048
Business type activities		86,965
Total Primary Government	$	811,013
Component Unit-School Board	$	1,042,984

Note 5—Defined Benefit Pension Plan:

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit.

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Note 5—Defined Benefit Pension Plan:

A. Plan Description: (Continued)

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended June 30, 2012 was 10.11% of annual covered payroll.

Note 5—Defined Benefit Pension Plan:

B. Funding Policy: (Continued)

Discretely Presented Component Unit – School Board

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended June 30, 2012 was 5.95% of annual covered payroll.

The School Board's contributions for professional employees were $1,488,380, $1,167,485, and $1,185,190 (including the employee portion), to the teacher cost-sharing pool for the fiscal years ended June 30, 2012, 2011, and 2010, respectively. The contribution rate was 8.81% from July 2009 through March 2010, zero (0.00%) for April through June 2010, 3.93% in 2011, and 6.33% in 2012.

C. Annual Pension Cost

Primary Government

For fiscal year 2012, County's annual pension cost of $459,960 (does not include employee share of $227,478 which was assumed by the County) was equal to the County's required and actual contributions.

Three-Year Trend for County - Primary Government

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 430,761	100%	$ -
June 30, 2011	465,177	100%	-
June 30, 2012	459,960	100%	-

(1) Employer portion only

The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

Note 5—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

Discretely Presented Component Unit – School Board (Non-professional)

For fiscal year 2012, School Board's annual pension cost of $49,272 (does not include employee share of $41,405 which was assumed by the School Board) was equal to the School Board's required and actual contributions.

Three-Year Trend for County - Component Unit School Board

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	$ 50,279	100%	$ -
June 30, 2011	48,116	100%	-
June 30, 2012	49,272	100%	-

(1) Employer portion only

The FY2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the 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 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, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

Primary Government

As of June 30, 2011, the most recent actuarial valuation date, the plan was 73.91% funded. The actuarial accrued liability for benefits was $19,468,376, and the actuarial value of assets was $14,389,028, resulting in an unfunded actuarial accrued liability (UAAL) of $5,079,348. The covered payroll (annual payroll of active employees covered by the plan) was $4,627,813, and ratio of the UAAL to the covered payroll was 109.76%.

Discretely Presented Component Unit – School Board (Non-professional)

As of June 30, 2011, the most recent actuarial valuation date, the plan was 82.64% funded. The actuarial accrued liability for benefits was $3,456,576, and the actuarial value of assets was $2,856,632, resulting in an unfunded actuarial accrued liability (UAAL) of $599,944. The covered payroll (annual payroll of active employees covered by the plan) was $820,888, and ratio of the UAAL to the covered payroll was 73.08%.

Note 5—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress: (Continued)

Discretely Presented Component Unit – School Board (Non-professional): (Continued)

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

Note 6—Compensated Absences:

In accordance with GASB statement 16 "Accounting and Financial Reporting Principal for claims and Judgments and Compensated Absences," the County has accrued the liability arising from outstanding claims and judgments and compensated absences.

County employees earn vacation and sick leave at various rates. The County had outstanding compensated absences as follows:

Primary Government	$ 502,072

Note 7—Long-Term Obligations:

Primary Government:

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

	Amounts Payable at July 1, 2011	Additions	Deletions	Amounts Payable at June 30, 2012	Payable Due Within One Year
Primary Government:					
Revenue bonds	$ 1,165,207	$ 2,342,978	$ 1,165,207	$ 2,342,978	$ 74,466
General obligation bonds (VPSA)	2,627,855	-	462,637	2,165,218	293,725
General obligation bonds	2,508,840	4,860,820	2,508,840	4,860,820	386,221
Premium on bond issuance	21,141	983,512	2,670	1,001,983	2,484
Qualified zone academy bonds	2,116,857	-	-	2,116,857	-
Courthouse construction bonds	3,042,083	-	3,042,083	-	-
Early retirement obligation	163,878	-	51,084	112,794	54,486
Other long-term obligation	1,208,000	-	112,000	1,096,000	112,000
Landfill closure and post-closure monitoring	3,602,377	86,457	-	3,688,834	-
Landfill corrective action plan	333,836	8,012	-	341,848	-
Other post-employment benefits	58,200	34,800	4,400	88,600	-
Compensated absences	543,011	-	40,939	502,072	50,207
Total Primary Government	$ 17,391,285	$ 8,316,579	$ 7,389,860	$ 18,318,004	$ 973,589

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Primary Government

	VRS Early Retirement		Bonds & Notes (1)	
Year	Principal	Interest	Principal	Interest
2013	$ 54,486	$ 7,499	$ 866,412	$ 459,873
2014	58,308	3,677	864,277	435,908
2015	-	-	856,179	396,959
2016	-	-	876,635	356,514
2017	-	-	899,266	314,826
2018-2022	-	-	2,975,925	1,077,400
2023-2027	-	-	1,737,626	532,484
2028-2032	-	-	1,388,696	174,367
	$ 112,794	$ 11,176	10,465,016	$ 3,748,331

(1) Excludes annual payment to debt service sinking fund for the Qualified Zone Academy Bonds.

General obligation bonds:

$3,800,000 Virginia Public School Authority Bonds, issued November 18, 1993, maturing annually through December 15, 2013 with interest payable semi-annually at rates from 4.475% to 7.5%.	$ 40,000
$4,211,116 Virginia Public School Authority Bonds 1997 I, issued November 20, 1997, maturing annually through July 15, 2017 with interest payable semi-annually at rates from 4.35% to 5.35%.	1,410,218
$1,000,000 Virginia Public School Authority Bonds issued May 11, 2006, maturing annually through July 15, 2026 with interest payable semi-annually at rates from 4.1% to 5.1%.	715,000
Plus: Premium on issuance	18,471

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

General obligation bonds: (Continued)

$2,080,820 general obligation bond issued June 13, 2012, maturing annually through June 30, 2024 with interest payable semi-annually at varying interest rates of 2.125 to 5.125%.	$	2,080,820
Plus: Premium on issuance		328,472
$2,780,000 general obligation bond issued November 16, 2011, maturing annually through June 30, 2031 with interest payable semi-annually at a rate of 3.37%.		2,780,000
Plus: Premium on issuance		338,547
Total general obligation bonds	$	7,711,528
Revenue bonds (payable from General Fund property rentals):		
$2,342,978 lease revenue bond dated November 16, 2011, maturing annually through June 30, 2032 with interest payable semi-annually at a rate of 3.67%.	$	2,342,978
Plus: Premium on issuance		316,493
Total revenue bonds (payable from General Fund property rentals)	$	2,659,471
VRS early retirement obligation:		
$576,882 General Obligation Refunding Note (Retirement Obligation) dated July 30, 1998 due in combined annual installments of principal and interest of $61,985 through July 30, 2013, includes interest at 6.66%.	$	112,794
Qualified zone academy bonds:		
$1,116,857 Qualified Zone Academy Bond, issued December 29, 2005, maturing December 29, 2020. Annual payments of $60,425 are required to be placed in a sinking fund that will be used to pay the debt in 2020.	$	1,116,857
$1,000,000 Qualified Zone Academy Bonds, issued December 13, 2006, maturing December 13, 2022. Annual payments of $49,728 are required to be placed in a sinking fund that will be used to pay the debt in 2022.		1,000,000
Total qualified zone academy bonds	$	2,116,857

Note 7—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Other long-term obligations:		
$1,500,000 note payable issued May 29, 2007, due in annual principal installments of $100,000 and semi-annual interest payments at 4.61%, maturing July 31, 2021	$	1,000,000
$120,000 note payable issued March 2010, due in annual principal installments of $12,000 bearing no interest, maturing March 2020.		96,000
Total other long-term obligations	$	1,096,000
Landfill closure and post-closure care liability	$	3,688,834
Landfill corrective action plan liability	$	341,848
Compensated absences payable	$	502,072
Other post-employment benefits	$	88,600
Total general long-term obligation debt	$	18,318,004

Enterprise Activities:

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

	Amounts Payable at July 1, 2011	Additions	Deletions	Amounts Payable at June 30, 2012	Payable Due Within One Year
Primary Government:					
Line of credit	$ 3,750,000	$ 850,000	$ 4,600,000	$ -	$ -
Lease revenue bonds	-	4,107,022	-	4,107,022	130,524
Premium on bond issuance	-	554,781	-	554,781	27,739
Total Primary Government	$ 3,750,000	$ 5,511,803	$ 4,600,000	$ 4,661,803	$ 158,263

Note 7—Long-Term Obligations: (Continued)

Enterprise Activities: (Continued)

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

Primary Government

Year	Bonds Principal	Bonds Interest
2013	$ 130,524	$ 193,674
2014	133,707	189,052
2015	136,891	182,500
2016	143,258	175,719
2017	152,807	169,104
2018-2022	875,463	736,692
2023-2027	1,107,858	495,611
2028-2032	1,426,514	179,337
	$ 4,107,022	$ 2,321,689

Revenue bonds (payable from Enterprise Fund activity):

$2,342,978 lease revenue bond dated November 16, 2011, maturing annually through June 30, 2032 with interest payable semi-annually at a rate of 3.67%.	$ 4,107,022
Plus: Premium on issuance	554,781
Total enterprise long-term debt	$ 4,661,803

Component Unit – School Board:

The following is a summary of long-term debt transactions of the Component Unit- School Board for the year ended June 30, 2012:

	Amounts Payable at July 1, 2011	Addition	Deletions	Amounts Payable at June 30, 2012	Payable Due Within One Year
Other post-employment benefits	$ 71,300	$ 109,800	$ 109,200	$ 71,900	$ -

Note 8—Litigation:

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

Note 9—Contingent Liabilities:

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

The County had outstanding contracts for the following purpose and amount:

Purpose	Amount
Rt. 786 Construction	$ 2,030,000

Note 10—Surety Bonds:

	Amount
Fidelity and Deposit Company of Maryland - Surety	
Machelle J. Eppes, Clerk of the Circuit Court	$ 360,000
Mable H. Shanaberger, Treasurer	400,000
Beverly M. Booth, Commissioner of the Revenue	3,000
Wesley Reed, Sheriff	30,000
United State Fidelity and Guaranty Company - Surety	
Clerk and Deputy Clerk of the School Board	50,000
Aetna Casualty and Surety Company - Surety	
Roma Morris, Director of Social Services	100,000
Fidelity and Deposit Company of Maryland - Surety	
County Administrator	2,000

Note 11—Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County records a portion of this closure and postclosure care liability in each period based on landfill capacity as of each balance sheet date. The County opened a new cell in 2008. The amounts reported as closure and postclosure care liabilities at June 30, 2012 were $1,864,172 and $1,824,662, respectively. Furthermore, the County reports $341,848 as corrective action liability. These amounts are based on what it would cost to perform all closure and postclosure care in 2012. Actual cost may be higher due to inflation, changes in technology or changes in regulation.

The County has demonstrated financial assurance requirements for closure, postclosure and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code. The County intends to fund these costs from accumulated funds held in the general fund.

Note 12—Risk Management:

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and natural disasters. The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

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

The County continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage.

Note 13—Other Post-Employment Benefits Program:

County:

Background

Beginning in fiscal year 2009, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health-care and non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description:

In addition to the pension benefits described in Note 5, the County provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from County service at age 60 or older and have 30 years of service with the County, may elect one of two health insurance options through the County's plan. On one plan the County pays 100% of the premium, up to age 65, at which time coverage ceases. The other plan requires the retiree to pay 100% of the premium; however, the retiree may remain on the plan indefinitely. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

Note 13—Other Post-Employment Benefits Program:

County: (Continued)

Background (Continued)

B. Funding Policy:

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees the County pays 100% of the health insurance premium for retirees up to Medicare eligibility. Retirees may opt to choose an Advantage 65 plan, which they are required to cover 100% of the premium for. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65, with the exception of the Advantage 65 plan which can continue indefinitely.

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	$	34,900
Interest on net OPEB obligation		2,300
Adjustment to annual required contribution		(2,400)
Annual OPEB cost (expense)	$	34,800
Estimated contributions made		(4,400)
Increase in net OPEB obligation	$	30,400
Net OPEB obligation - beginning of year		58,200
Net OPEB obligation - end of year	$	88,600

Note 13—Other Post-Employment Benefits Program: (Continued)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

For 2012, the County's expected cash payment of $4,400 was $30,400 less than the OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 30,219	53.94%	$ 27,719
June 30, 2011	33,100	7.85%	58,200
June 30, 2012	34,800	12.64%	88,600

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	$ 401,600
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	401,600
Funded ratio (actuarial value of plan assets / AAL)	0%
Covered payroll (active plan members)	4,193,600
UAAL as a percentage of covered payroll	9.58%

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 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 revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 13—Other Post-Employment Benefits Program: (Continued)

County: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of the 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.

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return and an annual healthcare cost trend rate of 10.00 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. Both rates included a 2.50 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010 was 30 years.

Cost Method

The entry age normal cost method is used to determine the plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

Interest Assumptions

	Unfunded
Discount rate	4.0%
Health cost trend assumption	10.0%
Payroll growth	2.5%

Note 13—Other Post-Employment Benefits Program: (Continued)

School Board:

A. Plan Description:

In addition to the pension benefits described in Note 5, the School Board provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from the School Board at age 60 with 30 years of service or age 65 with 5 years of service receive a $1.50 credit per year of service (capped at $45 per month) toward the retiree's health insurance premium. The retiree is responsible for the remaining premium. Coverage ceases at age 65 unless a Medicare Complementary plan is chosen. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees receive a credit for each year of service (capped at $45 per month) which offsets the cost of their premium. Retirees are responsible for the remaining premium and the premium of their spouse. Coverage ceases when retirees reach the age of 65 unless Medicare Complementary coverage is selected.

C. Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	$	110,000
Interest on net OPEB obligation		2,900
Adjustment to annual required contribution		(3,100)
Annual OPEB cost (expense)	$	109,800
Estimated contributions made		(109,200)
Increase in net OPEB obligation	$	600
Net OPEB obligation - beginning of year		71,300
Net OPEB obligation - end of year	$	71,900

Note 13—Other Post-Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

For 2012, the School Board's expected cash payment of $109,200 was $600 less than the 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 2012 and the two preceding years are as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
June 30, 2010	$	58,210	57.89%	$	48,810
June 30, 2011		108,400	79.24%		71,300
June 30, 2012		109,800	99.45%		71,600

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010 the date of the most recent actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	$	1,605,900
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		1,605,900
Funded ratio (actuarial value of plan assets / AAL)		0%
Covered payroll (active plan members)		12,088,700
UAAL as a percentage of covered payroll		13.28%

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 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 revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and then plan members) and include the types of benefits provided at the time of the 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.

Note 13—Other Post-Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Actuarial Methods and Assumptions

In the July 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.00 percent investment rate of return and an annual healthcare cost trend rate of 10.00 percent initially, reduced by decrements to an ultimate rate of 5 percent after 5 years. Both rates included a 2.50 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2010 was 30 years.

Cost Method

The entry age normal cost method is used to determine the plan's funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan's provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan's total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

Interest Assumptions

	Unfunded
Discount rate	4.0%
Health cost trend assumption	10.0%
Payroll growth	2.5%

Note 14—Deferred Revenue:

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

A. Deferred Property Tax Revenue

Deferred revenue representing deferred property tax revenues totaled $13,691,765 at June 30, 2012.

B. Prepaid Property Taxes

Property taxes due subsequent to June 30, 2012, but paid in advance by the taxpayers totaled $33,691 at June 30, 2012.

Note 15—Interfund Transfers:

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

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 110,153
School Debt Service Fund	110,153	-
Total	$ 110,153	$ 110,153

Transfers were made for operational expenditures.

Note 16–Restatement of Beginning Net Assets:

Beginning net assets at June 30, 2012 have been restated for the following purpose:

Beginning Net Assets, July 1, 2011	$ 6,675,119
Change in original cost of courthouse building	586,053
Accumulated depreciation prior to July 1, 2011	(190,467)
Beginning net assets, July 1, 2011, adjusted	$ 7,070,705

Note 17–Notes Receivable:

The County provided an equipment loan to Paris Ceramics.America, LLC in January 2009 in the amount of $164,000. The loan bears simple interest at 3% and is payable over 7 years with a balloon in 5 years. At June 30, 2012, this note had an outstanding balance of $95,666.

The County refinanced a building loan to Paris Ceramics.America, LLC for economic development in August 2010 in the amount of $840,000. The loan bears no interest and is to be paid over 20 years in monthly installments of $3,500 commencing January 1, 2011 with final payment due December 1, 2030. At June 30, 2012, this note had an outstanding balance of $780,500.

The County provided an equipment loan to Paris Ceramics America, LLC in May 2012 in the amount of $170,000. The loan bears simple interest at 5% and is payable over 7 years. At June 30, 2012, this note had an outstanding balance of $167,268.

The County received an energy conservation block grant from the Department of Mines, Minerals and Energy on behalf of STEPS, Inc. in the amount of $668,002. The grant was paid to STEPS, Inc. to fund an energy efficiency contract in the amount of $719,268. The difference between the grant award and the contract was loaned to STEPS, Inc. in the amount of $51,266. Payment is expected during 2013. The loan bears no interest. The outstanding balance on the note receivable at June 30, 2012 was $51,266.

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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.

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

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	$ 10,038,194	$ 10,061,194	$ 10,561,257	$ 500,063
Other local taxes	3,419,500	3,419,500	3,502,678	83,178
Permits, privilege fees, and regulatory licenses	75,400	75,400	62,437	(12,963)
Fines and forfeitures	46,700	46,700	41,216	(5,484)
Revenue from the use of money and property	378,102	378,102	351,034	(27,068)
Charges for services	539,700	539,700	521,529	(18,171)
Miscellaneous	101,887	103,187	200,465	97,278
Recovered costs	101,508	101,711	130,380	28,669
Intergovernmental revenues:				
Commonwealth	5,237,379	7,636,575	5,019,333	(2,617,242)
Federal	1,443,588	1,890,972	1,716,801	(174,171)
Total revenues	$ 21,381,958	$ 24,253,041	$ 22,107,130	$ (2,145,911)
EXPENDITURES				
Current:				
General government administration	$ 1,593,525	$ 1,632,007	$ 1,525,092	$ 106,915
Judicial administration	1,539,277	1,563,872	1,480,002	83,870
Public safety	2,704,073	3,205,161	2,914,040	291,121
Public works	1,948,230	1,948,230	1,665,056	283,174
Health and welfare	3,969,142	4,359,142	4,103,322	255,820
Education	8,118,929	8,268,929	7,696,610	572,319
Parks, recreation, and cultural	274,909	294,909	295,383	(474)
Community development	683,611	904,666	754,145	150,521
Nondepartmental	245,075	167,351	155,200	12,151
Capital projects	79,000	4,304,557	1,925,793	2,378,764
Debt service:				
Principal retirement	512,631	266,413	296,615	(30,202)
Interest and other fiscal charges	348,919	457,900	456,027	1,873
Total expenditures	$ 22,017,321	$ 27,373,137	$ 23,267,285	$ 4,105,852
Excess (deficiency) of revenues over (under) expenditures	$ (635,363)	$ (3,120,096)	$ (1,160,155)	$ 1,959,941
OTHER FINANCING SOURCES (USES)				
Transfers out	$ -	$ -	$ (110,153)	$ (110,153)
Issuance of general obligation refunding bond	-	-	2,080,820	2,080,820
Issuance of lease revenue refunding bonds	-	1,494,857	2,342,978	848,121
Issuance of general obligation refunding bonds	-	-	2,780,000	2,780,000
Premium on refunding bonds	-	-	983,512	983,512
Payments to refunding bond escrow agent	-	-	(6,530,225)	(6,530,225)
Total other financing sources (uses)	$ -	$ 1,494,857	$ 1,546,932	$ 52,075
Net change in fund balances	$ (635,363)	$ (1,625,239)	$ 386,777	$ 2,012,016
Fund balances - beginning	635,363	1,625,239	9,617,321	7,992,082
Fund balances - ending	$ -	$ -	$ 10,004,098	$ 10,004,098

Schedule of Pension Funding Progress for the Virginia Retirement System
Last Three Fiscal Years

County:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2)/(3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	$ 13,536,023	$ 16,519,733	$ 2,983,710	81.94%	$ 4,604,540	64.80%
6/30/2010	13,817,119	18,736,059	4,918,940	73.75%	4,652,336	105.73%
6/30/2011	14,389,028	19,468,376	5,079,348	73.91%	4,627,813	109.76%

School Board Non-Professionals:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2)/(3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2009	$ 2,726,302	$ 2,997,454	$ 271,152	90.95%	$ 836,759	32.41%
6/30/2010	2,774,852	3,254,328	479,476	85.27%	798,941	60.01%
6/30/2011	2,856,632	3,456,576	599,944	82.64%	820,888	73.08%

Schedule of Funding Progress for Other Post-Employment Benefits
Last Three Fiscal Years

County:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2)/(3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2008	$ -	$ 329,000	$ 329,000	0.00%	$ 4,435,146	7.42%
7/1/2009	-	329,000	329,000	0.00%	4,607,540	7.14%
7/1/2010	-	401,600	401,600	0.00%	4,193,600	9.58%

School Board:

Valuation as of	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets at % of AAL (2)/(3)	Annual Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2008	$ -	$ 834,700	$ 834,700	0.00%	$ 823,715	101.33%
7/1/2009	-	834,700	834,700	0.00%	836,759	99.75%
7/1/2010	-	1,605,900	1,605,900	0.00%	12,088,700	13.28%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Revenue from the use of money and property	$ 1,000	$ 1,000	$ 14,170	$ 13,170
Charges for services	275,000	275,000	312,846	37,846
Total revenues	$ 276,000	$ 276,000	$ 327,016	$ 51,016
EXPENDITURES				
Current:				
Capital projects	$ 800,000	$ 800,000	$ -	$ 800,000
Total expenditures	$ 800,000	$ 800,000	$ -	$ 800,000
Excess (deficiency) of revenues over (under) expenditures	$ (524,000)	$ (524,000)	$ 327,016	$ 851,016
Net change in fund balances	$ (524,000)	$ (524,000)	$ 327,016	$ 851,016
Fund balances - beginning	524,000	524,000	898,059	374,059
Fund balances - ending	$ -	$ -	$ 1,225,075	$ 1,225,075

Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

		Capital Projects Recreation Fund
ASSETS		
Cash and cash equivalents	$	27,116
Total assets	$	27,116
LIABILITIES AND FUND BALANCES		
Fund balances:		
Assigned for:		
Recreation/capital projects	$	27,116
Total fund balances	$	27,116
Total liabilities and fund balances	$	27,116

Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects - Recreation Fund
For the Year Ended June 30, 2012

		Capital Projects Recreation Fund
REVENUES		
Revenue from the use of money and property	$	114
Total revenues	$	114
EXPENDITURES		
Total expenditures	$	-
Excess (deficiency) of revenues over (under) expenditures	$	114
Net change in fund balances	$	114
Fund balances - beginning		27,002
Fund balances - ending	$	27,116

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

	Recreation Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 114	$ 114
Total revenues	$ -	$ -	$ 114	$ 114
EXPENDITURES				
Total expenditures	$ -	$ -	$ -	$ -
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ 114	$ 114
Net change in fund balances	$ -	$ -	$ 114	$ 114
Fund balances - beginning	-	-	27,002	27,002
Fund balances - ending	$ -	$ -	$ 27,116	$ 27,116

Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds			
	Special Welfare	**Piedmont Court Services**	**Piedmont Alcohol Safety Action Program**	**Total**
ASSETS				
Cash and cash equivalents	$ 4,264	$ 339,111	$ 336,809	$ 680,184
Total assets	$ 4,264	$ 339,111	$ 336,809	$ 680,184
LIABILITIES				
Amounts held for others	$ -	$ 339,111	-	$ 339,111
Amounts held for social services clients	4,264	-	-	4,264
Amounts held for Piedmont Alcohol Safety Action Program	-	-	336,809	336,809
Total liabilities	$ 4,264	$ 339,111	$ 336,809	$ 680,184

COUNTY OF PRINCE EDWARD, VIRGINIA **Exhibit 19**

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special welfare:				
Assets:				
Cash and cash equivalents	$ 6,886	$ 12,458	$ 15,080	$ 4,264
Liabilities:				
Amounts held for social service clients	$ 6,886	$ 12,458	$ 15,080	$ 4,264
Piedmont Court Services:				
Assets:				
Cash and cash equivalents	$ 327,509	$ 494,307	$ 482,705	$ 339,111
Liabilities:				
Amounts held for others	$ 327,509	$ 494,307	$ 482,705	$ 339,111
Undistributed local sales tax:				
Assets:				
Cash and cash equivalents	$ -	$ 343,083	$ 343,083	$ -
Liabilities:				
Sales tax payable to towns	$ -	$ 343,083	$ 343,083	$ -
Fiscal Agent Holdings - Piedmont ASAP:				
Assets:				
Cash and cash equivalents	$ 297,842	$ 453,994	$ 415,027	$ 336,809
Liabilities:				
Amounts held for others:				
Piedmont ASAP	$ 297,842	$ 453,994	$ 415,027	$ 336,809
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	$ 632,237	$ 1,303,842	$ 1,255,895	$ 680,184
Total assets	$ 632,237	$ 1,303,842	$ 1,255,895	$ 680,184
Liabilities:				
Amounts held for social service clients	$ 6,886	$ 12,458	$ 15,080	$ 4,264
Amounts held for others	327,509	494,307	482,705	339,111
Sales tax payable to towns	-	343,083	343,083	-
Amounts held for Piedmont ASAP	297,842	453,994	415,027	336,809
Total liabilities	$ 632,237	$ 1,303,842	$ 1,255,895	$ 680,184

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2012

	School Operating Fund	School Cafeteria Fund	Underground Storage Tank Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ -	$ 408,493	$ 20,000	$ 428,493
Receivables (net of allowance for uncollectibles):				
Accounts receivable	34,638	-	-	34,638
Due from other governmental units	1,042,760	42,092	-	1,084,852
Prepaid items	219,607	-	-	219,607
Total assets	$ 1,297,005	$ 450,585	$ 20,000	$ 1,767,590
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 18,205	$ -	$ -	$ 18,205
Accrued liabilities	1,220,279	31,379	-	1,251,658
Due to primary government	58,521	-	-	58,521
Total liabilities	$ 1,297,005	$ 31,379	$ -	$ 1,328,384
Fund balances:				
Nonspendable:				
Prepaid items	$ 219,607	$ -	$ -	$ 219,607
Assigned for:				
Cafeteria	-	419,206	-	419,206
Underground storage	-	-	20,000	20,000
Unassigned	(219,607)	-	-	(219,607)
Total fund balances	$ -	$ 419,206	$ 20,000	$ 439,206
Total liabilities and fund balances	$ 1,297,005	$ 450,585	$ 20,000	$ 1,767,590

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

Total fund balances per above		$ 439,206
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	$ 25,476,813	
Less: accumulated depreciation	(15,649,610)	9,827,203
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Other post-employment benefits		(71,900)
Net assets of governmental activities		$ 10,194,509

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

	School Operating Fund	School Cafeteria Fund	Underground Storage Tank Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	$ 21,683	$ -	$ -	$ 21,683
Charges for services	312,390	231,651	-	544,041
Miscellaneous	46,982	-	-	46,982
Recovered costs	91,350	-	-	91,350
Intergovernmental revenues:				
Local government	7,684,333	-	-	7,684,333
Commonwealth	14,267,918	20,203	-	14,288,121
Federal	3,571,431	1,009,434	-	4,580,865
Total revenues	$ 25,996,087	$ 1,261,288	$ -	$ 27,257,375
EXPENDITURES				
Current:				
Education	$ 25,345,463	$ 1,170,251	$ -	$ 26,515,714
Capital projects	-	-	-	-
Debt service:				
Principal retirement	516,392	-	-	516,392
Interest and other fiscal charges	134,232	-	-	134,232
Total expenditures	$ 25,996,087	$ 1,170,251	$ -	$ 27,166,338
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 91,037	$ -	$ 91,037
Net change in fund balances	$ -	$ 91,037	$ -	$ 91,037
Fund balances - beginning	-	328,169	20,000	348,169
Fund balances - ending	$ -	$ 419,206	$ 20,000	$ 439,206

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		$ 91,037
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.		
Capital asset additions	$ 66,630	
Net transfer of joint tenancy assets	394,893	
Depreciation expense	(907,455)	(445,932)
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 other post employment benefits		(600)
Change in net assets of governmental activities		$ (355,495)

COUNTY OF PRINCE EDWARD, VIRGINIA

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

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 8,000	$ 8,000	$ 21,683	$ 13,683
Charges for services	64,700	64,700	312,390	247,690
Miscellaneous	59,500	59,500	46,982	(12,518)
Recovered costs	113,090	113,090	91,350	(21,740)
Intergovernmental revenues:				
Local government	8,106,652	8,256,652	7,684,333	(572,319)
Commonwealth	15,012,036	15,012,036	14,267,918	(744,118)
Federal	3,623,999	3,786,599	3,571,431	(215,168)
Total revenues	$ 26,987,977	$ 27,300,577	$ 25,996,087	$ (1,304,490)
EXPENDITURES				
Current:				
Education	$ 26,226,370	$ 26,538,970	$ 25,345,463	$ 1,193,507
Debt service:				
Principal retirement	627,375	627,375	516,392	110,983
Interest and other fiscal charges	134,232	134,232	134,232	-
Total expenditures	$ 26,987,977	$ 27,300,577	$ 25,996,087	$ 1,304,490
Excess (deficiency) of revenues over (under) expenditures	$ -	$ -	$ -	$ -
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

Exhibit 22

School Cafeteria Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ -	$ -	$ -	$ -
242,171	242,171	231,651	(10,520)
-	-	-	-
2,500	2,500	-	(2,500)
-	-	-	-
22,399	22,399	20,203	(2,196)
820,000	820,000	1,009,434	189,434
$ 1,087,070	$ 1,087,070	$ 1,261,288	$ 174,218
$ 1,087,070	$ 1,087,070	$ 1,170,251	$ (83,181)
-	-	-	-
-	-	-	-
$ 1,087,070	$ 1,087,070	$ 1,170,251	$ (83,181)
$ -	$ -	$ 91,037	$ 91,037
$ -	$ -	$ 91,037	$ 91,037
-	-	328,169	328,169
$ -	$ -	$ 419,206	$ 419,206

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Supporting Schedules

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

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 6,400,000	$ 6,400,000	$ 6,422,319	$ 22,319
Real and personal public service corporation taxes	248,817	271,817	290,854	19,037
Personal property taxes	2,662,377	2,662,377	3,131,159	468,782
Mobile home taxes	37,000	37,000	40,493	3,493
Machinery and tools taxes	30,000	30,000	27,715	(2,285)
Merchants' capital taxes	420,000	420,000	404,937	(15,063)
Penalties	160,000	160,000	157,916	(2,084)
Interest	80,000	80,000	85,864	5,864
Total general property taxes	$ 10,038,194	$ 10,061,194	$ 10,561,257	$ 500,063
Other local taxes:				
Local sales and use taxes	$ 2,500,000	$ 2,500,000	$ 2,614,512	$ 114,512
Consumers' utility taxes	285,000	285,000	289,770	4,770
Gross receipts tax	65,000	65,000	57,122	(7,878)
Motor vehicle licenses	454,000	454,000	445,920	(8,080)
Taxes on recordation and wills	115,500	115,500	95,354	(20,146)
Total other local taxes	$ 3,419,500	$ 3,419,500	$ 3,502,678	$ 83,178
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 14,000	$ 14,000	$ 12,903	$ (1,097)
Permits and other licenses	61,400	61,400	49,534	(11,866)
Total permits, privilege fees, and regulatory licenses	$ 75,400	$ 75,400	$ 62,437	$ (12,963)
Fines and forfeitures:				
Court fines and forfeitures	$ 46,700	$ 46,700	$ 41,216	$ (5,484)
Revenue from use of money and property:				
Revenue from use of money	$ 111,454	$ 111,454	$ 85,336	$ (26,118)
Revenue from use of property	266,648	266,648	265,698	(950)
Total revenue from use of money and property	$ 378,102	$ 378,102	$ 351,034	$ (27,068)
Charges for services:				
Court costs	$ 2,200	$ 2,200	$ 2,059	$ (141)
Charges for law library	11,000	11,000	8,713	(2,287)
Charges for courthouse maintenance	9,000	9,000	8,296	(704)
Charges for Commonwealth's Attorney	1,000	1,000	2,098	1,098
Miscellaneous fees	6,000	6,000	7,329	1,329
Charges for cannery	5,000	5,000	7,916	2,916
Charges for other protection	50,500	50,500	50,160	(340)
Charges for sanitation and waste removal	455,000	455,000	434,958	(20,042)
Total charges for services	$ 539,700	$ 539,700	$ 521,529	$ (18,171)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Miscellaneous revenue:				
Expenditure refunds	$ 91,360	$ 91,360	$ 38,536	$ (52,824)
Insurance recoveries	-	-	19,358	19,358
Sale of property	-	-	51,066	51,066
Miscellaneous	10,527	11,827	91,505	79,678
Total miscellaneous revenue	$ 101,887	$ 103,187	$ 200,465	$ 97,278
Recovered costs:				
Other recovered costs	$ 66,508	$ 66,711	$ 98,380	$ 31,669
Circuit court judge	35,000	35,000	32,000	(3,000)
Total recovered costs	$ 101,508	$ 101,711	$ 130,380	$ 28,669
Total revenue from local sources	$ 14,700,991	$ 14,725,494	$ 15,370,996	$ 645,502
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	$ 50,000	$ 50,000	$ 60,458	$ 10,458
Mobile home titling tax	30,000	30,000	16,535	(13,465)
Motor vehicle rental tax	1,000	1,000	1,612	612
State recordation tax	25,000	25,000	26,847	1,847
Communications tax	315,000	315,000	317,752	2,752
Personal property tax relief funds	1,305,350	1,305,350	1,305,351	1
State budget reduction - Aid to the Commonwealth	-	-	(195,914)	(195,914)
Total noncategorical aid	$ 1,726,350	$ 1,726,350	$ 1,532,641	$ (193,709)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 390,014	$ 390,014	$ 389,548	$ (466)
Sheriff	980,136	980,136	994,989	14,853
Commissioner of revenue	86,100	86,100	86,122	22
Treasurer	90,457	90,457	90,742	285
Registrar/electoral board	40,800	40,800	43,487	2,687
Clerk of the Circuit Court	283,703	301,716	301,898	182
Total shared expenses	$ 1,871,210	$ 1,889,223	$ 1,906,786	$ 17,563
Other categorical aid:				
Emergency medical services	$ 14,000	$ 14,000	$ 16,351	$ 2,351
Welfare administration and assistance	791,645	791,645	858,756	67,111
Litter control grant	6,000	6,000	5,853	(147)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Record preservation grant	$ -	$ 4,980	$ 4,980	$ -
Comprehensive services act	703,288	703,288	548,832	(154,456)
Tobacco commission grant	-	106,829	-	(106,829)
Victim-witness grant	45,792	45,792	46,709	917
Criminal justice grant	-	-	20,521	20,521
Fire program funds	35,000	35,000	2,000	(33,000)
Other categorical	44,094	2,313,468	75,904	(2,237,564)
Total other categorical aid	$ 1,639,819	$ 4,021,002	$ 1,579,906	$ (2,441,096)
Total categorical aid	$ 3,511,029	$ 5,910,225	$ 3,486,692	$ (2,423,533)
Total revenue from the Commonwealth	$ 5,237,379	$ 7,636,575	$ 5,019,333	$ (2,617,242)
Revenue from the federal government:				
Payments in lieu of taxes	$ 15,000	$ 15,000	$ 31,721	$ 16,721
Revenue from the Federal Government:				
Categorical aid:				
Welfare administration and assistance	$ 1,428,588	$ 1,428,588	$ 1,263,509	$ (165,079)
Energy efficienty community block grant - ARRA	-	390,000	390,000	-
Ground transportation safety	-	5,375	4,298	(1,077)
Highway planning and construction	-	-	13,670	13,670
Highway safety	-	16,125	13,603	(2,522)
Surveillance equipment grant	-	20,646	-	(20,646)
Bulletproof vest partnership program	-	15,238	-	(15,238)
Total categorical aid	$ 1,428,588	$ 1,875,972	$ 1,685,080	$ (190,892)
Total revenue from the federal government	$ 1,443,588	$ 1,890,972	$ 1,716,801	$ (174,171)
Total General Fund	$ 21,381,958	$ 24,253,041	$ 22,107,130	$ (2,145,911)
Capital Projects Funds:				
Landfill Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 1,000	$ 1,000	$ 14,170	$ 13,170
Charges for services:				
Tipping fees - non-county users	$ 275,000	$ 275,000	$ 312,846	$ 37,846
Total revenue from local sources	$ 276,000	$ 276,000	$ 327,016	$ 51,016
Total Landfill Construction Fund	$ 276,000	$ 276,000	$ 327,016	$ 51,016

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds: (Continued)				
Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 114	$ 114
Total revenue from local sources	$ -	$ -	$ 114	$ 114
Total Recreation Fund	$ -	$ -	$ 114	$ 114
Debt Service Fund:				
School Debt Service				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 13,899	$ 13,899
Total revenue from local sources	$ -	$ -	$ 13,899	$ 13,899
Total School Debt Service Fund	$ -	$ -	$ 13,899	$ 13,899
Total Primary Government	$ 21,657,958	$ 24,529,041	$ 22,448,159	$ (2,080,882)
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 8,000	$ 8,000	$ 21,683	$ 13,683
Charges for services:				
Charges for education	$ 64,700	$ 64,700	$ 312,390	$ 247,690
Miscellaneous revenue:				
Other miscellaneous	$ 59,500	$ 59,500	$ 46,982	$ (12,518)
Recovered costs:				
Other recovered costs	$ 113,090	$ 113,090	$ 91,350	$ (21,740)
Total revenue from local sources	$ 245,290	$ 245,290	$ 472,405	$ 227,115
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Prince Edward, Virginia	$ 8,106,652	$ 8,256,652	$ 7,684,333	$ (572,319)
Total revenues from local governments	$ 8,106,652	$ 8,256,652	$ 7,684,333	$ (572,319)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	$ 2,757,852	$ 2,757,852	$ 2,770,952	$ 13,100
Basic school aid	6,851,452	6,851,452	6,415,644	(435,808)
Other state funds	5,402,732	5,402,732	5,081,322	(321,410)
Total categorical aid	$ 15,012,036	$ 15,012,036	$ 14,267,918	$ (744,118)
Revenue from the federal government:				
Categorical aid:				
Title I	$ 1,040,691	$ 1,203,291	$ 1,248,520	$ 45,229
Title I, neglected and delinquent children	-	-	20,023	20,023
Title I - ARRA	150,000	150,000	88,583	(61,417)
Title II	208,360	208,360	167,627	(40,733)
Title VI-B, special education flow-through	764,795	764,795	674,821	(89,974)
English language acquisition grant	-	-	2,222	2,222
Safe and drug free schools	15,839	15,839	-	(15,839)
Title II - part D	7,974	7,974	-	(7,974)
Title VI-B, pre-school	20,394	20,394	19,681	(713)
Title V-A	-	-	40,691	40,691
JROTC	60,000	60,000	56,663	(3,337)
21st century learning communities	75,045	75,045	86,785	11,740
Education jobs funds - ARRA	609,195	609,195	640,994	31,799
Title I - school improvement - ARRA	604,586	604,586	445,578	(159,008)
Vocational education	67,120	67,120	79,243	12,123
Total categorical aid	$ 3,623,999	$ 3,786,599	$ 3,571,431	$ (215,168)
Total School Operating Fund	$ 26,987,977	$ 27,300,577	$ 25,996,087	$ (1,304,490)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	$ 242,171	$ 242,171	$ 231,651	$ (10,520)
Recovered costs:				
Other recovered costs	$ 2,500	$ 2,500	$ -	$ (2,500)
Total revenue from local sources	$ 244,671	$ 244,671	$ 231,651	$ (13,020)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Cafeteria Fund: (Continued)				
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 22,399	$ 22,399	$ 20,203	$ (2,196)
Total categorical aid	$ 22,399	$ 22,399	$ 20,203	$ (2,196)
Total revenue from the Commonwealth	$ 22,399	$ 22,399	$ 20,203	$ (2,196)
Revenue from the federal government:				
Categorical aid:				
School nutrition program	$ 820,000	$ 820,000	$ 1,009,434	$ 189,434
Total federal categorical aid	$ 820,000	$ 820,000	$ 1,009,434	$ 189,434
Total School Cafeteria Fund	$ 1,087,070	$ 1,087,070	$ 1,261,288	$ 174,218
Total Discretely Presented Component Unit - School Board	$ 28,075,047	$ 28,387,647	$ 27,257,375	$ (1,130,272)

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

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 119,860	$ 123,360	$ 118,114	$ 5,246
General and financial administration:				
County administrator	487,399	500,243	482,503	17,740
Legal services	66,643	66,643	43,957	22,686
Commissioner of revenue	274,191	278,344	266,609	11,735
Treasurer	358,687	368,822	345,337	23,485
Independent Auditor	36,000	36,000	41,150	(5,150)
Assessor	15,000	15,000	14,649	351
Other general and financial administration	102,880	102,880	75,811	27,069
Total general and financial administration	$ 1,340,800	$ 1,367,932	$ 1,270,016	$ 97,916
Board of elections:				
Electoral board and officials	$ 40,206	$ 44,896	$ 41,524	$ 3,372
Registrar	92,659	95,819	95,438	381
Total board of elections	$ 132,865	$ 140,715	$ 136,962	$ 3,753
Total general government administration	$ 1,593,525	$ 1,632,007	$ 1,525,092	$ 106,915
Judicial administration:				
Courts:				
Circuit court	$ 53,750	$ 53,750	$ 13,732	$ 40,018
General district court	9,850	9,850	8,626	1,224
Office of the magistrates	3,725	3,725	3,387	338
Clerk of the circuit court	453,329	476,525	455,677	20,848
Law library	4,300	4,300	6,135	(1,835)
Sheriff - courts	353,648	353,648	338,658	14,990
Victim and witness assisstance	56,279	57,678	56,928	750
Total courts	$ 934,881	$ 959,476	$ 883,143	$ 76,333
Commonwealth's attorney:				
Commonwealth's attorney	$ 604,396	$ 604,396	$ 596,859	$ 7,537
Total judicial administration	$ 1,539,277	$ 1,563,872	$ 1,480,002	$ 83,870
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 1,666,954	$ 1,830,473	$ 1,781,862	$ 48,611
Emergency operations center	20,000	20,000	10,702	9,298
Line of Duty Act payments	25,917	25,917	19,583	6,334
Total law enforcement and traffic control	$ 1,712,871	$ 1,876,390	$ 1,812,147	$ 64,243

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire department	$ 487,800	$ 721,446	$ 666,892	$ 54,554
Ambulance and rescue services	76,000	176,000	76,000	100,000
Forestry service	14,448	14,448	12,040	2,408
Total fire and rescue services	$ 578,248	$ 911,894	$ 754,932	$ 156,962
Correction and detention:				
Regional jail and juvenile detention	$ 195,000	$ 196,549	$ 131,796	$ 64,753
Inspections:				
Building	$ 93,064	$ 95,253	$ 94,038	$ 1,215
Other protection:				
Animal control	$ 124,390	$ 124,575	$ 121,027	$ 3,548
Medical examiner (coroner)	500	500	100	400
Total other protection	$ 124,890	$ 125,075	$ 121,127	$ 3,948
Total public safety	$ 2,704,073	$ 3,205,161	$ 2,914,040	$ 291,121
Public works:				
Sanitation and waste removal:				
Refuse collection and disposal	$ 1,171,695	$ 1,171,695	$ 1,038,461	$ 133,234
Litter control	4,570	4,570	192	4,378
Biosolids	87,449	87,449	63,874	23,575
Total sanitation and waste removal	$ 1,263,714	$ 1,263,714	$ 1,102,527	$ 161,187
Maintenance of general buildings and grounds:				
General properties	$ 684,516	$ 684,516	$ 562,529	$ 121,987
Total public works	$ 1,948,230	$ 1,948,230	$ 1,665,056	$ 283,174
Health and welfare:				
Health:				
Supplement of local health department	$ 167,761	$ 167,761	$ 141,405	$ 26,356
Mental health and mental retardation:				
Chapter X board	$ 62,643	$ 62,643	$ 62,643	$ -
Welfare:				
Welfare administration and assistance	$ 2,761,176	$ 2,761,176	$ 2,722,083	$ 39,093
Comprehensive services act	906,326	906,326	715,955	190,371
Other welfare programs	71,236	461,236	461,236	-
Total welfare	$ 3,738,738	$ 4,128,738	$ 3,899,274	$ 229,464
Total health and welfare	$ 3,969,142	$ 4,359,142	$ 4,103,322	$ 255,820

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to community college	$ 12,277	$ 12,277	$ 12,277	$ -
Contribution to County School Board	8,106,652	8,256,652	7,684,333	572,319
Total education	$ 8,118,929	$ 8,268,929	$ 7,696,610	$ 572,319
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	$ 97,350	$ 97,350	$ 97,350	$ -
Cultural enrichment:				
Museums	$ 11,000	$ 11,000	$ 11,474	$ (474)
Contribution to regional library	$ 166,559	$ 186,559	$ 186,559	$ -
Total parks, recreation, and cultural	$ 274,909	$ 294,909	$ 295,383	$ (474)
Community development:				
Planning and community development:				
Planning	$ 185,340	$ 207,340	$ 180,964	$ 26,376
Community development	44,250	44,250	44,250	-
Contribution to Industrial Development Auth.	149,057	149,057	67,630	81,427
Economic development	91,813	261,813	246,707	15,106
Tourism	82,762	102,087	101,496	591
Total planning and community development	$ 553,222	$ 764,547	$ 641,047	$ 123,500
Environmental management:				
Soil and water conservation	$ 13,615	$ 13,615	$ 13,615	$ -
Cooperative extension program:				
Cooperative extension program	$ 61,192	$ 61,192	$ 37,823	$ 23,369
Cannery	55,582	65,312	61,660	3,652
Total cooperative extension program	$ 116,774	$ 126,504	$ 99,483	$ 27,021
Total community development	$ 683,611	$ 904,666	$ 754,145	$ 150,521
Nondepartmental:				
Other nondepartmental	$ 245,075	$ 167,351	$ 155,200	$ 12,151
Total nondepartmental	$ 245,075	$ 167,351	$ 155,200	$ 12,151
Capital projects:				
Sandy River reservoir project	$ 30,000	$ 30,000	$ 29,522	$ 478
Route 786 project	-	3,694,600	1,369,245	2,325,355
Other capital projects	49,000	579,957	527,026	52,931
Total capital projects	$ 79,000	$ 4,304,557	$ 1,925,793	$ 2,378,764

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012 (Continued)

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Debt service:				
Principal retirement	$ 512,631	$ 266,413	$ 296,615	$ (30,202)
Interest and other fiscal charges	348,919	457,900	456,027	1,873
Total debt service	$ 861,550	$ 724,313	$ 752,642	$ (28,329)
Total General Fund	$ 22,017,321	$ 27,373,137	$ 23,267,285	$ 4,105,852
Capital Projects Fund:				
Landfill Construction Fund				
Capital projects expenditures:				
Landfill construction	$ 800,000	$ 800,000	$ -	$ 800,000
Total Landfill Construction Fund	$ 800,000	$ 800,000	$ -	$ 800,000
Total Capital Projects Fund	800,000	800,000	-	800,000
Total Primary Government	$ 22,817,321	$ 28,173,137	$ 23,267,285	$ 4,905,852
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Instruction	$ 20,440,149	$ 20,602,749	$ 19,669,372	$ 933,377
Administration, attendance, and health	1,704,215	1,704,215	2,007,068	(302,853)
Pupil transportation services	1,874,756	1,874,756	1,890,266	(15,510)
Operation and maintenance services	2,045,490	2,045,490	1,382,668	662,822
School food program	11,760	11,760	103,698	(91,938)
Facilities	150,000	300,000	292,391	7,609
Total education	$ 26,226,370	$ 26,538,970	$ 25,345,463	$ 1,193,507
Debt service:				
Principal retirement	$ 627,375	$ 627,375	$ 516,392	$ 110,983
Interest and other fiscal charges	134,232	134,232	134,232	-
Total debt service	$ 761,607	$ 761,607	$ 650,624	$ 110,983
Total School Operating Fund	$ 26,987,977	$ 27,300,577	$ 25,996,087	$ 1,304,490
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	$ 1,087,070	1,087,070	$ 1,170,251	$ (83,181)
Total Cafeteria Fund	$ 1,087,070	$ 1,087,070	$ 1,170,251	$ (83,181)
Total Discretely Presented Component Unit - School Board	$ 28,075,047	$ 28,387,647	$ 27,166,338	$ 1,221,309

Statistical Section

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 - 6
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.	7 - 10
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.	11 - 12
Demographic and Economic Information This table offers 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.	13
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	14-15

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

COUNTY OF PRINCE EDWARD, VIRGINIA

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

	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	$ 1,065,286	$ 1,304,995	$ 1,993,396	$ 1,975,166	$ 2,339,985
Restricted	328,102	383,489	78,102	-	-
Unrestricted	8,133,619	6,463,558	5,262,386	3,658,083	6,428,310
Total governmental activities net assets	$ 9,527,007	$ 8,152,042	$ 7,333,884	$ 5,633,249	$ 8,768,295
Business-type activities					
Invested in capital assets, net of related debt	$ -	$ -	$ -	$ -	$ -
Unrestricted	-	-	-	-	-
Total business-type activities net assets	$ -	$ -	$ -	$ -	$ -
Primary government					
Invested in capital assets, net of related debt	$ 1,065,286	$ 1,304,995	$ 1,993,396	$ 1,975,166	$ 2,339,985
Restricted	328,102	383,489	78,102	-	-
Unrestricted	8,133,619	6,463,558	5,262,386	3,658,083	6,428,310
Total primary government net assets	$ 9,527,007	$ 8,152,042	$ 7,333,884	$ 5,633,249	$ 8,768,295

Table 1

	2008	2009	2010	2011	2012
	$ 2,912,203	$ 2,459,199	$ 2,534,819	$ 2,584,694	$ 1,520,646
	-	-	-	-	-
	3,215,901	1,428,178	1,538,199	4,090,425	6,750,994
	$ 6,128,104	$ 3,887,377	$ 4,073,018	$ 6,675,119	$ 8,271,640
	$ -	$ (31,482)	$ 851,144	$ 480,268	$ (499,787)
	-	821	(149,653)	52,852	755,314
	$ -	$ (30,661)	$ 701,491	$ 533,120	$ 255,527
	$ 2,912,203	$ 2,427,717	$ 3,385,963	$ 3,064,962	$ 1,020,859
	-	-	-	-	-
	3,215,901	1,428,999	1,388,546	4,143,277	7,506,308
	$ 6,128,104	$ 3,856,716	$ 4,774,509	$ 7,208,239	$ 8,527,167

COUNTY OF PRINCE EDWARD, VIRGINIA

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

	2003	2004	2005	2006
Expenses				
Governmental activities:				
General government administration	$ 1,479,482	$ 1,359,503	$ 1,542,517	$ 1,553,538
Judicial administration	1,087,424	1,083,127	1,239,534	1,337,676
Public safety	2,011,592	2,242,895	2,449,038	2,714,749
Public works	1,998,378	2,858,160	2,203,917	2,555,224
Health and welfare	2,408,468	2,889,853	3,343,298	3,331,152
Education	5,729,449	6,076,565	5,920,107	7,571,463
Parks, recreation and cultural	166,063	252,780	189,991	237,633
Community development	337,413	603,178	458,214	1,237,317
Interest on long-term debt	702,790	710,252	575,931	556,628
Total governmental activities expenses	$ 15,921,059	$ 18,076,313	$ 17,922,547	$ 21,095,380
Business-type activities:				
Water	$ -	$ -	$ -	$ -
Sewer	-	-	-	-
Total business-type activities expenses	$ -	$ -	$ -	$ -
Total primary government expenses	$ 15,921,059	$ 18,076,313	$ 17,922,547	$ 21,095,380
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	$ 50,306	$ 56,590	$ 51,368	$ 93,202
Judicial administration	102,336	131,772	117,534	92,089
Public safety	4,864	8,515	6,165	2,472
Public works	782,863	774,880	583,083	722,738
Community development	3,015	5,340	6,624	4,680
Operating grants and contributions	3,787,838	4,055,742	4,808,345	4,683,367
Capital grants and contributions	283,683	-	-	-
Total governmental activities program revenues	$ 5,014,905	$ 5,032,839	$ 5,573,119	$ 5,598,548
Business-type activities:				
Charges for services:				
Water	$ -	$ -	$ -	$ -
Sewer	-	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	$ -	$ -	$ -	$ -
Total primary government program revenues	$ 5,014,905	$ 5,032,839	$ 5,573,119	$ 5,598,548
Net (expense) / revenue				
Governmental activities	$ (10,906,154)	$ (13,043,474)	$ (12,349,428)	$ (15,496,832)
Total primary government net expense	$ (10,906,154)	$ (13,043,474)	$ (12,349,428)	$ (15,496,832)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	$ 6,180,542	$ 6,427,034	$ 6,335,709	$ 8,197,655
Local sales and use taxes	2,019,229	2,217,895	2,258,289	2,402,247
Taxes on recordation and wills	92,022	106,792	162,805	207,670
Motor vehicle licenses taxes	211,787	224,999	231,477	232,757
Consumer utility taxes	463,849	477,800	474,912	476,527
Other local taxes	130,972	99,681	80,675	86,162
Unrestricted grants and contributions	1,600,560	1,607,274	1,391,668	1,655,009
Unrestricted revenues from use of money and property	454,866	422,119	427,756	493,043
Miscellaneous	176,139	84,915	167,979	45,126
Gain (loss) on disposal of capital assets	129,547	-	-	-
Transfers	-	-	-	-
Total governmental activities	$ 11,459,513	$ 11,668,509	$ 11,531,270	$ 13,796,196
Business-type activities:				
Miscellaneous	$ -	$ -	$ -	$ -
Transfers	-	-	-	-
Total business-type activities	$ -	$ -	$ -	$ -
Total primary government	$ 11,459,513	$ 11,668,509	$ 11,531,270	$ 13,796,196
Change in Net Assets				
Governmental activities	$ 553,359	$ (1,374,965)	$ (818,158)	$ (1,700,636)
Business-type activities	-	-	-	-
Total primary government	$ 553,359	$ (1,374,965)	$ (818,158)	$ (1,700,636)

Table 2

2007	2008	2009	2010	2011	2012
$ 1,613,434	$ 1,888,328	$ 1,878,951	$ 1,795,153	$ 1,869,443	$ 1,960,555
1,060,878	1,247,739	1,557,012	1,175,955	1,147,492	1,137,299
2,886,070	2,920,779	2,718,405	2,910,454	3,118,622	3,270,479
2,745,353	4,498,020	2,641,623	2,105,782	2,228,299	2,058,022
3,699,915	4,009,487	3,948,690	3,894,723	4,382,927	4,094,036
5,517,861	7,558,263	7,039,437	7,082,604	7,695,814	7,440,879
253,326	1,842,051	3,274,724	293,485	94,271	290,155
556,620	1,201,635	1,618,525	721,676	658,469	647,868
559,142	521,152	701,954	676,992	514,419	500,719
$ 18,892,599	$ 25,687,454	$ 25,379,321	$ 20,656,824	$ 21,709,756	$ 21,400,012
$ -	$ -	$ 31,512	$ 69,875	$ 127,189	$ 200,571
-	-	29,800	83,078	62,885	78,869
$ -	$ -	$ 61,312	$ 152,953	$ 190,074	$ 279,440
$ 18,892,599	$ 25,687,454	$ 25,440,633	$ 20,809,777	$ 21,899,830	$ 21,679,452
$ 92,490	$ 100	$ 100	$ 100	$ -	$ -
80,026	62,306	79,865	77,250	64,241	63,456
99,282	207,114	161,311	135,014	122,036	112,457
740,406	888,006	758,965	749,031	717,441	747,804
5,319	12,044	19,396	12,456	12,518	14,311
4,885,349	5,567,251	5,662,902	5,272,050	5,217,595	4,781,772
-	180,000	-	-	668,002	390,000
$ 5,902,872	$ 6,916,821	$ 6,682,539	$ 6,245,901	$ 6,801,833	$ 6,109,800
$ -	$ -	$ -	$ 1,289	$ 1,386	$ 628
-	-	-	7,713	2,317	1,219
-	-	6,000	21,750	18,000	-
$ -	$ -	$ 6,000	$ 30,752	$ 21,703	$ 1,847
$ 5,902,872	$ 6,916,821	$ 6,688,539	$ 6,276,653	$ 6,823,536	$ 6,111,647
$ (12,989,727)	$ (18,770,633)	$ (18,696,782)	$ (14,410,923)	$ (14,907,923)	$ (15,290,212)
$ (12,989,727)	$ (18,770,633)	$ (18,752,094)	$ (14,533,124)	$ (15,076,294)	$ (15,567,805)
$ 8,988,258	$ 9,898,122	$ 10,338,674	$ 9,925,117	$ 10,796,720	$ 10,919,152
2,555,696	2,890,586	2,683,336	2,526,302	2,558,209	2,614,512
276,472	201,608	159,537	121,912	109,777	95,354
223,727	201,203	276,176	313,778	475,995	445,920
438,853	344,009	371,824	387,557	375,945	289,770
190,653	357,262	324,603	12	-	57,122
3,086,888	1,467,887	1,325,103	1,619,326	1,664,644	1,564,362
593,476	639,211	450,348	329,506	374,912	379,221
116,470	130,554	451,992	126,880	169,346	125,734
-	-	99,113	100,277	-	-
-	-	(24,651)	(854,103)	-	-
$ 16,470,493	$ 16,130,442	$ 16,456,055	$ 14,596,564	$ 16,525,548	$ 16,491,147
$ -	$ -	$ -	$ 250	$ -	$ -
-	-	24,651	854,103	-	-
$ -	$ -	$ 24,651	$ 854,353	$ -	$ -
$ 16,470,493	$ 16,130,442	$ 16,480,706	$ 15,450,917	$ 16,525,548	$ 16,491,147
$ 3,480,766	$ (2,640,191)	$ (2,240,727)	$ 185,641	$ 1,617,625	$ 1,200,935
-	-	(30,661)	732,152	(168,371)	(277,593)
$ 3,480,766	$ (2,640,191)	$ (2,271,388)	$ 917,793	$ 1,449,254	$ 923,342

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Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year		Property Tax		Local sales and use Tax		Consumer Utility Tax		Motor Vehicle License Tax		Recordation and Wills Tax		Total
2012	$	10,919,152	$	2,614,512	$	289,770	$	445,920	$	95,354	$	14,364,708
2011		10,796,720		2,558,209		375,945		475,995		109,777		14,316,646
2010		9,925,117		2,526,302		387,557		313,778		121,912		13,274,666
2009		10,338,674		2,683,336		371,824		276,176		159,537		13,829,547
2008		9,898,122		2,890,586		344,009		201,203		201,608		13,535,528
2007		8,988,258		2,555,696		438,853		223,727		276,472		12,483,006
2006		8,197,655		2,402,247		476,527		232,757		207,670		11,516,856
2005		6,335,709		2,258,289		474,912		231,477		162,805		9,463,192
2004		6,427,034		2,217,895		477,800		224,999		106,792		9,454,520
2003		6,180,542		2,019,229		463,849		211,787		92,022		8,967,429

COUNTY OF PRINCE EDWARD, VIRGINIA

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

	2003	2004	2005	2006	2007
General fund					
Nonspendable:					
Prepaid items	$ -	$ -	$ -	$ -	$ -
Restricted for:					
Retiree benefits	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	328,102	383,489	78,102	-	8,074
Unreserved	7,293,997	5,509,187	5,119,772	6,009,170	8,765,971
Total general fund	$ 7,622,099	$ 5,892,676	$ 5,197,874	$ 6,009,170	$ 8,774,045
All other governmental funds					
Restricted for:					
Debt service	$ -	$ -	$ -	$ -	$ -
Assigned for:					
Landfill construction	-	-	-	-	-
Recreation capital projects	-	-	-	-	-
Reserved	-	-	-	-	61,153
Unreserved, reported in:					
Capital projects funds	1,622,573	1,649,621	806,100	129,375	425,644
Total all other governmental funds	$ 1,622,573	$ 1,649,621	$ 806,100	$ 129,375	$ 486,797

(1) The County implemented GASB 54 in fiscal year 2011.

Table 4

2008	2009	2010	2011 (1)	2012 (1)
$ -	$ -	$ -	$ 13,899	$ -
-	-	-	399	5,479
-	-	-	9,603,023	9,998,619
11,486	12,078	1,106	-	-
8,788,927	9,207,233	8,774,360	-	-
$ 8,800,413	$ 9,219,311	$ 8,775,466	$ 9,617,321	$ 10,004,098
$ -	$ -	$ -	$ 529,233	$ 653,285
-	-	-	898,059	1,225,075
-	-	-	27,002	27,116
174,097	289,712	408,069	-	-
77,047	377,012	639,629	-	-
$ 251,144	$ 666,724	$ 1,047,698	$ 1,454,294	$ 1,905,476

COUNTY OF PRINCE EDWARD, VIRGINIA

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

	2003	2004	2005	2006
Revenues				
General property taxes	$ 6,054,082	$ 6,330,673	$ 6,386,661	$ 8,201,124
Other local taxes	2,917,859	3,127,167	3,208,158	3,405,363
Permits, privilege fees and regulatory licenses	50,306	56,590	51,368	93,202
Fines and forfeitures	79,411	107,077	85,142	59,473
Revenue from use of money and property	454,866	422,119	427,756	493,044
Charges for services	813,667	813,430	628,264	762,506
Miscellaneous	176,139	84,915	167,979	45,126
Recovered costs	900	46,437	44,837	60,363
Intergovernmental:				
Commonwealth	4,720,867	4,403,526	5,043,573	5,171,085
Federal	951,214	1,259,490	1,156,441	1,190,522
Total revenues	$ 16,219,311	$ 16,651,424	$ 17,200,179	$ 19,481,808
Expenditures				
General government administration	$ 1,110,602	$ 1,136,088	$ 1,243,224	$ 1,238,135
Judicial administration	1,084,838	1,091,812	1,266,333	1,404,563
Public safety	2,056,274	2,252,676	2,343,621	2,651,956
Public works	1,318,370	1,958,893	1,582,784	1,688,418
Health and welfare	2,386,741	2,872,126	3,356,131	3,377,252
Education	6,157,120	6,433,828	6,270,528	6,600,608
Parks, recreation and cultural	166,063	252,780	189,991	237,633
Community development	339,302	600,203	455,360	449,727
Capital projects	296,641	893,222	1,381,092	1,062,351
Nondepartmental	-	-	-	-
Debt service				
Principal	531,491	540,477	339,822	330,766
Interest and other fiscal charges	339,055	321,694	309,616	305,828
Total expenditures	$ 15,786,497	$ 18,353,799	$ 18,738,502	$ 19,347,237
Excess of revenues over (under) expenditures	$ 432,814	$ (1,702,375)	$ (1,538,323)	$ 134,571
Other financing sources (uses)				
Transfers in	$ 13,625	$ 13,250	$ 11,163	$ -
Transfers out	(13,625)	(13,250)	(11,163)	-
Refunding bonds issued				
Premium on bonds issued				
Payments to refunded bond escrow agent				
Issuance of debt	225,000	-	-	-
Total other financing sources (uses)	$ 225,000	$ -	$ -	$ -
Net change in fund balances	$ 657,814	$ (1,702,375)	$ (1,538,323)	$ 134,571
Debt service as a percentage of noncapital expenditures	5.62%	4.94%	3.74%	3.48%

Note: Does not include discretely presented component unit.

Table 5

2007	2008	2009	2010	2011	2012
$ 8,781,315	$ 9,869,179	$ 10,097,051	$ 9,911,626	$ 10,548,439	$ 10,561,257
3,672,974	3,994,668	3,815,476	3,349,561	3,519,926	3,502,678
107,344	100,805	106,200	86,207	67,681	62,437
46,112	29,824	44,006	47,822	38,770	41,216
593,477	639,211	450,348	329,506	374,912	379,217
818,345	985,037	869,431	839,822	809,785	834,375
1,674,879	201,265	1,041,105	231,167	216,177	200,465
51,218	236,973	99,018	45,111	266,220	130,380
5,079,154	5,744,492	5,674,148	5,432,928	5,594,185	5,019,333
1,392,823	1,290,645	1,313,858	1,458,448	1,956,056	1,716,801
$ 22,217,641	$ 23,092,099	$ 23,510,641	$ 21,732,198	$ 23,392,151	$ 22,448,159
$ 1,416,441	$ 1,626,034	$ 1,620,699	$ 1,453,038	$ 1,443,953	$ 1,525,092
1,084,329	1,178,889	1,382,779	1,482,540	1,494,170	1,480,002
2,815,986	3,020,666	2,846,153	2,516,411	2,672,181	2,914,040
1,723,931	2,033,140	1,864,186	1,786,034	1,776,525	1,665,056
3,714,420	4,061,932	3,915,282	3,890,975	4,398,020	4,103,322
6,669,651	7,749,894	7,446,574	7,451,833	7,955,280	7,696,610
243,368	230,159	307,159	293,159	274,659	295,383
501,123	1,018,825	1,409,598	478,134	526,537	754,145
324,432	1,675,064	3,911,158	592,857	533,202	1,925,793
-	1,517	-	136,046	126,189	155,200
323,958	431,078	438,613	589,253	552,298	296,615
277,705	274,186	309,311	390,686	390,686	456,027
$ 19,095,344	$ 23,301,384	$ 25,451,512	$ 21,060,966	$ 22,143,700	$ 23,267,285
$ 3,122,297	$ (209,285)	$ (1,940,871)	$ 671,232	$ 1,248,451	$ (819,126)
$ 60,425	$ 310,153	$ 332,153	$ 110,153	$ 110,153	$ 110,153
(60,425)	(310,153)	(356,804)	(964,256)	(110,153)	(110,153)
					7,203,798
					983,512
					(6,530,225)
-	-	2,800,000	120,000	-	-
$ -	$ -	$ 2,775,349	$ (734,103)	$ -	$ 1,657,085
$ 3,122,297	$ (209,285)	$ 834,478	$ (62,871)	$ 1,248,451	$ 837,959
3.21%	3.17%	3.06%	4.89%	4.47%	3.53%

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General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Local sales and use Tax	Communication Taxes (1)(2)	Consumer Utility Tax (1)	Motor Vehicle License Tax	Recordation and Wills Tax	E911 Tax (1)	Gross Receipts Tax	Total
2012	$ 10,561,257	$ 2,614,512	$ -	$ 289,770	$ 445,920	$ 95,354	$ -	$ 57,122	$ 14,063,935
2011	10,548,439	2,558,209	-	300,823	475,995	109,777	-	75,122	14,068,365
2010	9,911,626	2,526,302	-	297,025	313,778	121,912	12	90,532	13,261,187
2009	10,097,051	2,683,336	324,603	306,766	276,176	159,537	-	65,058	13,912,527
2008	9,869,179	2,890,586	357,262	281,464	201,203	201,608	-	-	13,801,302
2007	8,781,315	2,555,696	153,199	382,290	223,727	276,472	19,542	-	12,392,241
2006	8,201,124	2,402,247	-	476,527	232,757	207,670	33,792	-	11,554,117
2005	6,386,661	2,258,289	-	474,912	231,477	162,805	31,204	-	9,545,348
2004	6,330,673	2,217,895	-	477,800	224,999	106,792	47,294	-	9,405,453
2003	6,054,082	2,019,229	-	463,849	211,787	92,022	66,620	-	8,907,589

(1) Commencing in 2007 all consumer utility taxes including E-911 taxes, as they relates to communication companies were remitted to the Commonwealth. The County receives a payment from the Commnowealth representing the respective share of the communication taxes.

(2) Effective for the FY 2010 audit report, communications tax is reported as non-categorical state aid.

COUNTY OF PRINCE EDWARD, VIRGINIA

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

Fiscal Year		Real Estate (1)		Personal Property (1)		Mobile Homes		Machinery and Tools
2012	$	1,566,410,640	$	101,614,604	$	9,646,985	$	706,975
2011		1,554,835,140		99,133,100		9,618,210		791,825
2010		1,528,365,240		94,930,963		10,293,720		770,925
2009		1,042,385,745		104,258,239		12,209,314		879,950
2008		1,068,933,045		94,814,825		12,224,444		1,058,750
2007		1,024,107,050		93,758,150		11,698,180		1,714,300
2006		997,370,300		89,093,880		11,629,405		1,653,500
2005		959,147,690		78,767,055		12,733,114		4,208,100
2004		946,718,690		81,415,295		12,963,864		4,890,600
2003		670,116,679		78,911,086		11,803,479		4,580,050

(1) Real estate and personal property are assessed at 100% of fair market value.
(2) Assessed values are established by the State Corporation Commission.

Source: Commissioner of Revenue

Merchants' Capital	Public Service (2)	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
$ 59,275,350	$ 66,704,405	$ 1,804,358,959	$ 1,804,358,959	100.00%
60,034,150	67,442,018	1,791,854,443	1,791,854,443	100.00%
65,748,650	67,095,810	1,767,205,308	1,767,205,308	100.00%
50,551,200	43,708,760	1,253,993,208	1,253,993,208	100.00%
64,869,815	46,056,568	1,287,957,447	1,287,957,447	100.00%
62,842,849	47,870,560	1,241,991,089	1,241,991,089	100.00%
52,094,300	58,424,956	1,204,266,341	1,204,266,341	100.00%
49,215,525	59,024,452	1,163,095,936	1,163,095,936	100.00%
49,462,150	64,434,722	1,159,885,321	1,159,885,321	100.00%
42,548,400	48,985,337	856,945,031	856,945,031	100.00%

Property Tax Rates (1)
Direct Governments
Last Ten Fiscal Years

	Direct Rates				
Fiscal Years	**Real Estate**	**Personal Property**	**Mobile Homes**	**Machinery and Tools**	**Merchants' Capital**
2012	$ 0.42	$ 4.50	$ 0.42	$ 4.20	$ 0.70
2011	0.42	4.50	0.42	4.20	0.70
2010	0.40	4.50	0.40	4.20	0.70
2009	0.57	4.50	0.57	4.20	0.70
2008	0.57	4.50	0.57	4.20	0.70
2007	0.50	4.20	0.50	4.20	0.70
2006	0.50	4.20	0.50	4.20	0.70
2005	0.43	3.20	0.43	3.20	0.70
2004	0.43	3.20	0.43	3.20	0.70
2003	0.59	3.20	0.59	3.20	0.70

(1) Per $100 of assessed value

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2012	$ 12,039,405	$ 11,166,716	92.75%	$ 422,421	$ 11,589,137	96.26%	$ 1,895,311	15.74%
2011	11,893,196	11,192,840	94.11%	725,383	11,918,223	100.21%	1,605,344	13.50%
2010	11,443,731	10,682,795	93.35%	379,748	11,062,543	96.67%	1,364,269	11.92%
2009	11,332,401	10,896,001	96.15%	279,186	11,175,187	98.61%	1,208,244	10.66%
2008	11,278,872	10,651,203	94.44%	277,008	10,928,211	96.89%	730,041	6.47%
2007	9,946,229	9,704,342	97.57%	215,446	9,919,788	99.73%	669,701	6.73%
2006	9,565,060	9,100,303	95.14%	316,083	9,416,386	98.45%	572,612	5.99%
2005	7,479,811	7,186,612	96.08%	271,698	7,458,310	99.71%	317,312	4.24%
2004	7,543,391	7,205,591	95.52%	238,777	7,444,368	98.69%	388,357	5.15%
2003	7,329,472	6,954,555	94.88%	355,504	7,310,059	99.74%	370,848	5.06%

(1) Exclusive of penalties and interest. Includes personal property tax relief funds.
(2) Includes twenty years real estate and four years personal property taxes.

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Fiscal Year 2012 2011 Assessed Valuation	Fiscal Year 2012 % of Total Assessed Valuation	Fiscal Year 2003 2002 Assessed Valuation	Fiscal Year 2003 % of Total Assessed Valuation
Southside Holding	$ 4,549,700	0.36%	$ 2,921,700	N/A
Southside Community Nursing	17,362,500	1.35%	9,636,700	N/A
Statewide Realty Co.	2,416,700	0.19%	2,453,100	N/A
Southgate Associates II	5,731,200	0.48%	4,505,100	N/A
Wright, Shelton	3,946,400	0.34%	1,819,700	N/A
Davis Real Properties LLC	4,393,200	0.38%	4,463,500	N/A
Garnett, James	2,101,900	0.25%	1,546,600	N/A
Landon G. Atkins Revocable Trust	356,600	0.04%	1,327,800	N/A
Longwood Village Shopping Center	7,742,700	0.96%	6,832,300	N/A
Farmville Partners, LLC	6,462,900	0.82%	-	N/A
	$ 55,063,800	5.17%	$ 35,506,500	N/A

Source: Commissioner of Revenue

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				Business-Type Activities			
Fiscal Years	General Obligation Bonds	Literary Fund Loans	Other Notes/ Bonds	Capital Leases	Other Notes/ Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2012	$ 8,028,021	$ -	$ 5,668,629	$ -	$ 4,661,803	$ 18,358,453	3.68%	781
2011	5,157,837	-	7,696,025	-	3,750,000	16,603,862	4.10%	742
2010	5,778,724	-	8,181,343	-	2,500,000	16,460,067	4.06%	736
2009	6,426,063	-	8,552,832	-	1,281,482	16,260,377	4.01%	745
2008	7,890,333	52,500	5,296,677	-	-	13,239,510	3.49%	623
2007	8,654,633	105,000	4,036,409	-	-	12,796,042	3.37%	614
2006	9,380,224	157,500	2,444,551	-	-	11,982,275	4.44%	587
2005	9,105,504	210,000	1,764,512	13,536	-	11,093,552	3.01%	581
2004	9,852,024	262,500	1,850,708	30,819	-	11,996,051	3.48%	615
2003	10,614,315	315,000	1,933,824	47,265	-	12,910,404	3.82%	659

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 13

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (3)	Ratio of Net General Obligation Debt to Assessed Value (2)	Net Bonded Debt per Capita (1)
2012	$ 10,144,878	$ 653,285	$ 9,491,593	0.53%	404
2011	10,316,777	529,233	9,787,544	0.55%	438
2010	11,170,767	406,089	10,764,678	0.61%	481
2009	12,049,678	301,790	11,747,888	0.94%	538
2008	10,059,690	174,097	9,885,593	0.77%	453
2007	10,876,490	69,227	10,807,263	0.87%	508
2006	11,982,275	-	11,982,275	0.96%	575
2005	11,080,017	-	11,080,017	0.95%	580
2004	11,965,235	-	11,965,235	1.03%	614
2003	13,540,048	-	13,540,048	1.58%	691

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 13
(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 7

(3) Includes all long-term general obligation bonded debt, and Literary Fund Loans; excludes revenue bonds, capital leases, OPEB liability, landfill closure liabilities, early retirement obligation, notes payable, and compensated absences.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (1)	Per Capita Personal Income (1)	Median Age	School Enrollment	Unemploy-ment Rate
2012	23,518	$ 498,422,000	$ 21,193	31.5	2,369	9.30%
2011	23,368	498,422,000	21,329	31.5	2,494	9.50%
2010	22,370	405,000,000	18,105	31.4	2,607	10.90%
2009	21,823	405,000,000	19,228	31.9	2,482	10.30%
2008	21,254	379,316,000	18,557	31.9	2,548	6.20%
2007	20,846	379,316,000	18,557	31.9	2,577	5.20%
2006	19,100	368,157,000	17,971	31.5	2,621	5.20%
2005	19,500	344,234,000	17,653	31.5	2,617	3.90%
2004	19,600	338,059,000	17,248	31.5	2,624	3.40%
2003	19,720	336,641,000	17,071	31.9	2,616	4.00%

Souce: Virginia Employment Commission, Annual school report - prepared by the School Board, www.fedstats.gov

(1) Information is not updated annually
(2) School enrollment includes pre-K

COUNTY OF PRINCE EDWARD, VIRGINIA

Full-time Equivalent Government Employees by Function
Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007
General government	18.0	18.0	18.0	19.0	17.0
Judicial administration	18.0	19.0	21.0	23.0	25.0
Public safety					
Sheriffs department	25.0	25.0	25.0	26.0	30.5
Animal control	1.0	2.0	2.0	2.0	2.0
Building official	-	-	-	-	2.0
Public works					
General maintenance	7.0	7.0	7.0	7.0	7.5
Refuse Collection & Disposal	2.0	2.0	2.0	2.0	15.5
Biosolids	-	-	-	-	1.0
Health and welfare					
Department of social services	32.0	31.0	30.0	31.0	31.0
Culture and recreation					
Parks and recreation	-	-	-	-	-
Community development	-	1.0	1.0	1.0	-
Planning	1.0	1.0	1.0	1.0	2.0
Economic Development	-	1.0	1.0	1.0	1.5
Cannery	-	1.5	1.5	1.5	1.5
Extension	1.0	-	-	-	1.0
Totals	105.0	108.5	109.5	114.5	137.5

Source: Individual County departments

Table 14

2008	2009	2010	2011	2012
17.0	17.0	17.0	17.0	18.0
25.0	25.0	22.5	22.5	22.5
30.5	30.5	31.0	31.0	32.0
2.0	2.0	2.0	2.0	1.5
2.0	2.0	2.0	2.0	2.0
7.5	7.5	6.5	6.5	6.5
15.5	15.5	13.0	13.0	13.0
1.0	1.0	1.0	1.0	1.0
31.0	31.0	32.0	32.0	32.0
-	-	-	-	-
-	-	-	-	-
2.0	2.0	2.0	2.0	2.0
2.0	2.0	2.0	2.0	2.0
1.5	1.5	1.5	1.5	1.5
1.0	1.0	1.0	1.0	1.0
138.0	138.0	133.5	133.5	135.0

COUNTY OF PRINCE EDWARD, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years (1)

Function	2003	2004	2005	2006	2007
Public safety					
Sheriffs department:					
Physical arrests	-	628.0	825.0	1,167.0	1,127.0
Civil papers	-	13,894.0	9,982.0	9,660.0	9,700.0
Building inspections:					
Permits issued (2)	301.0	360.0	322.0	430.0	416.0
Public works					
Landfill:					
Refuse collected (tons/day)	80.6	90.0	70.5	76.9	91.0
Recycling (tons/day)	4.3	9.3	10.3	12.0	11.0
Health and welfare					
Department of Social Services:					
Caseload	3,835.0	4,735.0	5,194.0	5,114.0	5,298.0
Community development					
Planning:					
Zoning permits issued	-	-	266.0	246.0	242.0
Component Unit - School Board					
Education:					
Number of teachers	212.0	211.0	232.0	238.0	229.5
Local expenditures per pupil	-	-	-	2,506.2	2,623.0

Source: Individual County departments
(1) Information has been reported where available.
(2) The County implemented the issuance of trade permits in the fiscal year 2009.

Table 15

2008	2009	2010	2011	2012
1,629.0	2,164.0	1,396.0	1,325.0	335.0
7,718.0	9,890.0	9,124.0	8,812.0	8,994.0
558.0	784.0	642.0	438.0	434.0
89.0	80.0	78.0	71.0	85.0
9.0	13.0	13.0	39.0	9.0
7,065.0	8,100.0	8,817.0	8,058.0	7,548.0
194.0	119.0	112.0	93.0	75.0
235.7	228.0	224.0	224.0	214.0
2,840.0	2,718.0	2,858.0	2,927.0	3,359.0

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Compliance

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

The Honorable Members of
The Board of Supervisors
County of Prince Edward, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Prince Edward, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County of Prince Edward, Virginia's basic financial statements and have issued our report thereon dated January 4, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
January 4, 2013

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

The Honorable Members of
The Board of Supervisors
County of Prince Edward, Virginia

Compliance

We have audited County of Prince Edward, 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 Prince Edward, Virginia's major federal programs for the year ended June 30, 2012. County of Prince Edward, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Prince Edward, Virginia's management. Our responsibility is to express an opinion on County of Prince Edward, Virginia's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
January 4, 2013

COUNTY OF PRINCE EDWARD, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting safe and stable families	93.556	0950111/0950112	$	9,711
Temporary Assistance to Needy Families (TANF)	93.558	0400111/0400112		250,792
Refugee and Entrant Assistance - state administered programs	93.566	0500111/0500112		439
Low-income Home Energy Assistance	93.568	0600411/0600412		23,819
Child Care and Development Cluster:				
Child Care and Development Block Grant	93.575	0770110/0770111		69,022
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111		58,355
Stephanie Tubbs Jones - Child Welfare Services Programs	93.645	0900111/0900112		519
Foster Care - Title IV-E	93.658	1100111/1100112		108,471
Adoption Assistance	93.659	1120110/1120111		88,125
Social Services Block Grant	93.667	1000111/1000112		121,053
Chafee Foster Care Independence Program	93.674	9150111/9150112		2,608
Children's Health Insurance Program	93.767	1100111/1100112		9,331
Medical Assistance Program	93.778	1200111/1200112		196,636
Total Department of Health and Human Services			$	938,881
Pass Through Payments:				
Department of Agriculture:				
Food Distribution - Child Nutrition Cluster	10.555	10.555/2011/2012	$	65,550
Department of Education:				
National school lunch program - Child Nutrition Cluster	10.555	10.555/2011/2012		629,557
Subtotal CFDA 10.555			$	695,107
Department of Education:				
Child Nutrition Cluster:				
School breakfast program	10.553	10.553/2011/2012		195,427
Summer food service program for children	10.559	10.559/2011/2012		48,879
Fresh fruits and vegetables program	10.582	10.582/2012/2011		70,020
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111/0010112		324,628
Total Department of Agriculture			$	1,334,061
Department of Energy:				
Pass through payments:				
Department of Mines, Mineral and Energy:				
ARRA - Energy efficiency and conservation block grant program	81.128		$	390,000

COUNTY OF PRINCE EDWARD, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Defense				
Direct Payments				
JROTC	12.000		$	56,663
Department of Transportation:				
Direct payments:				
Highway planning and construction	20.205		$	13,670
Pass through payments:				
National Highway Traffic Safety Administration (NHTSA):				
State and community highway safety	20.600	SC2010501093729		13,603
Ground safety transportation	20.607	154AL 10 50100		4,298
Total Department of Transportation			$	31,571
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I, part A Cluster:				
Title I - Grants to local educational agencies	84.010	S010A090046	$	1,248,520
ARRA - Title I - Grants to local educational agencies	84.389	S389A090046		88,583
Title I - State agency program for neglected and delinquent children	84.013	S013A100046		20,023
Special Education Cluster:				
Title VI-B - Special education grants to states	84.027	H027A090107		674,821
Title VI-B - Special education-preschool grants	84.173	H173A100112		19,681
ARRA - School improvement grants	84.388	S388A090047		445,578
Career and technical education basic grants to states	84.048	V048A100046		79,243
English language acquisition grants	84.365			2,223
Twenty-first century community learning centers	84.287	S287C090047		86,785
ARRA - Education jobs funds	84.410	S410A100047		640,994
Rural education	84.358	S358B100046		40,691
Improving teacher quality state grants	84.367	S367A090044		167,627
Total Department of Education			$	3,514,769
Total Expenditures of Federal Awards			$	6,265,945

See accompanying notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Prince Edward, Virginia under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Prince Edward, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Prince Edward, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-81, *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 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund	$	1,716,801
Less: Amounts not recorded on Schedule of Expenditures of Federal Awards		
Payment in Lieu of Taxes		(31,721)
Total primary government	$	1,685,080
Component Unit Public Schools:		
School Operating Fund	$	3,571,431
School Cafeteria Fund		1,009,434
Total component unit public schools	$	4,580,865
Total federal expenditures per basic financial statements	$	6,265,945
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	6,265,945

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
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 auditor's report issued on compliance for major programs:	Unqualified
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
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program - Food distribution
10.559	Summer Food Service Program for Children
81.128	ARRA - Energy efficiency and conservation block grant program
84.410	ARRA - Education Jobs Funds
84.388	ARRA - School Improvement Program

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 Federal Award Findings and Questioned Costs

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