

COUNTY OF
CAMPBELL, VIRGINIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2011

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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SUPERVISORS

CHARLES W. FALWELL
STANLEY I. GOLDSMITH
EDDIE GUNTER, JR.
HUGH T. PENDLETON, JR.
J.D. PUCKETT
HUGH W. ROSSER
STEVEN M. SHOCKLEY

COUNTY OF CAMPBELL



BOARD OF SUPERVISORS
POST OFFICE BOX 100, RUSTBURG, VIRGINIA 24588
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COUNTY ADMINISTRATOR
R. DAVID LAURRELL

ALTAVISTA (434) 592-9525
BROOKNEAL (434) 283-9525
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November 23, 2011

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

We are pleased to present the Comprehensive Annual Financial Report of the County of Campbell, Virginia, (the "County"), for the fiscal year ended June 30, 2011. This report was prepared by the County's Department of Management Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

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

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

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

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

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

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

THE REPORTING ENTITY AND ITS SERVICES

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

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION

During FY 2011 we were fortunate to announce a new attraction. Intersections, Inc., an in-bound call Center located in Altavista with a \$2 million investment and 250 new jobs. Abbott Nutrition also expanded their Altavista operations with an \$8.7 million investment and 13 new jobs. Areva announced the closing of their Mt. Athos nuclear commercial fuel assembly facility resulting in the loss of approximately 100 jobs. Other employees of the Areva Mt. Athos facility were absorbed into their other facilities in Lynchburg.

Campbell County’s existing industrial sectors include pharmaceutical, automotive, call centers, furniture, textile, nuclear engineering, metal fabrication, printing, plastics, agricultural, banking/finance, forest products, and trucking.

During FY2011, Campbell County’s unemployment rate ranged from a low of 6.2% (May 2011) to a high of 7.6% (July 2010), with an average rate of 6.85%. During FY2011, Campbell County continued to experience marginally higher unemployment rates on average than `Virginia (6.48%), but significantly lower rates than the national average (9.36%).

The 2010 Census results were published during FY 11and Campbell County experienced a 7.2% growth from 2000 to 2010. The population of the County based on the 2010 Census is 54,842 verses 51,078 for the year 2000.

The total reported value of residential construction for permits issued in FY2011 was down 2.4% from FY2010 and down 19.3% from FY2009. The total reported value of all types of construction for permits issued in FY2011 was up less than one-half percent from FY2010 but down 44.8% as compared to FY2009.

OTHER FY 2011 ECONOMIC DEVELOPMENT ACCOMPLISHMENTS

- Business Appreciation Week- During the week of May 2- 6, Campbell County mailed approximately 3,000 appreciation letters to local businesses and hosted its 8th Annual BAW Luncheon. Approximately 80 were in attendance at the luncheon, including major county employers and both local and state officials. Dr. Jo Ellen Parker, President of Sweet Briar College, was the guest speaker.
- Tobacco Agriculture Grants - In FY11 we continued to administer the Commodity Storage Grant that was awarded in FY 10. This is a regional grant that will provide benefits to 13 different localities in the form of reimbursable agricultural grants for feed and commodity storage projects. The grant total is \$500,000 of which Campbell County producers will receive at least \$36,300. In FY11 the Tobacco Commission approved a Phase II Commodity Storage Grant that Campbell County will administer. This is a regional grant that will provide benefits to 18 different localities in the form of reimbursable agricultural grants for feed and commodity storage projects. The grant total is \$400,000 of which Campbell County producers will receive at least \$36
- Tobacco Economic Development Grant- We applied for and received a grant in the amount of \$292,549 for Phase II of a sewer line in Seneca Commerce Park.
- Tobacco Research & Development Grant- We applied for and were awarded a R&D Grant in the amount of \$3 million on behalf of Lawyers Road Energy as subsidiary of Cycle Systems. This project will convert automobile non metallic waste to energy.
- Broadband Master Plan- Worked with Information Technology and Community Development to formulate and present a county master plan for Broadband.

OTHER MAJOR INITIATIVES

For fiscal year 2011: The Goals and initiatives as established by the Campbell County Board of Supervisors as guided by the County Administrator and implemented and completed by staff resulted in a more cost efficient government along with enhanced lifestyle and increased employment opportunities.

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

- Used completed 2010 Census to redistrict County voting districts.
- Conducted reassessment of all real estate properties and utilized the valuation software such that the reassessment for future years can be accomplished in a shorter reassessment cycle if supported by the Board of Supervisors.
- Completed an audit of utility and telecommunications rates charged to the County by utility vendors for a savings in excess of \$7,000.
- Amended the Board's meeting schedule to provide for better citizen access while saving taxpayer dollars.
- Finalized the decision to transition to a new health care plan that includes a High Deductible Health Plan with a coupled Health Savings Account program by December 31, 2011.
- Began the process of implementing the new stormwater management regulations and James River/Chesapeake Bay environmental programs.

- Public Safety completed a new Strategic Plan based on a recently completed needs assessment and submitted budget for operational and CIP funds to support the Plan going forward.
- Parks & Recreation offered new educational forums for seniors and coordinated two new symphonic concerts and offered a new fine art camp for youth.
- Public Works developed a written plan for fleet management including increase in miles per gallon standards.
- Public Works completed clearing and development of Phase I of Long Mountain Park and installed the associated parking lots and fields.
- The Library served over 1,000 citizens online for career searching, online career development, and test preparation.
- The Library provided 489 adults with basic computer literacy skills, taught 60 adult students basic literacy skills and introduced free downloadable eBooks, audiobooks, movies and videos to Campbell citizens.
- The Library enacted automated phone and email communications with patrons, freeing staff to better serve customers.
- Installed mobile data terminals for all law enforcement patrol vehicles.
- Installed equipment and related software for in-car video programming in law enforcement vehicles.
- Campbell County completed updates to the zoning section of the County Code based on recommendations included in the Broadband Master Plan. The County supported an application for federal stimulus funds, submitted by Digital Bridge Communications, which would have provided fourth-generation, last-mile wireless broadband service throughout Campbell County. Digital Bridge Communications received stimulus funds to help with wireless broadband services to localities that were lower in population and income than Campbell County. Therefore, federal stimulus monies will not be available to benefit Campbell County. Staff is now working on an implementation plan for approval by the Board for providing public safety and general citizen/business access options to broadband. Following the plan creation and approval, the recommendations and strategies will be implemented in FY13.
- The Communications System Hardening Project has progressed with the installation of licensed microwave shots from the 911 center to Long Mountain and from Long Mountain to Johnson Mountain. New equipment was also installed at our Long Mountain site to add two operational channels. All frequency licenses have been narrow-banded to meet federal mandates. These updates were necessary to improve the communications system for first responder's safety.

PROPERTY TAX RATES

All local tax rates and fees for services rates remained the same as the previous year.

GOVERNMENT'S FINANCIAL POLICIES

The County experienced significant reductions in funding from the State from FY2009 through FY2011. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure that expenditures were reduced in direct proportion to the reduction in State funding. This was accomplished in part due to the County instituting for the year a mandatory rolling vacancy program of 180 days year for open staff positions before the open positions could be filled. During the FY 2010 budget in the spring of 2009 the Board of Supervisors adopted a strategy to build up fund reserves through the use of heightened expenditure controls. A portion of those additional fund reserves would be used as needed as part of a step-down strategy over a period of four years to offset revenue losses due to the weakened economy to help offset service delivery reductions until the economy improves. This adopted fund reserve strategy continues to be in place.

OTHER INFORMATION

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

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


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

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

Respectfully submitted,



R. David Laurrell
County Administrator



Alan C. Lane
Director of Management Services

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Campbell
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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COUNTY OF CAMPBELL, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

JUNE 30, 2011

BOARD OF SUPERVISORS

Steven M. Shockley, Chairman
Stanley I. Goldsmith, Vice-Chairman

Charles Falwell
Eddie Gunter, Jr.
Hugh T. Pendleton, Jr.

James D. Puckett
Hugh W. Rosser

COUNTY SCHOOL BOARD

Barry A. Jones, Chairman
George Jones, Vice-Chairman

Donald T. Roberts
G. Roger Akers
Susan Hogg

R. Leon Brandt, Jr.
Gary R. Mattox

COUNTY LIBRARY BOARD

Ernest Bender, Chairman
Rita Clark, Vice-Chairman

Joe Lunsford
Virginia Laughlin
Betsy Keaton

Charlotte Lane
Christine Cardoza

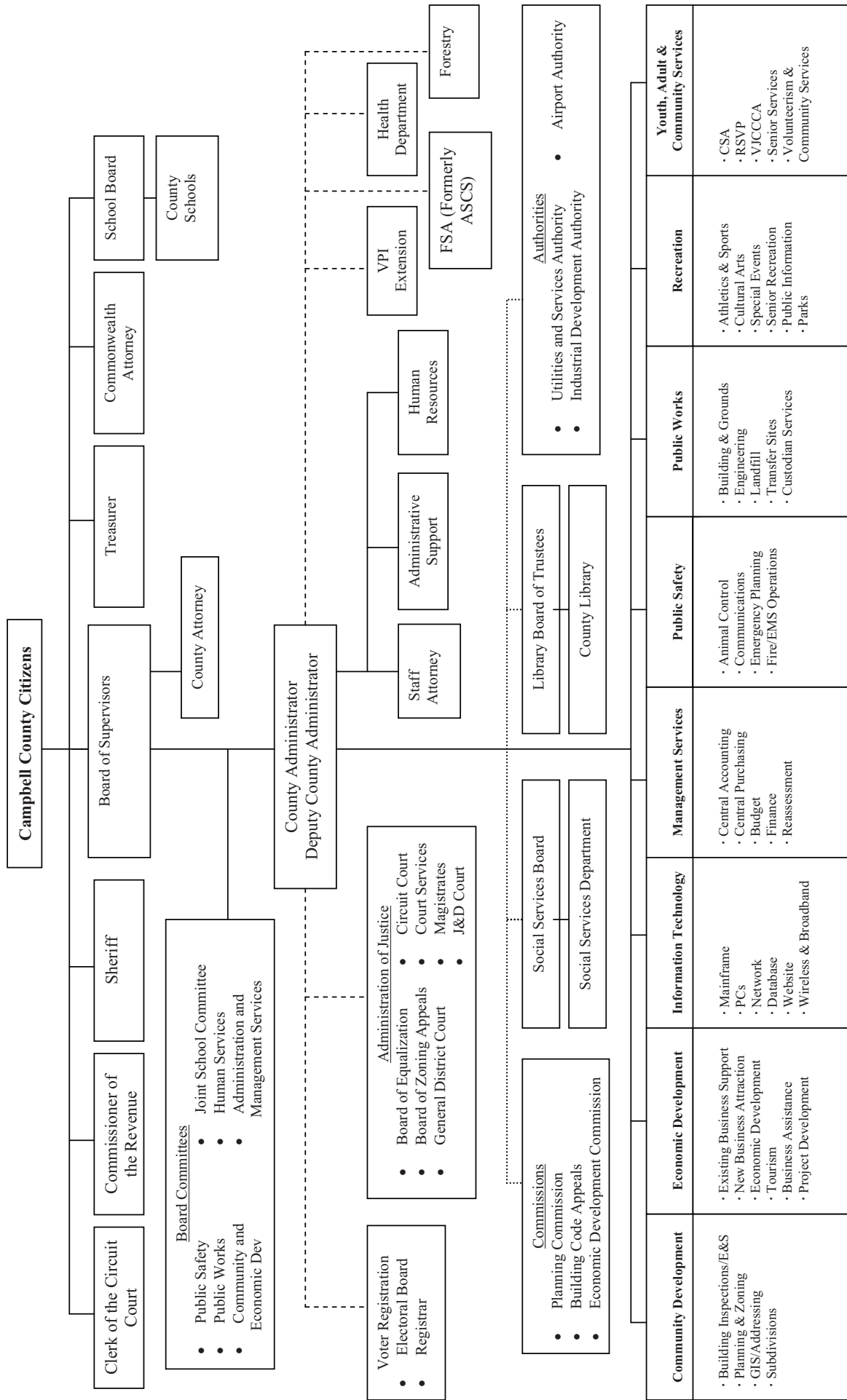
OTHER OFFICIALS

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

John T. Cook
Mosby Garland Perrow III
Sheila Bosiger
Joseph M. Serkes
A. Ellen White
Neil S. Vener
David W. Shreve
Calvin C. Massie, Jr.
Robin T. Jefferson
Terry E. Gaddy
Dr. Robert Johnson
Richard M. Verilla
Nan Carmack
R. David Laurrell

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CAMPBELL COUNTY, VIRGINIA – ORGANIZATIONAL CHART



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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Campbell, Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Campbell, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of June 30, 2011, 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.

As described in Note 1 to the financial statements, the County of Campbell, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2011, on our consideration of the County of Campbell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Campbell, Virginia's financial statements as a whole. The introductory section, combining fund financial statements and 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 fund financial statements and 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
October 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Campbell, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$52,192,290 (net assets). During the current fiscal year, the County's net assets increased by \$129,341.
- The County's combined funds reported year ending fund balances totaled of \$30,153,287 and reflected an increase of \$311,634 from the previous year. Approximately forty-six percent of the year ending combined fund balances, or \$13,843,918, is available for spending at the County's discretion (unassigned fund balances).
- At the end of the current fiscal year, the unassigned fund balance for the general fund of \$13,857,696 represented 23.4% percent of total general fund expenditures for the year. The unassigned fund balance does not take into consideration Board actions taken during the budget process for FY2012 whether approved before or after the end of current fiscal year FY2011. For comparison purposes the unassigned general fund balance after incorporating all Board approved actions for the opening FY2012 budget totals \$11,966,263.

Overview of the Financial Statements

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements: (Continued)

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$ 52,192,290 at the close of the most recent fiscal year.

The largest portion of the County's net assets of \$27.6 million (53.0 percent of total) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the County's net assets is \$24.5 million (46.6 percent of total) and primarily consists of cash, cash equivalents and investments.

Summary of Net Assets			
		Governmental Activities	
		2011	2010
Current and other assets	\$	74,831,435	\$ 56,873,336
Capital assets		81,640,852	84,551,345
Total assets	\$	156,472,287	\$ 141,424,681
Long-term liabilities *	\$	62,817,736	\$ 64,823,723
Current liabilities		41,462,261	24,538,010
Total liabilities	\$	104,279,997	\$ 89,361,733
Net assets:			
Invested in capital assets, net of related debt	\$	27,643,364	\$ 28,284,570
Unrestricted		24,548,926	23,778,379
Total net assets	\$	52,192,290	\$ 52,062,949

NOTE*: Long Term Liabilities Outstanding* is net of adjustment downward for \$2,919,693 for derivative instrument liability for interest rate swap related to the 2008 bond issue. For more information refer to Note 7.

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

Government-wide Financial Analysis: (Continued)

During the current fiscal year, the County's net assets experienced a small increase in the amount of \$129,341. Capital assets net of depreciation decreased by \$2,910,493 due primarily to an additional year of depreciation. Cash, cash equivalents, and investments decreased by \$1,049,354 in the Governmental Activities primarily due to payments for invoices for multi-year capital projects under construction that were completed in FY2011. Landfill Closure/Post Closure liabilities increased by \$834,856 due to DEQ requirements and cost/price inflation. The net OBEP obligation for the primary government recorded as of June 30, 2011 was \$1,273,158 covering post retiree costs for health insurance benefits as required by GASB Statement Number 45. This represents an increase of \$437,822 for this obligation from the previous fiscal year end. Long Term Debt principal was paid down by \$3,457,196 during the year.

Health Insurance Fund net assets increased by \$579,986 primarily as a result of premium contributions paid into this fund exceeding health insurance claims costs and related administrative costs realized during the year. Claims costs and related administration costs were down \$830,102 or 7.9% from the previous year. This reduction in the claims costs and in related administration costs was the main factor in the increase in the Health Insurance Fund Net Assets.

Governmental Activities: Governmental activities decreased the County's net assets by \$219,426. Key elements of this nominal decrease are summarized in the table on the following page.

Changes in Net Assets - Statement of Activities			
		Governmental Activities	
		2011	2010
Program Revenues:			
Charges for services	\$	11,820,457	\$ 12,314,652
Operating grants and contributions		11,512,825	11,002,308
Capital grants and contributions		704,737	585,146
General Revenues:			
General property taxes		30,846,372	29,816,678
Other local taxes		8,455,611	8,520,653
Use of money and property		351,069	397,787
Grants and contributions not restricted		5,460,420	5,469,904
Miscellaneous revenue		1,318,547	283,326
Total revenues	\$	70,470,038	\$ 68,390,454
Expenses			
General government administration	\$	12,555,596	\$ 12,928,427
Judicial administration		1,686,219	1,708,920
Public safety		13,228,773	13,092,272
Public works		4,568,411	5,397,503
Health and welfare		9,556,302	9,613,637
Education		21,571,119	19,502,314
Parks, recreation and cultural		1,822,030	2,083,747
Community development		2,967,441	1,572,293
Interest and other fiscal charges		2,384,804	2,515,923
Total expenses	\$	70,340,695	\$ 68,415,036
Change in net assets		129,343	(24,582)
Net assets, beginning	\$	52,062,949	\$ 52,087,531
Net assets, ending	\$	52,192,292	\$ 52,062,949

Government-wide Financial Analysis (Continued)

Actual revenues for governmental activities for all primary government funds for the year on a combined basis exceeded actual expenses in the amount of \$129,341 including current year depreciation on capital assets. Current year depreciation expense for capital assets for the primary government totaled \$3,608,225. Revenues for governmental activities increased by \$2,079,584; whereas, expenses, including current year depreciation on capital assets, increased by \$1,925,661.

EXPENSES

- Increase in Education expenses of \$2,068,805 resulting primarily in the form of the transfer from the General Fund to the Schools Operating Fund used to help offset reductions in state funding for Schools. However, the transfer to the Schools from the General Fund was still well below what was budgeted in the current fiscal year.
- Increase in Community Development of \$1,395,149 primarily due to the Lynchburg Area Air Show as the County was the fiscal agent for this new event that recorded expenditures of \$406,922. Revenues generated from ticket sales and other forms of revenue received offset the cost of this event. The County was also the fiscal agent for a new regional agricultural grant funded by the Tobacco Commission for small Commodity Storage projects. Expenditures for this grant totaled \$391,287 and were fully funded by the Tobacco Commission. Other Economic Incentive programs were paid out to businesses during the year and those payments exceeded the amounts paid out the previous year by \$283,683.
- Decrease in Public Works of \$829,092 due primarily to a reduction in costs of \$801,732 associated with landfill remediation as much of the required remediation system upgrades were completed in the prior fiscal year. Additionally, legal costs associated with the landfill were also reduced substantially from the prior fiscal year.
- Decrease of \$372,831 in General Government Administration primarily due to a reduction in employee health insurance claims and related administration costs.

PROGRAM/GENERAL REVENUES

- Local tax revenues (less communication taxes) amounted to \$39,301,983 and generated an increase of \$964,652 or 2.5% from the prior year. All tax rates remained the same as the prior year. Local taxes comprise 56% of total General Fund revenue sources. General Property Taxes increased by \$1,029,694. The largest contributor of this increase consisted of Other Personal Property Tax which increased by \$594,857 primarily due to increased purchases of motor vehicles by citizens and businesses. Penalties and Interest collected generated from delinquent property taxes paid increased by \$91,053. Additionally, for the first time \$230,000 of revenue was recognized as Real Estate Tax received due to a new accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled as well as a corresponding expenditure for the same amount.
- Increase in Miscellaneous Revenue of \$1,035,221 primarily due to the receipt of \$700,000 in the form of a cash settlement payment received by the County from a contracted vendor who provided advice and expertise concerning environmental issues with a closed landfill owned by the County. This revenue will be used to help defray some of the costs to the County resulting from the ongoing remediation and legal costs associated with the closed landfill cell. Additionally, revenue from ticket sales and other revenue resulting from the Lynchburg Area Air Show totaled \$423,583 that was associated with the expenditure increase mentioned above for Community Development.
- Increase in Grants & Contributions Not Restricted of \$546,317 primarily due to an increase in Tobacco Grant funds of \$443,853.
- Decrease in Charges For Services of \$494,195 primarily due to handling Recovered Costs, School Resource Officers reimbursement from the Schools in the amount of \$293,782, as a direct reduction in the expenses for Public Safety rather than as Service Charges revenue as was done in the past.

Financial Analysis of the County's Funds

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

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

Approximately forty-six percent of the combined governmental fund balance, or \$13,843,918, comprise unassigned fund balances, which are available for spending at the County's discretion. The remainder of fund balance is *Committed*, *Assigned* or *Nonspendable* to indicate that it is not available for new spending because it has already been committed for:

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

Unassigned fund balance of the general fund was \$13,857,696, while the total general fund balance was \$22,523,969. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures on an annualized basis. Unassigned general fund balance represents 23.4 percent of total general fund expenditures, while total fund balance represents 38 percent of total general fund expenditures.

GENERAL FUND: The general fund balance decreased by \$1,029,533 during the current fiscal year, or 4.4%. The general fund unassigned fund balance increased by \$96,730. General fund expenditures and transfers to other funds increased by \$4,084,780 from the prior year. General fund revenues and transfers from other funds increased by \$900,460 from the prior year. Total expenditures and transfers combined exceeded revenues by \$1,029,533.

The largest general fund expenditure increase of \$2,315,709 for Education resulted from the increase in the transfer from the General Fund to the Schools Operating Fund and was used to help partially offset reductions in state funding for Schools. However, the transfer to the Schools from the General Fund was still well below what was budgeted in the current fiscal year.

Increases in general fund expenditures in Community Development of \$917,920 resulted primarily from the Lynchburg Area Air Show as the County was the fiscal agent for this new event that recorded expenditures of \$406,922. Revenues generated from ticket sales and other forms of revenue received offset the cost of this event. The County was also the fiscal agent for a new regional grant funded by the Tobacco Commission for small Commodity Storage projects. Expenditures for this grant totaled \$391,287 and were fully funded by the Tobacco Commission. Other Economic Incentive programs fully funded by the County were paid out to businesses during the year and those payments exceeded the amounts paid out the previous year by \$283,683.

General fund expenditures for Public Safety/Law Enforcement increased by \$620,360 primarily due to increased payments to the Regional Jail and the Juvenile Detention facility in the amount of \$268,953 due to the need for increased utilization of these facilities. The Emergency Medical Services department (EMS) increased in cost in the amount of \$104,902 primarily due to the additions of paid EMT positions to augment the volunteer rescue squads.

The bulk of the remaining increases for Public Safety/Law Enforcement were for gasoline and diesel fuel for the Sheriff's fleet and for the volunteer ambulances and fire trucks. Expenditures for Public Safety grants were also up.

Financial Analysis of the County's Funds: (Continued)

Debt service payments increased by \$315,638 due to increased principal payments associated with the 2008 VML/VACO Finance Program bond issue in the amount of \$34.3 million that was used to fund renovations and additions to Concord Elementary School, the County Courthouse and Office Complex as well as the Waterline Extension from Rustburg to Route 460. This is the peak year for debt service payments as debt service payments will begin to decline. The County has used Debt Stabilization reserve funds the last few years in order not to have to rely on future revenue increases to pay for debt service as it reached its peak level and then started to slowly decline in amount.

General fund revenues and transfers in from other funds combined increased by \$900,460 from the prior year. Revenues were up by \$1,657,385 and transfers in from other funds were down by \$756,925. Transfers in from other funds were down as the general fund in the prior fiscal year benefited from bond proceeds that were issued to fund large capital projects costs that came in below budget. Those reverted savings in capital projects in the prior year for the Concord Elementary School and the Rustburg/Concord/460 waterline were transferred from the capital improvement fund to the general fund to be used as debt stabilization reserves to pay for future interest costs associated with these capital projects.

\$418,782 of the total general fund revenue increase resulted from increased State and Federal funding much of which was associated with one-time grants. As stated above local tax revenues (less communication taxes) amounted to \$39,301,983 and generated an increase of \$964,652 or 2.5% from the prior year. All tax rates remained the same as the prior year. Local revenue comprised 71% of total General Fund revenue sources.

SOLID WASTE MANAGEMENT FUND: Funding for the Solid Waste Management Fund for FY11 totaled \$4,346,014 with \$608,028 of this amount coming from a transfer in from the General Fund. An additional \$2,000,000 was generated in the Solid Waste Management Fund by a transfer in from the County Capital Projects (CIP) Fund. For additional information concerning the transfer from the CIP Fund please refer to the section below *County Capital Projects Fund*. Additionally, revenue was received in the Solid Waste Management Fund in the amount of \$935,947 from the Region 2000 Services Authority for Solid Waste Management representing the County's portion of the excess of actual revenues verses actual expenses for the year as recorded by the Regional Authority. Also, \$700,000 of funding was provided by a cash settlement payment received by the County from a contracted vendor who previously provided advice and expertise concerning environmental issues with a closed landfill owned by the County. Another \$69,594 was generated by the sale of some surplus land the County owned adjacent to the road leading into the landfill site. All other forms of revenue for this fund on a combined basis totaled \$32,446.

Expenditures for the County's Solid Waste Management Fund totaled \$1,840,598 for the year. Tipping fees of \$531,825 were paid to the Region 2000 Services Authority for solid waste received at the regional landfill from County citizens and businesses. Transfer site operations throughout the County cost \$541,289 for the year which included delivery costs of trash from citizens to the regional landfill. In-House Construction for small projects cost \$140,014 while landfill environmental compliance and legal costs totaled \$1,124,113. All other expenditures totaled \$35,183. There exists a year end fund balance of \$4,907,016 that is needed for future landfill remediation costs and to complete contracts and projects. The year end fund balance is up by \$2,505,416 from the prior year due primarily to the transfer in from the CIP Fund for \$2,000,000 as noted above.

COUNTY CAPITAL PROJECTS FUND: The County Capital Projects (CIP) Fund balance reported a decrease of \$1,513,016 from the previous year to \$2,722,302. During the budget submission process many capital projects were either eliminated or delayed. This resulted in the ability to transfer \$2,000,000 from the CIP to the Solid Waste Management Fund in order to help fund increased reserves for future landfill remediation costs. The Capital Projects Fund has a remaining fund balance of \$2,722,302, all of which is reserved or designated for capital projects already under construction or for future capital projects included in the adopted five-year Capital Improvement Plan.

Financial Analysis of the County's Funds: (Continued)

SCHOOL CONSTRUCTION FUND: The School Construction Fund for school construction in progress has no remaining fund balance as the Concord Elementary School renovation and addition project was completed during the previous fiscal year.

General Fund Budgetary Highlights

Differences between the general fund original expenditure budget of \$58,327,697 and the final amended budget of \$71,609,361 amounted to an increase of \$13,281,664 in budgeted expenditures and can be briefly summarized as follows:

- \$6,590,059 increase in the transfer to the Schools for additional funding consisting of budget encumbrances and carryovers approved from FY2010 to FY2011.
- \$2,774,594 increase for encumbrances and carryovers for other general fund department expenditures approved from FY2010 to FY2011. This number is the net number after deducting carryovers of appropriated revenues totaling \$951,386 associated with these same expenditure carryover requests.
- \$813,335 increase for various economic incentives. Some of these are partially funded by Federal/State funding.
- \$423,583 increase for expenses related to the Lynchburg Area Air Show. The County is the fiscal agent. Ticket sales and other revenues funded this event in full.
- \$345,000 increase in the transfer to the Schools as an additional carryover for funding to pay one-time bonuses to school personnel. These funds were reverted by the Schools in the prior year.
- \$297,212 increase for the Blue Ridge Regional Jail based on increased number of inmate days utilized in the Blue Ridge Regional Jail.
- \$230,000 Tax Relief for the Elderly and Disabled. For the first time \$230,000 of revenue was recognized as Real Estate Tax received due to a new accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled as well as a corresponding expenditure for the same amount. This is the corresponding expenditure.
- \$186,261 increase for the EMS department made available from the results of the audited year end FY2010 revenues in excess of EMS actual expenditures for the year. These additional funds are made available to support the EMS program.
- \$160,000 increase for the Juvenile Detention facility based on higher utilization.
- \$132,521 increase in gasoline, diesel fuel and electricity costs due to higher than budgeted fuel prices and electricity utility rates.
- The great majority of the remaining increases resulted from Public Safety, Law Enforcement and Economic Development grants approved throughout the year.

Differences between the general fund original revenue budget of \$58,642,793 and the final amended revenue budget of \$61,200,431 amounted to an increase of \$2,557,638 in budgeted revenues and can be briefly summarized as follows:

- \$951,386 increase due to revenue carryovers approved from FY2010 to FY2011. These revenue carryovers are associated with expenditure carryovers noted above in the expenditures section.
- \$568,853 increase for various economic incentives funding received from State/Federal sources. See note above in expenditure section.

General Fund Budgetary Highlights: (Continued)

- \$423,583 increase for the Lynchburg Area Air Show ticket sales and other revenues received to fund this event. The County was the fiscal agent for this event. Expenditures related to the Air Show are noted above in the expenditures section.
- \$230,000 increase for Tax Relief for the Elderly and Disabled. For the first time \$230,000 of revenue was recognized as Real Estate Tax received due to a new accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled allowed as well as a corresponding expenditure for the same amount. The corresponding expenditure is noted above in the expenditure section.
- The great majority of the remaining revenue budgeted increases resulted from Public Safety, Law Enforcement and Economic Development grants approved throughout the year other than the grants noted above.

During the year general fund actual revenues were more than original budget by \$1,664,215 and were less than amended budget by \$893,423. As noted above the general fund revenue budget was supplemented in the amount of \$2,557,638 during the year for the reasons also noted above. Actual expenditures were more than original budget by \$918,132 and actual expenditures were less than the amended budget by \$12,363,532. The largest component of this difference in the level of actual expenditures verses amended budget is Education. Actual education expenditures were \$7,710,793 below the amended budget. The Board of Supervisors subsequently re-appropriated \$6,494,918 of this amount as encumbrances and carryovers to the Schools for FY2012 covering contracts and obligations not completed as of June 30, 2011. The Board also subsequently re-appropriated other General Fund expenditures for encumbrances and carryovers totaling \$2,856,872 for FY2012. This number is the net number after deducting carryovers of appropriated revenues totaling \$951,386 associated with these same expenditure carryover requests.

Revenues & Expenditures General Fund - Budget to Actual			
	General Fund Budget to Actual		
	Final Budget	Actual	Variance
Revenues:			
Local revenue sources	\$ 42,718,498	\$ 43,023,146	\$ 304,648
Intergovernmental revenues	18,481,933	17,283,862	(1,198,071)
Total revenues	<u>\$ 61,200,431</u>	<u>\$ 60,307,008</u>	<u>\$ (893,423)</u>
Expenditures:			
General government	\$ 4,337,153	\$ 4,089,668	\$ 247,485
Judicial	1,705,317	1,575,260	130,057
Public safety/law enforcement	13,258,614	12,605,698	652,916
Public works	1,547,511	1,468,268	79,243
Health and welfare	11,376,905	9,422,479	1,954,426
Education	27,745,105	20,034,312	7,710,793
Parks, recreation and cultural	1,891,009	1,723,843	167,166
Community development	3,259,399	2,430,107	829,292
Debt service	6,988,348	5,896,194	1,092,154
Nondepartmental	(500,000)	-	(500,000)
Total expenditures	<u>\$ 71,609,361</u>	<u>\$ 59,245,829</u>	<u>\$ 12,363,532</u>

General Fund Budgetary Highlights (Continued)

Revenues: Total actual revenue was less than final budget by \$893,423 or 1.5%. Total local revenue comprised 71% of total actual General Fund revenue while Intergovernmental Revenue (State/Federal) comprised the remaining 29% of total actual General Fund revenue. Intergovernmental revenue was \$1,198,071 less than final budget (6.5% less). Actual local revenue exceeded final budget by \$304,648 or 0.7%.

\$277,136 of final budgeted revenue not actually received during the year was carried over into next fiscal year as they will be received next fiscal year. These carryover revenues approved were for grant funded programs and purchases. The great majority of the revenue shortfall of \$1,198,071 in Intergovernmental revenue was caused by reimbursements from State/Federal being less than budget in Social Service programs and administration along with the Comprehensive Services Act Program (CSA). The County's reimbursement revenue for these Health & Welfare programs is based on actual expenditures centered in these same programs and is not based on budgeted expenditures. The Health & Welfare revenue shortfall here of \$1,135,817 resulted from corresponding actual expenditures being less than budget by \$1,915,541 for these same Health & Welfare programs. This results in a favorable net cost variance to the county of \$779,724. 75% of this favorable net cost variance to the county, or \$582,369, was generated by the Comprehensive Services Act Program (CSA) alone.

Expenditures: Total General Fund actual expenditures of \$59,245,829 were \$12,363,532 less than the final budget of \$71,609,361 (17.3% less). The largest component of this difference in the level of expenditures is Education. Actual education expenditures were \$7,710,793 under the amended budget. The Board of Supervisors subsequently re-appropriated \$5,994,918 of this amount to the Schools for FY2012 for encumbrances covering contracts and obligations not completed as of June 30, 2011. Additionally, the Board of Supervisors approved a carryover request from the Schools for \$500,000 to balance their budget for FY2012. The Board also subsequently re-appropriated an additional \$2,187,143 for expenditures for other functions within the general fund to FY12 for encumbrances and carryovers covering contracts and obligations not completed as of June 30, 2011. Expenditures centered in Social Service programs and administration along with the Comprehensive Services Act Program (CSA) reported expenditures of \$1,915,541 less than amended budget based on lower than anticipated utilization of these programs. The great majority of these expenditure savings were centered in the Comprehensive Services Act Program (CSA). As stated above revenue reimbursements for these same Social Services programs along with CSA were also \$1,135,817 less than final amended budget due to corresponding expenditures being substantially less than budget for these programs. Strong expense control throughout the government organization contributed substantially to overall expenditure savings for the fund. This was particularly true for the Board mandated staff vacancy period of 6 months before vacant staff positions could be filled. The level of expenditure reversions in the general fund at year's end was a planned in part as a response by the Board of Supervisors to state funding cuts. The Board adopted ongoing strategy continues to strive for accumulating unspent funds at year's end to be available to help continue a multi-year step down strategy utilizing some of the undesignated fund balance as needed for future budget years. Expenditure reversion savings are substantial. However, year-end expenditure reversion savings are becoming increasingly difficult to achieve on top of very frugal budgeting processes when the budget is submitted each year to the Board.

Capital Asset and Debt Administration

Capital assets - The County's investment in capital assets for its governmental funds as of June 30, 2011 totals \$81.6 (net of accumulated depreciation) for a decrease of \$2.9 million as a result of depreciation on existing capital assets exceeding new purchases of capital assets. The investment in County capital assets includes land and land improvements, buildings and improvements, vehicles and machinery and equipment. Depreciation expense for the year for all capital assets for all funds totaled \$3,608,225. Depreciation expense for construction in process projects does not commence until the project is 90% completed. Readers interested in additional information relating to capital assets should refer to Note 6 to the financial statements.

Capital Asset and Debt Administration: (Continued)

Capital Assets - Condensed
At June 30, 2011

Governmental Activities	Ending Balance Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land	\$ 2,405,985	\$ -	\$ 2,405,985
Construction in progress	-	-	-
	<u>2,405,985</u>	<u>-</u>	<u>2,405,985</u>
Total capital assets, not being depreciated	\$ <u>2,405,985</u>	\$ <u>-</u>	\$ <u>2,405,985</u>
Other capital assets:			
Buildings	\$ 22,935,813	\$ 5,637,269	\$ 17,298,544
Other improvements	14,808,353	9,113,042	5,695,311
School buildings and improvements	71,588,488	18,081,912	53,506,576
Equipment and vehicles	10,884,824	8,150,388	2,734,436
	<u>120,217,478</u>	<u>40,982,611</u>	<u>79,234,867</u>
Total other capital assets	\$ <u>120,217,478</u>	\$ <u>40,982,611</u>	\$ <u>79,234,867</u>
Total capital assets	\$ <u><u>122,623,463</u></u>	\$ <u><u>40,982,611</u></u>	\$ <u><u>81,640,852</u></u>

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

DEBT SCHEDULES

Of the \$53.6 million total principal balance of outstanding debt at the end of the year, \$44.4 million was for General Obligation Bonds and \$9.2 million was for State Literary Loans payable. General Obligation Bonds amounted to 1.4% of the County's assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. The County's total outstanding debt principal was paid down by \$3.5 million during the year.

DEBT SCHEDULES: (CONTINUED)

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

Debt Service				
Year Ending				
June 30	Principal	Interest	Total	
2012	\$ 3,259,527	\$ 2,298,273	\$ 5,557,800	
2013	3,252,633	2,157,015	5,409,648	
2014	3,124,117	2,020,651	5,144,768	
2015	3,159,124	1,887,224	5,046,348	
2016	3,260,390	1,750,570	5,010,960	
2017-2021	15,626,450	6,668,444	22,294,894	
2022-2026	14,404,469	3,313,456	17,717,925	
2027-2029	7,520,000	404,556	7,924,556	
Total	\$ 53,606,710	\$ 20,500,189	\$ 74,106,897	

Annual debt service paid amounted to \$5.9 million for principal, interest and bank service charges for the reporting period. There are no obligations for capitalized lease payments going forward. Readers interested in additional information should refer to Note 7 to the financial statements.

The County previously established a debt stabilization reserve to utilize as future debt service reaches its maximum annual expense amount so that future increases in revenue would not be needed to pay for the higher level of debt service required. At year's end the debt stabilization totaled \$1,090,575 and this was included in the General Fund carryover from FY2011 to FY2012 subsequently approved by the Board of Supervisors.

CONTACT THE COUNTY'S FINANCIAL MANAGEMENT

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

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

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

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets

June 30, 2011

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	\$ 12,313,161	\$ 7,784,184	\$ 339,399
Investments	21,123,204	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	34,739,878	-	-
Accounts receivable	1,371,086	22,050	-
Interest receivable	82,279	-	-
Due from primary government	-	-	218,845
Due from component unit	2,500,530	-	-
Due from other governmental units	2,400,912	3,985,823	-
Inventories	20,257	-	-
Prepaid expenses	216,378	381,679	-
Other assets:			
Unamortized bond issue costs	63,750	-	-
Capital assets (net of accumulated depreciation):			
Land	2,405,985	309,661	-
Buildings and improvements	17,298,544	3,577,481	-
Other improvements	5,695,311	669,130	-
Equipment	2,734,436	4,071,646	-
School buildings	53,506,576	-	-
Total assets	<u>\$ 156,472,287</u>	<u>\$ 20,801,654</u>	<u>\$ 558,244</u>
LIABILITIES			
Accounts payable	\$ 1,467,758	\$ 883,663	\$ -
Accrued liabilities	1,037,751	6,108,408	-
Accrued interest payable	441,684	-	-
Due to primary government	-	2,500,530	-
Due to component unit	218,845	-	-
Unearned revenue	34,821,075	-	-
Long-term liabilities:			
Due within one year	3,475,148	52,511	115,049
Due in more than one year	65,737,429	2,534,025	103,796
Total liabilities	<u>\$ 107,199,690</u>	<u>\$ 12,079,137</u>	<u>\$ 218,845</u>
DEFERRED OUTFLOW OF RESOURCES	<u>\$ (2,919,693)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES NET OF DEFERRED OUTFLOW OF RESOURCES	<u>\$ 104,279,997</u>	<u>\$ 12,079,137</u>	<u>\$ 218,845</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 27,643,364	\$ 8,627,918	\$ -
Unrestricted (deficit)	24,548,926	94,599	339,399
Total net assets	<u>\$ 52,192,290</u>	<u>\$ 8,722,517</u>	<u>\$ 339,399</u>

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

COUNTY OF CAMPBELL, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 12,555,596	\$ 8,763,016	\$ 136,024	\$ -
Judicial administration	1,686,219	121,039	803,947	77,277
Public safety	13,228,773	1,683,597	3,207,051	449,873
Public works	4,568,411	945,976	28,073	172,457
Health and welfare	9,556,302	-	6,732,851	-
Education	21,571,119	-	-	-
Parks, recreation, and cultural	1,822,030	274,777	26,388	5,130
Community development	2,967,441	32,052	578,491	-
Interest on long-term debt	2,384,806	-	-	-
Total governmental activities	<u>\$ 70,340,697</u>	<u>\$ 11,820,457</u>	<u>\$ 11,512,825</u>	<u>\$ 704,737</u>
Total primary government	<u>\$ 70,340,697</u>	<u>\$ 11,820,457</u>	<u>\$ 11,512,825</u>	<u>\$ 704,737</u>
COMPONENT UNITS:				
School Board	\$ 75,277,167	\$ 1,656,029	\$ 52,396,745	\$ -
Industrial Development Authority	305,185	8,325	-	-
Total component units	<u>\$ 75,582,352</u>	<u>\$ 1,664,354</u>	<u>\$ 52,396,745</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Other local taxes:				
Local sales and use tax				
Consumer utility taxes				
Business license tax				
Motor vehicle licenses				
Other local taxes				
Unrestricted revenues from use of money and property				
Contributions from Campbell County				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets - beginning				
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 Units	
Governmental Activities	School Board	Industrial Development Authority
\$ (3,656,556)	\$ -	\$ -
(683,956)	-	-
(7,888,252)	-	-
(3,421,905)	-	-
(2,823,451)	-	-
(21,571,119)	-	-
(1,515,735)	-	-
(2,356,898)	-	-
(2,384,806)	-	-
<u>\$ (46,302,678)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (46,302,678)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (21,224,393)	\$ -
-	-	(296,860)
<u>\$ -</u>	<u>\$ (21,224,393)</u>	<u>\$ (296,860)</u>
\$ 30,846,372	\$ -	\$ -
3,850,032	-	-
846,372	-	-
1,496,881	-	-
1,517,021	-	-
745,305	-	-
351,069	7,965	5,902
-	20,045,713	307,341
1,318,547	29,072	-
5,460,420	-	-
<u>\$ 46,432,019</u>	<u>\$ 20,082,750</u>	<u>\$ 313,243</u>
\$ 129,341	\$ (1,141,643)	\$ 16,383
52,062,949	9,864,160	323,016
<u>\$ 52,192,290</u>	<u>\$ 8,722,517</u>	<u>\$ 339,399</u>

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2011

	General	Special Revenue (Solid Waste)	Capital Projects	School Construction Capital Projects	Total
ASSETS					
Cash and cash equivalents	\$ 4,874,080	\$ 2,258,630	\$ 2,772,958	\$ -	\$ 9,905,668
Investments	13,307,619	2,006,704	-	-	15,314,323
Receivables (net of allowance for uncollectibles):					
Taxes receivable	34,739,878	-	-	-	34,739,878
Accounts receivable	404,447	774,294	188,736	-	1,367,477
Interest receivable	82,279	-	-	-	82,279
Due from component units	2,500,530	-	-	-	2,500,530
Due from other governmental units	2,400,912	-	-	-	2,400,912
Inventories	20,257	-	-	-	20,257
Prepaid items	121,707	873	-	-	122,580
Total assets	<u>\$ 58,451,709</u>	<u>\$ 5,040,501</u>	<u>\$ 2,961,694</u>	<u>\$ -</u>	<u>\$ 66,453,904</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,040,274	\$ 132,325	\$ 239,392	\$ -	\$ 1,411,991
Accrued liabilities	233,838	1,160	-	-	234,998
Due to component unit	-	-	-	-	0
Deferred revenue	34,653,628	-	-	-	34,653,628
Total liabilities	<u>\$ 35,927,740</u>	<u>\$ 133,485</u>	<u>\$ 239,392</u>	<u>\$ -</u>	<u>\$ 36,300,617</u>
Fund balances:					
Nonspendable					
Inventories	\$ 20,257	\$ -	\$ -	\$ -	\$ 20,257
Prepaid items	121,707	873	-	-	122,580
Committed to:					
Education	6,494,918	-	-	-	6,494,918
Capital improvements	-	-	931,834	-	931,834
Education capital improvements	-	-	-	13,778	13,778
Public works	-	127,410	-	-	127,410
Operations	2,029,391	-	-	-	2,029,391
Assigned to:					
Public works	-	4,778,733	-	-	4,778,733
Capital improvements	-	-	1,790,468	-	1,790,468
Unassigned	13,857,696	-	-	(13,778)	13,843,918
Total fund balances	<u>\$ 22,523,969</u>	<u>\$ 4,907,016</u>	<u>\$ 2,722,302</u>	<u>\$ -</u>	<u>\$ 30,153,287</u>
Total liabilities and fund balances	<u>\$ 58,451,709</u>	<u>\$ 5,040,501</u>	<u>\$ 2,961,694</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (Cost of \$122,623,463 less accumulated depreciation of \$40,982,611) \$ 81,640,852

Receivables on the Statement of Net Assets that do not provide current financial resources are reported as deferred revenue in the funds 564,297

An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the self insurance internal service fund are included in the governmental activities in the Statement of Net Assets 6,723,517

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds

Accrued interest payable	\$ (441,684)	
Long term commitments to IDA	(218,845)	
General obligation bonds and literary fund loans	(53,606,710)	
Net bond issue costs and premiums	(327,029)	
Landfill closure/post-closure	(9,721,481)	
Other post-employment benefits	(1,273,158)	
Compensated absences	(1,300,756)	(66,889,663)

Net assets of governmental activities \$ 52,192,290

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General	Special Revenue (Solid Waste)	Capital Projects	School Construction Capital Projects	Total
REVENUES					
General property taxes	\$ 30,862,061	\$ -	\$ -	\$ -	\$ 30,862,061
Other local taxes	8,455,611	-	-	-	8,455,611
Permits, privilege fees, and regulatory licenses	267,595	-	-	-	267,595
Fines and forfeitures	260,671	-	-	-	260,671
Revenue from the use of money and property	282,899	7,166	36,175	-	326,240
Charges for services	1,930,024	945,976	61,777	-	2,937,777
Miscellaneous	618,547	700,000	-	-	1,318,547
Recovered costs	345,738	-	-	-	345,738
Intergovernmental revenues:					
Local government	-	-	-	348,767	348,767
Commonwealth	13,820,111	15,250	378,870	-	14,214,231
Federal	3,463,751	-	-	-	3,463,751
Total revenues	\$ 60,307,008	\$ 1,668,392	\$ 476,822	\$ 348,767	\$ 62,800,989
EXPENDITURES					
Current:					
General government administration	\$ 4,089,668	\$ -	\$ -	\$ -	\$ 4,089,668
Judicial administration	1,575,260	-	-	-	1,575,260
Public safety	12,605,698	-	-	-	12,605,698
Public works	1,468,268	1,840,598	-	-	3,308,866
Health and welfare	9,422,479	-	-	-	9,422,479
Education	20,034,312	-	-	-	20,034,312
Parks, recreation, and cultural	1,723,843	-	-	-	1,723,843
Community development	2,430,107	-	-	-	2,430,107
Capital projects	-	-	1,472,522	-	1,472,522
Debt service:					
Principal retirement	3,457,196	-	-	-	3,457,196
Interest and other fiscal charges	2,438,998	-	-	-	2,438,998
Total expenditures	\$ 59,245,829	\$ 1,840,598	\$ 1,472,522	\$ -	\$ 62,558,949
Excess (deficiency) of revenues over (under) expenditures	\$ 1,061,179	\$ (172,206)	\$ (995,700)	\$ 348,767	\$ 242,040
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 288	\$ 2,608,028	\$ 1,482,972	\$ -	\$ 4,091,288
Transfers out	(2,091,000)	-	(2,000,288)	-	(4,091,288)
Sale of capital assets	-	69,594	-	-	69,594
Total other financing sources (uses)	\$ (2,090,712)	\$ 2,677,622	\$ (517,316)	\$ -	\$ 69,594
Net change in fund balances	\$ (1,029,533)	\$ 2,505,416	\$ (1,513,016)	\$ 348,767	\$ 311,634
Fund balances - beginning	23,553,502	2,401,600	4,235,318	(348,767)	29,841,653
Fund balances - ending	\$ 22,523,969	\$ 4,907,016	\$ 2,722,302	\$ -	\$ 30,153,287

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, 2011

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

Net change in fund balances - total governmental funds	\$	311,634
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Details supporting this adjustment are as follows:

Capital outlay	\$	709,133	
Net transfer of assets between primary government and component unit		(11,401)	
Depreciation expense		<u>(3,608,225)</u>	(2,910,493)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(15,689)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	579,986
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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. Details supporting this adjustment are as follows:

Principal retired on long-term debt	\$	3,457,196	
Premium on bond issuance		20,508	
Amortization of bond issue costs		<u>(3,750)</u>	<u>3,473,954</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. Details supporting this adjustment are as follows:

(Increase)/decrease in landfill closure, post-closure liability	\$	(834,856)	
(Increase)/decrease in accrued interest		37,434	
(Increase)/decrease in compensated absences		(1,613)	
(Increase)/decrease in long term commitments to IDA		(73,194)	
(Increase)/decrease in other post-employment benefits obligation		<u>(437,822)</u>	<u>(1,310,051)</u>
Change in net assets of governmental activities	\$		<u><u>129,341</u></u>

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

Statement of Net Assets
 Health Insurance Fund
 June 30, 2011

	Health Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,407,493
Investments	5,808,881
Accounts receivable	3,609
Prepaid claims expense	93,798
	<hr/>
Total assets	\$ 8,313,781
	<hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 55,767
Claims incurred but not reported	802,753
Deferred revenue	731,744
	<hr/>
Total liabilities	\$ 1,590,264
	<hr/>
NET ASSETS	
Unrestricted	\$ 6,723,517
Total net assets	\$ 6,723,517
	<hr/>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Health Insurance Fund
 For the Year Ended June 30, 2011

	Health Insurance Fund
	<hr/>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 10,314,091
Total operating revenues	<u>\$ 10,314,091</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 9,758,934
Total operating expenses	<u>\$ 9,758,934</u>
Operating income (loss)	<u>\$ 555,157</u>
NONOPERATING REVENUES	
Interest Income	\$ 24,829
Change in net assets	\$ 579,986
Total net assets - beginning	6,143,531
Total net assets - ending	<u><u>\$ 6,723,517</u></u>

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

Statement of Cash Flows
 Health Insurance Fund
 For the Year Ended June 30, 2011

	Health Insurance Fund
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 10,325,720
Payments for premiums	(10,013,520)
Net cash provided (used) by operating activities	<u>\$ 312,200</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 24,829
Net increase in investments	8,073
Net cash provided (used) by investing activities	<u>\$ 32,902</u>
Net increase (decrease) in cash and cash equivalents	\$ 345,102
Cash and cash equivalents - beginning	2,062,391
Cash and cash equivalents - ending	<u><u>\$ 2,407,493</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>555,157</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 18,915
(Increase) decrease prepaid claims expense	(52,798)
Increase (decrease) in accounts payable	(87,874)
Increase (decrease) in claims incurred but not reported	(113,914)
Increase (decrease) in deferred revenue	(7,286)
Total adjustments	<u>\$ (242,957)</u>
Net cash provided (used) by operating activities	<u><u>\$ 312,200</u></u>

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 267,025
Total assets	\$ <u>267,025</u>
LIABILITIES	
Amounts held for others	\$ 267,025
Total liabilities	\$ <u>267,025</u>

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

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COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

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

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

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

Campbell County School Board

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

Campbell County Industrial Development Authority

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

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

Campbell County Utilities and Service Authority

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

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

A. Financial Reporting Entity: (Continued)

Central Virginia Community Services Board

The County, in conjunction with the Counties of Amherst, Appomattox, and Bedford, and the Cities of Bedford and Lynchburg, participates in the Central Virginia Community Services Board (CVCSB), which is composed of two members from each of the participating localities. The County contributed \$157,404 to the CVCSB for the current year.

Blue Ridge Regional Jail Authority

The County, in conjunction with the Counties of Halifax and Bedford, and the Cities of Bedford and Lynchburg, participates in the Blue Ridge Regional Jail Authority (the “Authority”). Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$2,298,196 for the current year.

Region 2000 Services Authority

The County, in conjunction with the Cities of Lynchburg and Bedford, and the Counties of Appomattox and Nelson, participates in the Region 2000 Services Authority for solid waste disposal. The County paid the Authority tipping fees of \$531,825 for solid waste transferred to the Authority, and received \$935,947 in distributions from the Authority for 2011 profits.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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.

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

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

School Construction Capital Projects Fund - The School Construction 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 related to the acquisition or construction of major school capital facilities.

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

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

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

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

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

Program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes, grants and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

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

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

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

D. Budgetary Information

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

- 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 related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts not to exceed \$500 within general government departments, all other transfers of budget must be approved by the Board of Supervisors; however, the School Board is authorized to transfer budgeted amounts within the school system's categories. The Board of Supervisors approved supplemental appropriations in the General Fund totaling \$13,366,516 for additional requests from various departments including contribution to the School Board and transfers to other funds. The Board of Supervisors also approved additional appropriations to the Solid Waste Fund of \$194,760, County Capital Projects fund of \$2,232,289 and to the School Construction Capital Projects fund of \$13,778.
- Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Fund, and the two Capital Project Funds.
- All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- Appropriations lapse on June 30 for all County and School Board units.
- All budgetary data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value.

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

E. Assets, Liabilities, and Net Assets or Equity: (Continued)

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment.

Inventories

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

Prepaid Items

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

Capital Assets

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

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

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

Compensated Absences

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

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

E. Assets, Liabilities, and Net Assets or Equity: (Continued)

Deferred and Unearned Revenues

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

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

Unearned revenue consists of property taxes, either receivable or already collected, intended to finance a future fiscal period, as well as grant proceeds which have been received, but for which the County has not met the requirements to consider those grant proceeds as earned.

Economic Incentive Grants Payable

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but no long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Repayments and issuance costs are reported as debt service expenditures.

Encumbrances

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

Estimates

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

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

E. Assets, Liabilities, and Net Assets or Equity: (Continued)

Net Assets

Net assets in the government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are reported as restricted when there are limitations imposed on their use through the enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations.

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

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

E. Assets, Liabilities, and Net Assets or Equity: (Continued)

IDA Transactions and Conduit Obligations

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

NOTE 2–DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Investment Policy

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

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments: (Continued)

Credit Risk

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

County's Rated Debt Investments' Values - Standard & Poor's Rating		
<u>Rated Debt Investments</u>	<u>Fair Quaity Ratings</u>	<u>Amount at June 30</u>
U.S. Agency Securities	AA+	\$ 14,592,751
Commercial Paper	A-1	2,499,900
Federated Money Market	AAAm	29,704
LGIP	AAAm	4,000,839

Concentration of Credit Risk

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

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

At June 30, 2011 the County held no investments in excess of the diversification requirements outlined in the Policy. In accordance with GASB 40, the County reports the following single investment held at June 30, 2011 greater than 5% of total investments.

<u>Security</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total Investments</u>
Intesa Funding	Commercial paper	\$ 2,499,900	12%

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

The carrying values and weighted average maturity were as follows:

Investment Type	Investment Maturity*	
	Fair Value	1 - 5
U.S. Agency Securities	\$ 14,592,751	\$ 14,592,751
Commercial Paper	2,499,900	2,499,900
Total investments	\$ 17,092,651	\$ 17,092,651

* Weighted average maturity in years.

Custodial Credit Risk

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

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

	Primary Government	Component Units	
		School Board	IDA
Deposits and investments:			
Cash on hand	\$ 1,250	\$ -	\$ -
Deposits	12,311,911	7,784,184	339,399
Investments	21,123,204	-	-
Total	\$ 33,436,365	\$ 7,784,184	\$ 339,399
Statement of net assets:			
Cash and cash equivalents	\$ 12,313,161	\$ 7,784,184	\$ 339,399
Investments	21,123,204	-	-
Total	\$ 33,436,365	\$ 7,784,184	\$ 339,399

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 3-RECEIVABLES AND DEFERRED/UNEARNED REVENUE:

Receivables consist of the following:

	General Fund	Solid Waste	Capital Projects	Health Insurance	Total
Receivables:					
Taxes	\$ 35,276,365	\$ -	\$ -	\$ -	\$ 35,276,365
Accounts	404,447	774,294	188,736	3,609	1,371,086
Interest	82,279	-	-	-	82,279
Gross receivables	\$ 35,763,091	\$ 774,294	\$ 188,736	\$ 3,609	\$ 36,729,730
Less:					
Allowance for uncollectible amounts	\$ 536,487	\$ -	\$ -	\$ -	\$ 536,487
Net receivables	\$ 35,226,604	\$ 774,294	\$ 188,736	\$ 3,609	\$ 36,193,243

The taxes receivable account represents the current and past four years of uncollected tax levies on personal property taxes and the current and past nineteen years of uncollected tax levies on real property. Real estate taxes are recorded as receivable when they attach as an enforceable lien, therefore, real estate taxes based on the January 1, 2011, assessment date are included in taxes receivable at June 30, 2011, even though taxpayers had not yet been billed. However, since the January 1, 2011 levy is intended to finance a future period, this amount has been included in deferred revenue as discussed below. The allowance for estimated uncollectible taxes receivable is approximately 3.4% of the total taxes receivable at June 30 and is based on historical collection rates.

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

Property taxes receivable - unearned	\$ 33,957,450
Property taxes receivable - unavailable	564,297
Advance collection of 2011-2012 property taxes - unearned	80,536
Advance payments of state and federal grants - unearned	51,345
Total deferred revenue - governmental funds (Exhibit 3)	\$ 34,653,628
Less deferrals for unavailability	(564,297)
Add internal service fund deferrals related to discretely presented component units and outside entities	731,744
Unearned revenue - Statement of Net Assets (Exhibit 1)	\$ 34,821,075

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments consist of the following:

	Primary Government	Component Unit- School Board
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 738,486	\$ -
State sales tax	-	1,370,645
Comprehensive Services Act	354,267	-
Public assistance	204,457	-
Motor vehicle rental tax	67,731	-
Mobile home titling tax	10,821	-
Shared expenses and grants	277,408	-
Railroad rolling stock	138,339	-
Communications tax	220,898	-
Recordation tax	31,008	-
Data replication grant	100,133	-
Other state funds	9,374	-
<u>Local Governments:</u>		
Laurel Regional Program	-	137,688
<u>Federal Government</u>		
Public assistance	228,340	-
Title I	-	989,928
Title II, Part A	-	192,014
Title VI-B special education	-	673,174
State fiscal stabilization funds	-	472,923
Other federal grants	19,650	149,451
Total	\$ 2,400,912	\$ 3,985,823

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

Interfund and Intra-Entity transfers are as follows:

Transfer Out Fund	Transfers In Fund	Amount
General Fund	Capital Projects Fund	\$ 1,482,972
General Fund	Solid Waste Fund	608,028
Capital Projects Fund	General Fund	288
Capital Projects Fund	Solid Waste Fund	2,000,000

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

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

The transfer from the General Fund to the Capital Projects Fund was to support general government capital projects. Transfers from the General Fund to the Solid Waste Fund were to offset shortfalls in operating revenues. Transfers from the Capital Projects Fund to the General Fund were for projects. Transfers between School Construction Capital Projects and General Fund were to reimburse for projects. Transfers from Capital Projects Fund to the Solid Waste management Fund were to fund landfill remediation costs.

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

The Component Unit-School Board owed \$2,500,530 to the General Fund at year end as a result of appropriated local funds in excess of actual school expenditures in the current and previous years.

The primary government owed the Component Unit-IDA \$218,845 for economic incentive grants awarded by the IDA for which the County is ultimately responsible. This is discussed further in Note 12.

NOTE 6-CAPITAL ASSETS:

Primary Government

Capital asset activity for the year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:					
Land	\$ 2,405,985	\$ -	\$ -	\$ -	\$ 2,405,985
Construction in progress	1,523,075	-	1,523,075	-	-
Total capital assets, nondepreciable	\$ 3,929,060	\$ -	\$ 1,523,075	\$ -	\$ 2,405,985
Capital assets, depreciable:					
Buildings and improvements	\$ 19,303,359	\$ 201,264	\$ -	\$ 3,431,190	\$ 22,935,813
Other improvements	13,090,505	1,717,848	-	-	14,808,353
Equipment	11,063,642	313,096	491,914	-	10,884,824
School buildings	74,966,918	-	-	(3,378,430)	71,588,488
Total capital assets, depreciable	\$ 118,424,424	\$ 2,232,208	\$ 491,914	\$ 52,760	\$ 120,164,718
Less accumulated depreciation for:					
Buildings and improvements	\$ 3,214,856	\$ 509,685	\$ -	\$ 1,912,728	\$ 5,637,269
Other improvements	8,713,303	399,739	-	-	9,113,042
Equipment	7,817,674	824,628	491,914	-	8,150,388
School buildings	18,056,306	1,874,173	-	(1,848,567)	18,081,912
Total accumulated depreciation	\$ 37,802,139	\$ 3,608,225	\$ 491,914	\$ 64,161	\$ 40,918,450
Capital assets, depreciable, net	\$ 80,622,285	\$ (1,376,017)	\$ -	\$ (11,401)	\$ 79,234,867
Governmental activities capital assets, net	\$ 84,551,345	\$ (1,376,017)	\$ 1,523,075	\$ (11,401)	\$ 81,640,852

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 473,199
Judicial administration	83,555
Public safety	674,293
Public works	292,811
Health and welfare	77,384
Education	1,874,173
Parks, recreation, and cultural	67,693
Community development	65,117
Total depreciation	<u>\$ 3,608,225</u>

Discretely Presented Component Unit-School Board

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Capital assets, nondepreciable:					
Land	\$ 309,661	\$ -	\$ -	\$ -	\$ 309,661
Capital assets, depreciable:					
Buildings and improvements	\$ 16,440,991	\$ 516,596	\$ -	\$ (52,760)	\$ 16,904,827
Other improvements	1,446,689	59,951	-	-	1,506,640
Equipment	11,222,245	904,356	87,405	-	12,039,196
Total capital assets, depreciable	<u>\$ 29,109,925</u>	<u>\$ 1,480,903</u>	<u>\$ 87,405</u>	<u>\$ (52,760)</u>	<u>\$ 30,503,423</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ 13,014,998	\$ 376,509	\$ -	\$ (64,161)	\$ 13,327,346
Other improvements	724,525	112,985	-	-	837,510
Equipment	7,216,917	838,038	87,405	-	7,967,550
Total accumulated depreciation	<u>\$ 20,956,440</u>	<u>\$ 1,327,532</u>	<u>\$ 87,405</u>	<u>\$ (64,161)</u>	<u>\$ 22,132,406</u>
Capital assets, depreciable, net	<u>\$ 8,153,485</u>	<u>\$ 153,371</u>	<u>\$ -</u>	<u>\$ 11,401</u>	<u>\$ 8,318,257</u>
Governmental activities capital assets, net	<u>\$ 8,463,146</u>	<u>\$ 153,371</u>	<u>\$ -</u>	<u>\$ 11,401</u>	<u>\$ 8,627,918</u>

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
General obligation bonds	\$ 46,999,872	\$ -	\$ 2,584,963	\$ 44,414,909	\$ 2,387,294
Literary fund loans	10,064,034	-	872,233	9,191,801	872,233
Derivative instrument liability	3,104,042	-	184,349	2,919,693	-
Bond premiums	411,287	-	20,508	390,779	20,508
Total bonds payable	\$ 60,579,235	\$ -	\$ 3,662,053	\$ 56,917,182	\$ 3,280,035
Landfill closure/postclosure (Note 8)	8,886,625	834,856	-	9,721,481	-
Compensated absences	1,299,143	1,127,327	1,125,714	1,300,756	195,113
OPEB (Note 14)	835,336	790,971	353,149	1,273,158	-
Total Primary Government	\$ <u>71,600,339</u>	\$ <u>2,753,154</u>	\$ <u>5,140,916</u>	\$ <u>69,212,577</u>	\$ <u>3,475,148</u>
Component Unit-School Board:					
Compensated absences	\$ 330,225	\$ 608,490	\$ 588,640	\$ 350,075	\$ 52,511
OPEB (Note 14)	1,319,729	2,628,382	1,711,650	2,236,461	-
Total Component Unit- School Board	\$ <u>1,649,954</u>	\$ <u>3,236,872</u>	\$ <u>2,300,290</u>	\$ <u>2,586,536</u>	\$ <u>52,511</u>
Component Unit-IDA:					
Economic incentive grants payable (Note 9)	\$ 145,651	\$ 73,194	\$ -	\$ 218,845	\$ 115,049
Total Component Unit - IDA	\$ <u>145,651</u>	\$ <u>73,194</u>	\$ <u>-</u>	\$ <u>218,845</u>	\$ <u>115,049</u>

Debt service requirements of general obligation bonds, literary fund loans, and compensated absences are paid by the General Fund. Costs related to landfill closure/postclosure are paid by the General Capital Projects Fund or the Solid Waste Fund. Capital lease payments are made by the General Fund.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

The primary government's annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			
	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2012	\$ 2,387,294	\$ 2,084,187	\$ 872,233	\$ 214,086
2013	2,380,400	1,963,123	872,233	193,891
2014	2,251,884	1,846,954	872,233	173,697
2015	2,286,891	1,733,722	872,233	153,502
2016	2,388,157	1,617,263	872,233	133,307
2017-2021	11,765,283	6,299,827	3,861,167	368,617
2022-2026	13,435,000	3,284,372	969,469	29,084
2027-2029	7,520,000	404,556	-	-
Total	\$ 44,414,909	\$ 19,234,004	\$ 9,191,801	\$ 1,266,184

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
<u>General Obligation Bonds:</u>					
School Construction	4.47-5.00%	Nov 1993	Dec 2013	\$ 11,000,000	\$ 255,000
School Construction	4.90-6.35%	Nov 1992	July 2012	1,812,215	239,434
School Construction	5.10-5.50%	April 1993	Dec 2012	3,000,000	230,000
School Construction	5.10-6.10%	Nov 1996	July 2016	3,202,504	1,156,870
School Construction	4.35-5.23%	Nov 1997	July 2017	2,709,756	1,110,912
School Construction	3.60-5.10%	Nov 1998	Jan 2019	3,323,952	1,497,693
School Construction	4.35-5.10%	April 2005	July 2030	8,685,000	7,235,000
VML/VACO Bonds-School	4.61%	June 2008	July 2029	16,000,000	15,265,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	5,475,000	5,220,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	12,800,000	12,205,000
					\$ 44,414,909

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

In 2008 the County issued a derivative financial instrument in the form of an interest rate swap. The County has implemented Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments during 2010.

Interest rate swap

Objective of the interest rate swap.

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

Terms - The bonds and the related swap agreement mature on August 1, 2028. The swap's notional value of \$36,739,693 is more than the balance outstanding on the bonds payable of \$33,820,000. The difference of \$2,919,693 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the County.

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

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

		<u>\$33,820,000</u>
Fair value	\$	(2,919,693)
Change in fair value		184,349

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The County's landfill consists of four phases described as follows: Phase I of the landfill has never been intended to be used for actual waste disposal and serves only as a storage area. Phase II of the landfill was closed in 1995. Phase III opened in 1995 and has an expected remaining life of about 11 years at current fill rates. Phase IV has not yet been opened and is expected to have an approximate life of an additional 13 years. The expected remaining life of the entire landfill at recent usage rates would be approximately 24 years. However, as described below the County joined a regional landfill authority on July 1, 2008, and because landfill sites will then be shared among members of the authority, the actual remaining life of the County's sites is not possible to predict.

In accordance with state and Federal laws, the County placed a final cover on Phase II of the landfill in 1995 and is required to perform certain maintenance and monitoring functions at this site for a minimum of thirty years after closure. The cumulative amount of estimated postclosure care costs for this site, less amounts expended for such costs to date, totals \$756,167. This amount includes a provision for certain remediation procedures and related litigation as discussed in Note 17.

The closure and postclosure care costs for Phase III will be paid only near or after the date at which the phase is permanently closed; the County has reported a liability for a portion of these closure and postclosure care costs based on capacity used in Phase III. The \$4,891,239 reported as landfill closure and postclosure care costs associated with Phase III is based on 88.81% of the phase's estimated capacity used to date. The County will recognize the remaining estimated cost of closure and postclosure care of \$616,293 as the remaining estimated capacity is filled in Phase III's existing open cells. These amounts are based on estimates of what it would cost to perform all closure and postclosure care in 2011. Actual closure and postclosure costs may be higher due to inflation, changes in technology or changes in regulations.

The County has joined a regional landfill authority in conjunction with the City of Lynchburg, the City of Bedford, Amherst County, Appomattox County, and Nelson County. Certain assets were sold to the Authority in July 2008. The County will retain ownership of and responsibility for Phases 1 and 2 as discussed above. Upon the establishment of the new Authority, the County's landfill ceased accepting solid waste on June 30, 2008. All solid waste from the County is now transferred to the landfill operated by the Authority.

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

NOTE 9—IDA ECONOMIC INCENTIVE GRANTS PAYABLE:

As discussed in Note 12, the IDA has awarded certain economic incentive grants to businesses within the County; normally these grants are paid out over about a three year period. Grants for which management has determined the underlying requirements have been substantially met total \$218,845 and are expected to be paid in fiscal years 2012 - 2014.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

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

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

1. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt “on behalf” of the School Board. The debt obligation is recorded as a liability of the County’s governmental activities. The proceeds from the debt issued “on behalf” of the School Board are recorded in the County’s School Construction Capital Projects Fund. This fund then accounts for capital expenditures relating to major school construction projects.
2. Debt service payments for school bonded debt are reported as part of the primary government in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.
3. Local governments in Virginia have a “tenancy in common” with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation as “jointly owned” assets. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government’s financial statements and reported in the School Board’s financial statements. The School Board retains authority and responsibility over the operation and control of this property.
4. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board - Component Unit (Exhibit 19)	\$ 74,569,094
School-related principal and other debt service expenses included in primary government (Exhibit 4)	<u>4,245,133</u>
Total expenditures for school activities	<u><u>\$ 78,814,227</u></u>

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

The IDA was created to encourage economic development in the County. To that end, the County appropriates periodic contributions to the IDA. In addition, the County provides certain economic incentive grants to encourage development in the County. These grants pass through the IDA but ultimately are long-term obligations reported in the County’s government-wide statement of net assets. When the underlying requirements have been substantially met, these amounts are recorded by the IDA as payable to the grant recipient and as receivable from the County. At year end the IDA reported economic incentive grants payable of \$218,845 and an equal amount was reported as receivable from the County.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 11—SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - IDA: (CONTINUED)

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

Long-term commitments to IDA, reported in the government-wide Statement of Net Assets	\$ 218,845
Total payable to IDA	\$ 218,845

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

NOTE 12—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 10 years of service credit or age 50 with at least five 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.
- 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.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 12-DEFINED BENEFIT PENSION PLAN:

A. Plan Description: (Continued)

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

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

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund 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 2011 was 9.07% of annual covered payroll. The School Board's contribution rates for fiscal year 2011 was 3.93% for professional employees and 7.58% for non-professional employees. The County and School Board contribution rates do not include the employee's share of 5.00%.

For the three years ended June 30, 2011, 2010 and 2009, employer contributions made to the VRS statewide teacher pool for professional employees by the School Board excluding the employee share paid by the School Board were \$1,401,891, \$2,434,795 and \$3,453,699 and represented 3.93%, 8.81% (8.81% July 2009 - March 2010 and 0% April 2010 - June 2010) and 8.81% of annual covered payroll, respectively, and 100% of the required contributions for 2011, 2010 and 2009.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 12-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2011, the County's and School Board's non-professional annual pension cost, not including the employee share was \$954,950 (employee share paid by County - \$526,433) and \$211,844 (employee share paid by School Board - \$139,739) which were equal to the County and School Board's required and actual contributions, respectively.

Three-Year Trend Information for Campbell County				
Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$	954,950	100%	\$ -
June 30, 2010		810,763	100%	-
June 30, 2009		878,883	100%	-
Three-Year Trend Information for Campbell County School Board-Nonprofessional				
Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$	211,844	100%	\$ -
June 30, 2010		236,588	100%	-
June 30, 2009		236,099	100%	-

The FY 2011 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/City/Town'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. County/City/Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

County

As of June 30, 2010, the most recent actuarial valuation date, the plan was 81.12% funded. The actuarial accrued liability for benefits was \$51,465,506, and the actuarial value of assets was \$41,750,179, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,715,327. The covered payroll (annual payroll of active employees covered by the plan) was \$11,373,061, and ratio of the UAAL to the covered payroll was 85.42%.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 12-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress: (Continued)

School Board

As of June 30, 2010, the most recent actuarial valuation date, the plan was 84.51% funded. The actuarial accrued liability for benefits was \$12,851,216, and the actuarial value of assets was \$10,860,971, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,990,245. The covered payroll (annual payroll of active employees covered by the plan) was \$3,118,950, and ratio of the UAAL to the covered payroll was 63.81%.

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 13-OTHER POST-EMPLOYMENT BENEFITS:

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

Plan Description

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

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS:

Plan Description: (Continued)

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

The number of participants at June 30, 2011 was as follows:

	Primary Government	School Board
Retirees currently receiving benefits	30	143
Active employees	267	857
Total	297	1,000

Funding Policy

The County and Schools currently fund post-employment health care benefits on a pay-as-you-go basis. During fiscal year 2011, neither the County nor the Schools designated any funding for the OPEB liability.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

Annual Required Contribution (ARC):

The annual cost of other post-employment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC an amount actuarially determined with the parameters of GASB 54. The estimated pay as you go cost for OPEB benefits for FY 2011 was \$790,971 for the County and \$2,628,382 for the School Board. The County and School Board have paid \$353,149 and \$1,711,650, respectively towards this obligation during the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the annual OPEB cost are depicted in the following table.

	Primary Government	School Board
Annual required contribution	\$ 792,337	\$ 2,630,540
Interest on net OPEB obligation	33,413	52,789
Adjustment to annual required contribution	(34,779)	(54,947)
Annual OPEB cost	\$ 790,971	\$ 2,628,382
Contributions made	353,149	1,711,650
Increase in net OPEB obligation	\$ 437,822	\$ 916,732
Net OPEB obligation-beginning of year	835,336	1,319,729
Net OPEB obligation-end of year	\$ 1,273,158	\$ 2,236,461

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation: (Continued)

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 790,971	44.65%	\$ 1,273,158
June 30, 2010	738,662	43.75%	835,336
June 30, 2009	702,723	40.30%	419,823

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 2,628,382	65.12%	\$ 2,236,461
June 30, 2010	2,221,138	72.88%	1,319,729
June 30, 2009	2,134,442	66.39%	717,442

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2011 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Valuation Date	July 1, 2010	July 1, 2010
Actuarial Accrued Liability (AAL)	\$ 8,303,103	\$ 28,376,170
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	8,303,103	28,376,170
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-	-
Covered Payroll (Active Plan Members)	11,373,671	\$ 42,144,022
UAAL as a Percentage of Covered Payroll	73.00%	67.33%

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

Funding Status and Funding Progress: (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4% discount rate and an initial annual healthcare cost trend of 8% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5%. The unfunded accrued liability is being amortized over 30 years. The remaining amortization period at July 1, 2010 (actuarial valuation date) is 30 years.

School Board Health Insurance Credit Program

A. Plan Description

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

An employee of the School Board who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2011 was .72% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation

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

For 2011, the School Board's contribution of \$20,122 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 20,122	100.00%	\$ -

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability (AAL)	\$ 372,597
Actuarial Value of Plan Assets	159,284
Unfunded Actuarial Accrued Liability (UAAL)	213,313
Funded Ratio (Actuarial Value of Plan Assets/AAL)	42.75%
Covered Payroll (Active Plan Members)	3,118,950
UAAL as a Percentage of Covered Payroll	6.84%

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

NOTE 13—OTHER POST-EMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

D. Funded Status and Funding Progress: (Continued)

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2010 was 26 years.

F. Professional Employees - Discretely Presented Component Unit School Board

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is .60% of annual covered payroll. The School Board's contribution to VRS for the year ended June 30, 2011 was \$214,029 and equaled the required contributions for the year.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2011 (CONTINUED)

NOTE 14-PROPERTY TAXES:

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

Real estate taxes are billed in annual installments due December 5. The taxes receivable balance at June 30, 2011 includes amounts not yet received from the January 1, 2011 levy. Property taxes attach as an enforceable lien on property as of January 1.

In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was \$.46 and \$.46 per \$100 of assessed value for calendar years 2011 and 2010, respectively.

Personal property tax assessments on all motor vehicles is \$3.85 per \$100 assessed value. Personal property tax on business machinery and tools is \$3.25 per \$100 of assessed value. Personal property taxes for the calendar year are due on December 5. Personal property taxes do not create a lien on property.

NOTE 15-RISK MANAGEMENT:

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

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

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

Unemployment Insurance

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

Employee Health Insurance

The County is self-insured for medical coverage for County and School employees. Anthem serves as the administrator of a group medical insurance program in which the County and School Board's participating employees are combined into one overall funding program. The program includes a specific stop loss of \$125,000 for the program year ending September 30, 2011, and a maximum aggregate liability of 115% of Anthem's estimate of the expected liability.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 15–RISK MANAGEMENT: (CONTINUED)

Employee Health Insurance: (Continued)

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

<u>Fiscal Year Ending</u>	<u>Beginning of Year</u>	<u>Insured Claims (Including IBNR)</u>	<u>Claim Payments</u>	<u>End of Year</u>
June 30, 2011	\$ 916,667	\$ 9,632,520	\$ 9,746,434	\$ 802,753
June 30, 2010	968,346	10,043,182	10,094,861	916,667
June 30, 2009	745,696	9,862,157	9,639,507	968,346

NOTE 16–COMMITMENTS AND CONTINGENCIES:

Environmental Matters

The County has been involved in a regulatory action with the Virginia Department of Environmental Quality which resulted in a Consent Order dated September 3, 2003. Pursuant to the terms of the order, the County was required to provide a suitable remedy for a plume of contamination from Phase II of its landfill onto an adjoining property. The remediation procedures have been performed; a provision for ongoing monitoring costs arising from this action has been included in the landfill closure/postclosure liability.

The County was the subject of a lawsuit stemming from the contamination described above. This case reached trial in October 2009, and a jury returned a \$9 million judgment against the County. However, as of the auditor's report date the trial had not reached its final phase, including a possible additional award for attorney fees and any actions by the presiding judge to change the amounts awarded. Because this litigation is not final and because the County intends to appeal, management and the County's legal counsel believe that the ultimate outcome remains unclear. The County has included a provision for a portion of this amount in the landfill closure/postclosure liability. No additional amount was recorded in 2011 due to the uncertainty of the outcome of the case.

Special Purpose Grants

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

Revenue Bonds of Campbell County Utilities and Service Authority

The County Board of Supervisors has issued expressions of intent to provide the debt service payments on certain revenue bonds issued by the Campbell County Utilities and Service Authority (CCUSA). This support agreement is a non-binding obligation to appropriate to the CCUSA such funds as may be requested from time to time to pay these debt service costs for the life of the bonds, or 20 years. The County paid CCUSA approximately \$282,503 for debt service in fiscal year 2011. In turn, the County receives water and sewer access fees related to these projects. In 2011, the County received approximately \$55,960 in such fees.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2011 (CONTINUED)

NOTE 16–COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Economic Development Incentive

The County has committed to subsidize the water bills of certain industries located off U.S. Route 460 on Mt. Athos near Lynchburg. These commitments will last for two more years. The annual cost of these subsidies was \$131,861 in fiscal year 2011 and is estimated to be \$149,106 in fiscal year 2012, which is an increase from prior years due to regional water rate negotiations. These rates are expected to increase over the remaining life of the subsidies depending on the amount of water used and the rates charged by the provider, City of Lynchburg. Campbell County has established an annual stabilization rate and is budgeting that amount annually and carrying over the remaining balance to minimize the impact of future increases to the County budget.

Library Foundation

The County has agreed to provide \$700,000 in financing for a new library and recreation center, contingent upon the Library Foundation first raising \$2.1 million in private donations. The County expects to issue bonds to fund its share of the financing. At June 30, 2011 the Foundation had not yet raised these funds.

IDA - Adverse IRS Determination

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

Leesville Road Waterline

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

NOTE 17–NEW ACCOUNTING STANDARDS:

The Governmental Accounting Standards Board (GASB) issued in June 2011, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 63, establishes guidance for reporting deferred outflows of resources, deferred inflows of resources and defines the net equity of an entity as the “Net Position” in a Statement of Financial Position. The required implementation date of GASB No. 63 is for period beginning after December 15, 2011 or for fiscal years ending June 30, 2013.

Management has not yet evaluated the effects of adopting this standard.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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General Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 29,878,332	\$ 30,108,332	\$ 30,862,061	\$ 753,729
Other local taxes	8,548,920	8,549,821	8,455,611	(94,210)
Permits, privilege fees, and regulatory licenses	256,775	266,231	267,595	1,364
Fines and forfeitures	180,100	180,100	260,671	80,571
Revenue from the use of money and property	492,208	492,208	282,899	(209,309)
Charges for services	2,121,891	2,208,406	1,930,024	(278,382)
Miscellaneous	62,550	571,282	618,547	47,265
Recovered costs	296,182	342,118	345,738	3,620
Intergovernmental revenues:				
Commonwealth	13,319,687	14,635,892	13,820,111	(815,781)
Federal	3,486,148	3,846,041	3,463,751	(382,290)
Total revenues	\$ 58,642,793	\$ 61,200,431	\$ 60,307,008	\$ (893,423)
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	\$ 105,593	\$ 107,257	\$ 101,367	\$ 5,890
County administrator	323,218	336,112	329,028	7,084
Independent auditor	61,500	61,500	58,500	3,000
Business auditor	52,703	54,757	53,511	1,246
Commissioner of the Revenue	397,735	395,070	377,116	17,954
Reassessment	286,779	333,370	295,923	37,447
Central purchasing	154,067	156,401	151,088	5,313
Legal services	243,406	281,972	270,918	11,054
Treasurer	471,643	483,255	475,836	7,419
Information systems	781,462	823,760	747,693	76,067
Management services	365,518	374,588	362,985	11,603
Vehicle licensing	30,794	31,704	31,245	459
Human resources	124,349	112,561	107,072	5,489
Other	699,502	581,065	536,458	44,607
Registrar	196,186	203,781	190,928	12,853
Total general government administration	\$ 4,294,455	\$ 4,337,153	\$ 4,089,668	\$ 247,485
Judicial administration				
Circuit court	\$ 78,205	\$ 82,305	\$ 66,486	\$ 15,819
General district court	12,215	14,204	12,167	2,037
Magistrates	1,551	1,551	1,200	351
Juvenile and domestic relations court	12,815	13,420	10,876	2,544
Clerk of the circuit court	492,717	626,334	559,366	66,968
Law library	6,630	6,630	6,125	505
Victim witness program	167,284	231,545	197,004	34,541
Commissioner of accounts	1,320	1,320	1,076	244
Commonwealth attorney	693,722	728,008	720,960	7,048
Total judicial administration	\$ 1,466,459	\$ 1,705,317	\$ 1,575,260	\$ 130,057

General Fund

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

For the Year Ended June 30, 2011 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Public safety				
Sheriff	\$ 4,353,324	\$ 4,830,132	\$ 4,646,933	\$ 183,199
Safe streets task force	-	8,000	1,486	6,514
E - 911 system	901,150	1,357,796	1,258,546	99,250
Fire departments	605,110	627,747	593,289	34,458
Ambulance and rescue services	504,243	984,086	955,084	29,002
Paid EMT services	1,221,701	1,298,484	1,175,953	122,531
Forest fire extinction service	18,941	18,941	18,941	-
Jail	2,250,000	2,547,212	2,517,930	29,282
Probation office	4,400	4,400	3,962	438
Local corrections	438,329	709,676	647,186	62,490
Building inspections	334,079	345,625	334,056	11,569
Animal control	221,318	225,112	216,062	9,050
Medical examiner	450	450	260	190
Emergency services	259,170	300,953	236,010	64,943
Total public safety	\$ 11,112,215	\$ 13,258,614	\$ 12,605,698	\$ 652,916
Public works				
Highway services	\$ 20,350	\$ 26,350	\$ 23,645	\$ 2,705
Street lights	8,100	9,600	8,799	801
Brookneal/Campbell airport	10,080	13,063	13,063	-
Maintenance of buildings and grounds	1,160,673	1,249,332	1,177,945	71,387
Public works administration	244,373	249,166	244,816	4,350
Total public works	\$ 1,443,576	\$ 1,547,511	\$ 1,468,268	\$ 79,243
Health and welfare				
Health department	\$ 391,638	\$ 346,595	\$ 346,595	\$ -
Chapter X board	157,404	157,404	157,404	-
Welfare assistance and administration	7,182,932	7,248,685	6,567,926	680,759
At risk youth program	3,300,635	3,266,707	2,005,726	1,260,981
Property tax relief for elderly/handicapped	-	230,000	225,594	4,406
Housing assistance	110,871	113,401	105,121	8,280
Other health and welfare	14,113	14,113	14,113	-
Total health and welfare	\$ 11,157,593	\$ 11,376,905	\$ 9,422,479	\$ 1,954,426
Education				
Contribution to School Board				
Component unit	\$ 20,838,202	\$ 27,745,105	\$ 20,034,312	\$ 7,710,793
Total education	\$ 20,838,202	\$ 27,745,105	\$ 20,034,312	\$ 7,710,793

General Fund

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

For the Year Ended June 30, 2011 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Parks, recreation, and cultural				
Parks and recreation	\$ 600,871	\$ 623,250	\$ 564,553	\$ 58,697
Altavista armory	-	-	-	-
Community recreation	302,968	302,968	233,042	69,926
Historic landmarks	-	-	-	-
Library	893,524	934,692	899,333	35,359
Literacy	29,099	30,099	26,915	3,184
Total parks, recreation, and cultural	\$ 1,826,462	\$ 1,891,009	\$ 1,723,843	\$ 167,166
Community Development				
Zoning	\$ 368,754	\$ 371,387	\$ 352,462	\$ 18,925
Economic development	397,411	2,264,398	1,582,715	681,683
Planning	111,000	111,000	111,000	-
Campbell County Utility Service Authority	306,304	386,348	307,826	78,522
Soil and water conservation district	10,000	60,500	10,422	50,078
Cooperation extension program	65,766	65,766	65,682	84
Total community development	\$ 1,259,235	\$ 3,259,399	\$ 2,430,107	\$ 829,292
Debt Service				
Principal	\$ 3,682,197	\$ 4,465,493	\$ 3,457,196	\$ 1,008,297
Interest and fiscal charges	1,747,303	2,522,855	2,438,998	83,857
Total debt service	\$ 5,429,500	\$ 6,988,348	\$ 5,896,194	\$ 1,092,154
Nondepartmental	\$ (500,000)	\$ (500,000)	\$ -	\$ (500,000)
Total expenditures	\$ 58,327,697	\$ 71,609,361	\$ 59,245,829	\$ 12,363,532
Excess (deficiency) of revenues over (under) expenditures	\$ 315,096	\$ (10,408,930)	\$ 1,061,179	\$ 11,470,109
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 288	\$ 288	\$ -
Transfers out	(2,005,860)	(2,091,000)	(2,091,000)	-
Total other financing sources and uses	\$ (2,005,860)	\$ (2,090,712)	\$ (2,090,712)	\$ -
Net change in fund balances	\$ (1,690,764)	\$ (12,499,642)	\$ (1,029,533)	\$ 11,470,109

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

Solid Waste Fund

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

For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 45,000	\$ 45,000	\$ 7,166	\$ (37,834)
Charges for services	1,110,000	1,110,000	945,976	(164,024)
Miscellaneous	-	-	700,000	700,000
Intergovernmental revenues:				
Commonwealth	12,776	12,776	15,250	2,474
Total revenues	\$ 1,167,776	\$ 1,167,776	\$ 1,668,392	\$ 500,616
EXPENDITURES				
Current:				
Public Works - Solid Waste	\$ 3,773,636	\$ 3,968,396	\$ 1,840,598	\$ 2,127,798
Total expenditures	\$ 3,773,636	\$ 3,968,396	\$ 1,840,598	\$ 2,127,798
Excess (deficiency) of revenues over (under) expenditures	\$ (2,605,860)	\$ (2,800,620)	\$ (172,206)	\$ 2,628,414
OTHER FINANCING SOURCES (USES)				
Sale of capital assets				
Transfers in	\$ 2,605,860	\$ 2,608,028	\$ 2,608,028	\$ -
Sale of capital assets	-	-	69,594	69,594
Total other financing sources and uses	\$ 2,605,860	\$ 2,608,028	\$ 2,677,622	\$ 69,594
Net change in fund balances	\$ -	\$ (192,592)	\$ 2,505,416	\$ 2,698,008

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

Required Supplementary Information

Schedule of Pension Funding Progress - Virginia Retirement System

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 41,750,179	\$ 51,465,506	\$ 9,715,327	81.12%	\$ 11,373,061	85.42%
6/30/2009	41,655,860	46,492,715	4,836,855	89.60%	11,449,284	42.25%
6/30/2008	41,219,964	44,722,984	3,503,020	92.17%	12,247,984	28.60%

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2010	\$ 10,860,971	\$ 12,851,216	\$ 1,990,245	84.51%	\$ 3,118,950	63.81%
6/30/2009	10,951,440	11,900,346	948,906	92.03%	3,060,653	31.00%
6/30/2008	10,934,486	11,518,331	583,845	94.93%	3,028,141	19.28%

Required Supplementary Information

Schedule of Funding Progress - Other Post-Employment Benefits

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2008	\$ -	\$ 6,926,245	\$ 6,926,245	0.00%	\$ 11,407,402	60.72%
7/1/2010	-	8,303,103	8,303,103	0.00%	11,373,671	73.00%

School Board:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2008	\$ -	\$ 23,562,505	\$ 23,562,505	0.00%	\$ 42,144,022	55.91%
7/1/2010	-	28,376,170	28,376,170	0.00%	42,144,022	67.33%

School Board - Health Insurance Credit Program:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
9/30/2008	\$ 155,241	\$ 434,399	\$ 279,158	35.74%	\$ 3,028,141	9.22%
9/30/2009	130,255	354,677	224,422	36.72%	3,060,653	7.33%
9/30/2010	159,284	372,597	213,313	42.75%	3,118,950	6.84%

OTHER SUPPLEMENTARY INFORMATION

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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Capital Projects Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 50,000	\$ 50,000	\$ 36,175	\$ (13,825)
Charges for services	250,000	250,000	61,777	(188,223)
Intergovernmental revenues:				
Commonwealth	756,909	764,089	378,870	(385,219)
Total revenues	\$ 1,056,909	\$ 1,064,089	\$ 476,822	\$ (587,267)
EXPENDITURES				
Current:				
Capital projects	\$ 2,543,697	\$ 4,775,986	\$ 1,472,522	\$ 3,303,464
Total expenditures	\$ 2,543,697	\$ 4,775,986	\$ 1,472,522	\$ 3,303,464
Excess (deficiency) of revenues over (under) expenditures	\$ (1,486,788)	\$ (3,711,897)	\$ (995,700)	\$ 2,716,197
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,400,000	\$ 1,482,972	\$ 1,482,972	\$ -
Transfers out	(2,000,000)	(2,000,288)	(2,000,288)	-
Total other financing sources and uses	\$ (600,000)	\$ (517,316)	\$ (517,316)	\$ -
Net change in fund balances	\$ (2,086,788)	\$ (4,229,213)	\$ (1,513,016)	\$ 2,716,197

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

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 School Construction Capital Projects Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenues:				
Local government	\$ -	\$ -	\$ 348,767	\$ 348,767
Total revenues	\$ -	\$ -	\$ 348,767	\$ 348,767
EXPENDITURES				
Capital projects	\$ -	\$ 13,778	\$ -	\$ 13,778
Total expenditures	\$ -	\$ 13,778	\$ -	\$ 13,778
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (13,778)	\$ -	\$ 362,545
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ (13,778)	\$ 348,767	\$ 362,545

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

Agency Funds

Combining Statement of Fiduciary Net Assets

June 30, 2011

	<u>Special Welfare</u>	<u>Drug Enforcement</u>	<u>Commonwealth Attorney Drug Fund</u>	<u>Flexible Benefits</u>	<u>County Agency</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ <u>37,407</u>	\$ <u>101,373</u>	\$ <u>49,136</u>	\$ <u>53,636</u>	\$ <u>25,473</u>	\$ <u>267,025</u>
LIABILITIES						
Amounts held for others	\$ <u>37,407</u>	\$ <u>101,373</u>	\$ <u>49,136</u>	\$ <u>53,636</u>	\$ <u>25,473</u>	\$ <u>267,025</u>
NET ASSETS	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 49,175	\$ 130,543	\$ 142,311	\$ 37,407
Liabilities:				
Amounts held for social service clients	\$ 49,175	\$ 130,543	\$ 142,311	\$ 37,407
Drug Enforcement:				
Assets:				
Cash and cash equivalents	\$ 120,016	\$ 9,349	\$ 27,992	\$ 101,373
Liabilities:				
Amounts held for others	\$ 120,016	\$ 9,349	\$ 27,992	\$ 101,373
Commonwealth Attorney Drug Fund:				
Assets:				
Cash and cash equivalents	\$ 46,237	\$ 4,614	\$ 1,715	\$ 49,136
Liabilities:				
Amounts held for others	\$ 46,237	\$ 4,614	\$ 1,715	\$ 49,136
Flexible Benefits:				
Assets:				
Cash and cash equivalents	\$ 67,410	\$ 2,827,336	\$ 2,841,110	\$ 53,636
Liabilities:				
Amounts held for others	\$ 67,410	\$ 2,827,336	\$ 2,841,110	\$ 53,636
County Agency:				
Assets:				
Cash and cash equivalents	\$ 18,162	\$ 7,311	\$ -	\$ 25,473
Liabilities:				
Amounts held for others	\$ 18,162	\$ 7,311	\$ -	\$ 25,473
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 301,000	\$ 2,979,153	\$ 3,013,128	\$ 267,025
Total assets	\$ 301,000	\$ 2,979,153	\$ 3,013,128	\$ 267,025
Liabilities:				
Amounts held for social service clients	\$ 49,175	\$ 130,543	\$ 142,311	\$ 37,407
Amounts held for other organizations	251,825	2,848,610	2,870,817	229,618
Total liabilities	\$ 301,000	\$ 2,979,153	\$ 3,013,128	\$ 267,025

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2011

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,252,767	\$ 1,386,026	\$ 1,145,391	\$ 7,784,184
Receivables (net of allowance for uncollectibles):				
Accounts receivable	22,050	-	-	22,050
Due from other governmental units	3,985,823	-	-	3,985,823
Prepaid items	367,021	14,658	-	381,679
Total assets	<u>\$ 9,627,661</u>	<u>\$ 1,400,684</u>	<u>\$ 1,145,391</u>	<u>\$ 12,173,736</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 863,354	\$ 20,309	\$ -	\$ 883,663
Accrued liabilities	5,895,740	212,668	-	6,108,408
Due to primary government	2,500,530	-	-	2,500,530
Total liabilities	<u>\$ 9,259,624</u>	<u>\$ 232,977</u>	<u>\$ -</u>	<u>\$ 9,492,601</u>
Fund balances:				
Nonspendable				
Encumbrances	\$ 5,995,918	\$ -	\$ -	\$ 5,995,918
Prepaid items	367,021	-	-	367,021
Assigned to:				
Education	1,016	-	1,145,391	1,146,407
Education - capital projects	-	1,167,707	-	1,167,707
Unassigned	(5,995,918)	-	-	(5,995,918)
Total fund balances	<u>\$ 368,037</u>	<u>\$ 1,167,707</u>	<u>\$ 1,145,391</u>	<u>\$ 2,681,135</u>
Total liabilities and fund balances	<u>\$ 9,627,661</u>	<u>\$ 1,400,684</u>	<u>\$ 1,145,391</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds (Cost of \$30,760,324 and accumulated depreciation of \$22,132,406)	\$ 8,627,918
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Other post-employment benefits	\$ (2,236,461)
Compensated absences	<u>(350,075)</u>
Net assets of governmental activities	<u>\$ 8,722,517</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2011

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 2,852	\$ 740	\$ 4,373	\$ 7,965
Charges for services	136,805	1,519,224	-	1,656,029
Miscellaneous	19,645	9,427	-	29,072
Recovered costs	423,905	-	-	423,905
Intergovernmental revenues:				
Local government	20,034,312	-	-	20,034,312
Commonwealth	43,214,698	68,940	-	43,283,638
Federal	6,894,324	2,218,783	-	9,113,107
Total revenues	<u>\$ 70,726,541</u>	<u>\$ 3,817,114</u>	<u>\$ 4,373</u>	<u>\$ 74,548,028</u>
EXPENDITURES				
Current:				
Education	\$ 70,747,220	\$ 3,577,419	\$ -	\$ 74,324,639
Capital projects	-	-	593,222	593,222
Total expenditures	<u>\$ 70,747,220</u>	<u>\$ 3,577,419</u>	<u>\$ 593,222</u>	<u>\$ 74,917,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (20,679)</u>	<u>\$ 239,695</u>	<u>\$ (588,849)</u>	<u>\$ (369,833)</u>
Net change in fund balances	\$ (20,679)	\$ 239,695	\$ (588,849)	\$ (369,833)
Fund balances - beginning	388,716	928,012	1,734,240	3,050,968
Fund balances - ending	<u>\$ 368,037</u>	<u>\$ 1,167,707</u>	<u>\$ 1,145,391</u>	<u>\$ 2,681,135</u>

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

Net change in fund balances - total governmental funds - per above \$ (369,833)

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

Capital outlay	\$ 1,480,903	
Net transfer of assets between primary government and component unit	11,401	
Depreciation expense	<u>(1,327,532)</u>	164,772
Government to the Component Unit		

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

(Increase)/decrease in compensated absences	\$ (19,850)	
(Increase)/decrease in other post-employment benefits obligation	<u>(916,732)</u>	<u>(936,582)</u>
Change in net assets of governmental activities		<u>\$ (1,141,643)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2011

School Operating Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,500	\$ 3,500	\$ 2,852	\$ (648)
Charges for services	121,500	121,500	136,805	15,305
Miscellaneous	26,500	28,500	19,645	(8,855)
Recovered costs	190,500	403,255	423,905	20,650
Intergovernmental revenues:				
Local government	20,838,202	27,745,105	20,034,312	(7,710,793)
Commonwealth	43,675,795	43,687,408	43,214,698	(472,710)
Federal	6,626,648	9,218,610	6,894,324	(2,324,286)
Total revenues	\$ 71,482,645	\$ 81,207,878	\$ 70,726,541	\$ (10,481,337)
EXPENDITURES				
Current:				
Instruction	\$ 49,829,074	\$ 55,950,975	\$ 50,279,335	\$ 5,671,640
Administration, attendance and health	4,076,311	4,213,937	3,667,265	546,672
Pupil transportation	4,145,679	4,267,288	3,955,800	311,488
Operation and maintenance services	8,799,741	10,557,473	7,938,884	2,618,589
Technology	4,631,840	6,218,205	4,905,936	1,312,269
Total expenditures	\$ 71,482,645	\$ 81,207,878	\$ 70,747,220	\$ 10,460,658
Excess (deficiency) of revenues over (under)				
expenditures	\$ -	\$ -	\$ (20,679)	\$ (20,679)
Net change in fund balances	\$ -	\$ -	\$ (20,679)	\$ (20,679)

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

Statement of Net Assets

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2011

	<u>Enterprise Fund</u>
ASSETS	
Cash and cash equivalents	\$ 339,399
Due from primary government	218,845
Total assets	<u>\$ 558,244</u>
LIABILITIES	
Performance grants payable:	
Due within one year	\$ 115,049
Due in more than one year	103,796
Total liabilities	<u>\$ 218,845</u>
NET ASSETS - UNRESTRICTED	<u><u>\$ 339,399</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2011

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Miscellaneous	\$ 8,325
Total operating revenues	<u>\$ 8,325</u>
OPERATING EXPENDITURES	
Economic incentive grants	\$ 304,192
Other operating costs	993
Total operating expenditures	<u>\$ 305,185</u>
Operating income (loss)	\$ (296,860)
NONOPERATING REVENUES (EXPENDITURES)	
Contributions from Campbell County	\$ 307,341
Interest income	5,902
Net nonoperating revenues (expenditures)	<u>\$ 313,243</u>
Change in net assets	<u>\$ 16,383</u>
Fund balances - beginning	\$ 323,016
Fund balances - ending	<u><u>\$ 339,399</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2011

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grantors and customers	\$ 9,318
Payments to grantees and suppliers	(231,991)
Net cash provided by / (used in) operating activities	<u>\$ (222,673)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Campbell County	\$ 228,147
Net cash provided by / (used in) noncapital financing activities	<u>\$ 228,147</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Income	\$ 5,902
Net cash provided by / (used in) capital and related financing activities	<u>\$ 5,902</u>
Net increase / (decrease) in cash and cash equivalents	11,376
CASH AND CASH EQUIVALENTS	
Cash balance - beginning	328,023
Cash balance - ending	<u><u>\$ 339,399</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income (loss)	\$ (296,860)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Change in assets and liabilities:	
(Increase) / decrease in accounts receivable	993
Increase / (decrease) in performance grants payable	73,194
Net cash used in operating activities	<u><u>\$ (222,673)</u></u>

Other Statistical Information

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5 - 7

Debt Capacity

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

8 - 9

Demographic and Economic Information

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

10-14

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2005; schedules presenting government-wide information include information beginning in that year.

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COUNTY OF CAMPBELL, VIRGINIA

Table 1

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

	2005	2006	2007	2008	2009	2010	2011
Primary government							
Governmental activities							
Invested in capital assets, net of related debt	\$ 21,669,556	\$ 28,478,148	\$ 30,237,231	\$ 39,715,828	\$ 31,775,484	\$ 28,284,570	\$ 27,643,364
Restricted	7,638,827	1,239,449	-	-	-	-	-
Unrestricted	14,266,395	11,235,965	16,516,792	11,756,092	20,312,047	23,778,379	24,548,926
Total governmental activities net assets	\$ 43,574,778	\$ 40,953,562	\$ 46,754,023	\$ 51,471,920	\$ 52,087,531	\$ 52,062,949	\$ 52,192,290

Note: Accrual-basis financial information is available back to fiscal year 2005 when the County implemented GASB 34.

COUNTY OF CAMPBELL, VIRGINIA

Table 2
Page 1 of 2

Changes in Net Assets

Last Seven Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011
Expenses							
Governmental activities:							
General government administration	\$ 9,941,425	\$ 10,769,897	\$ 10,442,305	\$ 10,558,342	\$ 13,001,378	\$ 12,928,427	\$ 12,555,596
Judicial administration	1,717,599	1,790,192	1,442,333	1,528,774	1,637,800	1,708,920	1,686,219
Public safety	7,896,036	8,660,249	9,595,475	10,869,255	11,261,624	13,092,272	13,228,773
Public works	5,710,494	4,573,187	4,547,485	5,432,700	7,721,687	5,397,503	4,568,411
Health and welfare	9,238,509	9,699,537	11,038,564	11,738,042	10,582,093	9,613,637	9,556,302
Education	17,023,061	21,872,581	18,929,774	20,812,779	18,207,914	19,502,314	21,571,119
Parks, recreation and cultural	1,690,409	1,755,200	1,871,066	1,933,983	1,866,239	2,083,747	1,822,030
Community development	1,652,963	3,002,164	2,134,058	2,139,589	2,139,309	1,572,293	2,967,441
Interest on long-term debt	1,008,709	1,275,358	1,185,531	1,123,787	2,568,222	2,515,923	2,384,806
Total governmental activities expenses	\$ 55,879,205	\$ 63,398,365	\$ 61,186,591	\$ 66,137,251	\$ 68,986,266	\$ 68,415,036	\$ 70,340,697
Total primary government expenses	\$ 55,879,205	\$ 63,398,365	\$ 61,186,591	\$ 66,137,251	\$ 68,986,266	\$ 68,415,036	\$ 70,340,697
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 6,821,627	\$ 7,728,331	\$ 8,569,047	\$ 9,541,595	\$ 9,319,950	\$ 8,895,934	\$ 8,763,016
Judicial administration	111,595	136,082	118,653	111,540	85,601	122,019	121,039
Public safety	462,834	511,544	1,322,373	1,348,131	1,706,266	1,958,620	1,683,597
Public works	1,049,226	1,295,080	1,343,752	1,105,008	945,665	1,005,159	945,976
Health and welfare	-	-	-	-	-	34,680	-
Parks, recreation and cultural	204,412	223,948	226,963	234,040	227,362	249,297	274,777
Community development	-	-	-	-	-	48,943	32,052
Operating grants and contributions	10,295,570	11,212,583	12,571,430	13,171,193	12,425,500	11,558,109	11,512,825
Capital grants and contributions	374,983	1,366,882	659,373	1,181,992	246,851	585,146	704,737
Total governmental activities program revenues	\$ 19,320,247	\$ 22,474,450	\$ 24,811,591	\$ 26,693,499	\$ 24,957,195	\$ 24,457,907	\$ 24,038,019
Total primary government program revenues	\$ 19,320,247	\$ 22,474,450	\$ 24,811,591	\$ 26,693,499	\$ 24,957,195	\$ 24,457,907	\$ 24,038,019
Net (expense) / revenue							
Governmental activities	\$ (36,558,958)	\$ (40,923,915)	\$ (36,375,000)	\$ (39,443,752)	\$ (44,029,071)	\$ (43,957,129)	\$ (46,302,678)
Total primary government net expense	\$ (36,558,958)	\$ (40,923,915)	\$ (36,375,000)	\$ (39,443,752)	\$ (44,029,071)	\$ (43,957,129)	\$ (46,302,678)

COUNTY OF CAMPBELL, VIRGINIA

Table 2
Page 2 of 2

Changes in Net Assets

Last Seven Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	\$ 24,112,674	\$ 25,384,031	\$ 26,181,462	\$ 27,801,209	\$ 29,695,573	\$ 29,816,678	\$ 30,846,372
Other local taxes **	8,992,259	9,001,449	9,985,749	10,409,697	10,044,925	8,520,653	8,455,611
Interest and Investment income	672,786	1,321,908	1,641,200	1,406,527	1,047,057	397,787	351,069
Unrestricted grants and contributions	3,765,191	3,947,082	4,092,302	4,051,899	4,013,350	4,914,103	5,460,420
Other	212,718	236,053	274,748	344,739	351,051	283,326	1,318,547
Gain (loss) on sale of capital assets *	805,142	-	-	147,578	(507,274)	-	-
Total governmental activities	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547	\$ 46,432,019
Total primary government	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547	\$ 46,432,019
Change in Net Assets							
Governmental activities	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)	\$ 129,341
Total primary government	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)	\$ 129,341

Note: Accrual-basis financial information is available back to fiscal year 2005 when the County implemented GASB 34.

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

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

COUNTY OF CAMPBELL, VIRGINIA

Table 3

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

	2005	2006	2007	2008	2009	2010	2011 *
General fund							
Reserved	\$ 458,843	\$ 461,700	\$ 805,534	\$ 1,205,792	\$ 1,302,297	\$ 1,251,774	
Unreserved:							
Designated	5,325,348	5,647,091	5,300,955	5,326,719	7,212,014	8,540,762	
Undesignated	9,475,953	8,858,777	9,068,757	10,170,316	12,884,404	13,760,966	
Total general fund	\$ 15,260,144	\$ 14,967,568	\$ 15,175,246	\$ 16,702,827	\$ 21,398,715	\$ 23,553,502	
All other governmental funds							
Reserved	\$ 8,549,132	\$ 2,779,309	\$ 2,052,726	\$ 11,790,190	\$ 7,524,054	\$ 916,524	
Unreserved, reported in:							
Special revenue funds	417,066	559,314	502,654	2,837,950	3,355,746	2,301,181	
Capital projects funds	5,403,193	4,214,182	6,690,341	19,908,448	2,247,383	3,070,446	
Total all other governmental funds	\$ 14,369,391	\$ 7,552,805	\$ 9,245,721	\$ 34,536,588	\$ 13,127,183	\$ 6,288,151	
Total fund balance, governmental funds	\$ 29,629,535	\$ 22,520,373	\$ 24,420,967	\$ 51,239,415	\$ 34,525,898	\$ 29,841,653	
General fund							
Nonspendable						\$ 141,964	
Committed						6,494,918	
Assigned						2,029,391	
Unassigned						13,857,696	
Total general fund						\$ 22,523,969	
All other governmental funds							
Nonspendable						\$ 873	
Committed						1,073,022	
Assigned						6,569,201	
Unassigned						(13,778)	
Total all other governmental funds						\$ 7,629,318	
Total fund balance, governmental funds						\$ 30,153,287	

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

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

	2005	2006	2007	2008	2009	2010	2011
Revenues							
General property taxes	\$ 23,928,684	\$ 25,646,344	\$ 26,191,914	\$ 27,687,218	\$ 29,656,273	\$ 29,878,623	\$ 30,862,061
Other local taxes	8,992,259	9,001,449	9,985,749	10,409,697	10,044,925	8,520,653	8,455,611
Permits, privilege fees and regulatory licenses	324,390	382,254	397,580	373,627	295,858	260,941	267,595
Fines and forfeitures	133,364	122,262	137,224	160,047	157,178	215,515	260,671
Revenue from use of money and property	634,832	1,263,526	1,534,263	1,334,532	998,803	386,752	326,240
Charges for services	1,761,000	2,109,654	2,787,445	2,937,786	2,977,873	3,130,057	2,937,777
Miscellaneous	212,718	236,053	274,748	344,740	358,953	283,326	1,318,547
Recovered costs	188,316	278,295	292,641	303,760	302,932	311,572	345,738
Intergovernmental	14,435,743	16,251,097	17,260,605	18,405,084	16,685,701	17,057,358	18,026,749
Total revenues	\$ 50,611,306	\$ 55,290,934	\$ 58,862,169	\$ 61,956,491	\$ 61,478,496	\$ 60,044,797	\$ 62,800,989
Expenditures							
General government administration	\$ 3,308,198	\$ 3,378,466	\$ 3,638,781	\$ 3,934,042	\$ 4,016,873	\$ 3,915,300	\$ 4,089,668
Judicial administration	1,628,951	1,713,703	1,415,742	1,498,818	1,569,234	1,600,405	1,575,260
Public safety	7,114,334	8,132,163	9,148,605	9,891,105	10,177,131	11,985,338	12,605,698
Public works	1,861,671	2,108,693	2,473,011	3,673,818	3,566,034	4,226,429	3,308,866
Health and welfare	9,100,767	9,575,423	10,973,695	11,836,735	10,521,422	9,390,648	9,422,479
Education	15,761,459	19,650,698	17,418,375	19,286,028	16,633,517	17,718,603	20,034,312
Parks, recreation and cultural	1,572,665	1,657,866	1,721,718	1,806,558	1,766,398	1,972,890	1,723,843
Community development	1,231,551	1,422,436	1,991,215	1,605,571	1,805,956	1,512,187	2,430,107
Capital projects	5,917,076	10,950,983	4,422,204	13,095,157	23,220,618	6,826,686	1,472,522
Debt service							
Principal	2,284,782	2,262,480	2,513,356	2,483,080	2,656,078	3,007,153	3,457,196
Interest and other fiscal charges	986,672	1,189,582	1,244,873	1,257,691	2,617,944	2,573,403	2,438,998
Total expenditures	\$ 50,768,126	\$ 62,042,493	\$ 56,961,575	\$ 70,368,603	\$ 78,551,205	\$ 64,729,042	\$ 62,558,949
Excess of revenues over (under) expenditures	\$ (156,820)	\$ (6,751,559)	\$ 1,900,594	\$ (8,412,112)	\$ (17,072,709)	\$ (4,684,245)	\$ 242,040
Other financing sources (uses)							
Transfers in	\$ 2,741,859	\$ 3,370,764	\$ 5,678,421	\$ 7,902,569	\$ 2,340,457	\$ 2,846,052	\$ 4,091,288
Transfers out	(2,741,859)	(3,870,764)	(5,678,421)	(7,902,569)	(2,340,457)	(2,846,052)	(4,091,288)
Sale of capital assets	885,200	-	-	355,560	359,192	-	69,594
Bond proceeds	8,685,000	-	-	34,875,000	-	-	-
Capital lease proceeds	-	142,397	-	-	-	-	-
Premium on bonds issued	516,636	-	-	-	-	-	-
Total other financing sources (uses)	\$ 10,086,836	\$ (357,603)	\$ -	\$ 35,230,560	\$ 359,192	\$ -	\$ 69,594
Net change in fund balances	\$ 9,930,016	\$ (7,109,162)	\$ 1,900,594	\$ 26,818,448	\$ (16,713,517)	\$ (4,684,245)	\$ 311,634
Debt service as a percentage of noncapital expenditures	7.00%	6.30%	7.00%	6.20%	8.70%	9.47%	9.53%

Note: The County implemented GASB Statement 44 in fiscal year 2005. Ten years of date will be accumulated over time.

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

COUNTY OF CAMPBELL, VIRGINIA

Table 5

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital (2)	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Overlapping Tax Rates		Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
									Town of Brookneal	Altavista		
2002	\$ 1,815,958,905	\$ 230,499,618	\$ 46,839,471	\$ 137,417,453	\$ 33,500,127	\$ 165,479,181	\$ 2,429,694,755	\$ 1.01	\$ N/A	\$ N/A	\$ 2,660,194,373	91.34%
2003	1,846,570,202	224,365,237	48,708,361	142,057,268	14,217,333	208,240,055	2,484,158,456	0.98	N/A	N/A	2,708,523,693	91.72%
2004	2,349,633,038	223,444,023	41,469,800	148,082,517	-	228,733,787	2,991,363,165	0.93	N/A	N/A	3,214,807,188	93.05%
2005	2,542,452,906	233,768,971	40,138,564	154,967,665	-	215,735,186	3,187,063,292	0.90	N/A	N/A	3,420,832,263	93.17%
2006	2,601,326,824	244,399,720	37,759,625	161,101,468	-	200,396,983	3,244,984,620	0.91	N/A	N/A	3,489,384,340	93.00%
2007	2,651,326,904	263,432,872	38,559,730	166,449,183	-	188,588,574	3,308,357,263	0.92	N/A	N/A	3,571,790,135	92.62%
2008	3,544,470,652	283,008,367	35,253,947	165,736,642	-	218,197,839	4,246,667,447	0.77	N/A	N/A	4,529,675,814	93.75%
2009	3,627,444,441	290,675,456	35,812,054	178,158,301	-	227,290,354	4,359,380,606	0.80	N/A	N/A	4,650,056,062	93.75%
2010	3,446,391,746	275,659,287	38,104,148	181,371,640	-	225,843,782	4,167,370,603	0.80	N/A	N/A	4,443,029,890	93.80%
2011	3,481,544,084	265,634,767	38,124,281	178,812,591	-	229,811,578	4,193,927,301	0.80	N/A	N/A	4,459,562,068	94.04%

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

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

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

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

Per \$100 of assessed value.

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 6

Principal Property Taxpayers
Current Year and the Five Years Prior

Taxpayer	Fiscal Year 2011			Fiscal Year 2006		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
BWX Tech, Inc	\$ 73,123,006	1	1.64%	\$ 55,121,313	2	1.70%
Abbott Laboratories (Ross)	65,168,467	2	1.46%	59,488,251	1	1.83%
AREVA NP Inc (Framatone)	35,212,776	3	0.79%	22,903,620	5	0.71%
BGF Industries Inc	25,210,915	4	0.56%	23,188,763	4	0.71%
Georgia Pacific Wood Prod LLC	24,634,571	5	0.55%	23,642,211	3	0.73%
Timken Company	20,721,758	6	0.46%	20,109,625	6	0.62%
Progress Printing Company	15,828,321	7	0.35%	12,598,190	8	0.39%
Schrader-Bridgeport International	15,034,449	8	0.34%	11,167,998	9	0.34%
Graham Packaging Plastic Products	9,579,284	9	0.21%	na	na	na
Boxley Materials Company Inc	7,209,552	10	0.16%	na	na	na
	<u>\$ 291,723,099</u>		<u>6.52%</u>	<u>\$ 228,219,971</u>		<u>7.03%</u>

Note: Information from nine years ago not available

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 7

Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Collections in Year of Levy		Collections in		Total Collections to Date	
	Current Tax Levy (1)	Current Tax Amount	Percent of Levy Collected	Subsequent Years	Total Tax Collections	Percent of Levy Collected
2002	\$ 24,376,405	\$ 22,833,027	93.67%	538,895	\$ 23,371,922	95.88%
2003	24,928,070	24,288,885	97.44%	424,320	24,713,205	99.14%
2004	27,063,435	26,374,691	97.46%	674,380	27,049,071	99.95%
2005	27,014,093	26,199,858	96.99%	618,520	26,818,378	99.28%
2006	29,425,081	28,544,069	97.01%	845,281	29,389,350	99.88%
2007	30,130,010	29,453,668	97.76%	590,207	30,043,875	99.71%
2008	31,437,939	30,569,832	97.24%	327,273	30,897,105	98.28%
2009	33,407,401	32,226,034	96.46%	540,445	32,766,479	98.08%
2010	33,210,365	32,310,883	97.29%	336,929	32,647,812	98.31%
2011	33,876,914	33,329,195	98.38%	-	33,329,195	98.38%

(1) Exclusive of penalties and interest.

COUNTY OF CAMPBELL, VIRGINIA

Table 8

Ratios of Total Outstanding Debt
Last Ten Fiscal Years

Fiscal Years	Governmental Activities						Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)		
	General		Literary Fund Loans	Capital Leases							
	Obligation	Bonds									
2002	\$	14,884,933	\$	18,060,438	\$	-	\$	32,945,371	n/a	\$	1,142.77
2003		13,573,094		17,356,748		-		30,929,842	4.2%		1,204.33
2004		12,295,607		16,305,825		-		28,601,432	2.1%		584.45
2005		19,746,749		15,254,902		-		35,001,651	2.6%		640.96
2006		18,540,374		14,203,978		137,215		32,881,567	2.5%		689.01
2007		17,110,316		13,153,056		104,840		30,368,212	2.2%		557.00
2008		50,571,354		12,118,623		70,156		62,760,133	2.4%		605.54
2009		48,983,271		11,087,788		32,994		60,104,053	2.6%		645.00
2010		46,999,872		10,064,034		-		57,063,906	2.9%		635.76
2011		44,414,909		9,191,801		-		53,606,710	3.2%		617.72

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

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

COUNTY OF CAMPBELL, VIRGINIA

Table 9

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

Fiscal Year	General Obligation		Literary Fund		Total	Percentage of Actual Value of Taxable Property (2)	Total General Bonded Debt Per Capita (1)
	Bonds		Loans				
2002	\$	14,884,933	\$	18,060,438	\$	1.24%	\$ 649
2003		13,573,094		17,356,748		1.14%	611
2004		12,295,607		16,305,825		0.89%	563
2005		19,746,749		15,254,902		1.02%	682
2006		18,540,374		14,203,978		0.94%	630
2007		17,110,316		13,153,056		0.85%	581
2008		50,571,354		12,118,623		1.38%	1,205
2009		48,983,271		11,087,788		1.29%	1,150
2010		46,999,872		10,064,034		1.28%	1,092
2011		44,414,909		9,191,801		1.20%	977

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

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

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans; excludes capital leases and compensated absences.

COUNTY OF CAMPBELL, VIRGINIA

Table 10

Principal Employers
Current Year

Employer	Industry	2011		
		Employees	Rank	% of Total Employment
BWX Technologies	Nuclear	1,500- 2,499	1	5.7% - 9.6%
Campbell County Schools	Public Education	1,486	2	5.7%
Abbott Industries	Pharmaceuticals	300 -599	3	1.1% - 2.3%
BGF Industries	Fiberglass fabric	300 -599	4	1.1% - 2.3%
Campbell County Govt	Local Government	481	5	1.8%
BAT Masonry Co, Inc.	Contractor	100-299	6	0.4% - 1.1%
Georgia Pacific	Wood products	100-299	7	0.4% - 1.1%
Intersections	Identity Theft Protection	100-299	8	0.4% - 1.1%
Moore's Electric & Mech.	Contractor/Electrical	100-299	9	0.4% - 1.1%
Progress Printing	Commercial Printing	100-299	10	0.4% - 1.1%
Schrader - Bridgeport Intl.	Auto/Industrial Parts	100-299	11	0.4% - 1.1%
The Timken Company	Roller Bearings	100-299	12	0.4% - 1.1%
Totals		4,767 - 7,757		18.2% - 29.7%

Total employed 26,146

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

Source: Employer data; Virginia Employment Commission - as of May 2011

COUNTY OF CAMPBELL, VIRGINIA

Table 11

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Personal			School Enrollment(3)	Unemployment Rate (2)
	Population (1)	Income (in thousands) (4)	Per Capita Income (2)		
2002	50,800	\$ 1,280,689	\$ 25,210	8,683	5.40%
2003	50,600	1,307,941	25,849	8,701	4.40%
2004	50,800	1,391,474	27,391	8,592	4.19%
2005	51,300	1,408,808	27,462	8,630	3.40%
2006	52,016	1,408,808	27,084	8,557	3.20%
2007	52,112	1,488,006	29,445	8,517	3.40%
2008	52,595	1,682,830	31,996	8,485	4.00%
2009	52,237	n/a*	n/a*	8,341	7.20%
2010	54,842	n/a*	n/a*	8,140	6.20%

(1) Population is based on figures available from Weldon Cooper Center, University of Virginia.

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

(3) Source - Campbell County School Administration.

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

* Updated information not available

COUNTY OF CAMPBELL, VIRGINIA

Table 12

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

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

* Staff increases

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

Source: Human Resources and annual fiscal year budget

(1) The County implemented GASB Statement 44, the new statistical section in fiscal year 2005. Therefore, ten years of data is not available, but will be accumulated over time.

COUNTY OF CAMPBELL, VIRGINIA

Table 13

Operating Indicators By Function
Last Seven Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011
Public safety							
Sheriffs department:							
Physical arrests	2,801	2,309	2,677	2,649	2,683	4,398	5,192
Parking violations	0	66	60	56	21	21	148
Traffic violations	1,056	1,129	1,618	1,592	1,306	1,561	2,631
Court security manhours worked	4,063	6,024	6,438	6,216	6,420	7,532	7,618
Prisoner transports	277	254	357	269	285	435	298
Code enforcement violations	121	141	251	216	1,358	87	25
DUIs	103	75	96	97	91	94	103
Culture and recreation							
Parks and recreation attendees/participants:							
Youth sports participants	3,105	3,697	3,053	3,026	2,807	2,792	2,317
Dance and crafts - youth and adult	909	452	340	482	359	348	362
Trips	39	158	157	263	311	269	303
Senior centers	224	270	289	258	286	618	695
Playground programs	319	404	278	171	230	-	-
Registered special events	99	322	420	439	177	500	236
Open special events	N/A	N/A	2,978	3,125	2,172	3,840	1,198
Cooperative events	2,000	1,980	1,360	2,025	1,796	1,484	2,086
Ticket sales	N/A	N/A	2,091	3,109	1,042	3,801	2,954
Library:							
Volumes in collection *	172,450	185,271	184,428	190,330	106,381	168,219	169,710
Total volumes borrowed	231,077	241,225	245,487	248,132	253,816	257,650	259,321
Number of borrowers	16,421	17,325	16,181	17,563	19,535	22,079	21,799
Number of new borrowers added	2,438	2,642	2,560	2,564	2,198	2,512	2,976
Children's programs attendance	5,236	5,550	3,989	7,010	7,609	8,359	4,997
Public computer usage	9,008	16,503	18,563	20,724	41,757	44,792	47,031
Library visits	172,096	190,205	188,364	208,999	219,840	233,606	231,091
Number of adult and family programs	5	27	40	32	69	72	147
Adult program attendance	N/A	N/A	N/A	N/A	446	1,192	1,709
Number of children's programs	176	154	183	206	233	376	254
Component Unit - School Board							
Education:							
Actual school enrollment	8,592	8,630	8,557	8,517	8,485	8,341	8140

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

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

(1) The County implemented GASB Statement 44, the new statistical section in fiscal year 2005. Therefore, ten years of data is not available, but will be accumulated over time.

COUNTY OF CAMPBELL, VIRGINIA

Table 14

Capital Asset Statistics By Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety - insured vehicles										
Law enforcement vehicles	70	71	73	79	81	80	75	77	89	84
Other public safety	N/A	12	13	12	12	18	19	21	22	22
Public works										
Vehicles	N/A	26	27	29	27	29	32	19	19	19
Health and welfare										
Vehicles	N/A	26	28	29	29	29	29	29	28	28
Parks, recreation and cultural										
Vehicles	5	5	5	6	7	7	7	7	7	7
Other										
Vehicles	N/A	14	4	9	4	7	8	8	7	7

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

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

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

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Campbell, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the County of Campbell, Virginia's basic financial statements and have issued our report thereon dated October 24, 2011. 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

In planning and performing our audit, we considered County of Campbell, 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 Campbell, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Campbell, 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 Campbell, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Board of Supervisors, others within the entity, 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
October 24, 2011

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the County of Campbell, Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The County of Campbell, 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 Campbell, Virginia's management. Our responsibility is to express an opinion on County of Campbell, Virginia's compliance based on our audit.

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

In our opinion, the County of Campbell, 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, 2011.

Internal Control Over Compliance

Management of the County of Campbell, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Campbell, 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 the County'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 the Board of Supervisors, management, 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
October 24, 2011

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110/0950111	\$ 32,227
Temporary Assistance for Needy Families (TANF)	93.558	0400110/0400111	613,563
Refugee and Entrant Assistance - state administered programs	93.566	0500110/0500111	1,043
Low-Income Home Energy Assistance Program	93.568	0600409/0600410	34,865
Child Care Cluster:			
Child Care and Development Block Grant	93.575	0770110/0770111	102,536
ARRA - Child Care and Development Block Grant	93.713	0740110/0780110	14,742
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	187,819
Chafee Education and Training Vouchers	93.599	9160109/9160110	5,060
Child Welfare Services - state grants	93.645	0900110/0900111	2,219
Foster Care - Title IV-E	93.658	1110110/1110111	262,528
ARRA - Foster Care - Title IV-E	93.658	1110110/1110111	5,875
Adoption Assistance	93.659	1120110/1120111	266,855
ARRA - Adoption Assistance	93.659	1120110/1120111	17,037
Social Services Block Grant	93.667	1000110/1000111	449,606
Chafee Foster Care Independence Program	93.674	9150109/9150110/9150111	12,656
Children's Health Insurance Program	93.767	0540110/0540111	15,956
Medical Assistance Program	93.778	1200110/1200111	342,287
Total Department of Health and Human Services			\$ 2,366,874
Corporation for National and Community Service:			
Direct Payments:			
Retired and Senior Volunteer Program	94.002		\$ 43,120
Total Corporation for National and Community Service			\$ 43,120
Department of Homeland Security:			
Direct Payments:			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	97.024		\$ 24,447
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	N/A	18,299
Buffer Zone Protection Program	97.078	N/A	161,847
Emergency Management Performance Grant	97.042	N/A	8,929
Total Department of Homeland Security			\$ 213,522
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program - Food distribution	10.555	10.555/2010/2009	\$ 280,747
Department of Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	10.553/2011/2010	472,541
National School Lunch Program	10.555	10.555/2011/2010	1,465,494
Department of Social Services:			
State Administration Grants for the Supplemental Nutrition Assistance Program	10.561	00101119/0040110/0040111	566,613
ARRA - State Administration Grants for the Supplemental Nutrition Assistance Program	10.561	00101119/0040110/0040111	16,846
Total Department of Agriculture			\$ 2,802,241

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2011

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Expenditures
Department of Justice:			
Direct Payments:			
Organized Crime Drug Enforcement Task Force - State and Local Overtime Grant	16.000		\$ 12,888
Project Safe Neighborhoods	16.609		2,257
Bulletproof Vest Partnership Program	16.607		4,245
Pass Through Payments:			
Department of Criminal Justice Service:			
ARRA - Violence Against Women Formula Grant	16.588	08WFAX0050/10WFAX0041	24,761
Crime Victim Assistance	16.575	09VAGX0007/10VAGX0095	125,803
Juvenile Justice and Delinquency Prevention	16.540	09JFFX0029/10JFFX0017	278
Total Department of Justice			\$ 170,232
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2010502823902	\$ 12,596
Alcohol Open Container Requirements	20.607	154AL201513004240	12,344
Total Department of Transportation			\$ 24,940
Department of Housing and Urban Development:			
Direct Payments:			
Section 8 Housing Choice Vouchers	14.871		\$ 57,375
Total Department of Housing and Urban Development			\$ 57,375
National Foundation on the Arts and the Humanities			
Pass Through Payments:			
The Library of Virginia:			
Grants to States - E-Rate of Virginia	45.310	N/A	\$ 4,230
Total National Foundation on the Arts and the Humanities			\$ 4,230
Department of Education:			
Pass Through Payments:			
Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	S394A090047	\$ 1,919,455
Title I, Part A Cluster:			
Title I: Grants to Local Educational Agencies	84.010	S010A090046	1,739,456
ARRA - Title I: Grants to Local Educational Agencies	84.389	S389A090046	309,715
Adult Education Grants to States	84.002	N/A	69,777
Career and Technical Education - Basic Grants to States	84.048	V048A090046	135,677
Special Education Cluster:			
ARRA - Title VI-B: Special Education - Grants to States	84.391	H391A090107	1,064,349
Title VI-B: Special Education - Grants to States	84.027	H027A080107	1,133,892
Title VI-B: Special Education Preschool Grants	84.173	H173A100112	22,703
ARRA - Title VI-B: Special Education Preschool Grants	84.392	H392A090112	33,942
Safe and Drug-free Schools and Communities - State Grants	84.186	Q186A090048	11,610
Education Technology State Grants	84.318	S318X070046	19,702
Title II, Part A: Improving Teacher Quality	84.367	S367A090044	422,586
English Language Acquisition Grants	84.365	T365A080046	11,460
Total Department of Education			\$ 6,894,324
Total Federal Assistance			\$ 12,576,858

COUNTY OF CAMPBELL, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the County of Campbell, Virginia under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Campbell, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County of Campbell, Virginia.

Note 2 - Basis of Accounting

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

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,463,751
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Total primary government	\$ 3,463,751
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Component Unit Public Schools:

School Operating Fund	\$ 6,894,324
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School Cafeteria Fund	2,218,783
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Total component unit public schools	\$ 9,113,107
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Total federal expenditures per basic financial statements	\$ 12,576,858
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Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 12,576,858

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011

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) indentified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) indentified?	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
	Title I, Part A Cluster:
84.010	Title I: Grants to Local Educational Agencies
84.389	ARRA - Title I: Grants to Local Educational Agencies
	Special Education Cluster:
84.027	Title VI-B: Special Education - Grants to States
84.391	ARRA - Title VI-B: Special Education - Grants to States
84.173	Title VI-B: Special Education Preschool Grants
84.392	ARRA - Title VI-B: Special Education Preschool Grants
84.394	ARRA - State Fiscal Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$ 377,306
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings and Questioned Costs

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