

COUNTY OF
CAMPBELL, VIRGINIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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SUPERVISORS

**JAMES A. BORLAND
CHARLES W. FALWELL
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EDDIE GUNTER, JR.
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COUNTY OF CAMPBELL



BOARD OF SUPERVISORS
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COUNTY ADMINISTRATOR
R. DAVID LAURRELL

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November 29, 2012

**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, 2012. 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.

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

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

THE REPORTING ENTITY AND ITS SERVICES

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

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION

In reviewing the FY 2011 report we discovered two existing business expansions were not listed. Abbott Nutrition announced an expansion of \$8.7 million in new capital investment and 13 new employees. Cycle Systems announced a new \$10 million capital investment and the creation of 25 new jobs. During FY 2012 we were fortunate to announce the location of a second hotel on the Rt. 29 corridor near the Lynchburg Regional Airport. The Daly Seven Corporation will construct a new 110 room Hampton Inn & Suites with a total capital investment of \$10 million. We were fortunate as the Great Recession came to an end that there were no further announcements of plant closings.

Additionally during FY 2012 construction began on a new nursing home facility within the County, which is the first part of a progressive living community being developed in the Candler's Mountain Road area. At that same location Liberty University began work on their new Medical Sciences facility, and 600, four-bedroom, apartment units began development for new student housing.

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

During FY 2012, Campbell County's unemployment rate ranged from a low of 5.8% (Nov. 2011) to a high of 6.7% (Sept. 2011), with an average rate of 6.15%, slightly lower than in FY 2011. During FY 2012, Campbell County continued to experience marginally higher unemployment rates on average than Virginia (5.96%), but significantly lower rates than the national average (8.35%).

Campbell County's U S Census estimated population for 2011 was 55,032 up from the 2010 count of 54,842 for a 0.3% increase.

The total reported value of residential construction for permits issued in FY 2012 was up 53% from FY 2011, up 50% from FY 2010 and up 23.5% from FY 2009; almost all of the increase attributable to a large apartment complex beginning construction in conjunction with Liberty University's expansion. The total reported value of all types of construction for permits issued in FY 2012 was up 56% from FY 2011, up 57% as compared to FY 2010, and down 13.6% from FY 2009 due primarily to the increase in multi-family and commercial development in the last two fiscal years.

FY 2012 Other Economic Development Accomplishments:

- **Business Appreciation Week-** During the week of June 4 - 8, Campbell County mailed approximately 3,000 appreciation letters to local businesses and hosted its 9th Annual BAW Luncheon. Approximately 80 were in attendance at the luncheon, including major county employers and both local and state officials. Keith Harkins, Director of the Virginia Technical Institute was the guest speaker.
- **Tobacco Agriculture Grants -** In FY12 we continued to administer the Commodity Storage Grant, Phase I that was awarded in FY 10. This is a regional grant that provides 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. Additionally, the County continues to administer the FY11 Phase II Commodity Storage Grant providing benefits to 18 different localities in the form of reimbursable agricultural grants for feed and commodity storage projects. The FY11 grant total is \$400,000 of which Campbell County producers will receive at least \$36,300. In FY12 Campbell County was awarded another Tobacco Commission Agriculture Grant titled Central Virginia Livestock Improvement Program. This grant will provide farmers in 13 different counties reimbursements for qualifying projects. The total amount of the grant is \$700,000.
- **Tobacco Southside Economic Development Grant-** We applied for and received a grant in the amount of \$200,814 for Phase III of the sewer pump station project in Seneca Commerce Park.
- **Broadband Master Plan-** We worked with Information Technology and Community Development to take the county master plan for Broadband Development to an implementation plan.
- **501 Regional Coalition-** We assumed administrative responsibility to facilitate the activities of the 501 Regional Coalition. This is a coalition of four counties and one city that comprise the US Route 501 corridor. The Coalition's goal is to seek safety and other improvements to the road conditions of this important transportation corridor.
- **Brookneal Campbell County Airport-** The Department of Economic Development provides administrative support to the Brookneal Campbell County Airport. During FY 2012 we administered the construction grant for the installation of a 12,000 gallon gas fuel system.

FY 2012 Other Initiatives:

For fiscal year 2012: The Priority Initiatives established by the Campbell County Board of Supervisors as guided by the County Administrator and implemented and completed by staff resulted in a more cost efficient government along with enhanced lifestyle and increased employment opportunities.

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

- Finalized the transition to a new health insurance plan that includes a High Deductible Health Plan with a coupled IRS approved Health Savings Account program effective January 1, 2012.
- Finalized work with the U.S. Census Bureau for 2010 Census and redistricted County voting districts based on updated information. This included notification of changes in district and precinct assignments to voters.
- Continued with the process of implementing the new stormwater management regulations and James River/Chesapeake Bay environmental programs.
- The Communications System Hardening Project has completed 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.
- The Library expanded early literacy offerings via a United Way grant with additional programming for children and their caregivers and installed an early literacy activity center at the main branch.
- The Library merged borrower services with Bedford County Public Library System, offering the availability of materials and library usage across county lines. This initiative expands citizen access and convenience. Further, both localities benefit from reduced software and hosting costs.
- Broadband Access Options were approved by the Board for providing public safety and general citizen/business access options to broadband based on available funding and resources.
- Split off some existing staff and resources in Parks & Recreation and formed new Communications and Public Information Office under the direction of the County Administrator to enhance information available to the public.
- Continued to transition to electronic documents storage and retrieval systems to replace paper documents. Purchasing documents were added in FY 2012.
- Continued development of Seneca Industrial Park.

PROPERTY TAX RATES

All local tax rates and fees for services rates impacting FY2012 revenue remained the same as the previous year.

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

GOVERNMENT'S FINANCIAL POLICIES

The County experienced significant reductions in funding from the State from FY 2009 through FY 2012. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure they were reduced in direct proportion to the reduction in State funding. This was accomplished in part due to the County instituting a mandatory rolling vacancy program of 180 days for the 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, primarily in the area of education. 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 Laurell
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, 2011

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.



Linda C. Danison

President

Jeffrey R. Enen

Executive Director

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COUNTY OF CAMPBELL, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

JUNE 30, 2012

BOARD OF SUPERVISORS

Stanley I. Goldsmith, Chairman
Eddie Gunter, Jr., Vice-Chairman

James A. Borland
Charles Falwell
Hugh T. Pendleton, Jr.

James D. Puckett
Steven M. Shockley

COUNTY SCHOOL BOARD

George Jones, Chairman
Susan Hogg, Vice-Chairman

G. Roger Akers
Mark Epperson
Susan Hogg

R. Leon Brandt, Jr.
Gary R. Mattox

COUNTY LIBRARY BOARD

Rita Clark, Chairman
Joe Lunsford, Vice-Chairman

Ernest Bender
Kelly Griffin
Karen Gunter

Charlotte Lane
Christine Cardoza

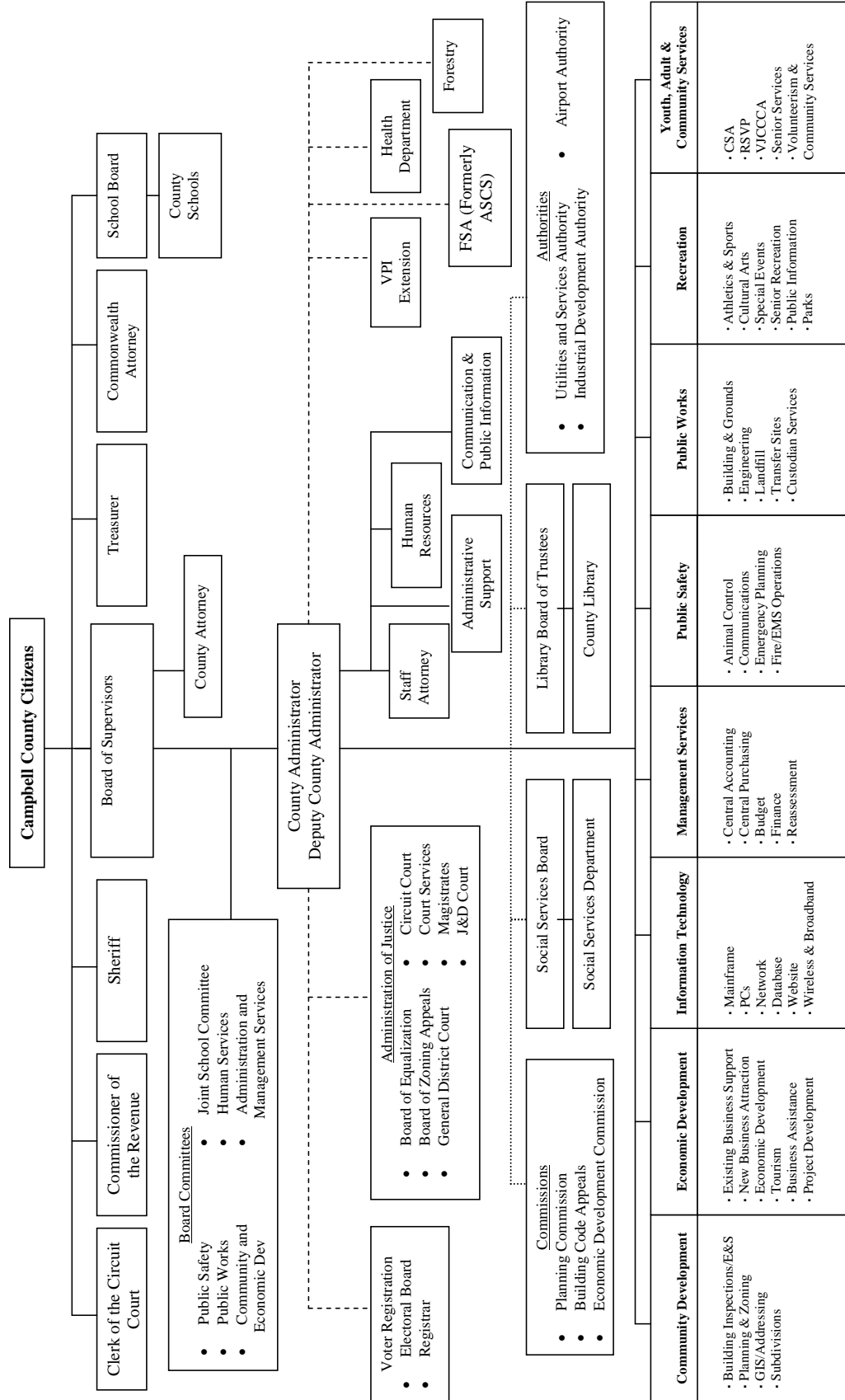
OTHER OFFICIALS

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

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CAMPBELL COUNTY, VIRGINIA – ORGANIZATIONAL CHART 2012



Revised 3/2012

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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, 2012, 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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012, 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
November 28, 2012

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$57,079,726 (net assets). During the current fiscal year, the County's net assets increased by \$4,887,436 primarily due to the sale of the Phase 3 and 4 of the County landfill to the Region 2000 Regional Landfill Authority which resulted in the elimination of financial liabilities associated with that part of the landfill. The County still maintains financial assurance responsibility with the Department of Environmental Quality for Phase 2,3 and 4 of the landfill.
- The County's combined funds reported year-ending fund balances totaling \$31,333,755 and reflected an increase of \$1,180,468 from the previous year. Approximately forty-five percent of the year-ending combined fund balances, or \$14,140,923, is available for spending at the County's discretion (unassigned fund balances).
- At the end of the current fiscal year 2012, the unassigned fund balance for the general fund of \$14,140,923 represented 23.6% percent of total general fund expenditures and transfers for the year. Additionally, during the budget process the Board approved school reversion funds to be used for secondary education purposes. That amount ended up being \$1.4 million. The resultant unassigned fund balance after taking that action into consideration was \$12,740,923.

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.

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 \$57,079,726 at the close of the most recent fiscal year.

The largest portion of the County's net assets of \$25.7 million, (45 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 \$31.4 million (55 percent of total) and primarily consists of cash, cash equivalents and investments.

Summary of Net Assets			
		Governmental Activities	
		2012	2011
Current and other assets	\$	80,331,649	\$ 74,831,435
Capital assets		76,368,333	81,640,852
Total assets	\$	156,699,982	\$ 156,472,287
Long-term liabilities *	\$	56,141,956	\$ 62,817,736
Current liabilities		43,478,300	41,462,261
Total liabilities	\$	99,620,256	\$ 104,279,997
Net assets:			
Invested in capital assets, net of related debt	\$	25,710,879	\$ 27,643,364
Unrestricted		31,368,847	24,548,926
Total net assets	\$	57,079,726	\$ 52,192,290

NOTE*: Long Term Liabilities Outstanding* is net of adjustment downward for \$4,659,837 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.

During the current fiscal year, the County's net assets experienced an increase in the amount of \$4,887,436 primarily due to the sale of the Phase 3 and 4 of the County landfill to the Region 2000 Regional Services Authority which resulted in the elimination of financial liabilities associated with that part of the landfill. Capital assets net of depreciation decreased by \$5,272,519 due primarily to an additional year of depreciation plus the sale of Gladys Elementary School. Cash, cash equivalents, and investments decreased by \$1,714,248 in the Governmental Activities primarily due to payments made from the Health Insurance Fund to individual employee owned health savings accounts. Landfill Closure/Post Closure liabilities decreased by \$7,335,313 due to the sale of Phase 3 and 4 of the County landfill to the Regional Landfill Authority along with the elimination of a liability for the estimated possible payout for a landfill litigation judgment that was adjudicated in the County's favor by ruling of the Virginia Supreme Court. The net OBEP obligation for the primary government recorded as of June 30, 2012 was \$1,691,482 covering the liability for post retiree costs for health insurance benefits as required by GASB Statement Number 45. This represents an increase of \$418,324 for this obligation from the previous fiscal year end. Long Term Debt principal was paid down by \$3,259,527 during the year.

Government-wide Financial Analysis: (Continued)

Health Insurance Fund: Health Insurance Fund net assets decreased by \$1,433,356 primarily as a result of the County making payments from the Health Insurance Fund reserves into individual employee-owned health savings accounts in order to fully fund the increased deductible for our employees and early retirees. These HSA contributions made to individual employee-owned HSA accounts were treated as expenditures for the fund. The County and Schools system implemented a new high deductible plan coupled with an IRS qualified Health Savings Account (HSA) on January 1, 2012 that has lower claims and administrative costs significantly. Contributions into the fund in the form of premiums paid by the employer and the employees were virtually unchanged from the previous fiscal year. On January 1, 2012 HSA contributions to employees' individual HSA accounts totaling \$1,659,000 were paid out of the reserves residing in the Health Insurance Fund for the insurance program for the calendar year. That is, this payment overlapped parts of two fiscal years.

Governmental Activities: Governmental activities increased the County's net assets by \$4,887,436 primarily due to the reduction in landfill liabilities mentioned above which corresponds to a Gain on The Sale of Assets as shown below. Key elements of the increase in net assets of the Primary Government are summarized as follows:

Changes in Net Assets - Statement of Activities		
	Governmental Activities	
	2012	2011
Program Revenues:		
Charges for services	\$ 11,617,276	\$ 11,820,457
Operating grants and contributions	10,765,466	11,512,825
Capital grants and contributions	480,513	704,737
General Revenues:		
General property taxes	31,620,082	30,846,372
Other local taxes	8,871,212	8,455,611
Use of money and property	241,235	351,069
Grants and contributions not restricted	5,373,618	5,460,420
Gain on sale of capital assets	5,321,494	-
Transfers	1,000	-
Miscellaneous revenue	182,127	1,318,547
Total revenues	\$ 74,474,023	\$ 70,470,038
Expenses		
General government administration	\$ 14,367,571	\$ 12,555,596
Judicial administration	1,634,401	1,686,219
Public safety	12,712,040	13,228,773
Public works	3,431,997	4,568,411
Health and welfare	9,329,764	9,556,302
Education	21,786,877	21,571,119
Parks, recreation and cultural	1,762,788	1,822,030
Community development	2,316,684	2,967,441
Interest and other fiscal charges	2,244,465	2,384,806
Total expenses	\$ 69,586,587	\$ 70,340,697
Change in net assets	4,887,436	129,341
Net assets, beginning	\$ 52,192,290	\$ 52,062,949
Net assets, ending	\$ 57,079,726	\$ 52,192,290

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 \$4,887,436 including current year depreciation on capital assets. Current year depreciation expense for capital assets for the primary government totaled \$3,242,603. Revenues for governmental activities increased by \$4,003,985 due to the Gain on Sales of Capital Assets; whereas, expenses, including current year depreciation on capital assets, decreased by \$754,110.

EXPENSES - PRIMARY GOVERNMENT

- Decrease in Public Works of \$1,136,414 or 24.9%. Expenses in the Solid Waste Management Fund were down \$243,293 from the previous fiscal year due to the winding down of the landfill litigation process for Phase 2 of the landfill along with other decreases in landfill environmental remediation costs. Additionally, in the previous fiscal year \$834,856 was recognized as an additional expense for the landfill closure and post closure costs for Phase 2, 3 and 4. In the fiscal year just ended Landfill Phase 3 and 4 were sold to the Region 2000 Regional Landfill Authority. Public Works expenses in the Capital Improvement Fund were down \$320,653 as several large projects that began several years ago were completed in FY2011. There was very little activity in FY2012 for Public Works projects.
- Decrease in Community Development expenses of \$650,757 or 21.9% primarily from the Lynchburg Area Air Show as the County was the fiscal agent for this special event that recorded expenditures of \$406,922 in the previous fiscal year. Revenues generated from ticket sales and other forms of revenue received offset the cost of this special event conducted in the previous fiscal year. The County was also the fiscal agent for two regional grants funded by the Tobacco Commission for small Agriculture Commodity Storage projects. Expenditures for these grants totaled \$265,278 and were \$126,009 less than the previous fiscal year. These grants are fully funded by the Tobacco Commission.
- Decrease in Public Safety/Law Enforcement of \$516,733 or 3.9% primarily due to decreases in grant expenditures with associated grant revenues as several grant funded projects were completed in the previous fiscal year. Grants for E-911 Data Replication, Law Enforcement Equipment and Rescue Squad Assistance totaling \$635,743 were virtually completed in the previous fiscal year. Juvenile Detention expenditures were reduced by \$214,989 due to decreased utilization of this facility. Expenses paid to the Regional Jail increased by \$465,517 due to increased utilization of these facilities.
- Increase in General Government of \$1,811,975 or 14.4% primarily due to payments from the County/Schools combined Health Insurance Fund into employee owned individual HSA accounts totaling \$1,659,700 from existing Health Insurance Fund reserves. See comments above related to Health Insurance Fund Net Assets.
- Education expenses were relatively flat with an increase of \$215,758 or 1% resulting 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 and the differences were appropriated by the Board of Supervisors for the coming year in the form of encumbrances and carryovers.
- All other functional areas of expense were down individually and in total in the amount of \$477,939 or 3.1%.

Government-wide Financial Analysis: (Continued)

PROGRAM/GENERAL REVENUES – PRIMARY GOVERNMENT

- Decrease in Miscellaneous Revenue of \$1,136,420 primarily due to the receipt in the previous year 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 was used to help defray some of the costs to the County resulting from the remediation and legal costs associated with the closed landfill cell. Additionally, revenue from ticket sales and other revenue resulting from the special event for the Lynchburg Area Air Show in the previous year totaled \$423,583. The County acted as fiscal agent for this special event.
- Decrease in Operating and Capital Grants & Contributions of \$971,583 or 8% primarily due to the completion of several grant funded projects that were completed or virtually completed in the previous year including three grants for E-911 Data Replication, Law Enforcement Equipment and Rescue Squad Assistance totaling \$635,743.
- Increase on Gain on the Sale of Capital Assets \$5,321,494 versus the previous fiscal year due to the sale of the Phase 3 and 4 of the County landfill to the Region 2000 Regional Landfill Authority which resulted in the elimination of financial liabilities associated with that part of the landfill. The County still maintains financial assurance responsibility with the Department of Environmental Quality for Phase 2, 3 and 4 of the landfill.
- Increase in General Property Taxes of \$773,710, or 2.5%, based on the modest economic recovery. All tax rates remained the same as for the previous year. The largest contributor of this tax revenue increase consisted of Other Personal Property Tax which increased by \$327,856, or 5%, primarily due to increased purchases of newer motor vehicles by citizens and businesses. Real Estate Taxes increased \$300,256 or 1.9% due to new construction.
- Increase in Other Taxes of \$415,601, or 4.9%, based on the modest economic recovery. Sales Tax Revenue was up \$293,633 or 7.6% and BPOL was up \$101,186, or 6.8%, due to economic growth.

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-five percent of the combined governmental fund balance, or \$14,140,923, comprises unassigned fund balances, which are available for spending at the County's discretion. The remainder of fund balance is *Committed*, *Assigned* or *Non-spendable* 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

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

Unassigned fund balance of the General Fund was \$14,140,923, while the total general fund balance was \$22,829,476. 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 23.6 percent of total general fund expenditures and transfers, while total fund balance represents 38.5 percent of total general fund expenditures and transfers. As noted earlier, \$1.4 million of unassigned funds were allocated to secondary education during the budget process and posted after the close of the fiscal year.

GENERAL FUND: The general fund balance increased by \$305,507 during the current fiscal year, or 1.4%. The general fund unassigned fund balance increased by \$283,227 or 2%. General Fund expenditures and transfers to other funds decreased by \$1,909,883 or 3% from the previous year. General fund revenues and transfers received decreased by \$574,857 or 1% from the previous year. Total expenditures and transfers combined exceeded revenues and transfers received by \$305,507.

- General fund expenditures for Public Safety/Law Enforcement decreased by \$700,466 or 5.5% primarily due to decreases in grant expenditures with associated grant revenues as several grant funded projects were completed in the previous fiscal year. Three grants for E-911 Data Replication, Law Enforcement Equipment, and Rescue Squad Assistance totaling \$635,743 were virtually completed in the previous fiscal year. Juvenile Detention expenditures were reduced by \$214,989 due to decreased utilization of this facility. Expenses paid to the Blue Ridge Regional Jail increased by \$465,517 due to increased utilization of these facilities.
- Decreases in general fund expenditures in Community Development of \$498,674 or 20.5% resulted primarily from the Lynchburg Regional Air Show as the County was the fiscal agent for this special event that recorded expenditures of \$406,922 in the previous fiscal year. Revenues generated from ticket sales and other forms of revenue received offset the cost of this event conducted in the previous fiscal year. The County was also the fiscal agent for two regional grants funded by the Tobacco Commission for small Agriculture Commodity Storage projects. Expenditures for these grants totaled \$265,278 and were \$126,009 less than the previous fiscal year. These grants are fully funded by the Tobacco Commission.
- Debt service payments decreased by \$335,243 or 5.6%. However, Debt Stabilization Reserve Funds were used to help pay debt service in the amount of \$457,802 as was intended. The County has used Debt Stabilization reserve funds the last few years in order not to have to rely on future revenue increases to pay for known debt service as it reached its peak level and then started to slowly decline in amount.

General fund revenues and transfers in from other funds combined decreased by \$574,857 or 1% from the previous year. Transfers in from other funds were very small for both fiscal years.

- Decrease in revenue of \$635,743 for Public Safety and Law Enforcement for Operating & Capital Grants & Contributions primarily due to the completion of several grant funded projects that were completed or virtually completed in the previous year including three grants for E-911 Data Replication, Law Enforcement Equipment and Rescue Squad Assistance.
- Decrease of \$423,583 in Community Development for ticket sales and other revenues associated with the Lynchburg Air Show held in the previous fiscal year. These revenues were based on a one-time special event. Associated expenditures with this event matched the revenues received in the previous year so there was no impact on the fund balance.
- Increase in General Property Taxes of \$ 532,603, or 1.7%, based on the modest economic recovery. All tax rates remained the same as for the previous year. The largest contributor of this tax revenue increase consisted of Other Personal Property Tax which increased by \$327,856, or 5%, primarily due to increased purchases of newer motor vehicles by citizens and businesses. Real Estate Taxes increased \$300,256 or 1.9% due to new construction.
- Increases in Other Taxes of \$415,601, or 4.9%, were based on the modest economic recovery. Sales Tax Revenue was up \$293,633, or 7.6%, and BPOL was up \$101,186, or 6.8%, due to economic growth.

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

SOLID WASTE MANAGEMENT FUND: Funding for the Solid Waste Management Fund for FY2012 totaled \$1,729,070 with \$890,507 of this amount coming from a transfer from the General Fund. Additionally, revenue was received in the Solid Waste Management Fund in the amount of \$625,995 from the Region 2000 Regional Landfill 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. This revenue sharing source was down \$309,952 from the previous fiscal year due to a decrease in the amount of trash taken to the regional landfill coupled with an increase in operating costs for the Landfill operations. Another \$181,149 was generated by the sale of Phase 3 and 4 of the County landfill to the Region 2000 Regional Landfill Authority which also resulted in the elimination of some large financial liabilities associated with that part of the landfill. All other forms of revenue for this fund on a combined basis totaled \$31,419.

Expenditures for the County's Solid Waste Management Fund totaled \$1,701,864 for the year. Tipping fees of \$566,074 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 \$608,415 for the year which included delivery costs of trash from citizens to the regional landfill. In-House Construction for small projects cost \$146,799 while landfill environmental compliance and legal costs totaled \$348,995, down \$243,293 from the previous year primarily due to the winding down of the landfill litigation process for Phase 2 of the landfill along with other decreases in landfill environmental remediation costs. All other expenditures totaled \$31,581.

There exists a year end fund balance of \$4,934,222 residing in the Solid Waste Management Fund. The year end fund balance is up slightly in the amount of \$27,206 from the prior year. \$2,000,000 of the fund balance will be used to pay back in the coming year FY2013 a loan from the Capital Projects Fund that was made in FY2011 pending the results of landfill litigation. As stated previously the landfill litigation result was favorable to the County and the funds loaned to the Solid Waste Management Fund will not be needed for its original purpose and will instead be used for projects that have been delayed for years in the Capital Improvement Fund planning process. The remaining fund balance in the Solid Waste Management Fund after the loan is paid off to the Capital Improvement Fund will be needed for environmental contracts and projects for ongoing operations for the Solid Waste Management Fund.

COUNTY CAPITAL PROJECTS FUND: The County Capital Projects (CIP) Fund balance reported an increase of \$847,755 from the previous year to \$3,570,057. During the budget submission process many capital projects were either eliminated or delayed. Many of these capital projects have been delayed several times over the last few years. The fund balance in the Capital Projects Fund is either reserved or designated in its entirety for capital projects already under construction or for future capital projects included in the adopted five-year Capital Improvement Plan.

General Fund Budgetary Highlights

Differences between the general fund original expenditure budget of \$60,399,053 and the final amended budget of \$70,443,237 amounted to an increase of \$10,044,184 in budgeted expenditures and can be briefly summarized as follows:

- \$6,467,518 increase in the transfer to the Schools for additional funding consisting of budget encumbrances and carryovers approved from FY2011 to FY2012.
- \$1,936,114 increase for encumbrances and carryovers for other general fund department expenditures approved from FY2011 to FY2012. This number is the net number after deducting carryovers of appropriated revenues totaling \$168,085 associated with these same expenditure carryover requests.
- \$481,099 increase for various economic incentives. Some of these are partially funded by Federal/State funding.

General Fund Budgetary Highlights: (Continued)

- \$259,065 increase in gasoline and diesel fuel costs due to higher than budgeted fuel prices.
- \$235,000 Tax Relief for the Elderly and Disabled recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled as well as a corresponding expenditure for the same amount. This is the corresponding expenditure.
- 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 \$58,507,620 and the final amended revenue budget of \$59,707,660 amounted to an increase of \$1,200,040 in budgeted revenues and can be briefly summarized as follows:

- \$235,000 increase for Tax Relief for the Elderly and Disabled. \$235,000 of revenue was recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled allowed as well as a corresponding expenditure for the same amount. The corresponding expenditure is noted above in the expenditure section.
- \$168,085 increase due to revenue carryovers approved from FY2011 to FY2012. These revenue carryovers are associated with expenditure carryovers noted above in the expenditures section.
- \$118,000 increase for revenue for fuel sales made to operating departments to account for increases in fuel costs due to price increases for gasoline issued from the County's central fuel storage tanks. Expenditures budgets were also increased by this amount so that there was no impact on the unassigned fund balance.
- The great majority of the remaining increases in budgeted revenues resulted from Public Safety, Law Enforcement and Economic Development grants approved throughout the year.

During the year, general fund actual revenues exceeded original budget by \$1,224,651 and exceeded amended budget by \$24,611. As noted above the general fund revenue budget was supplemented in the amount of \$1,200,040 during the year for the reasons also noted above. Actual expenditures (excluding transfers) were less than original budget by \$975,382 and actual expenditures were less than the amended budget by \$11,016,273. The largest component of this difference in the level of actual expenditures verses amended budget is for Education. Actual education expenditures were \$7,352,949 less than the amended budget. The Board of Supervisors subsequently re-appropriated \$5,864,182 of this amount as encumbrances for FY2013 covering school contracts and obligations not completed as of June 30, 2012. The Board also subsequently re-appropriated other General Fund expenditures for encumbrances and carryovers totaling \$1,362,486 for FY2013. This number is the net number after deducting carryovers of appropriated revenues totaling \$160,700 associated with these same expenditure carryover requests.

General Fund Budgetary Highlights: (Continued)

Revenues & Expenditures General Fund - Budget to Actual			
	General Fund Budget to Actual		
	Final Budget	Actual	Variance
Revenues:			
Local revenue sources	\$ 42,784,759	\$ 43,709,508	\$ 924,749
Intergovernmental revenues	16,922,901	16,022,763	(900,138)
Total revenues	<u>\$ 59,707,660</u>	<u>\$ 59,732,271</u>	<u>\$ 24,611</u>
Expenditures:			
General government	\$ 4,307,875	\$ 4,073,250	\$ 234,625
Judicial	1,632,694	1,507,600	125,094
Public safety/law enforcement	12,776,540	11,905,232	871,308
Public works	1,476,276	1,411,516	64,760
Health and welfare	10,478,695	8,980,678	1,498,017
Education	27,375,720	20,022,771	7,352,949
Parks, recreation and cultural	1,883,133	1,654,803	228,330
Community development	2,586,073	1,931,433	654,640
Debt service	6,094,374	5,560,951	533,423
Nondepartmental	(546,516)	357	(546,873)
Total expenditures	<u>\$ 68,064,864</u>	<u>\$ 57,048,591</u>	<u>\$ 11,016,273</u>

Revenues: Total actual revenues were very close to final budget; exceeded final budget by only \$24,611. Total local revenue comprised 73.2% of total actual General Fund revenue while Intergovernmental Revenue (State/Federal) comprised the remaining 26.8% of total actual General Fund revenue. Intergovernmental revenue was \$900,138 less than final budget (5.3% less). Actual local revenue exceeded final budget by \$924,749 or 2.2%.

\$160,700 of final budgeted intergovernmental revenue not actually received during the year will be 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 \$739,438 in Intergovernmental revenue after adjusting for carryovers was caused by reimbursements from State/Federal being less than budget in Social Service programs and administration along with the Comprehensive Services Act Program (CSA). The County's 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 \$870,124 resulted from corresponding actual expenditures being less than budget by \$1,420,754 for these same Health & Welfare programs. This results in a favorable net cost variance to the county of \$550,630. 37% of this favorable net cost variance to the county, or \$205,940, was generated by the Comprehensive Services Act Program (CSA) alone.

General Fund Budgetary Highlights: (Continued)

Expenditures: Total General Fund actual expenditures and transfers out of \$59,426,964 were \$11,016,273 less than the final budget of \$70,443,237 (15.6% less). The largest component of this difference in the level of expenditures is Education. Actual education expenditures were \$7,352,949 less than the amended budget. The Board of Supervisors subsequently re-appropriated \$5,862,227 of this amount to the Schools for FY2013 in the form of encumbrances covering contracts and obligations not completed as of June 30, 2012. The Board also subsequently re-appropriated an additional net \$1,362,486 for expenditures for other functions within the general fund to FY13 for encumbrances and carryovers covering contracts and obligations not completed as of June 30, 2012. Expenditures centered in Social Service programs and administration along with the Comprehensive Services Act Program (CSA) reported expenditures of \$1,420,754 less than amended budget based on lower than anticipated utilization of these programs. 33% of these expenditure savings or \$466,939 was centered in Comprehensive Services Act Program (CSA). As stated above revenue reimbursements for these same Social Services programs along with CSA were also \$870,124 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 90 days 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 continued 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 still significant. 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, 2012 totals \$76.4 million (net of accumulated depreciation) for a decrease of \$5.3 million as a result of depreciation on existing capital assets exceeding new purchases of capital assets along with the sale of the vacant Gladys Elementary building and land. 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 \$3,242,603. Readers interested in additional information relating to capital assets should refer to Note 6 to the financial statements.

Capital Assets - Condensed At June 30, 2012

Governmental Activities	Ending Balance Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land	\$ 2,278,995	\$ -	\$ 2,278,995
Total capital assets, not being depreciated	\$ 2,278,995	\$ -	\$ 2,278,995
Other capital assets:			
Buildings	\$ 19,368,173	\$ 4,160,896	\$ 15,207,277
Other improvements	8,552,987	3,677,548	4,875,439
School buildings and improvements	71,588,488	19,846,018	51,742,470
Equipment and vehicles	10,903,533	8,639,381	2,264,152
Total other capital assets	\$ 110,413,181	\$ 36,323,843	\$ 74,089,338
Total capital assets	\$ 112,692,176	\$ 36,323,843	\$ 76,368,333

Capital Asset and Debt Administration: (Continued)

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

DEBT SCHEDULES

Of the \$50.3 million total principal balance of outstanding debt at the end of the year, \$42 million was for General Obligation Bonds and \$8.3 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 \$3.3 million during the year.

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

Debt Service				
Year Ending				
June 30	Principal	Interest	Total	
2013	\$ 3,252,633	\$ 2,157,014	\$ 5,409,647	
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	3,372,540	1,607,464	4,980,004	
2018-2022	15,311,143	5,999,383	21,310,526	
2023-2027	13,737,236	2,632,129	16,369,365	
2028-2029	5,130,000	147,480	5,277,480	
Total	\$ 50,347,183	\$ 18,201,915	\$ 68,549,098	

Annual debt service paid amounted to \$5.6 million for principal, interest and bank service charges for the reporting period. There are no obligations for capitalized lease payments going forward. Readers interested in additional information should refer to Note 7 to the financial statements.

The County provides other postemployment benefits (OPEB) as described in Note 13 and reported in Note 7. The County has elected to not fund the outstanding OPEB liability and has instead reduced the benefits provided to those employees hired after 2010. The County anticipates the liability will peak in approximately 10 years and steadily decline thereafter.

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 \$532,772 and this was included in the General Fund carryover from FY2012 to FY2013 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, 2012

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	\$ 14,822,706	\$ 9,490,408	\$ 351,705
Investments	16,889,411	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	41,121,893	-	-
Accounts receivable	1,029,836	-	-
Advance to primary government	-	-	218,797
Due from component unit	2,574,808	-	-
Due from other governmental units	2,326,237	2,477,851	-
Inventories	22,032	-	-
Prepaid expenses	1,484,726	352,709	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	250,000	-
Other assets:			
Unamortized bond issue costs	60,000	-	-
Capital assets (net of accumulated depreciation):			
Land	2,278,995	309,661	-
Buildings and improvements	15,207,277	3,617,442	-
Other improvements	4,875,439	893,327	-
Equipment	2,264,152	4,028,596	-
School buildings	51,742,470	-	-
Total assets	<u>\$ 156,699,982</u>	<u>\$ 21,419,994</u>	<u>\$ 570,502</u>
LIABILITIES			
Accounts payable	\$ 829,506	\$ 947,878	\$ -
Accrued liabilities	1,127,897	5,875,588	-
Accrued interest payable	401,483	-	-
Due to primary government	-	2,574,808	-
Advance from component unit	218,797	-	-
Unearned revenue	40,900,617	-	-
Long-term liabilities:			
Due within one year	3,475,169	61,747	91,899
Due in more than one year	57,326,624	3,396,392	126,898
Total liabilities	<u>\$ 104,280,093</u>	<u>\$ 12,856,413</u>	<u>\$ 218,797</u>
DEFERRED OUTFLOW OF RESOURCES	<u>\$ (4,659,837)</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES NET OF DEFERRED OUTFLOW OF RESOURCES	<u>\$ 99,620,256</u>	<u>\$ 12,856,413</u>	<u>\$ 218,797</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 25,710,879	\$ 8,849,026	\$ -
Restricted for:			
Capital projects - restricted by donors	-	250,000	-
Unrestricted (deficit)	31,368,847	(535,445)	351,705
Total net assets	<u>\$ 57,079,726</u>	<u>\$ 8,563,581</u>	<u>\$ 351,705</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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 14,367,571	\$ 8,852,653	\$ 353,851	\$ -
Judicial administration	1,634,401	31,272	896,775	23,591
Public safety	12,712,040	1,841,768	2,794,584	254,625
Public works	3,431,997	636,348	-	-
Health and welfare	9,329,764	-	6,332,719	-
Education	21,786,877	-	-	-
Parks, recreation, and cultural	1,762,788	209,061	43,372	2,495
Community development	2,316,684	46,174	344,165	199,802
Interest on long-term debt	2,244,465	-	-	-
Total governmental activities	<u>\$ 69,586,587</u>	<u>\$ 11,617,276</u>	<u>\$ 10,765,466</u>	<u>\$ 480,513</u>
Total primary government	<u>\$ 69,586,587</u>	<u>\$ 11,617,276</u>	<u>\$ 10,765,466</u>	<u>\$ 480,513</u>
COMPONENT UNITS:				
School Board	\$ 75,365,531	\$ 1,574,675	\$ 53,209,222	\$ -
Industrial Development Authority	301,148	8,485	15,950	-
Total component units	<u>\$ 75,666,679</u>	<u>\$ 1,583,160</u>	<u>\$ 53,225,172</u>	<u>\$ -</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumer utility taxes

Business license tax

Motor vehicle licenses

Other local taxes

Unrestricted revenues from use of money and property

Contributions from Campbell County

Miscellaneous

Grants and contributions not restricted to specific programs

Gain on sale of capital assets

Transfers

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	
\$ (5,161,067)	\$ -	\$ -	
(682,763)	-	-	
(7,821,063)	-	-	
(2,795,649)	-	-	
(2,997,045)	-	-	
(21,786,877)	-	-	
(1,507,860)	-	-	
(1,726,543)	-	-	
(2,244,465)	-	-	
<u>\$ (46,723,332)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (46,723,332)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (20,581,634)	\$ -	
-	-	(276,713)	
<u>\$ -</u>	<u>\$ (20,581,634)</u>	<u>\$ (276,713)</u>	
\$ 31,620,082	\$ -	\$ -	
4,143,665	-	-	
849,775	-	-	
1,598,055	-	-	
1,529,825	-	-	
749,892	-	-	
241,235	10,152	4,969	
-	20,022,771	284,050	
182,127	389,775	-	
5,373,618	-	-	
5,321,494	-	-	
1,000	-	-	
<u>\$ 51,610,768</u>	<u>\$ 20,422,698</u>	<u>\$ 289,019</u>	
<u>\$ 4,887,436</u>	<u>\$ (158,936)</u>	<u>\$ 12,306</u>	
<u>52,192,290</u>	<u>8,722,517</u>	<u>339,399</u>	
<u>\$ 57,079,726</u>	<u>\$ 8,563,581</u>	<u>\$ 351,705</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2012

	General	Special Revenue (Solid Waste)	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 6,116,933	\$ 2,795,790	\$ 3,641,136	\$ 12,553,859
Investments	10,640,329	1,604,494	-	12,244,823
Receivables (net of allowance for uncollectibles):				
Taxes receivable	41,121,893	-	-	41,121,893
Accounts receivable	359,996	663,593	1,878	1,025,467
Due from component units	2,574,808	-	-	2,574,808
Due from other governmental units	2,222,548	-	18,993	2,241,541
Inventories	22,032	-	-	22,032
Prepaid items	1,439,853	873	-	1,440,726
Total assets	<u>\$ 64,498,392</u>	<u>\$ 5,064,750</u>	<u>\$ 3,662,007</u>	<u>\$ 73,225,149</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 423,687	\$ 129,190	\$ 91,950	\$ 644,827
Accrued liabilities	220,555	1,338	-	221,893
Deferred revenue	41,024,674	-	-	41,024,674
Total liabilities	<u>\$ 41,668,916</u>	<u>\$ 130,528</u>	<u>\$ 91,950</u>	<u>\$ 41,891,394</u>
Fund balances:				
Nonspendable				
Inventories	\$ 22,032	\$ -	\$ -	\$ 22,032
Prepaid items	1,439,853	873	-	1,440,726
Committed to:				
Education	5,864,182	-	-	5,864,182
Capital improvements	-	-	2,339,159	2,339,159
Public works	-	167,970	-	167,970
Operations	1,362,486	-	-	1,362,486
Assigned to:				
Public works	-	4,765,379	-	4,765,379
Capital improvements	-	-	1,230,898	1,230,898
Unassigned	14,140,923	-	-	14,140,923
Total fund balances	<u>\$ 22,829,476</u>	<u>\$ 4,934,222</u>	<u>\$ 3,570,057</u>	<u>\$ 31,333,755</u>
Total liabilities and fund balances	<u>\$ 64,498,392</u>	<u>\$ 5,064,750</u>	<u>\$ 3,662,007</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 \$112,692,176 less accumulated depreciation of \$36,323,843)	76,368,333
Receivables on the Statement of Net Assets that do not provide current financial resources are reported as deferred revenue in the funds	789,713
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	5,290,161
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	(401,483)
Long term commitments to IDA	(218,797)
General obligation bonds and literary fund loans	(50,347,183)
Net bond issue costs and premiums	(310,271)
Landfill closure/post-closure	(2,386,168)
Other post-employment benefits	(1,691,482)
Compensated absences	(1,346,852)
Net assets of governmental activities	<u>\$ 57,079,726</u>

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

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

	General	Special Revenue (Solid Waste)	Capital Projects	Total
REVENUES				
General property taxes	\$ 31,394,666	\$ -	\$ -	\$ 31,394,666
Other local taxes	8,871,212	-	-	8,871,212
Permits, privilege fees, and regulatory licenses	309,389	-	-	309,389
Fines and forfeitures	178,962	-	-	178,962
Revenue from the use of money and property	215,468	725	14,680	230,873
Charges for services	2,156,890	636,348	-	2,793,238
Miscellaneous	287,780	7,476	13,356	308,612
Recovered costs	295,141	-	-	295,141
Intergovernmental revenues:				
Commonwealth	12,854,484	13,065	388,311	13,255,860
Federal	3,168,279	-	-	3,168,279
Total revenues	<u>\$ 59,732,271</u>	<u>\$ 657,614</u>	<u>\$ 416,347</u>	<u>\$ 60,806,232</u>
EXPENDITURES				
Current:				
General government administration	\$ 4,073,250	\$ -	\$ -	\$ 4,073,250
Judicial administration	1,507,600	-	-	1,507,600
Public safety	11,905,232	-	-	11,905,232
Public works	1,411,516	1,701,864	-	3,113,380
Health and welfare	8,980,678	-	-	8,980,678
Education	20,022,771	-	-	20,022,771
Parks, recreation, and cultural	1,654,803	-	-	1,654,803
Community development	1,931,433	-	-	1,931,433
Nondepartmental	357	-	-	357
Capital projects	-	-	1,057,458	1,057,458
Debt service:				
Principal retirement	3,259,527	-	-	3,259,527
Interest and other fiscal charges	2,301,424	-	-	2,301,424
Total expenditures	<u>\$ 57,048,591</u>	<u>\$ 1,701,864</u>	<u>\$ 1,057,458</u>	<u>\$ 59,807,913</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,683,680</u>	<u>\$ (1,044,250)</u>	<u>\$ (641,111)</u>	<u>\$ 998,319</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 200	\$ 890,507	\$ 1,492,866	\$ 2,383,573
Transfers out	(2,378,373)	(200)	(4,000)	(2,382,573)
Sale of capital assets	-	181,149	-	181,149
Total other financing sources (uses)	<u>\$ (2,378,173)</u>	<u>\$ 1,071,456</u>	<u>\$ 1,488,866</u>	<u>\$ 182,149</u>
Net change in fund balances	\$ 305,507	\$ 27,206	\$ 847,755	\$ 1,180,468
Fund balances - beginning	22,523,969	4,907,016	2,722,302	30,153,287
Fund balances - ending	<u>\$ 22,829,476</u>	<u>\$ 4,934,222</u>	<u>\$ 3,570,057</u>	<u>\$ 31,333,755</u>

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

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

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

Net change in fund balances - total governmental funds	\$ 1,180,468
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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	\$ 347,463	
Depreciation expense	<u>(3,242,603)</u>	(2,895,140)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets for gains and decrease net assets for losses.	5,013,860
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	225,416
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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.	(1,433,356)
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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	\$ 3,259,527	
Premium on bond issuance	20,508	
Amortization of bond issue costs	<u>(3,750)</u>	<u>3,276,285</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:		
Net change in landfill closure, post-closure liability	\$ 7,335,313	
Less: landfill liability assumed with purchase of related assets reported as part of the gain	(7,391,239)	
(Increase)/decrease in accrued interest	40,201	
(Increase)/decrease in compensated absences	(46,096)	
(Increase)/decrease in long term commitments to IDA	48	
(Increase)/decrease in other post-employment benefits obligation	<u>(418,324)</u>	<u>(480,097)</u>

Change in net assets of governmental activities	\$ <u><u>4,887,436</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Health Insurance Fund
 June 30, 2012

	Health Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,268,847
Investments	4,644,588
Accounts receivable	4,369
Due from other governmental units	84,696
Prepaid claims expense	44,000
	<hr/>
Total assets	\$ 7,046,500
	<hr/> <hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 184,679
Claims incurred but not reported	906,004
Deferred revenue	665,656
	<hr/>
Total liabilities	\$ 1,756,339
	<hr/> <hr/>
NET ASSETS	
Unrestricted	\$ 5,290,161
Total net assets	\$ 5,290,161
	<hr/> <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, 2012

	Health Insurance Fund
	<u> </u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 10,290,971
Total operating revenues	<u>\$ 10,290,971</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 11,930,147
Total operating expenses	<u>\$ 11,930,147</u>
Operating income (loss)	<u>\$ (1,639,176)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental revenue	
Federal	\$ 195,458
Interest Income	10,362
Total nonoperating revenues (expenses)	<u>\$ 205,820</u>
Change in net assets	\$ (1,433,356)
Total net assets - beginning	<u>6,723,517</u>
Total net assets - ending	<u><u>\$ 5,290,161</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, 2012

	<u>Health Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 10,224,123
Payments for premiums	(11,648,186)
Net cash provided by (used for) operating activities	<u>\$ (1,424,063)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grant	\$ 110,762
Net cash provided by (used for) noncapital financing activities	<u>\$ 110,762</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 10,362
Sale of investments	64,059
Net cash provided by (used for) investing activities	<u>\$ 74,421</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,238,880)
Cash and cash equivalents - beginning	3,507,727
Cash and cash equivalents - ending	<u><u>\$ 2,268,847</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (1,639,176)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ (760)
(Increase) decrease prepaid claims expense	49,798
Increase (decrease) in accounts payable	128,912
Increase (decrease) in claims incurred but not reported	103,251
Increase (decrease) in deferred revenue	(66,088)
Total adjustments	<u>\$ 215,113</u>
Net cash provided by (used for) operating activities	<u><u>\$ (1,424,063)</u></u>

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 232,159
Total assets	\$ <u>232,159</u>
LIABILITIES	
Amounts held for others	\$ 232,159
Total liabilities	\$ <u>232,159</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, 2012

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, 2012 (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 \$160,500 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 \$2,983,447 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 \$566,074 for solid waste transferred to the Authority, and received \$625,995 in distributions from the Authority for 2012 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.

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

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.

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

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

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

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

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

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

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

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

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, 2012 (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 April 15, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories. The Board of Supervisors approved supplemental appropriations in the General Fund totaling \$10,044,184 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 \$348,231 and the County Capital Projects fund of \$1,976,486.
- 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.

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.

COUNTY OF CAMPBELL, VIRGINIA

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

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

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

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 the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Compensated Absences

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

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

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.

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.

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.

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

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

Fund Equity

GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, 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).

COUNTY OF CAMPBELL, VIRGINIA

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

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

F. 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, 2012 (CONTINUED)

NOTE 2-DEPOSITS AND 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+	\$ 4,673,417
Commercial Paper	AA+	3,451,740
Commercial Paper	A-1	3,496,355
Commercial Paper	A	5,192,053
Federated Money Market	AAAm	75,846
LGIP	AAAm	4,000,538

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, 2012 the County held commercial paper investments greater than the limits established by the County's policy. In accordance with GASB 40, the County reports the following single investment held at June 30, 2012 greater than 5% of total investments.

<u>Security</u>	<u>Investment Type</u>	<u>Amount</u>	<u>Percent of Total Investments</u>
Abbey National	Commercial paper	\$ 3,496,355	17%
General Electric CAP Corp	Commercial paper	3,451,740	17%
JP Morgan Chase Co	Commercial paper	2,334,823	11%
Bear Stearns COS Inc	Commercial paper	2,857,230	14%

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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	\$ 4,673,417	\$ 4,673,417
Commercial Paper	12,140,148	12,140,148
Total investments	\$ 16,813,565	\$ 16,813,565

* 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	\$ 3,150	\$ -	\$ -
Deposits	14,819,556	9,740,408	351,705
Investments	16,889,411	-	-
Total	\$ 31,712,117	\$ 9,740,408	\$ 351,705
Statement of net assets:			
Cash and cash equivalents	\$ 14,822,706	\$ 9,490,408	\$ 351,705
Investments	16,889,411	-	-
Restricted cash and equivalents	-	250,000	-
Total	\$ 31,712,117	\$ 9,740,408	\$ 351,705

COUNTY OF CAMPBELL, VIRGINIA

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

NOTE 3-RECEIVABLES AND DEFERRED/UNEARNED REVENUE:

Receivables consist of the following:

	<u>General Fund</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Health Insurance</u>	<u>Total</u>
Receivables:					
Taxes	\$ 41,427,604	\$ -	\$ -	\$ -	\$ 41,427,604
Accounts	<u>359,996</u>	<u>663,593</u>	<u>1,878</u>	<u>4,369</u>	<u>1,029,836</u>
Gross receivables	\$ <u>41,787,600</u>	\$ <u>663,593</u>	\$ <u>1,878</u>	\$ <u>4,369</u>	\$ <u>42,457,440</u>
Less:					
Allowance for uncollectible amounts	\$ <u>305,711</u>	\$ -	\$ -	\$ -	\$ <u>305,711</u>
Net receivables	\$ <u><u>41,481,889</u></u>	\$ <u><u>663,593</u></u>	\$ <u><u>1,878</u></u>	\$ <u><u>4,369</u></u>	\$ <u><u>42,151,729</u></u>

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, 2012, assessment date are included in taxes receivable at June 30, 2012, even though taxpayers had not yet been billed. Additionally personal property taxes are assessed on January 1, 2012 and the County does not prorate assessments, therefore the assessment is included in taxes receivable. However, since the January 1, 2012 levy is intended to finance a future period, these amounts have been included in deferred revenue as discussed below.

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	\$ 40,121,621
Property taxes receivable - unavailable	789,713
Advance collection of 2012-2013 property taxes - unearned	69,052
Advance payments of state and federal grants - unearned	<u>44,288</u>
Total deferred revenue - governmental funds (Exhibit 3)	\$ 41,024,674
Less deferrals for unavailability	(789,713)
Add internal service fund deferrals related to discretely presented component units and outside entities	<u>665,656</u>
Unearned revenue - Statement of Net Assets (Exhibit 1)	\$ <u><u>40,900,617</u></u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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	\$ 743,452	\$ -
State sales tax	-	1,369,578
Comprehensive Services Act	192,831	-
Public assistance	176,870	-
Motor vehicle rental tax	64,680	-
Mobile home titling tax	23,939	-
Shared expenses and grants	276,287	-
Railroad rolling stock	165,980	-
Communications tax	242,700	-
Recordation tax	28,723	-
Data replication grant	-	-
Other state funds	57,169	-
<u>Local Governments:</u>		
Laurel Regional Program	-	137,688
<u>Federal Government</u>		
Public assistance	216,003	-
Early Retiree Reinsurance Program	84,695	-
Crimes Victims Assistance	24,886	-
Title I	-	266,057
Title II, Part A	-	107,047
Title VI-B special education cluster	-	269,564
Education jobs fund	-	251,551
Other federal grants	28,022	76,366
Total	\$ 2,326,237	\$ 2,477,851

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	\$ 1,491,866
County Agency Fund	Capital Projects Fund	1,000
General Fund	Solid Waste Fund	886,507
Solid Waste Fund	General Fund	200
Capital Projects Fund	Solid Waste Fund	4,000

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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 County Agency Fund to the Capital Projects Fund were for projects. Transfers between Solid waste fund and General Fund were to reimburse for operating costs. 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 \$2,574,808 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 \$218,797 for economic incentive grants awarded by the IDA for which the County is ultimately responsible. This is discussed further in Note 16.

NOTE 6-CAPITAL ASSETS:

Primary Government

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 2,405,985	\$ -	\$ 126,990	\$ 2,278,995
Total capital assets, nondepreciable	\$ 2,405,985	\$ -	\$ 126,990	\$ 2,278,995
Capital assets, depreciable:				
Buildings and improvements	\$ 22,935,813	\$ -	\$ 3,567,640	\$ 19,368,173
Other improvements	14,808,353	201,561	6,456,927	8,552,987
Equipment	10,884,824	145,902	127,193	10,903,533
School buildings	71,588,488	-	-	71,588,488
Total capital assets, depreciable	\$ 120,217,478	\$ 347,463	\$ 10,151,760	\$ 110,413,181
Less accumulated depreciation for:				
Buildings and improvements	\$ 5,637,269	\$ 496,583	\$ 1,972,956	\$ 4,160,896
Other improvements	9,113,042	396,858	5,832,352	3,677,548
Equipment	8,150,388	585,056	96,063	8,639,381
School buildings	18,081,912	1,764,106	-	19,846,018
Total accumulated depreciation	\$ 40,982,611	\$ 3,242,603	\$ 7,901,371	\$ 36,323,843
Capital assets, depreciable, net	\$ 79,234,867	\$ (2,895,140)	\$ 2,250,389	\$ 74,089,338
Governmental activities capital assets, net	\$ 81,640,852	\$ (2,895,140)	\$ 2,377,379	\$ 76,368,333

COUNTY OF CAMPBELL, VIRGINIA

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

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 477,538
Judicial administration	83,926
Public safety	526,130
Public works	224,692
Health and welfare	59,938
Education	1,764,106
Parks, recreation, and cultural	65,531
Community development	40,742
Total depreciation	<u>\$ 3,242,603</u>

Discretely Presented Component Unit-School Board

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	\$ 309,661	\$ -	\$ -	\$ 309,661
Capital assets, depreciable:				
Buildings and improvements	\$ 16,904,827	\$ 442,177	\$ -	\$ 17,347,004
Other improvements	1,506,640	362,515	-	1,869,155
Equipment	12,039,196	684,883	-	12,724,079
Total capital assets, depreciable	\$ 30,450,663	\$ 1,489,575	\$ -	\$ 31,940,238
Less accumulated depreciation for:				
Buildings and improvements	\$ 13,327,346	\$ 402,216	\$ -	\$ 13,729,562
Other improvements	837,510	138,318	-	975,828
Equipment	7,967,550	727,933	-	8,695,483
Total accumulated depreciation	\$ 22,132,406	\$ 1,268,467	\$ -	\$ 23,400,873
Capital assets, depreciable, net	\$ 8,318,257	\$ 221,108	\$ -	\$ 8,539,365
Governmental activities capital assets, net	<u>\$ 8,627,918</u>	<u>\$ 221,108</u>	<u>\$ -</u>	<u>\$ 8,849,026</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, 2012 (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	\$ 44,414,909	\$ -	\$ 2,387,294	\$ 42,027,615	\$ 2,380,400
Literary fund loans	9,191,801	-	872,233	8,319,568	872,233
Derivative instrument liability	2,919,693	1,740,144	-	4,659,837	-
Bond premiums	390,779	-	20,508	370,271	20,508
	<u>56,917,182</u>	<u>1,740,144</u>	<u>3,280,035</u>	<u>55,377,291</u>	<u>3,273,141</u>
Total bonds payable	\$ 56,917,182	\$ 1,740,144	\$ 3,280,035	\$ 55,377,291	\$ 3,273,141
Landfill closure/postclosure (Note 8)	9,721,481	55,926	7,391,239	2,386,168	-
Compensated absences	1,300,756	1,172,420	1,126,324	1,346,852	202,028
OPEB (Note 13)	1,273,158	825,549	407,225	1,691,482	-
	<u>12,296,435</u>	<u>2,053,915</u>	<u>8,924,788</u>	<u>13,425,562</u>	<u>202,028</u>
Total Primary Government	\$ <u>69,212,577</u>	\$ <u>3,794,039</u>	\$ <u>12,204,823</u>	\$ <u>60,801,793</u>	\$ <u>3,475,169</u>
Component Unit-School Board:					
Compensated absences	\$ 350,075	\$ 581,246	\$ 519,674	\$ 411,647	\$ 61,747
OPEB (Note 13)	2,236,461	2,719,748	1,909,717	3,046,492	-
	<u>2,586,536</u>	<u>3,300,994</u>	<u>2,429,391</u>	<u>3,458,139</u>	<u>61,747</u>
Total Component Unit- School Board	\$ <u>2,586,536</u>	\$ <u>3,300,994</u>	\$ <u>2,429,391</u>	\$ <u>3,458,139</u>	\$ <u>61,747</u>
Component Unit-IDA:					
Economic incentive grants payable (Note 9)	\$ 218,845	\$ 100,000	\$ 100,048	\$ 218,797	\$ 91,899
	<u>218,845</u>	<u>100,000</u>	<u>100,048</u>	<u>218,797</u>	<u>91,899</u>
Total Component Unit - IDA	\$ <u>218,845</u>	\$ <u>100,000</u>	\$ <u>100,048</u>	\$ <u>218,797</u>	\$ <u>91,899</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. Requirements of the other post-employment benefits are paid by the General Fund for the primary government and the school operating and school cafeteria fund for the component unit-school board.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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
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	2,500,307	1,494,351	872,233	113,113
2018-2022	11,699,976	5,721,740	3,611,167	277,643
2023-2027	13,390,000	2,625,184	347,236	6,945
2028-2029	5,130,000	147,480	-	-
Total	\$ 42,027,615	\$ 17,149,817	\$ 8,319,568	\$ 1,052,098

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	\$ 120,000
School Construction	4.90-6.35%	Nov 1992	July 2012	1,812,215	122,268
School Construction	5.10-5.50%	April 1993	Dec 2012	3,000,000	105,000
School Construction	5.10-6.10%	Nov 1996	July 2016	3,202,504	978,160
School Construction	4.35-5.23%	Nov 1997	July 2017	2,709,756	965,596
School Construction	3.60-5.10%	Nov 1998	Jan 2019	3,323,952	1,326,591
School Construction	4.35-5.10%	April 2005	July 2030	8,685,000	6,905,000
VML/VACO Bonds-School	4.61%	June 2008	July 2029	16,000,000	14,710,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	5,475,000	5,030,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	12,800,000	11,765,000
Total General Obligation Bonds				\$	<u>42,027,615</u>
<u>Literary Fund Loans</u>					
School Construction	2.00%	Aug 1998	Aug 2018	\$ 5,000,000	\$ 1,750,000
School Construction	3.00%	Nov 2001	Nov 2021	5,500,000	2,750,000
School Construction	2.00%	July 2002	July 2022	6,944,667	3,819,568
				\$	<u>8,319,568</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2012 (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 reported the derivative financial instrument in accordance with Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Commencing in fiscal year 2013 the derivative financial instrument will be reported in accordance with Governmental Accounting Standards Board Statement No. 63. Management has recognized that the current presentation of the derivative financial instrument may change in future fiscal years.

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 \$36,164,837 is more than the balance outstanding on the bonds payable of \$31,505,000. The difference of \$4,659,837 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:

Fair value at June 30, 2012	\$	(4,659,837)
Change in fair value		(1,740,144)

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

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

In accordance with state and Federal laws, the County placed a final cover on Phase II of the landfill in 1995 and is required to perform certain maintenance and monitoring functions at this site for a minimum of thirty years after closure. The cumulative amount of estimated postclosure care costs and corrective action costs for this site, less amounts expended for such costs to date were \$774,315 and \$1,611,853, respectively. The liability for Phase II reported is equal to 100% of the estimated liability.

COUNTY OF CAMPBELL, VIRGINIA

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

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

The closure and postclosure care costs for Phase III was assumed by the Region 2000 Services Authority as part of the purchase of Phase III and IV. The cumulative amount reported as postclosure care costs and corrective action liability is \$2,386,168 as of June 30, 2012, all of which is for Phase II. The liability reported is based on what it would cost to perform all postclosure care in 2012.

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

NOTE 9—IDA ECONOMIC INCENTIVE GRANTS PAYABLE:

As discussed in Note 16, the IDA has awarded certain economic incentive grants to businesses within the County; typically the grants are paid over a 3-4 year period. Grants approved by the governing body as of June 30, 2012 totaled \$218,797 and are expected to be paid in fiscal years 2013 - 2016.

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 and related capital expenditures are recorded in the County's funds.
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 18)	\$ 75,201,295
School-related principal and other debt service expenses included in primary government (Exhibit 4)	<u>4,115,186</u>
Total expenditures for school activities	<u>\$ 79,316,481</u>

COUNTY OF CAMPBELL, VIRGINIA

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

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 \$218,797 and an equal amount was reported as receivable from the County.

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

Long-term commitments to IDA, reported in the government-wide Statement of Net Assets	\$ <u>218,797</u>
Total payable to IDA	\$ <u><u>218,797</u></u>

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 5 years of service credit or age 50 with at least 10 years of service credit.

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

NOTE 12—DEFINED BENEFIT PENSION PLAN:

A. Plan Description: (Continued)

- 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.

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

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

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

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 9.07% of annual covered payroll. The School Board's contribution rate for fiscal year 2012 was 6.33% 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%.

COUNTY OF CAMPBELL, VIRGINIA

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

NOTE 12-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy: (Continued)

For the three years ended June 30, 2012, 2011 and 2010, 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 \$2,232,252, \$1,401,891 and \$2,434,795 and represented 6.33%, 3.93% and 8.81% (8.81% July 2009 - March 2010 and 0% April 2010 - June 2010) of annual covered payroll, respectively, and 100% of the required contributions for 2012, 2011 and 2010.

C. Annual Pension Cost

For fiscal year 2012, the County's and School Board's non-professional annual pension cost, not including the employee share was \$1,035,474 (employee share paid by County - \$570,823) and \$210,297 (employee share paid by School Board - \$138,718) 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, 2012	\$	1,035,474	100%	\$ -
June 30, 2011		954,950	100%	-
June 30, 2010		810,763	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	\$	210,297	100%	\$ -
June 30, 2011		211,844	100%	-
June 30, 2010		236,588	100%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's and School Board's assets are equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability are being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

COUNTY OF CAMPBELL, VIRGINIA

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

NOTE 12—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

County

As of June 30, 2011, the most recent actuarial valuation date, the plan was 78.01% funded. The actuarial accrued liability for benefits was \$54,723,305, and the actuarial value of assets was \$42,687,383, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,035,922. The covered payroll (annual payroll of active employees covered by the plan) was \$11,627,556, and ratio of the UAAL to the covered payroll was 103.51%.

School Board

As of June 30, 2011, the most recent actuarial valuation date, the plan was 82.25% funded. The actuarial accrued liability for benefits was \$13,112,757, and the actuarial value of assets was \$10,784,821, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,327,936. The covered payroll (annual payroll of active employees covered by the plan) was \$2,758,378, and ratio of the UAAL to the covered payroll was 84.40%.

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.

COUNTY OF CAMPBELL, VIRGINIA

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

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

Plan Description: (Continued)

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

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

The number of participants at June 30, 2012 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 2012, neither the County nor the Schools designated any funding for the OPEB liability.

COUNTY OF CAMPBELL, VIRGINIA

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

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

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 2012 was \$825,549 for the County and \$2,719,748 for the School Board. The County and School Board have paid \$407,225 and \$1,909,717, respectively towards this obligation during the fiscal year. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on an open basis. The components of the annual OPEB cost are depicted in the following table.

	<u>Primary Government</u>	<u>School Board</u>
Annual required contribution	\$ 827,630	\$ 2,723,403
Interest on net OPEB obligation	50,926	89,458
Adjustment to annual required contribution	<u>(53,007)</u>	<u>(93,113)</u>
Annual OPEB cost	\$ 825,549	\$ 2,719,748
Contributions made	<u>407,225</u>	<u>1,909,717</u>
Increase in net OPEB obligation	\$ 418,324	\$ 810,031
Net OPEB obligation-beginning of year	<u>1,273,158</u>	<u>2,236,461</u>
Net OPEB obligation-end of year	<u><u>\$ 1,691,482</u></u>	<u><u>\$ 3,046,492</u></u>

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, 2012	\$ 825,549	49.33%	\$ 1,691,482
June 30, 2011	790,971	44.65%	1,273,158
June 30, 2010	738,662	43.75%	835,336

COUNTY OF CAMPBELL, VIRGINIA

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

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

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$ 2,719,748	70.22%	\$ 3,046,492
June 30, 2011	2,628,382	65.12%	2,236,461
June 30, 2010	2,221,138	72.88%	1,319,729

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2012 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Valuation Date	July 1, 2011	July 1, 2011
Actuarial Accrued Liability (AAL)	\$ 8,721,654	\$ 29,214,436
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	8,721,654	29,214,436
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	76.68%	69.32%

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.

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

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

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, 2011 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 and inflation 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, 2011 (actuarial valuation date) is 30 years.

School Board Health Insurance Credit Program

A. Plan Description

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

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

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

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2012 was .72% of annual covered payroll.

COUNTY OF CAMPBELL, VIRGINIA

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

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

School Board Health Insurance Credit Program: (Continued)

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 2012, the School Board's contribution of \$19,964 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 2012 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, 2012	\$ 19,964	100.00%	\$ -

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability (AAL)	\$ 387,354
Actuarial Value of Plan Assets	182,604
Unfunded Actuarial Accrued Liability (UAAL)	204,750
Funded Ratio (Actuarial Value of Plan Assets/AAL)	47.14%
Covered Payroll (Active Plan Members)	2,758,378
UAAL as a Percentage of Covered Payroll	7.42%

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, 2011 was 30 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, 2012 was \$211,588 and equaled the required contributions for the year.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2012 (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, 2012 includes amounts not yet received from the January 1, 2012 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 2012 and 2011, 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 tax assessments are not prorated. Property is assessed as of January 1st of each year.

NOTE 15-RISK MANAGEMENT:

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

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

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

Unemployment Insurance

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

Employee Health Insurance

The County is self-insured for medical coverage for County and School employees. Anthem serves as the administrator of a group medical insurance program in which the County and School Board's participating employees are combined into one overall funding program. The program includes a specific stop loss of \$125,000 for the program year ending September 30, 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, 2012 (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, 2012	\$ 802,753	\$ 12,033,398	\$ 11,930,147	\$ 906,004
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

In fiscal year 2012 the County started offering health benefits with a health savings account. The County provided a contribution in January 2012 to each employee's health savings account equivalent to a full year contribution.

NOTE 16–COMMITMENTS AND CONTINGENCIES:

Special Purpose Grants

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

Revenue Bonds of Campbell County Utilities and Service Authority

The County Board of Supervisors has issued expressions of intent to provide the debt service payments on certain revenue bonds issued by the Campbell County Utilities and Service Authority (CCUSA). This support agreement is a non-binding obligation to appropriate to the CCUSA such funds as may be requested from time to time to pay these debt service costs for the life of the bonds, or 20 years. The County paid CCUSA approximately \$282,052 for debt service in fiscal year 2012. In turn, the County receives water and sewer access fees related to these projects. In 2012, the County received approximately \$77,478 in such fees.

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 expire in fiscal year 2013. The annual cost of these subsidies was \$74,986 in fiscal year 2012 and is estimated to be \$144,753 in fiscal year 2013.

COUNTY OF CAMPBELL, VIRGINIA

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

NOTE 16—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Library Foundation

The County has agreed to provide \$700,000 in financing for the construction of a new library and recreation center. Additionally, the County is the recipient of a grant from the Department of Housing and Urban Development in the amount of \$500,000. The Library Foundation, an independent organization from the County will provide the remaining amounts necessary to fund the total estimated cost of construction in the amount of \$1.7 million.

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.

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 30,480,495	\$ 30,718,088	\$ 31,394,666	\$ 676,578
Other local taxes	8,450,281	8,450,281	8,871,212	420,931
Permits, privilege fees, and regulatory licenses	255,516	264,636	309,389	44,753
Fines and forfeitures	270,730	270,730	178,962	(91,768)
Revenue from the use of money and property	369,000	369,000	215,468	(153,532)
Charges for services	2,114,168	2,251,037	2,156,890	(94,147)
Miscellaneous	79,600	164,446	287,780	123,334
Recovered costs	296,541	296,541	295,141	(1,400)
Intergovernmental revenues:				
Commonwealth	13,083,617	13,660,309	12,854,484	(805,825)
Federal	3,107,672	3,262,592	3,168,279	(94,313)
Total revenues	\$ 58,507,620	\$ 59,707,660	\$ 59,732,271	\$ 24,611
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	\$ 101,718	\$ 97,718	\$ 92,403	\$ 5,315
County administrator	328,924	331,618	325,678	5,940
Independent auditor	59,500	59,500	59,500	-
Business auditor	72,782	66,519	60,072	6,447
Commissioner of the Revenue	386,850	389,735	383,455	6,280
Reassessment	266,419	271,907	268,614	3,293
Central purchasing	153,493	137,693	130,546	7,147
Legal services	242,754	252,706	246,855	5,851
Treasurer	483,069	487,913	473,963	13,950
Information systems	777,671	781,594	714,541	67,053
Management services	366,819	360,020	341,077	18,943
Vehicle licensing	30,846	31,460	31,381	79
Human resources	127,827	132,369	130,934	1,435
Other	612,743	681,832	603,837	77,995
Registrar	200,778	225,291	210,394	14,897
Total general government administration	\$ 4,212,193	\$ 4,307,875	\$ 4,073,250	\$ 234,625
Judicial administration				
Circuit court	\$ 76,525	\$ 86,212	\$ 73,247	\$ 12,965
General district court	12,586	14,408	10,733	3,675
Magistrates	1,740	1,740	1,461	279
Juvenile and domestic relations court	12,417	12,650	11,606	1,044
Clerk of the circuit court	493,916	571,750	524,208	47,542
Law library	6,630	7,465	6,435	1,030
Victim witness program	172,253	234,243	196,930	37,313
Commissioner of accounts	1,320	1,320	1,110	210
Commonwealth attorney	697,659	702,906	681,870	21,036
Total judicial administration	\$ 1,475,046	\$ 1,632,694	\$ 1,507,600	\$ 125,094

General Fund

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

For the Year Ended June 30, 2012 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Public safety				
Sheriff	\$ 4,418,309	\$ 4,644,028	\$ 4,445,043	\$ 198,985
Safe streets task force	-	15,743	10,708	5,035
E - 911 system	942,707	1,007,171	948,541	58,630
Fire departments	576,255	585,339	541,483	43,856
Ambulance and rescue services	473,235	557,002	511,407	45,595
Paid EMT services	1,200,000	1,259,590	1,152,941	106,649
Forest fire extinction service	18,566	18,941	18,941	-
Jail	2,996,950	2,996,950	2,983,447	13,503
Probation office	4,400	4,400	4,242	158
Local corrections	673,561	688,731	483,049	205,682
Building inspections	441,959	445,941	343,096	102,845
Animal control	218,250	225,741	220,159	5,582
Medical examiner	450	607	540	67
Emergency services	269,661	326,356	241,635	84,721
Total public safety	\$ 12,234,303	\$ 12,776,540	\$ 11,905,232	\$ 871,308
Public works				
Highway services	\$ 21,000	\$ 21,000	\$ 14,715	\$ 6,285
Street lights	9,060	9,060	6,846	2,214
Maintenance of buildings and grounds	1,176,465	1,239,626	1,197,105	42,521
Public works administration	244,448	206,590	192,850	13,740
Total public works	\$ 1,450,973	\$ 1,476,276	\$ 1,411,516	\$ 64,760
Health and welfare				
Health department	\$ 346,594	\$ 346,594	\$ 346,594	\$ -
Chapter X board	160,500	160,500	160,500	-
Welfare assistance and administration	7,149,398	7,162,761	6,176,488	986,273
At risk youth program	2,422,672	2,419,743	1,920,750	498,993
Property tax relief for elderly/handicapped	-	235,000	246,862	(11,862)
Housing assistance	102,237	103,037	98,136	4,901
Strategic prevention framework incentive	-	36,731	17,019	19,712
Other health and welfare	14,329	14,329	14,329	-
Total health and welfare	\$ 10,195,730	\$ 10,478,695	\$ 8,980,678	\$ 1,498,017
Education				
Contribution to School Board				
Component unit	\$ 20,908,202	\$ 27,375,720	\$ 20,022,771	\$ 7,352,949
Total education	\$ 20,908,202	\$ 27,375,720	\$ 20,022,771	\$ 7,352,949

General Fund

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

For the Year Ended June 30, 2012 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Parks, recreation, and cultural				
Parks and recreation	\$ 597,667	\$ 604,812	\$ 549,636	\$ 55,176
Community recreation	279,349	279,448	154,073	125,375
Library	929,538	969,783	924,775	45,008
Literacy	28,972	29,090	26,319	2,771
Total parks, recreation, and cultural	\$ 1,835,526	\$ 1,883,133	\$ 1,654,803	\$ 228,330
Community Development				
Zoning	\$ 361,715	\$ 371,940	\$ 356,812	\$ 15,128
Economic development	399,977	1,537,368	1,038,068	499,300
Planning	111,000	111,000	111,000	-
Campbell County Utility Service Authority	308,746	435,713	306,496	129,217
Soil and water conservation district	10,000	61,915	61,913	2
Cooperation extension program	63,278	68,137	57,144	10,993
Total community development	\$ 1,254,716	\$ 2,586,073	\$ 1,931,433	\$ 654,640
Debt Service				
Principal	\$ 3,259,528	\$ 3,792,300	\$ 3,259,527	\$ 532,773
Interest and fiscal charges	1,744,272	2,302,074	2,301,424	650
Total debt service	\$ 5,003,800	\$ 6,094,374	\$ 5,560,951	\$ 533,423
Nondepartmental	\$ (546,516)	\$ (546,516)	357	(546,873)
Total expenditures	\$ 58,023,973	\$ 68,064,864	\$ 57,048,591	\$ 11,016,273
Excess (deficiency) of revenues over (under) expenditures	\$ 483,647	\$ (8,357,204)	\$ 2,683,680	\$ 11,040,884
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 200	\$ 200	-
Transfers out	(2,375,080)	(2,378,373)	(2,378,373)	-
Total other financing sources (uses)	\$ (2,375,080)	\$ (2,378,173)	\$ (2,378,173)	-
Net change in fund balances	\$ (1,891,433)	\$ (10,735,377)	\$ 305,507	\$ 11,040,884

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, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 725	\$ (9,275)
Charges for services	838,355	838,355	636,348	(202,007)
Miscellaneous	-	10,419	7,476	(2,943)
Intergovernmental revenues:				
Commonwealth	12,776	12,776	13,065	289
Total revenues	\$ 861,131	\$ 871,550	\$ 657,614	\$ (213,936)
EXPENDITURES				
Current:				
Public Works - Solid Waste	\$ 1,746,938	\$ 2,094,969	\$ 1,701,864	\$ 393,105
Total expenditures	\$ 1,746,938	\$ 2,094,969	\$ 1,701,864	\$ 393,105
Excess (deficiency) of revenues over (under) expenditures	\$ (885,807)	\$ (1,223,419)	\$ (1,044,250)	\$ 179,169
OTHER FINANCING SOURCES (USES)				
Sale of capital assets				
Transfers in	\$ 885,807	\$ 890,507	\$ 890,507	\$ -
Transfers out	-	(200)	(200)	-
Sale of capital assets	-	-	181,149	181,149
Total other financing sources (uses)	\$ 885,807	\$ 890,307	\$ 1,071,456	\$ 181,149
Net change in fund balances	\$ -	\$ (333,112)	\$ 27,206	\$ 360,318

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)
6/30/2011	\$ 42,687,383	\$ 54,723,305	\$ 12,035,922	78.01%	\$ 11,627,556	103.51%
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%

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)
6/30/2011	\$ 10,784,821	\$ 13,112,757	\$ 2,327,936	82.25%	\$ 2,758,378	84.40%
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%

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%
7/1/2011	-	8,721,654	8,721,654	0.00%	11,373,671	76.68%

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%
7/1/2011	-	29,214,436	29,214,436	0.00%	42,144,022	69.32%

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)
6/30/2009	\$ 130,255	\$ 354,677	\$ 224,422	36.72%	\$ 3,060,653	7.33%
6/30/2010	159,284	372,597	213,313	42.75%	3,118,950	6.84%
6/30/2011	182,604	387,354	204,750	47.14%	2,758,378	7.42%

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, 2012

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 50,000	\$ 50,000	\$ 14,680	\$ (35,320)
Charges for services	50,000	50,000	-	(50,000)
Miscellaneous	-	15,942	13,356	(2,586)
Intergovernmental revenues:				
Commonwealth	559,549	959,917	388,311	(571,606)
Federal	500,000	500,000	-	(500,000)
Total revenues	\$ 1,159,549	\$ 1,575,859	\$ 416,347	\$ (1,159,512)
EXPENDITURES				
Current:				
Capital projects	\$ 3,814,540	\$ 5,787,026	\$ 1,057,458	\$ 4,729,568
Total expenditures	\$ 3,814,540	\$ 5,787,026	\$ 1,057,458	\$ 4,729,568
Excess (deficiency) of revenues over (under) expenditures	\$ (2,654,991)	\$ (4,211,167)	\$ (641,111)	\$ 3,570,056
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,489,273	\$ 1,492,866	\$ 1,492,866	\$ -
Transfers out	-	(4,000)	(4,000)	-
Total other financing sources (uses)	\$ 1,489,273	\$ 1,488,866	\$ 1,488,866	\$ -
Net change in fund balances	\$ (1,165,718)	\$ (2,722,301)	\$ 847,755	\$ 3,570,056

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, 2012

	Special Welfare	Drug Enforcement	Commonwealth Attorney Drug Fund	Flexible Benefits	County Agency	Total
ASSETS						
Cash and cash equivalents	\$ 33,153	\$ 70,760	\$ 52,810	\$ 46,600	\$ 28,836	\$ 232,159
LIABILITIES						
Amounts held for others	\$ 33,153	\$ 70,760	\$ 52,810	\$ 46,600	\$ 28,836	\$ 232,159
NET ASSETS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 37,407	\$ 192,128	\$ 196,382	\$ 33,153
Liabilities:				
Amounts held for social service clients	\$ 37,407	\$ 192,128	\$ 196,382	\$ 33,153
Drug Enforcement:				
Assets:				
Cash and cash equivalents	\$ 101,373	\$ 4,882	\$ 35,495	\$ 70,760
Liabilities:				
Amounts held for others	\$ 101,373	\$ 4,882	\$ 35,495	\$ 70,760
Commonwealth Attorney Drug Fund:				
Assets:				
Cash and cash equivalents	\$ 49,136	\$ 3,924	\$ 250	\$ 52,810
Liabilities:				
Amounts held for others	\$ 49,136	\$ 3,924	\$ 250	\$ 52,810
Flexible Benefits:				
Assets:				
Cash and cash equivalents	\$ 53,636	\$ 2,833,905	\$ 2,840,941	\$ 46,600
Liabilities:				
Amounts held for others	\$ 53,636	\$ 2,833,905	\$ 2,840,941	\$ 46,600
County Agency:				
Assets:				
Cash and cash equivalents	\$ 25,473	\$ 4,363	\$ 1,000	\$ 28,836
Liabilities:				
Amounts held for others	\$ 25,473	\$ 4,363	\$ 1,000	\$ 28,836
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 267,025	\$ 3,039,202	\$ 3,074,068	\$ 232,159
Total assets	\$ 267,025	\$ 3,039,202	\$ 3,074,068	\$ 232,159
Liabilities:				
Amounts held for social service clients	\$ 37,407	\$ 192,128	\$ 196,382	\$ 33,153
Amounts held for other organizations	229,618	2,847,074	2,877,686	199,006
Total liabilities	\$ 267,025	\$ 3,039,202	\$ 3,074,068	\$ 232,159

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

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,713,934	\$ 1,518,025	\$ 1,258,449	\$ 9,490,408
Due from other governmental units	2,477,851	-	-	2,477,851
Prepaid items	340,536	12,173	-	352,709
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	-	250,000	250,000
Total assets	<u>\$ 9,532,321</u>	<u>\$ 1,530,198</u>	<u>\$ 1,508,449</u>	<u>\$ 12,570,968</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 938,090	\$ 9,788	\$ -	\$ 947,878
Accrued liabilities	5,676,916	198,672	-	5,875,588
Due to primary government	2,574,808	-	-	2,574,808
Total liabilities	<u>\$ 9,189,814</u>	<u>\$ 208,460</u>	<u>\$ -</u>	<u>\$ 9,398,274</u>
Fund balances:				
Nonspendable				
Prepaid items	\$ 340,536	\$ 12,173	\$ -	\$ 352,709
Restricted for:				
BHS fieldhouse construction	-	-	250,000	250,000
Comitted for:				
Education	5,864,182	-	-	5,864,182
Assigned to:				
Education	1,971	1,309,565	-	1,311,536
Education - capital projects	-	-	1,258,449	1,258,449
Unassigned	(5,864,182)	-	-	(5,864,182)
Total fund balances	<u>\$ 342,507</u>	<u>\$ 1,321,738</u>	<u>\$ 1,508,449</u>	<u>\$ 3,172,694</u>
Total liabilities and fund balances	<u>\$ 9,532,321</u>	<u>\$ 1,530,198</u>	<u>\$ 1,508,449</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 \$32,249,899 and accumulated depreciation of \$23,400,873)	\$ 8,849,026
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Other post-employment benefits	\$ (3,046,492)
Compensated absences	(411,647)
Net assets of governmental activities	<u>\$ 8,563,581</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, 2012

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 6,765	\$ 374	\$ 3,013	\$ 10,152
Charges for services	133,066	1,441,609	-	1,574,675
Miscellaneous	13,130	16,600	360,045	389,775
Recovered costs	486,259	-	-	486,259
Intergovernmental revenues:				
Local government	20,022,771	-	-	20,022,771
Commonwealth	44,321,283	75,113	-	44,396,396
Federal	6,538,586	2,274,240	-	8,812,826
Total revenues	<u>\$ 71,521,860</u>	<u>\$ 3,807,936</u>	<u>\$ 363,058</u>	<u>\$ 75,692,854</u>
EXPENDITURES				
Current:				
Education	\$ 71,547,390	\$ 3,653,905	\$ -	\$ 75,201,295
Total expenditures	<u>\$ 71,547,390</u>	<u>\$ 3,653,905</u>	<u>\$ -</u>	<u>\$ 75,201,295</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,530)</u>	<u>\$ 154,031</u>	<u>\$ 363,058</u>	<u>\$ 491,559</u>
Net change in fund balances	\$ (25,530)	\$ 154,031	\$ 363,058	\$ 491,559
Fund balances - beginning	368,037	1,167,707	1,145,391	2,681,135
Fund balances - ending	<u>\$ 342,507</u>	<u>\$ 1,321,738</u>	<u>\$ 1,508,449</u>	<u>\$ 3,172,694</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 \$ 491,559

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

Capital outlay	\$ 1,489,575	
Depreciation expense	<u>(1,268,467)</u>	221,108
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	\$ (61,572)	
(Increase)/decrease in other post-employment benefits obligation	<u>(810,031)</u>	<u>(871,603)</u>

Change in net assets of governmental activities \$ (158,936)

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

School Operating Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,500	\$ 3,500	\$ 6,765	\$ 3,265
Charges for services	121,500	121,500	133,066	11,566
Miscellaneous	26,500	29,500	13,130	(16,370)
Recovered costs	190,500	501,759	486,259	(15,500)
Intergovernmental revenues:				
Local government	21,408,202	27,375,720	20,022,771	(7,352,949)
Commonwealth	44,246,095	44,258,720	44,321,283	62,563
Federal	7,239,093	8,539,413	6,538,586	(2,000,827)
Total revenues	\$ 73,235,390	\$ 80,830,112	\$ 71,521,860	\$ (9,308,252)
EXPENDITURES				
Current:				
Instruction	\$ 52,053,341	\$ 55,713,878	\$ 50,887,185	\$ 4,826,693
Administration, attendance and health	3,721,399	3,831,276	3,536,985	294,291
Pupil transportation	4,516,622	4,601,547	4,278,854	322,693
Operation and maintenance services	8,350,172	10,704,599	8,296,926	2,407,673
Technology	4,593,856	5,979,812	4,547,440	1,432,372
Total expenditures	\$ 73,235,390	\$ 80,831,112	\$ 71,547,390	\$ 9,283,722
Excess (deficiency) of revenues over (under)				
expenditures	\$ -	\$ (1,000)	\$ (25,530)	\$ (24,530)
Net change in fund balances	\$ -	\$ (1,000)	\$ (25,530)	\$ (24,530)

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, 2012

	<u>Enterprise Fund</u>
ASSETS	
Cash and cash equivalents	\$ 351,705
Due from primary government	218,797
Total assets	<u>\$ 570,502</u>
LIABILITIES	
Performance grants payable:	
Due within one year	\$ 91,899
Due in more than one year	126,898
Total liabilities	<u>\$ 218,797</u>
NET ASSETS - UNRESTRICTED	<u><u>\$ 351,705</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Miscellaneous	\$ 8,485
Intergovernmental revenues:	
Commonwealth	15,950
Total operating revenues	\$ <u>24,435</u>
OPERATING EXPENDITURES	
Economic incentive grants	\$ 300,000
Other operating costs	1,148
Total operating expenditures	\$ <u>301,148</u>
Operating income (loss)	\$ (276,713)
NONOPERATING REVENUES (EXPENDITURES)	
Contributions from Campbell County	\$ 284,050
Interest income	4,969
Net nonoperating revenues (expenditures)	\$ <u>289,019</u>
Change in net assets	\$ <u>12,306</u>
Fund balances - beginning	\$ <u>339,399</u>
Fund balances - ending	\$ <u><u>351,705</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2012

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grantors and customers	\$ 24,435
Payments to grantees and suppliers	(301,196)
Net cash provided by (used for) operating activities	<u>\$ (276,761)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Campbell County	\$ 284,098
Net cash provided by (used for) noncapital financing activities	<u>\$ 284,098</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interest Income	\$ 4,969
Net cash provided by (used for) capital and related financing activities	<u>\$ 4,969</u>
Net increase (decrease) cash and cash equivalents	12,306
CASH AND CASH EQUIVALENTS	
Cash balance - beginning	339,399
Cash balance - ending	<u><u>\$ 351,705</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ (276,713)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Change in assets and liabilities:	
Increase (decrease) in performance grants payable	(48)
Net cash provided by (used for) operating activities	<u><u>\$ (276,761)</u></u>

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Other Statistical Information

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5 - 7

Debt Capacity

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

8 - 9

Demographic and Economic Information

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

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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 Eight Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 25,710,879
Restricted	7,638,827	1,239,449	-	-	-	-	-	-
Unrestricted	14,266,395	11,235,965	16,516,792	11,756,092	20,312,047	23,778,379	24,548,926	31,368,847
Total governmental activities net assets	<u>\$ 43,574,778</u>	<u>\$ 40,953,562</u>	<u>\$ 46,754,023</u>	<u>\$ 51,471,920</u>	<u>\$ 52,087,531</u>	<u>\$ 52,062,949</u>	<u>\$ 52,192,290</u>	<u>\$ 57,079,726</u>

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

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

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

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

	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 31,620,082
Other local taxes **	8,992,259	9,001,449	9,985,749	10,409,697	10,044,925	8,520,653	8,455,611	8,871,212
Interest and Investment income	672,786	1,321,908	1,641,200	1,406,527	1,047,057	397,787	351,069	241,235
Unrestricted grants and contributions	3,765,191	3,947,082	4,092,302	4,051,899	4,013,350	4,914,103	5,460,420	5,373,618
Other	212,718	236,053	274,748	344,739	351,051	283,326	1,318,547	183,127
Gain (loss) on sale of capital assets *	805,142	-	-	147,578	(507,274)	-	-	5,321,494
Total governmental activities	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547	\$ 46,432,019	\$ 51,610,768
Total primary government	\$ 38,560,770	\$ 39,890,523	\$ 42,175,461	\$ 44,161,649	\$ 44,644,682	\$ 43,932,547	\$ 46,432,019	\$ 51,610,768
Change in Net Assets								
Governmental activities	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)	\$ 129,341	\$ 4,887,436
Total primary government	\$ 2,001,812	\$ (1,033,392)	\$ 5,800,461	\$ 4,717,897	\$ 615,611	\$ (24,582)	\$ 129,341	\$ 4,887,436

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.

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

	2005	2006	2007	2008	2009	2010	2011 *	2012
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	<u>\$ 15,260,144</u>	<u>\$ 14,967,568</u>	<u>\$ 15,175,246</u>	<u>\$ 16,702,827</u>	<u>\$ 21,398,715</u>	<u>\$ 23,553,502</u>		
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	<u>\$ 14,369,391</u>	<u>\$ 7,552,805</u>	<u>\$ 9,245,721</u>	<u>\$ 34,536,588</u>	<u>\$ 13,127,183</u>	<u>\$ 6,288,151</u>		
Total fund balance, governmental funds	<u>\$ 29,629,535</u>	<u>\$ 22,520,373</u>	<u>\$ 24,420,967</u>	<u>\$ 51,239,415</u>	<u>\$ 34,525,898</u>	<u>\$ 29,841,653</u>		
General fund								
Nonspendable							\$ 141,964	\$ 1,461,885
Committed							6,494,918	7,226,668
Assigned							2,029,391	-
Unassigned							13,857,696	14,140,923
Total general fund							<u>\$ 22,523,969</u>	<u>\$ 22,829,476</u>
All other governmental funds								
Nonspendable							\$ 873	\$ 873
Committed							1,073,022	2,507,129
Assigned							6,569,201	5,996,277
Unassigned							(13,778)	-
Total all other governmental funds							<u>\$ 7,629,318</u>	<u>\$ 8,504,279</u>
Total fund balance, governmental funds							<u>\$ 30,153,287</u>	<u>\$ 31,333,755</u>

* 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 Eight Fiscal Years
(modified accrual basis of accounting)

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

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 (5)	Mobile Homes	Machinery and Tools	Merchants' Capital (2)	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Overlapping Tax Rates		Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
									Town of Brookneal	Altavista		
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	290,493,898	38,124,281	178,812,591	-	229,811,578	4,218,786,432	0.80	N/A	N/A	4,509,280,330	93.56%
2012	3,569,563,504	293,444,818	33,350,485	176,187,896	-	227,802,743	4,300,349,446	0.80	N/A	N/A	4,593,794,264	93.61%

(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.

(5) Per \$100 of assessed value.

(6) Includes recreational and apportioned vehicles

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 6

Principal Property Taxpayers
Current Year and the Six Years Prior

Taxpayer	Fiscal Year 2012				Fiscal Year 2006			
	Taxable		% of Total		Taxable		% of Total	
	Assessed	Valuation	Rank	Assessed	Valuation	Rank	Assessed	Valuation
BWX Tech, Inc	\$	76,936,384	1	1.80%	\$	55,121,313	2	1.70%
Abbott Laboratories (Ross)		66,088,359	2	1.54%		59,488,251	1	1.83%
AREVA NP Inc (Framatone)		33,872,695	3	0.79%		22,903,620	5	0.71%
BGF Industries Inc		25,595,279	4	0.60%		23,188,763	4	0.71%
Georgia Pacific Wood Prod LLC		23,617,989	5	0.55%		23,642,211	3	0.73%
Timken Company		18,841,560	6	0.44%		20,109,625	6	0.62%
Progress Printing Company		16,591,378	7	0.39%		12,598,190	7	0.39%
Schrader-Bridgeport International		12,532,938	8	0.29%		11,167,998	8	0.34%
Graham Packaging Plastic Products		9,697,030	9	0.23%		5,019,291	na	0.15%
Boxley Materials Company Inc		6,500,921	10	0.15%		3,750,249	na	0.12%
	\$	290,274,533		6.78%	\$	236,989,511		7.65%

Note: Information from nine years ago not available

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 7

Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Current Tax Levy (1)	Collections in Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Current Tax Amount	Percent of Levy Collected		Total Tax Collections	Percent of Levy Collected
2003	\$ 24,928,070	\$ 24,288,885	97.44%	\$ 424,501	\$ 24,713,386	99.14%
2004	27,063,435	26,374,691	97.46%	674,639	27,049,330	99.95%
2005	27,014,093	26,199,858	96.99%	618,858	26,818,716	99.28%
2006	29,425,081	28,544,069	97.01%	846,329	29,390,398	99.88%
2007	30,130,010	29,453,668	97.76%	593,966	30,047,634	99.73%
2008	31,437,939	30,569,832	97.24%	338,680	30,908,512	98.32%
2009	33,407,401	32,226,034	96.46%	581,796	32,807,830	98.21%
2010	33,210,365	32,310,883	97.29%	467,141	32,778,024	98.70%
2011	33,876,914	33,329,195	98.38%	531,882	33,861,077	99.95%
2012	34,291,683	33,598,099	97.98%	-	33,598,099	97.98%

(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										
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
2012		42,027,615		8,319,568		-		50,347,183	3.0%		623.12

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 Bonds	Literary Fund Loans	Total	Percentage of Actual Value of Taxable Property (2)	Total General Bonded Debt Per Capita (1)
2003	\$ 13,573,094	\$ 17,356,748	\$ 30,929,842	1.14%	\$ 611
2004	12,295,607	16,305,825	28,601,432	0.89%	563
2005	19,746,749	15,254,902	35,001,651	1.02%	682
2006	18,540,374	14,203,978	32,744,352	0.94%	630
2007	17,110,316	13,153,056	30,263,372	0.85%	581
2008	50,571,354	12,118,623	62,689,977	1.38%	1,205
2009	48,983,271	11,087,788	60,071,059	1.29%	1,150
2010	46,999,872	10,064,034	57,063,906	1.28%	1,092
2011	44,414,909	9,191,801	53,606,710	1.19%	977
2012	42,027,615	8,319,568	50,347,183	1.10%	915

(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	2012		
		Employees	Rank	% of Total Employment
BWX Technologies	Nuclear	1,500-2,499	1	5.7% - 9.5%
Campbell County Schools	Public Education	600-1,499	2	2.3% - 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	300-599	5	1.1% - 2.3%
BAT Masonry Co, Inc.	Contractor	100-299	6	0.4% - 1.1%
First National Bank	Banking/Finance	100-299	7	0.4% - 1.1%
Georgia Pacific	Wood products	100-299	8	0.4% - 1.1%
Intersections	Identity Theft Protection	100-299	9	0.4% - 1.1%
Moore's Electric & Mech.	Contractor/Electrical	100-299	10	0.4% - 1.1%
Progress Printing	Commercial Printing	100-299	11	0.4% - 1.1%
Schrader - Bridgeport Intl.	Auto/Industrial Parts	100-299	12	0.4% - 1.1%
The Timken Company	Roller Bearings	100-299	13	0.4% - 1.1%
Totals		3,800-8,187		14.4% - 31.0%

Total employed 26,386

Note: Information from nine years ago not available

Statistics include part-time employees

Source: Employer data; Virginia Employment Commission - as of July, 2012

COUNTY OF CAMPBELL, VIRGINIA

Table 11

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income		Per Capita Income (2)	School Enrollment(3)	Unemployment Rate (2)
		(in thousands) (4)				
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*	30,229	8,341	7.20%
2010	54,842		n/a*	29,899	8,140	6.20%
2011	55,032		n/a*	n/a*	8,029	6.70%

(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 Eight Fiscal Years

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

* 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.

Operating Indicators By Function
Last Eight Fiscal Years

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

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

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

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

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

(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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety - insured vehicles										
Law enforcement vehicles	71	73	79	81	80	75	77	89	84	76
Other public safety	12	13	12	12	18	19	21	22	22	19
Public works										
Vehicles	26	27	29	27	29	32	19	19	19	18
Health and welfare										
Vehicles	26	28	29	29	29	29	29	28	28	28
Parks, recreation and cultural										
Vehicles	5	5	6	7	7	7	7	7	7	7
Other										
Vehicles	14	4	9	4	7	8	8	7	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, 2012, which collectively comprise the County of Campbell, Virginia's basic financial statements and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of County of Campbell, Virginia is responsible for establishing and maintaining effective 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, 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

November 28, 2012

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, 2012. 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, 2012.

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

November 28, 2012

COUNTY OF CAMPBELL, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Early retiree reinsurance program	93.546		\$ 195,458
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950111/0950112	\$ 33,307
Temporary Assistance for Needy Families (TANF)	93.558	0400111/0400112	633,898
Refugee and Entrant Assistance - state administered programs	93.566	0500111/0500112	860
Low-Income Home Energy Assistance Program	93.568	0600411/0600412	39,125
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770110/0770111	42,468
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	131,246
Chafee Education and Training Vouchers	93.599	9160109/9160110	1,832
Child Welfare Services - state grants	93.645	0900111/0900112	1,926
Foster Care - Title IV-E	93.658	1100111/1100112	226,474
Adoption Assistance	93.659	1120111/1120112	360,255
Social Services Block Grant	93.667	1000111/1000112	456,996
Chafee Foster Care Independence Program	93.674	9150111/9150112	9,637
Children's Health Insurance Program	93.767	0540111/0540112	15,312
Medical Assistance Program	93.778	1200111/1200112	336,998
Total Dept. Health & Human Services-pass through			\$ 2,290,334
Total Department of Health and Human Services			\$ 2,485,792
Corporation for National and Community Service:			
Direct Payments:			
Retired and Senior Volunteer Program	94.002		\$ 25,207
Total Corporation for National and Community Service			\$ 25,207
Department of Homeland Security:			
Direct Payments:			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	97.024		\$ 2,930
Emergency Management Performance Grant	97.042		3,191
Total Department of Homeland Security - Direct Payments			\$ 6,121
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	N/A	\$ 3,032
Total Department of Homeland Security			\$ 9,153
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program - Food distribution	10.555	10.555/2011/2012	\$ 233,415
National School Lunch Program	10.555	10.555/2011/2012	1,510,351
Subtotal CFDA 10.555			1,743,766
National School Breakfast Program	10.553	10.553/2011/2012	530,474
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	00101119/0040110/0040111	558,766
Total Department of Agriculture			\$ 2,833,006

COUNTY OF CAMPBELL, VIRGINIA

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct Payments:			
Organized Crime Drug Enforcement Task Force - State and Local Overtime Grant	16.000		\$ 5,730
Project Safe Neighborhoods	16.609		9,877
Bulletproof Vest Partnership Program	16.607		4,625
Pass Through Payments:			
Department of Criminal Justice Service:			
ARRA - Violence Against Women Formula Grant	16.588	10WFAX0041/11WFAX0028	31,732
Crime Victim Assistance	16.575	10VAGX0095/11VAGX0001	122,638
Juvenile Justice and Delinquency Prevention	16.540	10JFFX0017/11JFFX0023	21,397
Total Department of Justice			\$ 195,999
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	154AL2011513004240	\$ 28,707
Total Department of Transportation			\$ 28,707
Department of Housing and Urban Development:			
Direct Payments:			
Section 8 Housing Choice Vouchers	14.871		\$ 54,451
Total Department of Housing and Urban Development			\$ 54,451
Department of Education:			
Pass Through Payments:			
Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	S394A090047	\$ 159,929
Title I, Part A Cluster:			
Title I: Grants to Local Educational Agencies	84.010		1,753,609
ARRA - Title I: Grants to Local Educational Agencies	84.389	S389A090046	74,445
Adult Education Basic Grants to States	84.002	N/A	71,738
Career and Technical Education - Basic Grants to States	84.048	V048A110046	124,218
Special Education Cluster:			
Title VI-B: Special Education - Grants to States	84.027	H027A110107/H027A100107	1,986,867
Title VI-B: Special Education Preschool Grants	84.173		57,655
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	S318X100046	20,779
ARRA - Educational Technology State Grants	84.386	S386A090046	10,693
Title II, Part A: Improving Teacher Quality	84.367	S367A100044/S367A110044	397,539
ARRA-Education Jobs Fund	84.410	S410A100047	1,733,834
21st Century Community Learning Centers	84.287	S287C110047	132,399
English Language Acquisition Grants	84.365	S365A110046	14,881
Total Department of Education			\$ 6,538,586
Total Expenditures of Federal Awards			\$ 12,170,901

COUNTY OF CAMPBELL, VIRGINIA

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

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, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of 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 - Food Commodities

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,168,279
Less: E-Rate not reported on Schedule of Expenditures of Federal Awards	(5,662)
Health Insurance Fund	195,458
Total primary government	<u>\$ 3,358,075</u>

Component Unit Public Schools:

School Operating Fund	\$ 6,538,586
School Cafeteria Fund	2,274,240
Total component unit public schools	<u>\$ 8,812,826</u>

Total federal expenditures per basic financial statements	<u>\$ 12,170,901</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 12,170,901</u></u>
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COUNTY OF CAMPBELL, VIRGINIA

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) 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
	School Nutrition Cluster:
10.553	National School Breakfast Program
10.555	National School Lunch Program
10.555	National School Lunch Program - Food distribution
84.367	Title II, Part A: Improving Teacher Quality
84.410	ARRA - Education Jobs Fund
84.394	ARRA - State Fiscal Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$ 365,127
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.