

COUNTY OF
CAMPBELL, VIRGINIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-6
Certificate of Achievement for Excellence in Financial Reporting	7
Directory of Principal Officials	9
Organizational Chart	11
FINANCIAL SECTION	
Independent Auditors' Report	13-15
Management's Discussion and Analysis	17-30
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	35
Exhibit 2 Statement of Activities	36-37
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	41
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	42
Exhibit 5 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	43
Exhibit 6 Statement of Net Position—Health Insurance Fund	44
Exhibit 7 Statement of Revenues, Expenses, and Changes in Net Position— Health Insurance Fund	45
Exhibit 8 Statement of Cash Flows—Health Insurance Fund	46
Exhibit 9 Statement of Fiduciary Net Position—Fiduciary Funds	47
Notes to Financial Statements	49-83

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
FINANCIAL SECTION (CONTINUED)	
<u>Required Supplementary Information:</u>	
Exhibit 10 Schedule of Revenues, Expenditures, and Changes in Fund Balances— General Fund—Budget and Actual	87-89
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Solid Waste Fund—Budget and Actual	90
Exhibit 12 Schedule of Pension Funding Progress for the Virginia Retirement System	91
Exhibit 13 Schedule of OPEB Funding Progress	92
<u>Other Supplementary Information:</u>	
Exhibit 14 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Capital Projects Fund—Budget and Actual	95
Exhibit 15 Combining Statement of Fiduciary Net Position—Agency Funds	96
Exhibit 16 Combining Statement of Changes in Assets and Liabilities—Agency Funds	97
Exhibit 17 Combining Balance Sheet—Discretely Presented Component Unit- School Board	98
Exhibit 18 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds—Discretely Presented Component Unit -School Board	99
Exhibit 19 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Discretely Presented Component Unit School Board—School Operating Fund-Budget and Actual	100
Exhibit 20 Statement of Net Position—Proprietary Fund - Discretely Presented Component Unit-Industrial Development Authority	101
Exhibit 21 Schedule of Revenues, Expenditures, and Changes in Net Position— Discretely Presented Component Unit—Industrial Development Authority	102
Exhibit 22 Statement of Cash Flows—Discretely Presented Component Unit— Industrial Development Authority	103

COUNTY OF CAMPBELL, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
STATISTICAL SECTION:	
Table 1 Net Position by Component	107
Table 2 Changes in Net Position	108-109
Table 3 Fund Balances of Governmental Funds	110
Table 4 Changes in Fund Balances of Governmental Funds	111
Table 5 Assessed Value and Estimated Actual Value of Taxable Property	112
Table 6 Principal Property Taxpayers	113
Table 7 Property Tax Levies and Collections	114
Table 8 Ratios of Total Outstanding Debt	115
Table 9 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	116
Table 10 Principal Employers	117
Table 11 Demographic and Economic Statistics	118
Table 12 Full-Time Equivalent County Government Employees by Function	119
Table 13 Operating Indicators by Function	120
Table 14 Capital Assets Statistics by Function	121
COMPLIANCE SECTION:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Performed in Accordance with Government Auditing Standards	123-124
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	125-126
Schedule of Expenditures of Federal Awards	127-128
Notes to Schedule of Expenditures of Federal Awards	129
Schedule of Findings and Questioned Costs	130

COUNTY OF CAMPBELL

SUPERVISORS

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



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

ALTAVISTA (434) 592-9525
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December 9, 2013

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, 2013. 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

During FY 2013, Campbell County had various businesses to break ground, begin construction or announce expansions. The Daly Seven Corporation started the construction phase of the new 110 room Hampton Inn & Suites on the Rt. 29 corridor near the Lynchburg Regional Airport. Areva also announced the expansion of their U.S. Technical Center to the Mt. Athos facility site in Campbell County. The center, which began its expansion in mid-February, specializes in seismic testing capability processes including testing product resilience in harsh conditions and various metallurgical and chemical laboratories. The Center was completed in the summer, with a Ribbon Cutting Ceremony held in September 2012. In FY 2013, Banker Steel, LLC. announced an expansion of a 43,000 square foot building on the South Plant site. The Campbell County Industrial Development Authority obtained loans from First National Bank in Altavista for approximately \$2.5 million for the construction of the new building addition and equipment purchases. Campbell County and the Virginia Tobacco Commission worked together to provide \$50,000 in incentive grants towards the expansion.

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, and trucking.

In FY 2013, Campbell County's unemployment rate ranged from a high of 6.1% in July 2012 to a low of 5.1% in April of 2013, with an average of 5.6%. During FY 2013, both Campbell County and Virginia averaged 5.6% in unemployment rates, but significantly lower rates than the national average (7.8%).

Campbell County's U S Census estimated population for 2012 was 55,163 down from the 2011 count of 55,220 for a 0.1% decrease. (Data for 2013 has not been compiled yet for comparison.)

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

The total reported value of all types of construction for permits issued in FY2013 was up 132% from FY2012 and up 264% as compared to FY2011, due primarily to the increase in institutional and commercial development. The total reported value of residential construction for permits issued in FY2013 was down 12% from FY 2012, but up 34% as compared to FY2011; most of the fluctuation in residential construction value can be attributed to a large apartment complex beginning construction in FY12. Otherwise, single-family home construction is experiencing a slight increase year to year.

FY 2013 Major Economic Development Department Accomplishments

- **Business Appreciation Week-** During the week of June 3-7th, Campbell County mailed roughly 2,200 appreciation letters to local businesses and hosted its 10th Annual BAW Luncheon. Approximately 70 were in attendance at the luncheon, including major county employers and both local and state officials. Watt Foster, President & CEO of Foster Fuels was the guest speaker.
- **Tobacco Agriculture Grants** - In FY 2012 we were awarded the Tobacco Commission's Central Virginia Livestock Improvement Program Grant totaling \$700,000. The grant has provided farmers from 14 different counties with reimbursements towards livestock identification systems, pasture utilization equipment, hay feeding and handling equipment. The grant is currently in progress and is anticipated to take the last applications for reimbursement by late August or September.

Additionally, the County is in the process of closing out the completed FY 2011 Phase I and Phase II Commodity Storage Grants.

- **Tobacco Southside Economic Development Grant- Seneca Commerce Park Public Sewer-**The gravity sewer line has been installed at Seneca Commerce Park and the Pump Station construction has begun, which will hopefully be completed in October 2013. We are waiting on the Army Corps permit prior to the installation of the power line. The permit has been approved, but the paper work has not come through at this time.
- **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 continued administrative responsibility in facilitating the activities of the 501 Regional Coalition. This is a coalition of four counties and one city that comprise the US Route 501 corridor. The Coalition's goal is to seek safety and other improvements to the road conditions of this important transportation corridor.
- **Brookneal Campbell County Airport-** The Department of Economic Development provides administrative support to the Brookneal Campbell County Airport. A 12,000 gallon self-serve gas fuel tank system was installed during FY 2012; Virginia Aviation has a contract to operate and manage the fuel sales from the tank. In FY 2013, an AWOS (Automated Weather Observation System) has been installed at the Airport and is awaiting a FCC broadcast frequency license.

FY 2013 Other Initiatives:

For fiscal year 2013: 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 as follows:

- 20 Year school Construction Plan - The County School Division completed an analysis that included a citizen group of nearly 400 participants to evaluate the best educational structure for County school facilities over the next 50 years. For long term planning purposes the analysis concluded that in order to provide for the best educational quality in a cost effective manner the County should move to a two high school and two middle school concept on shared campuses. The County currently utilizes a four high school model.
- Rural Water Supply Alternatives - The Evington Community requested assistance from the County to help address ongoing potable water shortages in that community. As a result the County developed a comprehensive water resource information guide and provided the community with a number of options to help address water shortages anywhere that they might occur in the County.
- The Department of Community Development continues to plan for the full implementation of new state stormwater management regulations on July 1, 2014. During FY2013, the County added a full-time code enforcement officer to our environmental management staff. We continue to work with other area jurisdictions on a regional approach to help standardize the implementation in our area.
- Broadband Access Options were approved by the Board for providing public safety and business access options to broadband based on available funding and resources. A plan was developed to implement broadband access for businesses in the areas of the County currently zoned industrial, and a plan is being developed to deploy broadband access for public safety resources for implementation in future years.
- The County initiated a long-term Information Technology master planning process. The resultant plan will help guide the County over the next five to ten years in terms of information technology integration and maximization of both fiscal and IT resources.
- The Public Safety Department completed a radio communications system study that will result in implementation of a new and upgraded emergency radio structure that incorporates countywide simulcast. Additionally, the study will include a fourth phase that looks at options on migration to the regional radio system.
- Completed construction plans and issued bid for Groundwater Extraction Treatment System Expansion for closed Landfill.
- Completed construction of English Park entrance road and bike path.
- Replaced School Administration and Agriculture Services Buildings roofs.
- Removed crumbling Library Building arches and constructed new entrance for School Administration Building.
- Social Services raised donations to purchase backpacks and school supplies for 636 low income students.
- Social Services raised donations to provide 1,195 food boxes for needy families for Thanksgiving, Christmas and Easter.
- Social Services raised donations to provide Christmas clothing /toys for 632 needy children.
- Social Services assisted 123 people to obtain either full time or part time jobs under the Virginia Initiative For Employment Not Welfare program.

PROPERTY TAX RATES

During the budget process for FY 2013 the Board of Supervisors adjusted tax rates for Real Estate and Personal Property in order to increase local funding to the Schools to help offset in part some of the large revenue funding cuts to education from State and Federal sources over the previous few years.

The Real Estate Tax Rate increased from 46 cents to 53 cents per \$100 of assessed value and the Personal Property Tax Rate increased from \$3.85 to \$4.45 per \$100 of assessed value.

The County also instituted a new Transient Occupancy Tax of 2% of charges for occupancy. This new tax generated \$50,000 of revenue for the County for FY 2013.

GOVERNMENT'S FINANCIAL POLICIES AND LONG TERM FINANCIAL PLANNING

The County experienced significant reductions in funding from the State from FY 2009 through FY 2012. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure they were reduced in direct proportion to the reduction in State funding. This was accomplished in part due to the County instituting a mandatory rolling vacancy program of 180 days for 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 served its purpose well and enabled the county to weather the adverse economic environment until the local economy showed significant improvement during FY 2013.

The County has established a target unassigned general fund balance of 15% of the combined non-duplicated budget of the General Fund and School Operating Fund. For the FY 2014 budget year this totals 15% of \$116,000,000 or \$17.4 million. The minimum target set by the County is 10%, or \$11.6 million based on the FY 2014 budget. The 15% target represents approximately 60 days of operating reserve, and additionally serves to meet required financial assurance measures for solid waste activities, and demonstrates the County's fiscal soundness for borrowing capacity. The year-end unassigned general fund balance of \$15,601,083 is slightly below the targeted \$17.4 million, however continues to see improvement as the County reinvests reverted funds into the fund balance after five years of reserves being used as temporary step-down resources used during the economic downturn. The balance is now well above the 10% minimum.

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

OTHER INFORMATION

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

OTHER INFORMATION: (CONTINUED)

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,

A handwritten signature in black ink, appearing to read 'R. David Laurrell', with a large, stylized flourish at the end.

R. David Laurrell
County Administrator

A handwritten signature in black ink, appearing to read 'Alan C. Lane', with a stylized, cursive style.

Alan C. Lane
Director of Management Services



Government Finance Officers Association

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

Presented to

**County of Campbell
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

COUNTY OF CAMPBELL, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS

JUNE 30, 2013

BOARD OF SUPERVISORS

Eddie Gunter, Jr., Chairman
James D. Puckett., Vice-Chairman

James A. Borland
Charles Falwell
Stanley I. Goldsmith

Hugh T. Pendleton, Jr.
Steven M. Shockley

COUNTY SCHOOL BOARD

Susan Hogg, Chairwoman
R. Leon Brandt, Jr., Vice-Chairman

G. Roger Akers
Mark Epperson
Barry A. Jones

George Jones
Gary R. Mattox

COUNTY LIBRARY BOARD

Rita Clark, Chairwoman
Joe Lunsford, Vice-Chairman

Ernest Bender
Kelly Griffin
Karen Gunter

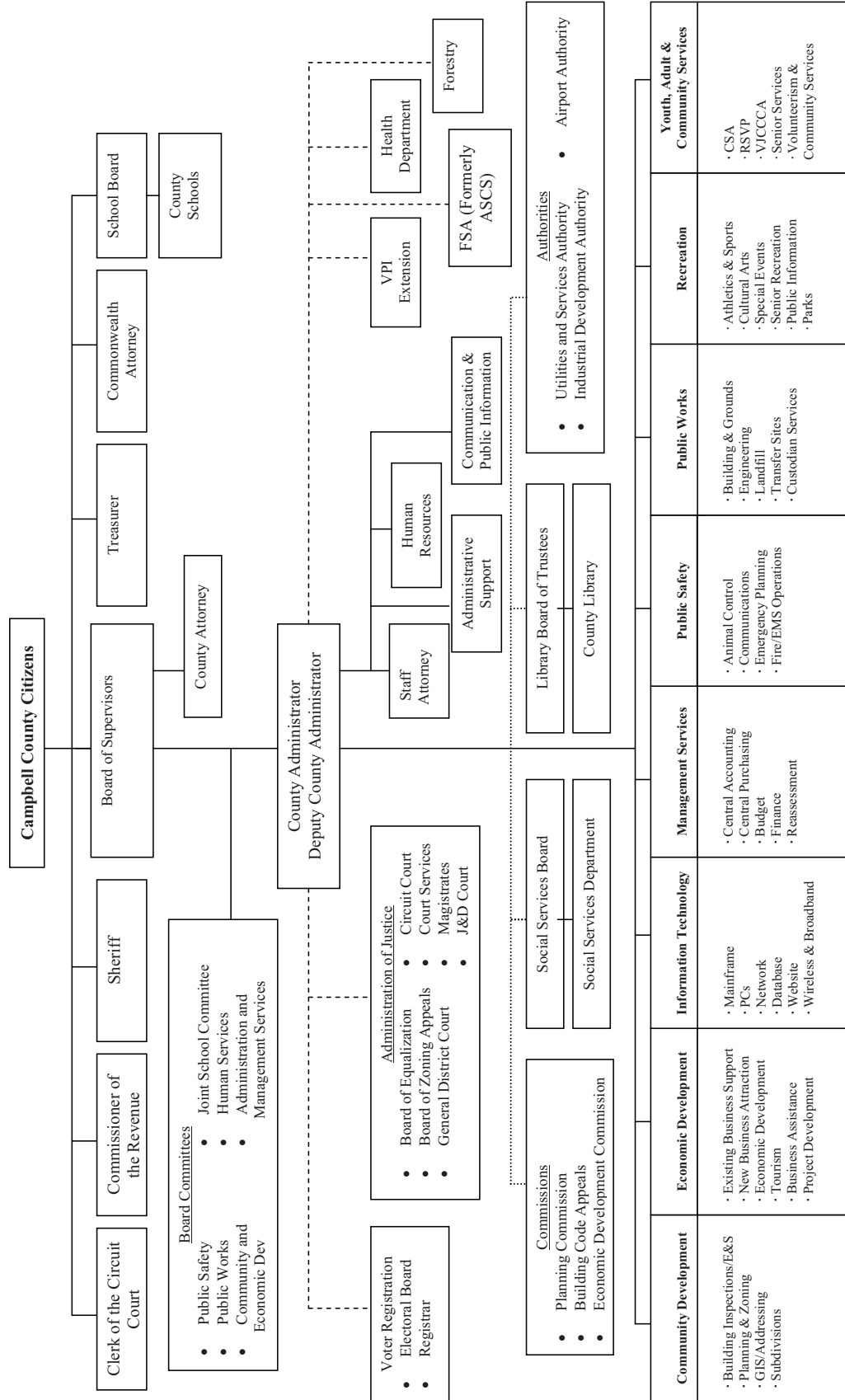
Charlotte Lane
Sandra Lichtenberger

OTHER OFFICIALS

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

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

CAMPBELL COUNTY, VIRGINIA – ORGANIZATIONAL CHART



Revised 3/2012

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Campbell, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 17 to the financial statements, in 2013, the County adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17-30, 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Matters

Other Information (Continued)

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the County of Campbell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Campbell, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 21, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Campbell, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2013.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$58,017,706 (net position). During the current fiscal year, the County's net position increased by \$997,980 or 1.9% primarily due to an increase in cash and cash equivalents resulting from revenue growth due to the improved local economy.
- The County's combined funds reported year-ending fund balances totaling \$30,362,237 and reflected a decrease of \$971,518 or 3.1% from the previous year. Approximately fifty-two percent of the year-ending combined fund balances, or \$15,601,083, is available for spending at the County's discretion (unassigned fund balances).
- At the end of the current fiscal year 2013, the unassigned fund balance for the general fund of \$15,601,083 represented 23.6% percent of total general fund expenditures and transfers for the year. The unassigned fund balance for the general fund increased by \$1,460,160 resulting from year-end positive net reversions of appropriated expenditures and revenues.
- The County has established a target unassigned general fund balance of 15% of the combined non-duplicated budget of the General Fund and School Operating Fund. For the FY 2014 budget year this totals 15% of \$116,000,000 or \$17.4 million. The minimum target set by the County is 10%, or \$11.6 million based on the FY 2014 budget. The 15% target represents approximately 60 days of operating reserve, and additionally serves to meet required financial assurance measures for solid waste activities, and demonstrates the County's fiscal soundness for borrowing capacity.
- The year-end unassigned general fund balance of \$15,601,083 is slightly below the targeted \$17.4 million, however continues to see improvement as the County reinvests reverted funds into the fund balance after five years of reserves being used as temporary step-down resources used during the economic downturn. The balance is now well above the 10% minimum.

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.

The County implemented GASB Statements Number 63 and 65 for the fiscal year ended June 30, 2013. The implementation of the standards required restatement of the beginning equity as described in Note 17 of the Notes to the Financial Statements. The summary comparative information presented in the Management's Discussion and Analysis reports the effect of the implementation of the new standards retroactively. Additional information regarding the implementation of GASB Statements Number 63 and 65 can be found in Notes 1 and 17.

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

Overview of the Financial Statements (Continued)

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (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.

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

Proprietary funds - The County maintains one proprietary fund - the Health Insurance Fund. The Health Insurance Fund is an internal service fund and is used to account for costs of providing health and dental insurance to 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 position and a statement of changes in fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$ 58,017,706 at the close of the most recent fiscal year.

Summary of Net Position			
		Governmental Activities	
		2013	2012
Assets			
Current and other assets	\$	80,987,639	\$ 80,271,649
Capital assets		74,102,533	76,368,333
Total assets	\$	<u>155,090,172</u>	\$ <u>156,639,982</u>
Deferred outflows of resources	\$	<u>3,349,154</u>	\$ <u>4,659,837</u>
Liabilities			
Long-term liabilities	\$	53,378,771	\$ 56,141,956
Current liabilities		6,837,913	7,903,176
Total liabilities	\$	<u>60,216,684</u>	\$ <u>64,045,132</u>
Deferred inflows of resources	\$	<u>40,204,936</u>	\$ <u>40,234,961</u>
Net position:			
Net investment in capital assets	\$	26,658,220	\$ 25,710,879
Unrestricted		31,359,486	31,308,847
Total net position	\$	<u><u>58,017,706</u></u>	\$ <u><u>57,019,726</u></u>

NOTE: Current and Other Assets for the previous fiscal year FY 2012 have been restated recognizing a reduction in the amount of \$60,000 for implementation of GASB 65 which requires that bond issue costs be expensed immediately and no longer amortized over the life of the bond. This reduced total net position in the amount of \$60,000 from the previously issued financial statements.

NOTE: There exists a derivative instrument liability in the amount of \$3,349,154 for interest rate swap related to the 2008 bond issue. For more information refer to Note 7. The County has implemented and properly reported the derivative instrument liability in accordance with GASB Statements Number 63 and 65.

Government-wide Financial Analysis (Continued)

The largest portion of the County's net position of \$26.7 million, (45.9 percent of total), reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the County's net position is \$31.3 million (54.1 percent of total) and primarily consists of cash, cash equivalents and investments. At the end of the current fiscal year, the County is able to report positive balances in all categories of net position.

During the current fiscal year, the County's net position experienced an increase in the amount of \$997,980 or 1.9% due primarily to an increase in cash and cash equivalents resulting from general revenue growth due to the improved local economy. Capital assets net of depreciation decreased by \$2,265,800 due primarily to an additional year of depreciation. Landfill Closure/Post Closure liabilities increased slightly by \$40,565 due to inflation.

The net OPEB obligation for the primary government recorded as of June 30, 2013 was \$2,121,277 covering the liability for post retiree costs for health insurance benefits as required by GASB Statement Number 45. This represents an increase of \$429,795 for this obligation from the previous fiscal year end. The County has chosen not to fund the OPEB liability, but rather has changed its retirement benefits policy to no longer offer County provided health insurance premiums to retirees hired after July 1, 2010, and extended the policy for those hired between July 1, 2006 and June 30, 2010 to be eligible only after 20 years of service with the County. This policy change will result in an increasing liability on the County's balance sheet due to inflationary pressures of future health care costs until FY 2021. At that point in time the liability will begin to decrease significantly on an annual basis as current eligible employees reach the age of 65 years old and are no longer eligible for this benefit. The liability will continue to decrease as the expected impact of the updated retirement policy for those hired after July 1, 2006 is fully realized.

Long Term Debt principal was paid down by \$3,252,633 during the year.

Health Insurance Fund: Health Insurance Fund net position of \$6.3 million increased by \$1,030,189 primarily as a result of the County making transfers totaling \$1.6 million from the General Fund in order to reimburse the Health Insurance Fund for payments from the Health Insurance Fund reserves into individual employee-owned health savings accounts ('HSA') 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 transfers totaling \$1.6 million from the General Fund to the Health Insurance Fund resulted from reversions generated by the County Government and the Schools. In effect the transfers from the General Fund were meant to replace the HSA contributions that were paid from the Health Insurance Fund for the year. In reality the HSA contributions paid from the Health Insurance Fund were for six months for the County and eight months for the Schools.

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

The County's policy is to maintain a fund balance in the Health Insurance Fund that represents 10% of the total anticipated cost for the upcoming year, plus the estimated cost for claims incurred but not reported (IBNR). This is to provide funding for the short-term self-insured liability of the Fund. Funds above this amount are

Government-wide Financial Analysis (Continued)

utilized to stabilize rates over a longer period of time and pay for implementation of the Health Savings Accounts. Over the next five years the County plans to increase premium contributions by approximately \$200,000 per year to offset the current use of fund balance to meet HSA contributions. This is in addition to any normal premium increase needed to meet actual health care cost expenditures. At the end of the five-year period premium contributions should meet both actual health care costs and the cost of HSA contributions. Based on the FY 2014 budget the minimum Health Insurance Fund Balance would be approximately \$1,785,180 without taking into consideration premium smoothing or HSA contributions.

Governmental Activities: Governmental activities increased the County's net position by \$997,980 or 1.9% primarily due to the growth in the local economy. Key elements of the increase in net position of the Primary Government are summarized as follows:

Changes in Net Position - Statement of Activities			
		Governmental Activities	
		2013	2012
Program Revenues:			
Charges for services	\$	3,528,650	\$ 3,281,589
Operating grants and contributions		11,243,741	10,765,466
Capital grants and contributions		450,560	480,513
General Revenues:			
General property taxes		36,936,888	31,620,082
Other local taxes		9,571,055	8,871,212
Use of money and property		153,943	241,235
Grants and contributions not restricted		5,275,066	5,373,618
Gain on sale of capital assets		62,284	5,321,494
Transfers		-	1,000
Miscellaneous revenue		406,963	182,127
Total revenues	\$	67,629,150	\$ 66,138,336
Expenses			
General government administration	\$	4,832,503	\$ 4,704,772
Judicial administration		1,678,561	1,642,995
Public safety		14,282,692	12,755,178
Public works		3,299,182	3,434,601
Health and welfare		9,816,547	9,346,204
Education		26,144,199	23,033,792
Parks, recreation and cultural		1,723,223	1,771,206
Community development		2,745,880	2,317,687
Interest and other fiscal charges		2,108,383	2,240,715
Total expenses	\$	66,631,170	\$ 61,247,150
Change in net position		997,980	4,891,186
Net position, beginning, restated	\$	57,019,726	\$ 52,128,540
Net position, ending	\$	58,017,706	\$ 57,019,726

NOTE: As noted previously Net position for the previous fiscal year FY 2012 have been restated downward in the amount of \$60,000 for implementation of GASB 65 which requires that bond issue costs be expensed immediately and no longer amortized over the life of the bond.

NOTE: Charges for Services Revenue and Expenses By Function for the previous fiscal year FY 2012 have been reclassified in accordance with new guidance as to the presentation of internal services activity of the Health Insurance Fund.

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 \$997,980 including current year depreciation on capital assets. Current year depreciation expense for capital assets for the primary government totaled \$3,215,423. Revenues for governmental activities increased by \$1,490,814 or 2.3%. As explained below, General Property Taxes were up in the amount of \$5,316,806 due primarily to the tax rate increases for Real Estate and Personal Property along with continued local economic growth. Conversely, there was a decrease in revenue in the amount of \$5,259,210 from the sale of fixed assets that is explained below. Government-wide expenses, including current year depreciation on capital assets, increased by \$5,384,020 or 8.8% as is explained below.

EXPENSES - PRIMARY GOVERNMENT

- Education expenses of the primary government increased by \$3,110,407 or 13.5% primarily in the form of the transfer from the General Fund to the Schools Operating Fund. The transfer increase was used to help offset some of the much larger reductions in state funding for Schools over the last few years. However, the transfer to the Schools from the General Fund was still well below what was budgeted in the current fiscal year and the great majority of the difference was subsequently appropriated by the Board of Supervisors for the coming year in the form of encumbrances and carryovers.
- Increase in Public Safety/Law Enforcement of \$1,527,514 or 12% primarily due to an increase in the amount of \$1,202,974 for the purchase of Fire & Rescue apparatus and facility replacement programs. These purchases made in FY 2013 and some of these purchases were delayed from previous fiscal years. Expenses paid to the Blue Ridge Regional Jail increased by \$293,319 and payments to Group Homes increased by \$36,654 due to increased utilization of these facilities. Juvenile Detention expenditures decreased by \$37,404 due to decreased utilization of this facility.
- Increase in Health & Welfare of \$470,343 or 5% due primarily to an increase for the Comprehensive Service Act (CSA) program in the amount of \$370,003. This program is funded by state and federal funds totaling approximately 58% of total program costs including all costs to administer this program. The remaining 42% is local cost. However, in years previous to FY 2013 the cost to administer this mandated program was reduced dramatically. This year marked the first year of cost increase in administering the CSA program in several years. Health & Welfare programs are generally funded in great part with state and federal grants and state and federal reimbursements.
- Increase in Community Development expenses of \$428,193 or 18.5% primarily due to an increase in the amount of \$124,420 for the development of Seneca Commercial Park and the Airport Development Area. Additionally, payments for Economic Incentives were \$151,368 greater than they were for the previous fiscal year. The great majority of the economic incentive payments as well as the development costs for the Seneca Commercial Park are reimbursed to the County from the Virginia Tobacco Indemnification Fund. Expenses for the new Environmental Management Department resulting from the mandated Storm Water Management Program totaled \$87,341 for the year. Additionally, FY 2013 was the initial year of the new SPF - SIG Grant funded program fully funded by state/federal funding in the amount of \$100,670. Additional information concerning this grant will be provided under the Analysis of General Fund section.
- All other functional areas of expense were down on a combined basis in the amount of \$156,187.

Government-wide Financial Analysis (Continued)

PROGRAM/GENERAL REVENUES - PRIMARY GOVERNMENT

- Increase in General Property Taxes of \$5,316,806 or 16.8%, based on the continued economic recovery as well as tax rate increase for Real Estate and Personal Property. The County Real Estate Tax rate increased from 46 cents per \$100 of assessed value to 53 cents per \$100 of assessed value. The Personal Property Tax rate increased from \$3.85 per \$100 of assessed value to \$4.45 per \$100 of assessed value. Revenue generated from the tax rate increases for real estate and personal property were earmarked for increased funding for public education in the form of transfers from the County General Fund to the Schools Operating Fund to help offset some of the much larger reductions in State funding for Schools over the last few years. All other 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 \$2,659,840, or 16.3%, due to the tax rate increase as well as to purchases of newer vehicles by citizens and businesses in the County as well as increased efforts by the Commissioner of the Revenue's Office to identify property that had not been taxed before. Additionally, approximately \$500,000 of tax revenue was reclassified from Machinery & Tools Tax to Other Personal Property Tax. Real Estate Taxes increased \$2,649,937 or 16.2% due to the tax rate increase as well as to new construction. Increases in Other Local Taxes of \$699,843, or 7.9%, resulted from the continued local economic recovery. Sales Tax and BPOL Tax were the largest contributors to the increase in Other Local Taxes. Sales Tax Revenue was up \$437,516, or 10.6%, and BPOL Tax was up \$182,880, or 11.4%, due to local economic growth.
- Increase in Other Local Taxes of \$699,843, or 7.9%, resulted from the continued local economic recovery. Sales Tax and BPOL Tax were the largest contributors to the increase in Other Local Taxes. Sales Tax Revenue was up \$437,516, or 10.6%, and BPOL Tax was up \$182,880, or 11.4%, due to local economic growth.
- Increase in Operating and Capital Grants & Contributions of \$478,275 or 4.4% primarily due to increases of \$418,870 in funding received from the State Tobacco Indemnification Program for economic incentives paid out by the County. Additionally, \$109,022 grant funding was received for the initial new year of the SPF - SIG Grant funded program mentioned above. Additional information concerning this grant will be provided under the Analysis of General Fund section.
- Increase in Charges for Services of \$247,061 or 7.5% primarily due to increased collections of EMS Billings in the amount of \$199,671 due to an increase in the allowable fees as well as a concentrated effort to make sure that billable transport calls are actually billed and collected. Additionally, an increase of \$197,998 Revenue Recovery - Tipping Fees for the County's portion of net fees for solid waste delivered to the Regional Landfill.
- Increase in Miscellaneous Revenue of \$224,836 or 123.5%. First time reimbursement received from the Altavista Area EMS in the amount of \$81,679 for fuel costs and property and liability insurance paid by the county for transport calls billed by the squad for transport calls outside of the county limits. Revenue in the amount of \$87,522 received from the Regional Landfill Authority to assist in the purchase of real estate parcels to be used as a buffer for the landfill. Insurance Recoveries increase in the amount of \$44,104 for various small property insurance claims received.
- Decrease in the Gain on the Sale of Capital Assets of \$5,259,210 versus the previous fiscal year as in the previous fiscal year Phase 3 and 4 of the County landfill was sold to the Region 2000 Regional Landfill Authority which resulted in the elimination of large 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.
- All other functional areas of revenues were up on a combined basis in the amount of \$30,264.

NOTE: The County instituted a new Transient Occupancy Tax of 2% of charges for occupancy. This new tax generated \$50,148 of revenue for the County for FY 2013.

Financial Analysis of the County's Funds

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

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

Approximately fifty-two percent of the combined governmental fund balance or \$15,601,083 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

Unassigned fund balance of the General Fund was \$15,601,083, while the total general fund balance was \$22,821,149. 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 34.5 percent of total general fund expenditures and transfers.

GENERAL FUND: The general fund balance experienced a very small decrease in the amount of \$8,327. The general fund unassigned fund balance increased by 1,460,160 or 10.3%. General Fund expenditures and transfers to other funds increased by \$6,715,111 or 11.3% from the previous year. The transfer to the Schools was up \$3,880,030 to help offset some of the much larger reductions in State funding for Schools over the last few years and to replace a small number of high mileage school buses. Additionally, transfers to the Health Insurance Fund in the amount of \$1,600,000 were approved by the Board of Supervisors in order to provide continued funding for Health Savings Accounts (HSA) for employees at the same amount as contributed in the previous year. General fund revenues and transfers received increased by \$6,401,077 or 10.7% from the previous year due to the increases in property taxes mentioned above and due to the continued improvement in the local economy. Total expenditures and transfers combined exceeded revenues and transfers received by \$8,327.

- Education expenditures as noted above in terms of the transfer to the School Operating Fund increased by \$3,880,030 to help offset some of the much larger reductions in State funding for Schools over the last few years and to replace a small number of high mileage school buses.
- Other Transfers to the Health Insurance Fund as noted above approved by the Board increased by \$1,600,000 in order to provide continued funding for Health Savings Accounts (HSA) for employees at the same amount as contributed in the previous year.

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

- Health & Welfare expenditures in total increased by \$606,269 or 6.3% primarily due to an increase for the Comprehensive Service Act (CSA) program in the amount of \$370,003. This program is partially funded by state and federal funds totaling approximately 58% of total program costs including all costs to administer the program. The remaining 42% is local cost. However, in years previous to FY 2013 the cost to administer this mandated program was reduced dramatically. This year marked the first year in cost increase in administering the CSA program in several years. Additionally, FY 2013 was the initial year of the new SPF - SIG Grant funded program fully funded by state/federal funding in the amount of \$100,670. This grant was awarded to Campbell County in collaboration with the Hipe Coalition for a Strategic Prevention Framework State Incentive Grant (SPF-SIG) to reduce the incidence of alcohol related motor vehicle crashes for youth between the ages of 15 and 24. The primary goal of the grant is to reduce alcohol related motor vehicle crashes involving youth in Campbell County by 10%. Health & Welfare programs are generally funded in great part with state and federal grants and state and federal reimbursements.
- General fund expenditures for Public Safety/Law Enforcement increased by \$517,487 or 4.3%. Expenses paid to the Blue Ridge Regional Jail increased by \$293,319 due to increased utilization of these facilities. Expenditures for EMS increased \$110,789 due in part to increases in purchases for Personal Safety Equipment and an increase in Overtime and Part Time costs to fill in for vacancies, vacation and sick time taken by our regular paid EMTs. All other areas of Law Enforcement and Public Safety combined netted out to an increase in actual expenditures of \$113,379.
- There were some substantial changes in funding for VRS retirement in FY 2013. The State mandated that employees contribute 5% of their salary compensation into the VRS retirement pool. To make employees whole it was also mandated that localities increase salary compensation by at least 5%. Both the County and Schools increased salaries by 5.75% so that employees would not see a reduction in their take-home pay. For the General Fund the increase in the net cost of this mandated change in VRS retirement amounted to approximately \$125,000.
- Debt Service expenditures decreased by \$137,328 or 2.5% as debt principal was paid down \$3.2 million during the year thereby reducing interest expense. However, remaining Debt Stabilization Reserve Funds in the amount of \$410,752 were used to help pay debt service as was intended. The County has used Debt Stabilization reserve funds the last few years in order not to have to rely on future revenue increases to pay for known debt service as it reached its peak level and then started to slowly decline in amount. FY 2014 will be the last year that debt stabilization funds will be available to help fund debt service payments.

General fund revenues and transfers in from other funds combined increased by \$6,401,077 or 10.7% from the previous year. Transfers in from other funds were very small for both fiscal years.

As stated earlier increases in General Property Taxes amounted to \$5,088,865, or 16.2%, based on the continued economic recovery as well as tax rate increases for Real Estate and Personal Property. The County Real Estate Tax rate increased from 46 cents per \$100 of assessed value to 53 cents per \$100 of assessed value. The Personal Property Tax rate increased from \$3.85 per \$100 of assessed value to \$4.45 per \$100 of assessed value. Revenue generated from the tax rate increases for real estate and personal property was earmarked for increased funding for public education in the form of transfers from the County General Fund to the Schools Operating Fund to help offset some of the much larger reductions in State funding for Schools over the last few years. All other tax rates remained the same as the previous year. The largest contributor of this tax revenue increase consisted of Other Personal Property Tax which increased by \$2,659,840, or 16.3%, due to the tax rate increase as well as to increased purchases of newer vehicles by citizens and businesses in the County. Real Estate Taxes increased \$2,649,937, or 16.2%, due to the tax rate increase as well as to new construction. Increases in Other Local Taxes of \$699,843, or 7.9%, resulted from the continued economic recovery. Sales Tax and BPOL Tax were the largest contributors to the increase in Other Local Taxes. Sales Tax Revenue was up \$437,516, or 10.6%, and BPOL Tax was up \$182,880, or 11.4%, due to local economic growth.

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

SOLID WASTE MANAGEMENT FUND: Funding for the Solid Waste Management Fund for FY 2013 totaled \$1,728,699 with \$750,588 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 \$823,993 from the Region 2000 Regional Landfill Authority for Solid Waste Management representing the County's portion of the excess of actual revenues versus actual expenses for the year as recorded by the Regional Authority. This revenue sharing source was up \$197,998 from the previous fiscal year due to a spike in revenue resulting in part from Liberty University demolition work trash being taken to the Regional Landfill. Another \$40,750 was generated from the sale of some fixed assets that were no longer needed. All other forms of revenue for this fund on a combined basis totaled \$113,368. Expenditures and Transfers Out to other funds for the County's Solid Waste Management Fund totaled \$3,755,055 for the year.

Tipping fees of \$573,913 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 \$562,250 for the year which included delivery costs of trash from citizens to the regional landfill. In-House Construction for small projects cost \$152,734 while landfill environmental compliance and legal costs totaled \$430,896, up \$81,901 from the previous year due to groundwater remediation system upgrades stemming from new DEQ groundwater environmental requirements. All other expenditures for the Solid Waste Management Fund totaled \$35,262.

There exists a year end fund balance of \$2,907,867 residing in the Solid Waste Management Fund (SWMF). The year-end fund balance is down in the amount of \$2,026,355 from the previous year. A loan of \$2 million was paid back to the Capital Improvement Fund from the Solid Waste Management Fund as the funds originally loaned to the Solid Waste Management Fund from the Capital Improvement Fund in FY 2012 were not needed to pay for possible landfill litigation costs once the State Supreme Court ruled in the County's favor relating to a law suit that was previously filed years ago. The \$2 million loan was paid back to the Capital Improvement Fund to be used for capital projects that were delayed for years in the Capital Improvement Fund planning process. An additional \$2,000,000 currently in the Solid Waste Management Fund (SWMF) balance is scheduled to be transferred back to the Capital Improvement Fund for delayed CIP expenses through a reduction in general fund transfer to the SWMF over the next several years. These funds remained in the SWMF Balance pending the disposition of several outstanding liabilities and environmental issues that are now resolved.

COUNTY CAPITAL PROJECTS FUND: The County Capital Projects (CIP) Fund balance reported an increase of \$1,063,164 from the previous year to \$4,633,221. As mentioned above a loan of \$2 million was paid back to the Capital Improvement Fund from the Solid Waste Management Fund as the funds originally loaned to the Solid Waste Management Fund from the Capital Improvement Fund in FY 2012 were not needed to pay for possible landfill litigation costs once the State Supreme Court ruled in the County's favor relating to a law suit that was previously filed years ago. The \$2 million loan was paid back to the Capital Improvement Fund to be used for capital projects that were delayed for years in the Capital Improvement Fund planning process. 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 \$64,030,088 and the final amended budget of \$75,617,955 amounted to an increase of \$11,587,867 in budgeted expenditure appropriations and can be briefly summarized as follows:

- \$5,834,893 increase in the transfer to the Schools for additional funding consisting of budget encumbrances and carryovers approved from FY2012 to FY2013. An additional transfer increase to the Schools in December was approved in the amount of \$550,000 for bus purchases.
- \$1,393,843 increase for encumbrances and carryovers for other general fund department expenditures approved from FY2012 to 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)

- \$1,600,000 increase in the transfer to the Health Insurance Fund in lieu of an increase in employer paid premiums for the upcoming FY 2014 budget and to provide future funding for the continuation of contributions to employee HSA accounts from the Health Insurance Fund reserves balance.
- \$749,968 increase for various economic incentives. These economic incentives were fully paid by Federal/State funding.
- \$247,000 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.
- \$215,000 to fund Board approved December bonuses paid to all staff as well as to purchase some accumulated sick leave pay.
- \$300,000 to fund CSA mandated programs for Children At Risk. This amount funded entirely by State/Federal sources.
- \$56,450 to pay for higher electrical utility costs that were not budgeted in Maintenance and Buildings.
- The great majority of the remaining increases resulted from Public Safety, Law Enforcement and Court related grants approved throughout the year primarily funded by State/Federal sources.

Differences between the general fund original revenue budget of \$62,530,088 and the final amended revenue budget of \$64,335,165 amounted to an increase of \$1,805,077 in budgeted revenues and can be briefly summarized as follows:

- \$749,968 increase for various economic incentives. These economic incentives were fully paid by Federal/State funding and are also included above as increases in expenditure appropriations throughout the year.
- \$247,000 increase for Tax Relief for the Elderly and Disabled. As mentioned above \$247,000 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.
- \$207,000 to fund CSA mandated programs for Children At Risk. This amount funded entirely by State/Federal sources.
- \$160,700 increase due to revenue carryovers approved from FY2012 to FY2013. These revenue carryovers are associated with expenditure carryovers noted above in the expenditures section.
- The great majority of the remaining increases in budgeted revenues resulted from Public Safety, Law Enforcement and Court related grants approved throughout the year.
- During the year general fund actual revenues exceeded original budget by \$3,603,460 and exceeded amended budget by \$1,798,383. As noted above the general fund revenue budget was supplemented in the amount of \$1,805,077 during the year for the reasons also noted above. Actual expenditures were less than original budget by \$2,111,687 and actual expenditures were less than the amended budget by \$9,476,082. The largest component of this difference in the level of actual expenditures verses amended budget is for Education. Actual education expenditures were \$6,640,294 less than the amended budget. The Board of Supervisors subsequently re-appropriated \$5,714,250 of this amount as encumbrances for FY2014 covering school contracts and obligations not completed as of June 30, 2013. The Board re-appropriated an additional \$200,000 to the Schools as a carry over. The Board also subsequently re-appropriated other General Fund expenditures for encumbrances and carryovers totaling \$1,168,691 for FY 2014. This number is the net number after deducting carryovers of appropriated revenues totaling \$150,164 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	\$ 46,871,520	\$ 49,559,702	\$ 2,688,182
Intergovernmental revenues	17,463,545	16,573,746	(889,799)
Total revenues	<u>\$ 64,335,065</u>	<u>\$ 66,133,448</u>	<u>\$ 1,798,383</u>
Expenditures:			
General government	\$ 4,672,568	\$ 4,283,849	\$ 388,719
Judicial	1,723,935	1,559,058	164,877
Public safety/law enforcement	13,149,036	12,422,719	726,317
Public works	1,511,459	1,475,020	36,439
Health and welfare	10,461,770	9,586,967	874,803
Education	30,543,095	23,902,801	6,640,294
Parks, recreation and cultural	1,718,865	1,617,241	101,624
Community development	2,854,100	2,096,644	757,456
Debt service	5,544,272	5,423,623	120,649
Nondepartmental	(335,000)	96	(335,096)
Total expenditures	<u>\$ 71,844,100</u>	<u>\$ 62,368,018</u>	<u>\$ 9,476,082</u>

Transfers Out from the General Fund to funds other than to the Schools Operating Fund totaled \$3,773,757 versus \$2,378,173 for FY 2012. The Board approved two transfers of appropriations totaling \$1.6 million to the Health Insurance Fund in order to reimburse the Health Insurance Fund for payments of \$1.6 million 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.

Revenues: Total actual revenues exceeded final budget by \$1,798,383. Total local revenue comprised 74.9% of total actual General Fund revenue while Intergovernmental Revenue (State/Federal) comprised the remaining 25.1% of total actual General Fund revenue. Intergovernmental revenue was \$889,799 less than final budget (5.1% less). Actual local revenue exceeded final budget by \$2,688,182 or 5.4%.

\$150,164 of final budgeted intergovernmental revenue not actually received during the year will be carried over into next fiscal year these revenues will be received next fiscal year. These carryover revenues approved were for grant funded programs and purchases. The great majority of the revenue shortfall of \$889,799 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 great majority of the Health & Welfare revenue shortfall for these programs of \$709,052 resulted from corresponding actual expenditures being less than budget by \$833,279 for these same Health & Welfare programs. This results in a favorable net cost variance to the county of \$124,227.

General Fund Budgetary Highlights: (Continued)

Expenditures: Total General Fund actual expenditures and transfers of \$62,368,018 on a combined basis were \$9,476,082 less than the final budget of \$71,844,100 (13.2% less). The largest component of this difference in the level of expenditures is Education. Actual education expenditures were \$6,640,294 less than the amended budget. The Board of Supervisors subsequently re-appropriated \$5,714,250 of this amount to the Schools for FY2014 in the form of encumbrances covering contracts and obligations not completed as of June 30, 2013. The Board re-appropriated an additional \$200,000 to the Schools as a carry over. The Board also subsequently re-appropriated to FY 2014 an additional net \$1,168,691 for expenditures for other functions within the general fund for encumbrances and carryovers covering contracts and obligations not completed as of June 30, 2013. As mentioned above expenditures centered in Social Service programs and administration along with the Comprehensive Services Act Program (CSA) reported expenditures of \$833,279 less than amended budget based on lower than anticipated utilization of these programs. As stated above revenue reimbursements for these same Social Services programs along with CSA were also \$709,052 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 and increased unfunded mandates. 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, 2013 totals \$74.1 million (net of accumulated depreciation) for a decrease of \$2.3 million as a result of depreciation on existing capital assets exceeding new purchases of capital assets. The investment in County capital assets includes land and land improvements, buildings and improvements, vehicles and machinery and equipment. Depreciation expense for the year for all capital assets for all funds totaled \$3.2 million. Readers interested in additional information relating to capital assets should refer to Note 6 to the financial statements.

Capital Assets - Condensed At June 30, 2013

Governmental Activities	Ending Balance Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land	\$ 2,454,038	\$ -	\$ 2,454,038
Total capital assets, not being depreciated	\$ 2,454,038	\$ -	\$ 2,454,038
Other capital assets:			
Buildings	\$ 19,531,910	\$ 4,663,402	\$ 14,868,508
Other improvements	8,735,384	4,036,243	4,699,141
School buildings and improvements	71,588,488	21,635,730	49,952,758
Equipment and vehicles	10,903,535	8,775,447	2,128,088
Total other capital assets	\$ 110,759,317	\$ 39,110,822	\$ 71,648,495
Total capital assets	\$ 113,213,355	\$ 39,110,822	\$ 74,102,533

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 \$47.1 million total principal balance of outstanding debt at the end of the year, \$39.6 million was for General Obligation Bonds and \$7.5 million was for State Literary Loans payable. General Obligation Bonds amounted to 1.1% of the County's assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. The County's total outstanding debt principal was paid down by \$3.2 million during the year.

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

Debt Service			
Year Ending June 30	Principal	Interest	Total
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	3,265,876	1,464,969	4,730,845
2019-2023	14,952,503	5,333,724	20,286,227
2024-2028	13,335,000	1,969,727	15,304,727
2029-2030	2,625,000	10,571	2,635,571
Total	\$ 47,094,550	\$ 16,044,900	\$ 63,139,450

Annual debt service paid amounted to \$5.4 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 employees hired after 2010. The County anticipates the annual pay as you go cost will peak in approximately FY 2021 and will 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 \$118,120 and this was included in the General Fund carryover from FY2013 to FY2014 subsequently approved by the Board of Supervisors. FY2014 will be the last year that debt stabilization funds will be available to help fund debt service payments.

CONTACT THE COUNTY'S FINANCIAL MANAGEMENT

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

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

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

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2013

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	\$ 16,258,715	\$ 10,142,613	\$ 335,250
Investments	16,686,232	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	41,512,340	-	-
Accounts receivable	1,277,608	-	-
Interest receivable	57,657	-	-
Advance to primary government	-	-	272,329
Due from component unit	2,645,555	-	-
Due from other governmental units	2,367,865	2,309,521	-
Inventories	19,990	-	-
Prepaid expenses	161,677	340,533	-
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	222,022	-
Industrial assets held for industry	-	-	2,272,135
Capital assets (net of accumulated depreciation):			
Land	2,454,038	309,661	-
Buildings and improvements	14,868,508	3,224,818	-
Other improvements	4,699,141	725,641	-
Equipment	2,128,088	5,150,423	-
School buildings	49,952,758	-	-
Total assets	<u>\$ 155,090,172</u>	<u>\$ 22,425,232</u>	<u>\$ 2,879,714</u>
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of interest rate swap agreement	\$ 3,349,154	\$ -	\$ -
LIABILITIES			
Accounts payable	\$ 1,244,656	\$ 558,911	\$ -
Accrued liabilities	929,317	6,766,360	-
Accrued interest payable	359,384	-	7,448
Due to primary government	-	2,645,555	-
Advance from component unit	272,329	-	-
Unearned revenue	683,073	-	-
Derivative instrument - interest rate swap agreement	3,349,154	-	-
Long-term liabilities:			
Due within one year	3,352,592	54,788	324,842
Due in more than one year	50,026,179	4,248,188	2,189,704
Total liabilities	<u>\$ 60,216,684</u>	<u>\$ 14,273,802</u>	<u>\$ 2,521,994</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property taxes	\$ 40,204,936	\$ -	\$ -
NET POSITION			
Net investment in capital assets	\$ 26,658,220	\$ 9,410,543	\$ -
Restricted for:			
Capital projects - restricted by donors	-	214,319	-
Unrestricted (deficit)	31,359,486	(1,473,432)	357,720
Total net position	<u>\$ 58,017,706</u>	<u>\$ 8,151,430</u>	<u>\$ 357,720</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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,832,503	\$ 390,947	\$ 132,816	\$ -
Judicial administration	1,678,561	28,690	910,396	48,671
Public safety	14,282,692	2,031,695	2,755,086	310,697
Public works	3,299,182	823,993	18,613	-
Health and welfare	9,816,547	-	6,565,505	-
Education	26,144,199	-	-	-
Parks, recreation, and cultural	1,723,223	209,368	111,357	-
Community development	2,745,880	43,957	749,968	91,192
Interest on long-term debt	2,108,383	-	-	-
Total governmental activities	<u>\$ 66,631,170</u>	<u>\$ 3,528,650</u>	<u>\$ 11,243,741</u>	<u>\$ 450,560</u>
Total primary government	<u>\$ 66,631,170</u>	<u>\$ 3,528,650</u>	<u>\$ 11,243,741</u>	<u>\$ 450,560</u>
COMPONENT UNITS:				
School Board	\$ 77,374,048	\$ 1,348,481	\$ 51,627,720	\$ -
Industrial Development Authority	92,023	10,511	-	-
Total component units	<u>\$ 77,466,071</u>	<u>\$ 1,358,992</u>	<u>\$ 51,627,720</u>	<u>\$ -</u>

General revenues:
General property taxes
Other local taxes:
Local sales and use tax
Consumer utility taxes
Business license tax
Motor vehicle licenses
Other local taxes
Unrestricted revenues from use of money and property
Contributions from Campbell County
Miscellaneous
Grants and contributions not restricted to specific programs
Gain on sale of capital assets
Total general revenues
Change in net position
Net position - beginning, restated
Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government	Component Units		
Governmental Activities	School Board	Industrial Development Authority	
\$ (4,308,740)	\$ -	\$ -	
(690,804)	-	-	
(9,185,214)	-	-	
(2,456,576)	-	-	
(3,251,042)	-	-	
(26,144,199)	-	-	
(1,402,498)	-	-	
(1,860,763)	-	-	
(2,108,383)	-	-	
<u>\$ (51,408,219)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (51,408,219)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (24,397,847)	\$ -	
-	-	(81,512)	
<u>\$ -</u>	<u>\$ (24,397,847)</u>	<u>\$ (81,512)</u>	
\$ 36,936,888	\$ -	\$ -	
4,581,181	-	-	
854,204	-	-	
1,780,960	-	-	
1,483,957	-	-	
870,753	-	-	
153,943	9,345	5,011	
-	23,902,801	82,516	
406,963	73,550	-	
5,275,066	-	-	
62,284	-	-	
<u>\$ 52,406,199</u>	<u>\$ 23,985,696</u>	<u>\$ 87,527</u>	
<u>\$ 997,980</u>	<u>\$ (412,151)</u>	<u>\$ 6,015</u>	
<u>57,019,726</u>	<u>8,563,581</u>	<u>351,705</u>	
<u>\$ 58,017,706</u>	<u>\$ 8,151,430</u>	<u>\$ 357,720</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
June 30, 2013

	General	Special Revenue (Solid Waste)	Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 7,436,686	\$ 545,658	\$ 4,852,884	\$ 12,835,228
Investments	10,512,326	1,585,192	-	12,097,518
Receivables (net of allowance for uncollectibles):				
Taxes receivable	41,512,340	-	-	41,512,340
Accounts receivable	362,384	911,515	-	1,273,899
Interest receivable	40,936	-	9,802	50,738
Due from component units	2,645,555	-	-	2,645,555
Due from other governmental units	2,345,431	-	22,434	2,367,865
Inventories	19,990	-	-	19,990
Prepaid items	117,135	542	-	117,677
Total assets	<u>\$ 64,992,783</u>	<u>\$ 3,042,907</u>	<u>\$ 4,885,120</u>	<u>\$ 72,920,810</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 644,360	\$ 135,040	\$ 251,899	\$ 1,031,299
Accrued liabilities	39,541	-	-	39,541
Unearned revenue	39,727	-	-	39,727
Total liabilities	<u>\$ 723,628</u>	<u>\$ 135,040</u>	<u>\$ 251,899</u>	<u>\$ 1,110,567</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	<u>\$ 41,448,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,448,006</u>
FUND BALANCES				
Nonspendable				
Inventories	\$ 19,990	\$ -	\$ -	\$ 19,990
Prepaid items	117,135	542	-	117,677
Committed to:				
Education	5,914,250	-	-	5,914,250
Capital improvements	-	-	2,007,874	2,007,874
Public works	-	686,138	-	686,138
Operations	1,168,691	-	-	1,168,691
Assigned to:				
Public works	-	2,221,187	-	2,221,187
Capital improvements	-	-	2,625,347	2,625,347
Unassigned	15,601,083	-	-	15,601,083
Total fund balances	<u>\$ 22,821,149</u>	<u>\$ 2,907,867</u>	<u>\$ 4,633,221</u>	<u>\$ 30,362,237</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 64,992,783</u>	<u>\$ 3,042,907</u>	<u>\$ 4,885,120</u>	<u>\$ 72,920,810</u>

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

Total fund balances - governmental funds - per above	30,362,237
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (Cost of \$113,213,355 less accumulated depreciation of \$39,110,822)	74,102,533
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	1,243,070
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the self insurance internal service fund are included in the governmental activities in the Statement of Net Position	6,320,350
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	(359,384)
Long term commitments to IDA	(272,329)
General obligation bonds and literary fund loans	(47,094,550)
Bond premiums	(349,763)
Landfill closure/post-closure	(2,426,733)
OPEB obligation	(2,121,277)
Compensated absences	(1,386,448)
Net position of governmental activities	<u>\$ 58,017,706</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, 2013

	General	Special Revenue (Solid Waste)	Capital Projects	Total
REVENUES				
General property taxes	\$ 36,483,531	\$ -	\$ -	\$ 36,483,531
Other local taxes	9,571,055	-	-	9,571,055
Permits, privilege fees, and regulatory licenses	309,438	-	-	309,438
Fines and forfeitures	161,464	-	-	161,464
Revenue from the use of money and property	147,132	399	2,981	150,512
Charges for services	2,233,755	823,993	-	3,057,748
Miscellaneous	338,473	6,839	1,800	347,112
Recovered costs	314,854	-	-	314,854
Intergovernmental revenues:				
Commonwealth	13,315,853	18,613	377,008	13,711,474
Federal	3,257,893	-	-	3,257,893
Total revenues	<u>\$ 66,133,448</u>	<u>\$ 849,844</u>	<u>\$ 381,789</u>	<u>\$ 67,365,081</u>
EXPENDITURES				
Current:				
General government administration	\$ 4,283,849	\$ -	\$ -	\$ 4,283,849
Judicial administration	1,559,058	-	-	1,559,058
Public safety	12,422,719	-	-	12,422,719
Public works	1,475,020	1,754,958	-	3,229,978
Health and welfare	9,586,967	-	-	9,586,967
Education	23,902,801	-	-	23,902,801
Parks, recreation, and cultural	1,617,241	-	-	1,617,241
Community development	2,096,644	-	-	2,096,644
Nondepartmental	96	-	-	96
Capital projects	-	-	2,741,894	2,741,894
Debt service:				
Principal retirement	3,252,633	-	-	3,252,633
Interest and other fiscal charges	2,170,990	-	-	2,170,990
Total expenditures	<u>\$ 62,368,018</u>	<u>\$ 1,754,958</u>	<u>\$ 2,741,894</u>	<u>\$ 66,864,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,765,430</u>	<u>\$ (905,114)</u>	<u>\$ (2,360,105)</u>	<u>\$ 500,211</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 100	\$ 750,588	\$ 3,423,269	\$ 4,173,957
Transfers out	(3,773,857)	(2,000,100)	-	(5,773,957)
Sale of capital assets	-	128,271	-	128,271
Total other financing sources (uses)	<u>\$ (3,773,757)</u>	<u>\$ (1,121,241)</u>	<u>\$ 3,423,269</u>	<u>\$ (1,471,729)</u>
Net change in fund balances	\$ (8,327)	\$ (2,026,355)	\$ 1,063,164	\$ (971,518)
Fund balances - beginning	22,829,476	4,934,222	3,570,057	31,333,755
Fund balances - ending	<u>\$ 22,821,149</u>	<u>\$ 2,907,867</u>	<u>\$ 4,633,221</u>	<u>\$ 30,362,237</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, 2013

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

Net change in fund balances - total governmental funds	\$	(971,518)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlays	\$	955,759	
Depreciation expense		<u>(3,215,423)</u>	(2,259,664)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase/decrease net position.	(6,136)
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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.	453,357
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	1,030,189
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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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal retired on long-term debt	\$	3,252,633	
Premium on bond issuance		<u>20,508</u>	<u>3,273,141</u>

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

(Increase)/decrease in landfill closure, post-closure liability	\$	(40,565)	
(Increase)/decrease in accrued interest		42,099	
(Increase)/decrease in compensated absences		(39,596)	
(Increase)/decrease in long term commitments to IDA		(53,532)	
(Increase)/decrease in other post-employment benefits obligation		<u>(429,795)</u>	<u>(521,389)</u>

Change in net position of governmental activities	\$	<u><u>997,980</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
 Health Insurance Fund
 June 30, 2013

	Health Insurance Fund
	<hr/>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,423,487
Investments	4,588,714
Accounts receivable	3,709
Interest receivable	6,919
Prepaid claims expense	44,000
	<hr/>
Total assets	\$ <u>8,066,829</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 213,357
Claims incurred but not reported	889,776
Unearned revenue	643,346
	<hr/>
Total liabilities	\$ <u>1,746,479</u>
 NET POSITION	
Unrestricted	\$ <u>6,320,350</u>
Total net position	\$ <u><u>6,320,350</u></u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Health Insurance Fund
 For the Year Ended June 30, 2013

	Health Insurance Fund
	<hr/>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 10,044,831
Total operating revenues	<u>\$ 10,044,831</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 10,618,073
Total operating expenses	<u>\$ 10,618,073</u>
Operating income (loss)	<u>\$ (573,242)</u>
NONOPERATING REVENUES (EXPENSES)	
Transfers in	\$ 1,600,000
Interest Income	<u>3,431</u>
Total nonoperating revenues (expenses)	<u>\$ 1,603,431</u>
Change in net position	\$ 1,030,189
Total net position - beginning	<u>5,290,161</u>
Total net position - ending	<u><u>\$ 6,320,350</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, 2013

	Health Insurance Fund
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 10,045,491
Payments for premiums	(10,627,933)
Net cash provided by (used for) operating activities	<u>\$ (582,442)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 1,600,000
Federal grant	84,696
Net cash provided by (used for) noncapital financing activities	<u>\$ 1,684,696</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 3,431
Sale of investments	48,955
Net cash provided by (used for) investing activities	<u>\$ 52,386</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,154,640
Cash and cash equivalents - beginning	2,268,847
Cash and cash equivalents - ending	<u><u>\$ 3,423,487</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (573,242)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
(Increase) decrease in accounts receivable	\$ 660
Increase (decrease) in accounts payable	28,678
Increase (decrease) in claims incurred but not reported	(16,228)
Increase (decrease) in deferred revenue	(22,310)
Total adjustments	<u>\$ (9,200)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (582,442)</u></u>

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 201,087
Receivables	
Accounts receivable	6,623
Total assets	<u>\$ 207,710</u>
LIABILITIES	
Amounts held for others	\$ 308,723
Total liabilities	<u>\$ 308,723</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, 2013

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, 2013 (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 \$163,710 to the CVCSB for the current year.

Blue Ridge Regional Jail Authority

The County, in conjunction with the Counties of Halifax and Bedford, and the Cities of Bedford and Lynchburg, participates in the Blue Ridge Regional Jail Authority (the “Authority”). Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days and is subject to adjustment at the end of each fiscal year. The County paid the Authority \$3,276,766 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 \$573,913 for solid waste transferred to the Authority, and received \$823,993 in distributions from the Authority for 2013 profits.

B. Government-Wide and Fund Financial Statements

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

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

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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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

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

D. Budgetary Information

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

- Prior to April 15, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the related financing.
- Public hearings are conducted to obtain citizen comments.
- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

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

D. Budgetary Information: (Continued)

- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories. The Board of Supervisors approved supplemental appropriations in the General Fund totaling \$9,952,873 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 \$434,320 and the County Capital Projects fund of \$2,887,268.
- 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 Position 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 reported at fair value.

Receivables

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

Inventories

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

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

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

Prepaid Items

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

Capital Assets

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

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

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

Compensated Absences

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

Unavailable/Unearned Revenue

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

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

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

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

Economic Incentive Grants Payable

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

Long-Term Obligations

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

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

Encumbrances

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

Estimates

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

Net Position

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

Net Position Flow Assumption

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

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has one item that qualifies for reporting in this category. It is the accumulated decrease in the fair market value of the interest rate swap agreement in the government-wide statement of net position. The fair market value of the interest rate swap agreement is adjusted annually.

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

Fund Equity

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.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

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

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

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

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

IDA Transactions and Conduit Obligations

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

NOTE 2—DEPOSITS AND INVESTMENTS:

Deposits

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 2-DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

Investment Policy

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

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

Credit Risk of Debt Securities

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

County's Rated Debt Investments' Values - Standard & Poor's Rating		
Rated Debt Investments	Fair Quaiy Ratings	Amount at June 30
U.S. Agency Securities	AA+	\$ 7,147,650
Commercial Paper	AA-	4,701,760
Fixed Income - Municipal	AA+	4,368,800
Fixed Income - Municipal	AA	439,116
Federated Prime Money Market	AAAm	28,906
LGIP	AAAm	4,000,538

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk

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

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

At June 30, 2013 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, 2013 greater than 5% of total investments.

Security	Investment Type	Amount	Percent of Total Investments
Commonwealth Bank Australia	Commercial paper	\$ 2,511,200	15%
Federal Farm Credit Bank	U.S. Agency Security	2,982,650	18%
Federal National Mortgage Note	U.S. Agency Security	4,165,000	25%
Hampton VA Ref Pub Bds	Fixed Income - Municipal	989,910	6%
Virginia St Housing Dev Auth Bds	Fixed Income - Municipal	3,378,890	20%
Westpac Bank Corporation	Commercial paper	2,190,560	13%

Interest Rate Risk

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

The carrying values and weighted average maturity were as follows:

Investment Type	Investment Maturity*	
	Fair Value	1 - 5
U.S. Agency Securities	\$ 7,147,650	\$ 7,147,650
Fixed Income - Municipal	4,807,916	4,807,916
Commercial Paper	4,701,760	4,701,760
Total investments	\$ 16,657,326	\$ 16,657,326

* Weighted average maturity in years.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk

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

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

	Primary Government	Component Units	
		School Board	IDA
Deposits and investments:			
Cash on hand	\$ 3,150	\$ -	\$ -
Deposits	16,255,565	10,364,635	335,250
Investments	16,686,232	-	-
Total	<u>\$ 32,944,947</u>	<u>\$ 10,364,635</u>	<u>\$ 335,250</u>
Statement of net position:			
Cash and cash equivalents	\$ 16,258,715	\$ 10,142,613	\$ 335,250
Investments	16,686,232	-	-
Restricted cash and equivalents	-	222,022	-
Total	<u>\$ 32,944,947</u>	<u>\$ 10,364,635</u>	<u>\$ 335,250</u>

NOTE 3—RECEIVABLES AND UNAVAILABLE/UNEARNED REVENUE:

Receivables consist of the following:

	General Fund	Solid Waste	Capital Projects	Health Insurance	Total
Receivables:					
Taxes	\$ 41,818,051	\$ -	\$ -	\$ -	\$ 41,818,051
Accounts	362,384	911,515	-	3,709	1,277,608
Interest	40,936	-	9,802	6,919	57,657
Gross receivables	<u>\$ 42,221,371</u>	<u>\$ 911,515</u>	<u>\$ 9,802</u>	<u>\$ 10,628</u>	<u>\$ 43,153,316</u>
Less:					
Allowance for uncollectible amounts	<u>\$ 305,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,711</u>
Net receivables	<u>\$ 41,915,660</u>	<u>\$ 911,515</u>	<u>\$ 9,802</u>	<u>\$ 10,628</u>	<u>\$ 42,847,605</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

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

The taxes receivable account represents the current and past four years of uncollected tax levies on personal property taxes and the current and past nineteen years of uncollected tax levies on real property. Real estate taxes are recorded as receivable when they attach as an enforceable lien, therefore, real estate taxes based on the January 1, 2013, assessment date are included in taxes receivable at June 30, 2013, even though taxpayers had not yet been billed. Additionally personal property taxes are assessed on January 1, 2013 and the County does not prorate assessments, therefore the assessment is included in taxes receivable. However, since the January 1, 2013 levy is intended to finance a future period, these amounts have been included in unavailable revenue as discussed below.

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

Exhibit 3 Reconciliation

Advance payments of state and federal grants - unearned	\$ 39,727
Total unearned revenue - governmental funds (Exhibit 3)	\$ 39,727
Property taxes receivable - due after June 30	\$ 40,119,545
Property taxes receivable - due prior to June 30	1,243,070
Advance collection of 2013-2014 property taxes	85,391
Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	\$ 41,448,006

Exhibit 1 Reconciliation

Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	\$ 41,448,006
Less property taxes due prior to June 30	(1,243,070)
Unavailable property taxes - Deferred Inflows of Resources - Statement of Net Position (Exhibit 1)	\$ 40,204,936
Advance payments of state and federal grants - unearned	\$ 39,727
Internal service fund deferrals related to discretely presented component units and outside entities	643,346
Unearned revenue - Statement of Net Position (Exhibit 1)	\$ 683,073

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (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	\$ 782,841	\$ -
State sales tax	-	1,345,585
Comprehensive Services Act	166,225	-
Public assistance	182,370	-
Motor vehicle rental tax	24,437	-
Mobile home titling tax	23,952	-
Shared expenses and grants	276,316	-
Railroad rolling stock	176,596	-
Communications tax	225,277	-
Recordation tax	24,275	-
Tobacco Commission grants	59,723	-
Other state funds	93,530	-
<u>Local Governments:</u>		
Laurel Regional Program	-	137,688
<u>Federal Government</u>		
Public assistance	229,394	-
Violence Against Women grant	16,639	-
Crimes Victims Assistance	58,133	-
Title I	-	257,462
Title II, Part A	-	65,209
Title VI-B special education cluster	-	381,228
Career and Technical Education	-	80,318
Other federal grants	28,157	42,031
Total	\$ 2,367,865	\$ 2,309,521

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	\$ 1,423,269
Solid Waste Fund	Capital Projects Fund	2,000,000
General Fund	Solid Waste Fund	750,588
Solid Waste Fund	General Fund	100
General Fund	Health Insurance Fund	1,600,000

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

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

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

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

The Component Unit-School Board owed \$2,645,555 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 \$272,329 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	\$ 2,278,995	\$ 175,043	\$ -	\$ 2,454,038
Total capital assets, nondepreciable	\$ 2,278,995	\$ 175,043	\$ -	\$ 2,454,038
Capital assets, depreciable:				
Buildings and improvements	\$ 19,368,173	\$ 163,737	\$ -	\$ 19,531,910
Other improvements	8,552,987	182,397	-	8,735,384
Equipment	10,903,533	434,582	434,580	10,903,535
School buildings	71,588,488	-	-	71,588,488
Total capital assets, depreciable	\$ 110,413,181	\$ 780,716	\$ 434,580	\$ 110,759,317
Less accumulated depreciation for:				
Buildings and improvements	\$ 4,160,896	\$ 502,506	\$ -	\$ 4,663,402
Other improvements	3,677,548	358,695	-	4,036,243
Equipment	8,639,381	564,510	428,444	8,775,447
School buildings	19,846,018	1,789,712	-	21,635,730
Total accumulated depreciation	\$ 36,323,843	\$ 3,215,423	\$ 428,444	\$ 39,110,822
Capital assets, depreciable, net	\$ 74,089,338	\$ (2,434,707)	\$ 6,136	\$ 71,648,495
Governmental activities capital assets, net	\$ 76,368,333	\$ (2,259,664)	\$ 6,136	\$ 74,102,533

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 6-CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 450,030
Judicial administration	83,926
Public safety	516,761
Public works	168,049
Health and welfare	61,999
Education	1,805,336
Parks, recreation, and cultural	73,235
Community development	56,087
Total depreciation	<u>\$ 3,215,423</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	\$ 17,347,004	\$ 26,848	\$ -	\$ 17,373,852
Other improvements	1,869,155	-	-	1,869,155
Equipment	12,724,079	1,839,235	306,429	14,256,885
Total capital assets, depreciable	<u>\$ 31,940,238</u>	<u>\$ 1,866,083</u>	<u>\$ 306,429</u>	<u>\$ 33,499,892</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 13,729,562	\$ 419,472	\$ -	\$ 14,149,034
Other improvements	975,828	167,686	-	1,143,514
Equipment	8,695,483	715,117	304,138	9,106,462
Total accumulated depreciation	<u>\$ 23,400,873</u>	<u>\$ 1,302,275</u>	<u>\$ 304,138</u>	<u>\$ 24,399,010</u>
Capital assets, depreciable, net	<u>\$ 8,539,365</u>	<u>\$ 563,808</u>	<u>\$ 2,291</u>	<u>\$ 9,100,882</u>
Governmental activities capital assets, net	<u>\$ 8,849,026</u>	<u>\$ 563,808</u>	<u>\$ 2,291</u>	<u>\$ 9,410,543</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, 2013 (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	\$ 42,027,615	\$ -	\$ 2,380,400	\$ 39,647,215	\$ 2,251,884
Literary fund loans	8,319,568	-	872,233	7,447,335	872,233
Bond premiums	370,271	-	20,508	349,763	20,508
	<u>50,717,454</u>	<u>-</u>	<u>3,273,141</u>	<u>47,444,313</u>	<u>3,144,625</u>
Total bonds payable	\$ 50,717,454	\$ -	\$ 3,273,141	\$ 47,444,313	\$ 3,144,625
Landfill closure/postclosure					
(Note 8)	2,386,168	40,565	-	2,426,733	-
Compensated absences	1,346,852	1,195,868	1,156,272	1,386,448	207,967
OPEB (Note 13)	1,691,482	707,536	277,741	2,121,277	-
	<u>5,424,502</u>	<u>1,943,969</u>	<u>1,434,013</u>	<u>5,934,458</u>	<u>207,967</u>
Total Primary Government	\$ <u>56,141,956</u>	\$ <u>1,943,969</u>	\$ <u>4,707,154</u>	\$ <u>53,378,771</u>	\$ <u>3,352,592</u>
Component Unit-School Board:					
Compensated absences	\$ 411,647	\$ 617,660	\$ 664,056	\$ 365,251	\$ 54,788
OPEB (Note 13)	3,046,492	2,005,468	1,114,235	3,937,725	-
	<u>3,458,139</u>	<u>2,623,128</u>	<u>1,778,291</u>	<u>4,302,976</u>	<u>54,788</u>
Total Component Unit-School Board	\$ <u>3,458,139</u>	\$ <u>2,623,128</u>	\$ <u>1,778,291</u>	\$ <u>4,302,976</u>	\$ <u>54,788</u>
Component Unit-IDA:					
Notes payable	\$ -	\$ 2,242,217	\$ -	\$ 2,242,217	\$ 119,181
Economic incentive grants payable (Note 9)	218,797	86,048	32,516	272,329	205,661
	<u>218,797</u>	<u>2,328,265</u>	<u>32,516</u>	<u>2,514,546</u>	<u>324,842</u>
Total Component Unit - IDA	\$ <u>218,797</u>	\$ <u>2,328,265</u>	\$ <u>32,516</u>	\$ <u>2,514,546</u>	\$ <u>324,842</u>

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

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

Year Ended June 30	Governmental Activities				Component Unit - IDA	
	General Obligation Bonds		Literary Fund Loans		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,251,884	\$ 1,846,954	\$ 872,233	\$ 173,697	\$ 119,181	\$ 85,719
2015	2,286,891	1,733,722	872,233	153,502	125,328	79,572
2016	2,388,157	1,617,263	872,233	133,307	129,797	75,103
2017	2,500,307	1,494,351	872,233	113,113	134,428	70,472
2018	2,393,643	1,372,051	872,233	92,918	139,230	65,670
2019-2023	11,866,333	5,142,054	3,086,170	191,670	520,336	325,349
2024-2028	13,335,000	1,969,727	-	-	481,902	215,418
2029-2033	2,625,000	10,571	-	-	592,015	80,629
Total	\$ 39,647,215	\$ 15,186,693	\$ 7,447,335	\$ 858,207	\$ 2,242,217	\$ 997,932

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	\$ 65,000
School Construction	5.10-6.10%	Nov 1996	July 2016	3,202,504	794,200
School Construction	4.35-5.23%	Nov 1997	July 2017	2,709,756	816,293
School Construction	3.60-5.10%	Nov 1998	Jan 2019	3,323,952	1,151,722
School Construction	4.35-5.10%	April 2005	July 2030	8,685,000	6,555,000
VML/VACO Bonds-School	4.61%	June 2008	July 2029	16,000,000	14,130,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	5,475,000	4,835,000
VML/VACO Bonds-County	4.61%	June 2008	July 2029	12,800,000	11,300,000
Total General Obligation Bonds				\$	<u>39,647,215</u>
<u>Literary Fund Loans</u>					
School Construction	2.00%	Aug 1998	Aug 2018	\$ 5,000,000	\$ 1,500,000
School Construction	3.00%	Nov 2001	Nov 2021	5,500,000	2,475,000
School Construction	2.00%	July 2002	July 2022	6,944,667	3,472,335
				\$	<u>7,447,335</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 7—LONG-TERM LIABILITIES: (CONTINUED)

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Component Unit - IDA</u>
<u>Notes Payable:</u>					
Real Estate Loan - Industry	3.92 - 4.85%	May 2013	June 2033	\$ 1,799,979	\$ 1,799,979
Equipment Loan - Industry *	3.00%	June 2013	August 2020	466,915	<u>442,238</u>
Total Notes Payable				\$	<u><u>2,242,217</u></u>

* As of June 30, 2013, the loan was not fully disbursed - \$24,675 to be drawn-down in the subsequent fiscal year.

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 \$33,614,154 is more than the balance outstanding on the bonds payable of \$30,265,000. The difference of \$3,349,154 is reported in these financial statements as a derivative instrument liability.

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

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

Fair value at June 30, 2013	\$ (3,349,154)
Change in fair value	1,310,683

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

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

In accordance with state and Federal laws, the County placed a final cover on Phase II of the landfill in 1995 and is required to perform certain maintenance and monitoring functions at this site for a minimum of thirty years after closure. The cumulative amount of estimated postclosure care costs and corrective action costs for this site, less amounts expended for such costs to date were \$787,478 and \$1,639,255, respectively. The liability for Phase II reported is equal to 100% of the estimated liability.

The closure and postclosure care costs for Phase III were assumed by the Region 2000 Services Authority as part of the purchase of Phase III and IV. The cumulative amount reported as postclosure care costs and corrective action liability is \$2,426,733 as of June 30, 2013, all of which is for Phase II. The liability reported is based on what it would cost to perform all postclosure care in 2013.

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. Outstanding grants approved by the governing body as of June 30, 2013 totaled \$272,329 and are expected to be paid in fiscal years 2014 - 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.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

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

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)	\$ 77,587,254
School-related principal and other debt service expenditures included in primary government (Exhibit 4)	<u>2,705,682</u>
Total expenditures for school activities	<u><u>\$ 80,292,936</u></u>

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

The IDA was created to encourage economic development in the County. To that end, the County appropriates periodic contributions to the IDA. In addition, the County provides certain economic incentive grants to encourage development in the County. These grants pass through the IDA but ultimately are long-term obligations reported in the County's government-wide statement of net position. When the underlying requirements have been substantially met, these amounts are recorded by the IDA as payable to the grant recipient and as receivable from the County. At year end the IDA reported economic incentive grants payable of \$272,329 and an equal amount was reported as receivable from the County.

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

Long-term commitments to IDA, reported in the government-wide Statement of Net Position	\$ <u>272,329</u>
Total payable to IDA	<u><u>\$ 272,329</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 service credit in their plan.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 12-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 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 five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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 website at <http://www.varetire.org/PDF/Publications/2012-Annual-Report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 12-DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended June 30, 2013 was 12.97% of the annual covered payroll. The School Board's contribution rate for fiscal year 2013 was 11.66% for professional employees and 10.80% for non-professional employees. For the three years ended June 30, 2013, 2012 and 2011, employer contributions paid to the VRS statewide cost-sharing pool for professional employees of the School Board (excluding the employee share) totaled \$4,254,277, \$2,232,252 and \$1,401,891, respectively, representing 11.66%, 6.33% and 3.93% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the County's annual pension cost of \$1,549,419 and the School Board's annual pension cost for non-professional employees in the amount of \$321,133 were equal to the required and actual contributions.

Three-Year Trend Information for Campbell County

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 1,549,419	100%	\$ -
June 30, 2012	1,035,474	100%	-
June 30, 2011	954,950	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, 2013	\$ 321,133	100%	\$ -
June 30, 2012	210,297	100%	-
June 30, 2011	211,844	100%	-

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 12—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.6% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

County

As of June 30, 2012, the most recent actuarial valuation date, the plan was 75.29% funded. The actuarial accrued liability for benefits was \$56,397,320, and the actuarial value of assets was \$42,464,312, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,933,008. The covered payroll (annual payroll of active employees covered by the plan) was \$11,316,988 and ratio of the UAAL to the covered payroll was 123.12%.

School Board (non-professional employees)

As of June 30, 2012, the most recent actuarial valuation date, the plan was 77.35% funded. The actuarial accrued liability for benefits was \$13,561,865, and the actuarial value of assets was \$10,489,555, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,072,310. The covered payroll (annual payroll of active employees covered by the plan) was \$2,758,337 and ratio of the UAAL to the covered payroll was 111.38%.

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 POSTEMPLOYMENT BENEFITS:

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Plan Description

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

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

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

The number of participants at June 30, 2013 was as follows:

	Primary Government	School Board
Retirees currently receiving benefits	39	139
Active employees	250	772
Total	289	911

Funding Policy

The County and Schools currently fund postemployment health care benefits on a pay-as-you-go basis. During fiscal year 2013, 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, 2013 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

Annual Other Postemployment Benefit Cost and Net OPEB Obligation

Annual Required Contribution (ARC):

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC an amount actuarially determined with the parameters of GASB 45. The estimated pay as you go cost for OPEB benefits for FY 2013 was \$707,536 for the County and \$2,005,468 for the School Board. The County and School Board have paid \$277,471 and \$1,114,235, 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	\$ 684,323	\$ 1,935,538
Interest on net OPEB obligation	27,373	77,421
Adjustment to annual required contribution	<u>(4,160)</u>	<u>(7,491)</u>
Annual OPEB cost	\$ 707,536	\$ 2,005,468
Contributions made	<u>277,741</u>	<u>1,114,235</u>
Increase in net OPEB obligation	\$ 429,795	\$ 891,233
Net OPEB obligation-beginning of year	<u>1,691,482</u>	<u>3,046,492</u>
Net OPEB obligation-end of year	<u><u>\$ 2,121,277</u></u>	<u><u>\$ 3,937,725</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, 2013	\$ 707,536	39.25%	\$ 2,121,277
June 30, 2012	825,549	49.33%	1,691,482
June 30, 2011	790,971	44.65%	1,273,158

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT 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, 2013	\$ 2,005,468	55.56%	\$ 3,937,725
June 30, 2012	2,719,748	70.22%	3,046,492
June 30, 2011	2,628,382	65.12%	2,236,461

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012 was as follows:

	<u>Primary Government</u>	<u>School Board</u>
Actuarial Valuation Date	July 1, 2012	July 1, 2012
Actuarial Accrued Liability (AAL)	\$ 7,920,240	\$ 23,641,170
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	7,920,240	23,641,170
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-	-
Covered Payroll (Active Plan Members)	N/A	N/A
UAAL as a Percentage of Covered Payroll	N/A	N/A

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

NOTE 13—OTHER POSTEMPLOYMENT 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, 2012 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant's full eligibility age. The actuarial assumptions used a 4% discount, 3% inflation rate and an initial annual healthcare cost trend of 10% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 7.5%. The unfunded accrued liability is being amortized as a level percentage over 30 years on an open basis. The remaining amortization period at July 1, 2012 (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 2013 was .71% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 13—OTHER POSTEMPLOYMENT 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) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years, on an open basis.

For 2013, the School Board's contribution of \$21,112 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 2013 and the preceding year 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, 2013	\$ 21,112	100.00%	\$ -
June 30, 2012	19,964	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Accrued Liability (AAL)	\$ 397,316
Actuarial Value of Plan Assets	172,231
Unfunded Actuarial Accrued Liability (UAAL)	225,085
Funded Ratio (Actuarial Value of Plan Assets/AAL)	43.35%
Covered Payroll (Active Plan Members)	2,758,337
UAAL as a Percentage of Covered Payroll	8.16%

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

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

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

D. Funded Status and Funding Progress: (Continued)

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

E. Actuarial Methods and Assumptions

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

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2012 was 29 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 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2013, 2012 and 2011 were \$404,996, \$211,588, and \$214,029, respectively, and equaled the required contributions for each year.

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS AS OF JUNE 30, 2013 (CONTINUED)

NOTE 14-PROPERTY TAXES:

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

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

In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was \$.53 and \$.46 per \$100 of assessed value for calendar years 2013 and 2012, respectively.

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

NOTE 15-RISK MANAGEMENT:

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

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

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

Unemployment Insurance

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

Employee Health Insurance

The County is self-insured for medical coverage for County and School employees. Anthem serves as the administrator of a group medical insurance program in which the County and School Board's participating employees are combined into one overall funding program. The program includes a specific stop loss of \$125,000 for the program year ending September 30, 2012, 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, 2013 (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, 2013	\$ 906,004	\$ 10,601,845	\$ 10,618,073	\$ 889,776
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

In fiscal year 2012 the County started offering health benefits with a health savings account. The County has provided an annual contribution to each employee's health savings account 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 \$260,070 for debt service in fiscal year 2013. In turn, the County receives water and sewer access fees related to these projects. In 2013, the County received approximately \$81,842 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. The commitments expired in fiscal year 2013. The cost of the subsidies for fiscal year 2013 was \$116,146.

Library Foundation

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

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 16–COMMITMENTS AND CONTINGENCIES: (CONTINUED)

IDA - Adverse IRS Determination

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

Leesville Road Waterline

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

NOTE 17–IMPLEMENTATION OF GASB STATEMENT NO. 63 AND 65:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board:

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board:

The County implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this Statement resulted in the following restatement of net position:

Net Position, July 1, 2012, as previously reported	\$ 57,079,726
Adjustment to write-off outstanding bond issue costs	<u>(60,000)</u>
Net Position, July 1, 2012, as restated	<u>\$ 57,019,726</u>

COUNTY OF CAMPBELL, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2013 (CONTINUED)

NOTE 18–NEW ACCOUNTING STANDARDS:

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

NOTE 19–RESTRICTED ASSETS:

The School Board reports the following restricted assets:

Cash: Donations - Brookville High School Fieldhouse	\$ <u>222,022</u>
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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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General Fund

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

For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 34,358,632	\$ 34,605,638	\$ 36,483,531	\$ 1,877,893
Other local taxes	8,814,425	8,814,425	9,571,055	756,630
Permits, privilege fees, and regulatory licenses	261,823	264,323	309,438	45,115
Fines and forfeitures	216,429	216,429	161,464	(54,965)
Revenue from the use of money and property	282,000	282,000	147,132	(134,868)
Charges for services	2,056,308	2,093,979	2,233,755	139,776
Miscellaneous	76,100	279,172	338,473	59,301
Recovered costs	315,554	315,554	314,854	(700)
Intergovernmental revenues:				
Commonwealth	13,186,889	14,322,605	13,315,853	(1,006,752)
Federal	2,961,928	3,140,940	3,257,893	116,953
Total revenues	\$ 62,530,088	\$ 64,335,065	\$ 66,133,448	\$ 1,798,383
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	\$ 87,822	\$ 87,993	\$ 87,050	\$ 943
County administrator	339,630	363,807	352,623	11,184
Independent auditor	60,500	64,000	64,000	-
Business auditor	102,893	74,966	63,195	11,771
Commissioner of the Revenue	399,786	403,739	351,161	52,578
Reassessment	278,902	271,843	245,167	26,676
Central purchasing	154,526	160,824	154,269	6,555
Legal services	256,190	353,239	306,606	46,633
Treasurer	499,376	529,823	510,651	19,172
Information systems	781,407	807,263	689,585	117,678
Management services	369,910	395,039	375,815	19,224
Vehicle licensing	31,908	30,914	25,304	5,610
Human resources	135,206	139,683	134,757	4,926
Other	796,248	651,057	610,336	40,721
Registrar	199,415	219,705	200,673	19,032
Public information	-	118,673	112,657	6,016
Total general government administration	\$ 4,493,719	\$ 4,672,568	\$ 4,283,849	\$ 388,719
Judicial administration				
Circuit court	\$ 79,862	\$ 84,888	\$ 73,074	\$ 11,814
General district court	13,686	16,819	14,668	2,151
Magistrates	1,407	1,432	1,323	109
Juvenile and domestic relations court	14,514	15,137	13,834	1,303
Clerk of the circuit court	518,271	612,618	547,937	64,681
Law library	6,750	6,750	3,864	2,886
Victim witness program	172,264	237,456	182,215	55,241
Commissioner of accounts	1,320	1,320	1,060	260
Commonwealth attorney	712,091	747,515	721,083	26,432
Total judicial administration	\$ 1,520,165	\$ 1,723,935	\$ 1,559,058	\$ 164,877

General Fund

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

For the Year Ended June 30, 2013 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Public safety				
Sheriff	\$ 4,555,969	\$ 4,797,394	\$ 4,610,622	\$ 186,772
E - 911 system	972,967	1,051,991	989,032	62,959
Fire departments	609,747	618,156	554,810	63,346
Ambulance and rescue services	538,613	552,387	525,823	26,564
Paid EMT services	1,291,046	1,369,091	1,236,107	132,984
Forest fire extinction service	18,566	18,941	18,941	-
Jail	3,300,000	3,300,000	3,276,766	23,234
Probation office	4,400	4,400	4,410	(10)
Local corrections	683,585	590,285	437,517	152,768
Building inspections	293,535	314,470	297,275	17,195
Animal control	224,410	235,213	224,418	10,795
Medical examiner	450	700	700	-
Emergency services	250,721	296,008	246,298	49,710
Total public safety	\$ 12,744,009	\$ 13,149,036	\$ 12,422,719	\$ 726,317
Public works				
Highway services	\$ 18,000	\$ 27,012	\$ 25,216	\$ 1,796
Street lights	8,000	11,200	10,670	530
Maintenance of buildings and grounds	1,216,615	1,272,627	1,246,992	25,635
Public works administration	189,082	200,620	192,142	8,478
Total public works	\$ 1,431,697	\$ 1,511,459	\$ 1,475,020	\$ 36,439
Health and welfare				
Health department	\$ 375,000	\$ 382,012	\$ 382,012	\$ -
Chapter X board	163,710	163,710	163,710	-
Welfare assistance and administration	6,820,308	6,872,491	6,263,864	608,627
At risk youth program	2,217,199	2,529,962	2,284,810	245,152
Property tax relief for elderly/handicapped	-	247,000	273,569	(26,569)
Housing assistance	103,815	109,145	103,767	5,378
Strategic prevention framework incentive	119,532	142,886	100,671	42,215
Other health and welfare	14,564	14,564	14,564	-
Total health and welfare	\$ 9,814,128	\$ 10,461,770	\$ 9,586,967	\$ 874,803
Education				
Contribution to School Board				
Component unit	\$ 24,158,202	\$ 30,543,095	\$ 23,902,801	\$ 6,640,294
Total education	\$ 24,158,202	\$ 30,543,095	\$ 23,902,801	\$ 6,640,294

General Fund

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

For the Year Ended June 30, 2013 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Parks, recreation, and cultural				
Parks and recreation	\$ 575,075	\$ 521,979	\$ 474,584	\$ 47,395
Community recreation	193,259	193,259	164,716	28,543
Library	942,464	973,687	949,899	23,788
Literacy	29,055	29,940	28,042	1,898
Total parks, recreation, and cultural	\$ 1,739,853	\$ 1,718,865	\$ 1,617,241	\$ 101,624
Community Development				
Zoning	\$ 376,827	\$ 398,111	\$ 382,696	\$ 15,415
Economic development	407,102	1,643,775	1,182,420	461,355
Planning	110,100	110,100	110,100	-
Campbell County Utility Service Authority	264,821	448,780	260,070	188,710
Environmental management program	84,052	170,170	87,342	82,828
Soil and water conservation district	11,000	14,000	11,954	2,046
Cooperation extension program	67,052	69,164	62,062	7,102
Total community development	\$ 1,320,954	\$ 2,854,100	\$ 2,096,644	\$ 757,456
Debt Service				
Principal	\$ 3,252,634	\$ 3,370,754	\$ 3,252,633	\$ 118,121
Interest and fiscal charges	1,750,866	2,173,518	2,170,990	2,528
Total debt service	\$ 5,003,500	\$ 5,544,272	\$ 5,423,623	\$ 120,649
Nondepartmental	\$ (335,000)	\$ (335,000)	96	\$ (335,096)
Total expenditures	\$ 61,891,227	\$ 71,844,100	\$ 62,368,018	\$ 9,476,082
Excess (deficiency) of revenues over (under) expenditures	\$ 638,861	\$ (7,509,035)	3,765,430	\$ 11,274,465
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 100	\$ 100	\$ -
Transfers out	(2,138,861)	(3,773,857)	(3,773,857)	-
Total other financing sources (uses)	\$ (2,138,861)	\$ (3,773,757)	\$ (3,773,757)	\$ -
Net change in fund balances	\$ (1,500,000)	\$ (11,282,792)	(8,327)	\$ 11,274,465
Fund balance - beginning	1,500,000	11,282,792	22,829,476	11,546,684
Fund balance - ending	\$ -	\$ -	\$ 22,821,149	\$ 22,821,149

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, 2013

	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	\$ 399	\$ (9,601)
Charges for services	830,000	830,000	823,993	(6,007)
Miscellaneous	-	-	6,839	6,839
Intergovernmental revenues:				
Commonwealth	13,065	18,613	18,613	-
Total revenues	\$ 853,065	\$ 858,613	\$ 849,844	\$ (8,769)
EXPENDITURES				
Current:				
Public Works - Solid Waste	\$ 2,172,653	\$ 2,612,521	\$ 1,754,958	\$ 857,563
Total expenditures	\$ 2,172,653	\$ 2,612,521	\$ 1,754,958	\$ 857,563
Excess (deficiency) of revenues over (under) expenditures	\$ (1,319,588)	\$ (1,753,908)	\$ (905,114)	\$ 848,794
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 749,588	\$ 750,588	\$ 750,588	\$ -
Transfers out	(2,000,000)	(2,000,100)	(2,000,100)	-
Sale of capital assets	-	87,500	128,271	40,771
Total other financing sources (uses)	\$ (1,250,412)	\$ (1,162,012)	\$ (1,121,241)	\$ 40,771
Net change in fund balances	\$ (2,570,000)	\$ (2,915,920)	\$ (2,026,355)	\$ 889,565
Fund balance - beginning	2,570,000	2,915,920	4,934,222	2,018,302
Fund balance - ending	\$ -	\$ -	\$ 2,907,867	\$ 2,907,867

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)
6/30/2012	\$ 42,464,312	\$ 56,397,320	\$ 13,933,008	75.29%	\$ 11,316,988	123.12%
6/30/2011	42,687,383	54,723,305	12,035,922	78.01%	11,627,556	103.51%
6/30/2010	41,750,179	51,465,506	9,715,327	81.12%	11,373,061	85.42%

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)
6/30/2012	\$ 10,489,555	\$ 13,561,865	\$ 3,072,310	77.35%	\$ 2,758,337	111.38%
6/30/2011	10,784,821	13,112,757	2,327,936	82.25%	2,758,378	84.40%
6/30/2010	10,860,971	12,851,216	1,990,245	84.51%	3,118,950	63.81%

Required Supplementary Information
Schedule of OPEB Funding Progress

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)
7/1/2010	\$ -	\$ 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%
7/1/2012	-	7,920,240	7,920,240	0.00%	N/A	N/A

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)
7/1/2010	\$ -	\$ 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%
7/1/2012	-	23,641,170	23,641,170	0.00%	N/A	N/A

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)
6/30/2010	\$ 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%
6/30/2012	172,231	397,316	225,085	43.35%	2,758,337	8.16%

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	\$ 30,000	\$ 30,000	\$ 2,981	\$ (27,019)
Miscellaneous	-	1,800	1,800	-
Intergovernmental revenues:				
Commonwealth	699,166	1,287,482	377,008	(910,474)
Total revenues	\$ 729,166	\$ 1,319,282	\$ 381,789	\$ (937,493)
EXPENDITURES				
Current:				
Capital projects	\$ 5,425,340	\$ 8,312,608	\$ 2,741,894	\$ 5,570,714
Total expenditures	\$ 5,425,340	\$ 8,312,608	\$ 2,741,894	\$ 5,570,714
Excess (deficiency) of revenues over (under) expenditures	\$ (4,696,174)	\$ (6,993,326)	\$ (2,360,105)	\$ 4,633,221
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,389,273	\$ 3,423,269	\$ 3,423,269	\$ -
Total other financing sources (uses)	\$ 3,389,273	\$ 3,423,269	\$ 3,423,269	\$ -
Net change in fund balances	\$ (1,306,901)	\$ (3,570,057)	\$ 1,063,164	\$ 4,633,221
Fund balance - beginning	1,306,901	3,570,057	3,570,057	-
Fund balance - ending	\$ -	\$ -	\$ 4,633,221	\$ 4,633,221

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

Agency Funds

Combining Statement of Fiduciary Net Position

June 30, 2013

	Special Welfare	Drug Enforcement	Commonwealth Attorney Drug Fund	Flexible Benefits	County Agency	Total
ASSETS						
Cash and cash equivalents	\$ 57,904	\$ 108,238	\$ 56,933	\$ 44,080	\$ 34,945	\$ 302,100
Receivables						
Accounts receivable	-	-	6,480	143	-	6,623
Total assets	<u>\$ 57,904</u>	<u>\$ 108,238</u>	<u>\$ 63,413</u>	<u>\$ 44,223</u>	<u>\$ 34,945</u>	<u>\$ 308,723</u>
LIABILITIES						
Amounts held for others	<u>\$ 57,904</u>	<u>\$ 108,238</u>	<u>\$ 63,413</u>	<u>\$ 44,223</u>	<u>\$ 34,945</u>	<u>\$ 308,723</u>

Agency Funds

Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 33,153	\$ 183,075	\$ 158,324	\$ 57,904
Liabilities:				
Amounts held for social service clients	\$ 33,153	\$ 183,075	\$ 158,324	\$ 57,904
Drug Enforcement:				
Assets:				
Cash and cash equivalents	\$ 70,760	\$ 39,667	\$ 2,189	\$ 108,238
Liabilities:				
Amounts held for others	\$ 70,760	\$ 39,667	\$ 2,189	\$ 108,238
Commonwealth Attorney Drug Fund:				
Assets:				
Cash and cash equivalents	\$ 52,810	\$ 4,123	\$ -	\$ 56,933
Accounts receivable	-	6,480	-	6,480
Total assets	\$ 52,810	\$ 10,603	\$ -	\$ 63,413
Liabilities:				
Amounts held for others	\$ 52,810	\$ 10,603	\$ -	\$ 63,413
Flexible Benefits:				
Assets:				
Cash and cash equivalents	\$ 46,600	\$ 3,068,369	\$ 3,070,889	\$ 44,080
Accounts receivable	-	143	-	143
Total assets	\$ 46,600	\$ 3,068,512	\$ 3,070,889	\$ 44,223
Liabilities:				
Amounts held for others	\$ 46,600	\$ 3,068,512	\$ 3,070,889	\$ 44,223
County Agency:				
Assets:				
Cash and cash equivalents	\$ 28,836	\$ 6,109	\$ -	\$ 34,945
Liabilities:				
Amounts held for others	\$ 28,836	\$ 6,109	\$ -	\$ 34,945
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 232,159	\$ 3,301,343	\$ 3,231,402	\$ 302,100
Accounts receivable	-	6,623	-	6,623
Total assets	\$ 232,159	\$ 3,307,966	\$ 3,231,402	\$ 308,723
Liabilities:				
Amounts held for social service clients	\$ 33,153	\$ 183,075	\$ 158,324	\$ 57,904
Amounts held for other organizations	199,006	3,124,891	3,073,078	250,819
Total liabilities	\$ 232,159	\$ 3,307,966	\$ 3,231,402	\$ 308,723

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,391,452	\$ 1,447,695	\$ 1,303,466	\$ 10,142,613
Due from other governmental units	2,309,521	-	-	2,309,521
Prepaid items	329,901	10,632	-	340,533
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	-	222,022	222,022
Total assets	<u>\$ 10,030,874</u>	<u>\$ 1,458,327</u>	<u>\$ 1,525,488</u>	<u>\$ 13,014,689</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 487,391	\$ 63,817	\$ 7,703	\$ 558,911
Accrued liabilities	6,564,306	202,054	-	6,766,360
Due to primary government	2,645,555	-	-	2,645,555
Total liabilities	<u>\$ 9,697,252</u>	<u>\$ 265,871</u>	<u>\$ 7,703</u>	<u>\$ 9,970,826</u>
Fund balances:				
Nonspendable				
Prepaid items	\$ 329,901	\$ 10,632	\$ -	\$ 340,533
Restricted for:				
BHS fieldhouse construction	-	-	214,319	214,319
Committed for:				
Education	5,914,250	-	-	5,914,250
Assigned to:				
Education	3,721	1,181,824	-	1,185,545
Education - capital projects	-	-	1,303,466	1,303,466
Unassigned	(5,914,250)	-	-	(5,914,250)
Total fund balances	<u>\$ 333,622</u>	<u>\$ 1,192,456</u>	<u>\$ 1,517,785</u>	<u>\$ 3,043,863</u>
Total liabilities and fund balances	<u>\$ 10,030,874</u>	<u>\$ 1,458,327</u>	<u>\$ 1,525,488</u>	<u>\$ 13,014,689</u>

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

Total fund balances per above	\$ 3,043,863
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds (Cost of \$33,809,553 and accumulated depreciation of \$24,399,010)	9,410,543
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Other post-employment benefits	\$ (3,937,725)
Compensated absences	(365,251)
Net position of governmental activities	<u>\$ 8,151,430</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, 2013

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 7,093	\$ 374	\$ 1,878	\$ 9,345
Charges for services	137,255	1,211,226	-	1,348,481
Miscellaneous	17,134	13,277	43,139	73,550
Recovered costs	496,526	-	-	496,526
Intergovernmental revenues:				
Local government	23,902,801	-	-	23,902,801
Commonwealth	44,746,595	77,786	-	44,824,381
Federal	4,511,724	2,291,615	-	6,803,339
Total revenues	<u>\$ 73,819,128</u>	<u>\$ 3,594,278</u>	<u>\$ 45,017</u>	<u>\$ 77,458,423</u>
EXPENDITURES				
Current:				
Education	\$ 73,828,013	\$ 3,723,560	\$ 35,681	\$ 77,587,254
Total expenditures	<u>\$ 73,828,013</u>	<u>\$ 3,723,560</u>	<u>\$ 35,681</u>	<u>\$ 77,587,254</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,885)</u>	<u>\$ (129,282)</u>	<u>\$ 9,336</u>	<u>\$ (128,831)</u>
Net change in fund balances	\$ (8,885)	\$ (129,282)	\$ 9,336	\$ (128,831)
Fund balances - beginning	342,507	1,321,738	1,508,449	3,172,694
Fund balances - ending	<u>\$ 333,622</u>	<u>\$ 1,192,456</u>	<u>\$ 1,517,785</u>	<u>\$ 3,043,863</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 \$ (128,831)

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

Capital outlay	\$ 1,866,083	
Depreciation expense	<u>(1,302,275)</u>	563,808

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals) is to decrease net position (2,291)

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	\$ 46,396	
(Increase)/decrease in other post-employment benefits obligation	<u>(891,233)</u>	<u>(844,837)</u>

Change in net position of governmental activities \$ (412,151)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

School Operating Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,500	\$ 3,500	\$ 7,093	\$ 3,593
Charges for services	121,500	121,500	137,255	15,755
Miscellaneous	26,500	26,500	17,134	(9,366)
Recovered costs	190,500	512,026	496,526	(15,500)
Intergovernmental revenues:				
Local government	24,158,202	30,543,095	23,902,801	(6,640,294)
Commonwealth	44,064,275	44,833,316	44,746,595	(86,721)
Federal	5,350,186	5,953,300	4,511,724	(1,441,576)
Total revenues	<u>\$ 73,914,663</u>	<u>\$ 81,993,237</u>	<u>\$ 73,819,128</u>	<u>\$ (8,174,109)</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 52,693,670	\$ 55,835,375	\$ 51,704,028	\$ 4,131,347
Administration, attendance and health	3,776,706	3,956,530	3,728,985	227,545
Pupil transportation	4,861,116	5,900,635	5,736,307	164,328
Operation and maintenance services	8,210,042	10,353,552	8,116,623	2,236,929
Technology	4,373,129	5,949,103	4,542,070	1,407,033
Total expenditures	<u>\$ 73,914,663</u>	<u>\$ 81,995,195</u>	<u>\$ 73,828,013</u>	<u>\$ 8,167,182</u>
Excess (deficiency) of revenues over (under)				
expenditures	<u>\$ -</u>	<u>\$ (1,958)</u>	<u>\$ (8,885)</u>	<u>\$ (6,927)</u>
Net change in fund balances				
	<u>\$ -</u>	<u>\$ (1,958)</u>	<u>\$ (8,885)</u>	<u>\$ (6,927)</u>
Fund balance - beginning				
	<u>-</u>	<u>1,958</u>	<u>342,507</u>	<u>340,549</u>
Fund balance - ending				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 333,622</u>	<u>\$ 333,622</u>

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

Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2013

	Enterprise Fund
ASSETS	
Cash and cash equivalents	\$ 335,250
Due from primary government	272,329
Industrial assets held for industry - real property	1,829,927
Industrial assets held for industry - equipment	442,208
Total assets	\$ <u>2,879,714</u>
LIABILITIES	
Accrued interest payable	\$ 7,448
Long-term liabilities:	
Due within one year	324,842
Due in more than one year	2,189,704
Total liabilities	\$ <u>2,521,994</u>
NET POSITION	
Unrestricted	\$ <u><u>357,720</u></u>

Schedule of Revenues, Expenditures, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2013

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 7,604
Miscellaneous	2,907
Total operating revenues	<u>\$ 10,511</u>
OPERATING EXPENSES	
Economic incentive grants	\$ 82,516
Other operating costs	2,059
Total operating expenses	<u>\$ 84,575</u>
Operating income (loss)	\$ (74,064)
NONOPERATING REVENUES (EXPENSES)	
Contributions from Campbell County	\$ 82,516
Interest income	5,011
Interest expense	<u>(7,448)</u>
Net nonoperating revenues (expenses)	<u>\$ 80,079</u>
Change in net position	<u>\$ 6,015</u>
Net position - beginning	\$ 351,705
Net position - ending	<u><u>\$ 357,720</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2013

	<u>Enterprise Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from grantors and customers	\$ 10,511
Payments to grantees and suppliers	(31,043)
Net cash provided by (used for) operating activities	\$ <u>(20,532)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Contributions from Campbell County	\$ 28,984
Proceeds from indebtedness	2,242,217
Interest Income	5,011
Additions to industrial assets held for resale	<u>(2,272,135)</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>4,077</u>
Net increase (decrease) cash and cash equivalents	(16,455)
CASH AND CASH EQUIVALENTS	
Cash balance - beginning	351,705
Cash balance - ending	\$ <u><u>335,250</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ (74,064)
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	53,532
Net cash provided by (used for) operating activities	\$ <u><u>(20,532)</u></u>

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Other Statistical Information

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5 - 7

Debt Capacity

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

8 - 9

Demographic and Economic Information

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

10-14

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year. 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 Position by Component
Last Nine Fiscal Years
(*accrual basis of accounting*)

	2005	2006	2007	2008	2009	2010	2011	2012	2013 (1)
Primary government									
Governmental activities									
Net investment in capital assets	\$ 21,669,556	\$ 28,478,148	\$ 30,237,231	\$ 39,715,828	\$ 31,775,484	\$ 28,284,570	\$ 27,643,364	\$ 25,710,879	
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 position	<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>	
Primary government									
Governmental activities									\$ 26,658,220
Net investment in capital assets									31,359,486
Unrestricted									<u>\$ 58,017,706</u>
Total governmental activities net position									

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

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

COUNTY OF CAMPBELL, VIRGINIA

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

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

COUNTY OF CAMPBELL, VIRGINIA

Changes in Net Position

Last Nine Fiscal Years

(accrual basis of accounting)

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

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.

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

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

COUNTY OF CAMPBELL, VIRGINIA

Table 3

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

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

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

COUNTY OF CAMPBELL, VIRGINIA

Table 4

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

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

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		
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%
2013	3,603,683,524	329,262,195	33,492,140	162,685,289	-	233,962,523	4,363,085,671	0.87	N/A	N/A	4,692,347,866	92.98%

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

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

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

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

(4) Per \$100 of assessed value.

(5) Includes recreational and apportioned vehicles

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 6

Principal Property Taxpayers
Current Year and the Six Years Prior

Taxpayer	Fiscal Year 2013				Fiscal Year 2007			
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation		Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	
BWX Tech, Inc	\$ 83,946,369	1	2.06%	\$	55,121,313	2	1.78%	
Abbott Laboratories (Ross)	65,965,786	2	1.62%		59,488,251	1	1.92%	
AREVA NP Inc (Framatone)	32,810,617	3	0.81%		22,903,620	5	0.74%	
BGF Industries Inc	25,947,282	4	0.64%		23,188,763	4	0.75%	
Georgia Pacific Wood Prod LLC	23,943,776	5	0.59%		23,642,211	3	0.76%	
Timken Company	19,089,476	6	0.47%		20,109,625	6	0.65%	
Progress Printing Company	17,898,700	7	0.44%		12,598,190	7	0.41%	
Schrader-Bridgeport International	12,742,830	8	0.31%		11,167,998	8	0.36%	
Graham Packaging Plastic Products	9,605,501	9	0.24%		5,019,291	na	0.16%	
Boxley Materials Company Inc	9,445,857	10	0.23%		3,750,249	na	0.12%	
	<u>\$ 301,396,194</u>		<u>7.41%</u>	<u>\$</u>	<u>236,989,511</u>		<u>7.65%</u>	

Note: Information from nine years ago not available

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA

Table 7

Property Tax Levies and Collections
Last Ten Fiscal Years

Year Ended June 30	Current		Collections in Year of Levy		Collections in Subsequent Years	Total Collections to Date	
	Tax Levy (1)	Amount	Current Tax Amount	Percent of Levy Collected		Total Tax Collections	Percent of Levy Collected
2004	\$ 27,063,435	\$ 26,374,691	\$ 26,374,691	97.46%	675,380	\$ 27,050,071	99.95%
2005	27,014,093	26,199,858	26,199,858	96.99%	619,527	26,819,385	99.28%
2006	29,425,081	28,544,069	28,544,069	97.01%	847,258	29,391,327	99.89%
2007	30,130,010	29,453,668	29,453,668	97.76%	595,181	30,048,849	99.73%
2008	31,437,939	30,569,832	30,569,832	97.24%	343,807	30,913,639	98.33%
2009	33,407,401	32,226,034	32,226,034	96.46%	593,918	32,819,952	98.24%
2010	33,210,365	32,310,883	32,310,883	97.29%	527,664	32,838,547	98.88%
2011	33,876,914	33,329,195	33,329,195	98.38%	601,063	33,930,258	100.16%
2012	34,291,683	33,598,099	33,598,099	97.98%	559,301	34,157,400	99.61%
2013	36,438,020	35,105,656	35,105,656	96.34%	-	35,105,656	96.34%

(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										
2004	\$	12,295,607	\$	16,305,825	\$	-	\$	28,601,432	2.1%	\$	565.25
2005		20,263,385		15,254,902		-		35,518,287	2.6%		699.18
2006		19,033,693		14,203,978				33,374,886	2.5%		650.58
2007		17,583,127		13,153,056				30,841,023	2.2%		592.91
2008		51,023,657		12,118,623				63,212,436	2.4%		1,213.01
2009		49,415,066		11,087,788				60,535,848	2.6%		1,150.98
2010		47,411,159		10,064,034		-		57,475,193	2.9%		1,100.28
2011		44,805,688		9,191,801		-		53,997,489	3.2%		984.60
2012		42,397,886		8,319,568		-		50,717,454	3.0%		921.60
2013		39,996,978		7,447,335		-		47,444,313	2.8%		862.15

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

Debt is net of premiums and discounts

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

COUNTY OF CAMPBELL, VIRGINIA

Table 9

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

Fiscal Year	General Obligation		Literary Fund		Total	Percentage of Actual Value of Taxable Property (2)	Total General Bonded Debt Per Capita (1)
	Bonds		Loans				
2004	\$	12,295,607	\$	16,305,825	\$ 28,601,432	0.89%	\$ 565
2005		19,746,749		15,254,902	35,001,651	1.02%	689
2006		18,540,374		14,203,978	32,744,352	0.94%	638
2007		17,110,316		13,153,056	30,263,372	0.85%	582
2008		50,571,354		12,118,623	62,689,977	1.38%	1,203
2009		48,983,271		11,087,788	60,071,059	1.29%	1,142
2010		47,411,159		10,064,034	57,475,193	1.29%	1,100
2011		44,805,688		9,191,801	53,997,489	1.20%	985
2012		42,397,886		8,319,568	50,717,454	1.10%	922
2013		39,996,978		7,447,335	47,444,313	1.01%	862

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

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

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

COUNTY OF CAMPBELL, VIRGINIA

Table 10

Principal Employers
Current Year

Employer	Industry	2012		
		Employees	Rank	% of Total Employment
Babcock & Wilcox	Nuclear	1,500-2,499	1	9% - 16%
Campbell County Schools	Public Education	600-1,499	2	4% - 9%
Abbott Industries	Pharmaceuticals	500-999	3	3% - 6%
BGF Industries	Fiberglass fabric	500-999	4	3% - 6%
Campbell County Govt	Local Government	250-499	5	2% - 3%
Food Lion	Food and Beverage Stores	250-499	6	2% - 3%
Moore's Electrical and Mechanical	Specialty Trade Contractors	250-499	7	2% - 3%
Wal Mart	General Merchandise Stores	100-249	8	0.1% - 0.2%
Schrader Bridgeport International	Transportation Equipment Manufacturing	100-249	9	0.1% - 0.2%
Progress Printing Company, Inc.	Printing and Related Support Activities	100-249	10	0.1% - 0.2%
The Timken Company	Fabricated Metal Product Manufacturing	100-249	11	0.1% - 0.2%
Georgia Pacific Wood Prod	Wood Product Manufacturing	100-249	12	0.1% - 0.2%
Foster Fuels	Merchant Wholesalers, Nondurable Goods	100-249	13	0.1% - 0.2%
Totals		4,450-8,987		25.6% - 47.2%

Total employed 15,816

Note: Information from nine years ago is 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)			
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*	33,664	8,029	6.70%
2012	55,030		n/a*	n/a*	7,995	6.00%

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

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

(3) Source - Campbell County School Administration.

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

* Updated information not available

COUNTY OF CAMPBELL, VIRGINIA

Table 12

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

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

* Staff increases

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

Source: Human Resources and annual fiscal year budget

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

COUNTY OF CAMPBELL, VIRGINIA

Table 13

Operating Indicators By Function
Last Nine Fiscal Years

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

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	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety - insured vehicles										
Law enforcement vehicles	73	79	81	80	75	77	89	84	76	84
Other public safety	13	12	12	18	19	21	22	22	19	17
Public works										
Vehicles	27	29	27	29	32	19	19	19	18	16
Health and welfare										
Vehicles	28	29	29	29	29	29	28	28	28	26
Parks, recreation and cultural										
Vehicles	5	6	7	7	7	7	7	7	7	7
Other										
Vehicles	4	9	4	7	8	8	7	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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Campbell, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Campbell, Virginia's basic financial statements, and have issued our report thereon dated November 21, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer Cox Associates
Charlottesville, Virginia
November 21, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Report on Compliance for Each Major Federal Program

We have audited the County of Campbell, Virginia's compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Campbell, Virginia's major federal programs for the year ended June 30, 2013. County of Campbell, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Campbell, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County of Campbell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Campbell, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Campbell, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the County of Campbell, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County of Campbell, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Campbell, Virginia's internal control over compliance.

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

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

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

Robinson, Farney Cox Associates
Charlottesville, Virginia
November 21, 2013

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950112/0950113	\$ 26,487
Temporary Assistance for Needy Families (TANF)	93.558	0400112/0400113	638,230
Refugee and Entrant Assistance - state administered programs	93.566	0500112/0500113	1,885
Low-Income Home Energy Assistance Program	93.568	0600412/0600413	42,301
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760112/0760113	87,520
Chafee Education and Training Vouchers Program	93.599	9160112	826
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112/0900113	3,252
Foster Care - Title IV-E	93.658	1100112/1100113	228,869
Adoption Assistance	93.659	1120112/1120113	471,444
Social Services Block Grant	93.667	1000112/1000113	483,289
Chafee Foster Care Independence Program	93.674	9150112/9150113	7,682
Children's Health Insurance Program	93.767	0540112/0540113	13,583
Medical Assistance Program (Medicaid, Title XIX)	93.778	1200112/1200113	350,963
Total Department of Health and Human Services			\$ 2,356,331
Corporation for National and Community Service:			
Direct Payments:			
Retired and Senior Volunteer Program	94.002		\$ 30,655
Total Corporation for National and Community Service			\$ 30,655
Department of Homeland Security:			
Direct Payments:			
Federal Emergency Management Agency:			
Emergency Food and Shelter National Board Program	97.024		\$ 4,250
Pass Through Payments:			
Department of Emergency Management:			
State Homeland Security Program	97.073	77501-52700	\$ 29,159
Total Department of Homeland Security			\$ 33,409
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program - Food distribution	10.555	10.555/2012 / 2013IN109941	\$ 263,916
National School Lunch Program	10.555	10.555/2012 / 2013IN109941	1,499,464
Subtotal CFDA 10.555			1,763,380
National School Breakfast Program	10.553	10.553/2012 / 2013IN109941	528,236
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010112/0010113/0040112	583,843
Total Department of Agriculture			\$ 2,875,459

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2013

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct Payments:			
Project Safe Neighborhoods	16.609		\$ 14,069
Bulletproof Vest Partnership Program	16.607		2,520
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grant	16.588	11WFAX0028/12WFAX0038	33,784
Crime Victim Assistance	16.575	11VAGX0095/12VAGX0001	115,807
Total Department of Justice			\$ 166,180
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	SC-2013-53528-5243	\$ 5,393
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-2012-52142-4520	12,143
Occupant Protection Incentive Grants	20.602	N/A	2,457
Alcohol Open Container Requirements	20.607	154AL-2012-52028-4406	12,812
Total Department of Transportation			\$ 32,805
Department of Housing and Urban Development:			
Direct Payments:			
Section 8 Housing Choice Vouchers	14.871		\$ 48,222
Total Department of Housing and Urban Development			\$ 48,222
Library of Congress:			
Direct Payments:			
Teaching With Primary Sources	42.000		\$ 6,869
Total Library of Congress			\$ 6,869
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010		\$ 1,723,539
Adult Education Basic Grants to States	84.002	N/A	68,162
Career and Technical Education - Basic Grants to States	84.048	V048A110046/V048A120046	98,370
Special Education Cluster:			
Title VI-B: Special Education - Grants to States	84.027	H027A110107/H027A120107	1,720,711
Title VI-B: Special Education Preschool Grants	84.173	H173A120112/H173A110112	43,201
Title II, Part A: Improving Teacher Quality State Grants	84.367	S367A100044/S367A110044	325,536
ARRA-Education Jobs Fund	84.410	S411A100047/S410A120047	351,129
Twenty-First Century Community Learning Centers	84.287	S287C120047/S287C110047	150,680
English Language Acquisition Grants	84.365	S365A110046/S365A120046	23,527
Total Department of Education			\$ 4,504,855
Total Expenditures of Federal Awards			\$ 10,054,785

COUNTY OF CAMPBELL, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards ("Schedule") includes the federal grant activity of the County of Campbell, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Campbell, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Campbell, Virginia.

Note 2 - Basis of Accounting

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

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

Note 3 - Food Commodities

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,257,893
Less: E-Rate not reported on Schedule of Expenditures of Federal Awards	<u>(6,447)</u>
Total primary government	<u>\$ 3,251,446</u>

Component Unit Public Schools:

School Operating Fund	\$ 4,511,724
School Cafeteria Fund	<u>2,291,615</u>
Total component unit public schools	<u>\$ 6,803,339</u>

Total federal expenditures per basic financial statements	<u>\$ 10,054,785</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 10,054,785</u></u>
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COUNTY OF CAMPBELL, VIRGINIA

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families (TANF)
93.667	Social Services Block Grant
93.778	Medical Assistance Program
93.659	Adoption Assistance
84.410	ARRA - Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$ 301,644
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.