

COUNTY OF PITTSYLVANIA, VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

COUNTY OF PITTSYLVANIA, VIRGINIA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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INTRODUCTORY SECTION

COUNTY OF PITTSYLVANIA, VIRGINIA

BOARD OF SUPERVISORS

Marshall A. Ecker, Chair	
Brenda H. Bowman, Vice Chair	Jerry A. Hagerman
Coy E. Harville	Tim R. Barber
Jessie L. Barksdale	James H. Snead

COUNTY SCHOOL BOARD

W. Neal Oakes, Chair	
Calvin D. Doss, Vice Chair	Charles H. Miller, Jr.
W. Wayne Robertson	Don C. Moon
Morris C. Stowe	R. Todd Sanders
Janet Hancock, Clerk	

SOCIAL SERVICES BOARD

Arlene S. Creasy, Chairperson	
Ronnie Haymore, Vice Chairperson	J. Carson Womack, III
Jessie L. Barksdale	Stedman Payne, Sr.
Diane D. McMahon	Earl C. Hodnett
James B. Williams	

OTHER OFFICIALS

Clerk of the Circuit Court	H. F. Haymore, Jr.
Commonwealth's Attorney	David N. Grimes
Commissioner of the Revenue.....	Samuel W. Swanson, Jr.
Treasurer	Teresa D. Easley
Sheriff	Michael W. Taylor
Superintendent of Schools	James E. McDaniel
Director of Social Services	Sherry R. Flanagan
County Administrator	William D. Sleeper
County Attorney	J. Vaden Hunt
County Finance Director	Kimberly G. Van Der Hyde

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Pittsylvania, Virginia
Chatham, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of County of Pittsylvania, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Industrial Development Authority of Pittsylvania County, Virginia or the Pittsylvania County Service Authority. Those financial statements were audited by other auditors whose report has been furnished to us and our opinion insofar as it relates to the amounts included for the Industrial Development Authority of Pittsylvania County, Virginia and the Pittsylvania County Service Authority is based solely on the report of the other auditors. 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 auditor's 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of the County of Pittsylvania, 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 1 to the financial statements, in 2013, the County of Pittsylvania, Virginia 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 4-15, budgetary comparison information, and schedule 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.

Other Information

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

The other supplementary information, supporting schedules, and 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 other supplementary information, supporting schedules, and 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 section and other statistical information 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 December 5, 2013, on our consideration of the County of Pittsylvania, 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 Pittsylvania, Virginia's internal control over financial reporting and compliance.

Robinson, Fauser, Co. Associates

Blacksburg, Virginia
December 5, 2013

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Pittsylvania, Virginia for the fiscal year ended June 30, 2013. The purpose of this Management Discussion and Analysis is to provide an overview of the County's financial activity, to assist the reader in understanding significant financial issues, and to provide information concerning changes in the County's financial position. This narrative provides additional information that should be read in conjunction with reviewing the County's Financial Statements.

Financial Highlights

Government-wide Financial Statements

The assets and deferred outflows of resources of the County of Pittsylvania, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59,483,624 (net position). Of this amount, \$33,670,067 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Information concerning net position for the County, its business-type activities and its component units is located on Exhibit 1. The business-type activities include the Landfill Enterprise Fund. The business-type activities' liabilities exceeded its assets by \$592,713. Of this amount, \$(1,838,876) is unrestricted. The component units include the School Board's net position totaling \$14,291,991, of which \$(1,250,726) is unrestricted, the Industrial Development Authority's net position totaling \$1,998,511, all of which is unrestricted, and Pittsylvania County Service Authority's net position totaling \$35,890,275, of which \$2,200,271 is unrestricted (see Exhibit 1). This exhibit provides insight into the future by using a full accrual accounting method. This model considers all factors when showing the financial position of the County.

The Government's net position increased by \$1,479,893. In addition, the School Board's net position decreased by \$352,012, the IDA's net position increased by \$16,579, and the PCSA's net position increased by \$575,146. Business-type activities' net position increased by \$4,219,934 (see Exhibit 2).

Fund Financial Statements

Unlike the Government-wide Financial Statements which use a full accrual accounting approach, the Fund Financial Statements use a modified accrual method of accounting. This method differs from the full accrual method by showing a picture of the County's financial position at the present time. A reconciliation of the two methods is provided in Exhibit 4. At the end of the current fiscal year, unassigned fund balance for the general fund was \$31,529,521 or 50 percent of total general fund expenditures (See Exhibit 3). This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2013 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2014.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$42,977,629, a decrease of \$6,583,768 from last year. Approximately 84 percent of this total amount, or \$36,145,846 (which includes committed, assigned and unassigned

funds), is available for spending at the government's discretion. This unrestricted balance has three parts, (1) committed funds which represents \$2,766,479, (2) assigned funds which represent \$1,849,846 and (3) unassigned funds which represents \$31,529,521 (see Exhibit 3).

Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical and compliance.

- The *introductory section* provides a listing of principal officers for 2012-2013.
- The *financial section* has three component parts – managements' discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplemental information.
- The *statistical section* includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The *compliance section* is required under the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget circular A-133, Audits of State, Local Governments and Non-profit Organizations.

Local government accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justification from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continued to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts, or assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that government revenues are generated for the express purpose of providing services rather than as an end in themselves.

The government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently has one business-type activity which is the Landfill Enterprise Fund.

The government-wide financial statements include, in addition to the primary government or County, three component units: 1) the Pittsylvania County School Board, 2) Industrial Development Authority, and 3) Pittsylvania County Service Authority. Although these component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component unit.

Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, reconciliations between the two methods are presented in Exhibits 4 and 6 of the financial section of this report.

Proprietary funds

There are two types of proprietary funds: enterprise funds, which are established to account for the delivery of goods and services to the general public, and internal service funds, which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The County of Pittsylvania has one enterprise fund, which is the Landfill Enterprise Fund and two internal service funds: the Central Stores Fund and the Self-Insurance Fund. The Central Stores Fund accounts for the government's consolidated purchasing of office supplies and telephone charges. The Self-Insurance Fund accounts for insurance premiums paid by the County and School Board for all departments. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements (see Exhibits 20, 21, and 22).

Fiduciary funds

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

Notes to the Financial Statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position. Again, the full accrual accounting method is used to derive these figures. For the County of Pittsylvania, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$59,483,624 at the end of the fiscal year.

The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

	County of Pittsylvania's Net Position	
	2013	2012
	Governmental Activities	Governmental Activities
Current and other assets	\$ 70,609,477	\$ 76,841,872
Capital assets	126,793,997	124,847,577
Total assets	<u>\$ 197,403,474</u>	<u>\$ 201,689,449</u>
Deferred Outflows of Resources	<u>\$ 703,256</u>	<u>\$ 803,678</u>

	2013 Governmental Activities	2012 Governmental Activities
Long-term liabilities	\$ 118,006,990	\$ 123,013,278
Other liabilities	4,747,952	6,068,024
Total liabilities	<u>\$ 122,754,942</u>	<u>\$ 129,081,302</u>
Deferred Inflows of Resources	<u>\$ 15,868,164</u>	<u>\$ 15,408,094</u>
Net Position:		
Net investment in capital assets	\$ 19,666,872	\$ 21,483,509
Restricted	6,146,685	5,801,412
Unrestricted	33,670,067	30,718,810
Total net position	<u>\$ 59,483,624</u>	<u>\$ 58,003,731</u>

For the County, net investment in capital assets (i.e., land, buildings, machinery, and equipment, net of related debt used to acquire those assets that is still outstanding) represents 33 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, 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.

Restricted net position represents resources that are subject to external restrictions on how they may be used. These resources include funds restricted for grants and assets seized by the Sheriff's Department, which can only be used for law enforcement. The County's restricted net position accounts for 10 percent of the total net position.

The remaining balance of unrestricted net position, which is \$33,670,067 or 57 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net position increased by \$1,479,893 during the current fiscal year. The majority of this increase can be attributed to the recent upgrade of E911 radios and towers.

Governmental Activities

Governmental activities increased the County's net position by \$1,479,893. Key elements of this decrease are as follows:

	2013 <u>Business- type Activities</u>	2013 <u>Governmental Activities</u>	2012 <u>Business- type Activities</u>	2012 <u>Governmental Activities</u>
Revenues:				
Program revenues:				
Charges for services	\$ 1,971,415	\$ 980,736	\$ 258,898	\$ 665,125
Operating grants & contributions	-	16,862,088	-	15,633,076
General revenues:				
General property taxes	-	31,959,232	-	31,373,406
Other local taxes	-	6,759,321	-	6,805,947
Use of money and property	2,482	638,443	4,876	647,071
Other	5,134	444,856	388	409,229
Grants and contributions not restricted to specific programs	-	6,781,594	-	6,698,703
Community Development Grants	-	-	-	2,405,211
Total revenues	<u>\$ 1,979,031</u>	<u>\$ 64,426,270</u>	<u>\$ 264,162</u>	<u>\$ 64,637,768</u>
Expenses:				
General government	\$ -	\$ 3,151,761	\$ -	\$ 2,352,270
Judicial administration	-	1,577,467	-	1,604,516
Public safety	-	14,150,804	-	14,004,881
Public works	-	1,722,616	-	1,312,173
Landfill	(355,066)	-	2,955,141	-
Health and welfare	-	11,742,309	-	11,725,859
Education	-	17,610,398	-	17,483,731
Parks, recreation and cultural	-	1,519,663	-	1,389,794
Community development	-	4,541,281	-	5,297,007
Interest on long-term debt	-	5,044,241	306,260	4,737,391
Total expense	<u>\$ (355,066)</u>	<u>\$ 61,060,540</u>	<u>\$ 3,261,401</u>	<u>\$ 59,907,622</u>
Transfer In/(Out)	1,885,837	(1,885,837)	3,098,516	(3,098,516)
Increase/(Decrease) in net position	4,219,934	1,479,893	101,277	1,631,630
Net Position, Beginning*	<u>(4,812,647)</u>	<u>58,003,731</u>	<u>(4,913,924)</u>	<u>56,372,101</u>
Net Position, Ending	<u>\$ (592,713)</u>	<u>\$ 59,483,624</u>	<u>\$ (4,812,647)</u>	<u>\$ 58,003,731</u>

*Beginning net position for FY2013 was restated-see note 23.

-Revenues: Under the full accrual method, general property taxes increased by 2% from last year. Under the modified accrual basis, real property taxes experienced an increase of 6%, public service corps experienced an increase of 16% and personal property taxes experienced an increase of 7%. These increases were due in large part to a 4¢ per \$100 tax increase on real estate and 25¢ per \$100 on personal property approved by the Board of Supervisors on May 7, 2012. The new tax rates were effective for FY 2013.

-Revenues: Other local taxes experienced a minor decrease of less than 1% from FY2012, which was due primarily to the decrease in Motor Vehicle Licenses and Consumers' Utility Tax. The decrease in Motor Vehicle Licenses equated to 6% and the decrease in Consumers' Utility Tax equated to 2%. While the County experienced decreases in these two categories, Local Sales Tax was up by 4% and meals tax was up by 2%. The increases in various categories aided in keeping the overall decrease to a minimum.

-Expenses: Overall primary government expenditures increased by 34% over FY2012. Expenditures were up this year primarily because of continued upgrade of the Information Technology Servers for the County as well as the inclusion of Reassessment expenditures.

-Expenses: Education decreased by 2% from FY2012. All categories of education increased during 2012.

-Expenses: Community Development increased by 132%. Community Development expenditures increased because of a grant that was received from the Tobacco Commission in the amount of \$2.8 million that paid bond debt on the Berry Hill Project. In addition to this large expenditure, community development projects continued at the Ringgold East Industrial Park, at the Hurt Klopman Mills site, at the Berry Hill Mega Park as well as at the Vo-Tech Center.

Financial Analysis of the Government's Funds

Governmental funds

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$42,977,629. Approximately 73 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is legally restricted for a specific purpose.

The general fund is the chief operating fund of the County. As of June 30, 2013, total fund balance of the general fund was \$37,668,308 of which \$31,529,521 was unassigned. 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. Unassigned fund balance represents 50 percent of total general fund expenditures, which includes transfers to and expenses on behalf of the School Board component unit of \$14,619,899.

Following is a reconciliation of the Treasurer's books to the Audited Financial Statements.

**County of Pittsylvania's Reconciliation of Treasurer's General Fund Balance
To Audited General Fund Balance
For the Years Ended June 30, 2013 and June 30, 2012**

	2013	2012
General Fund Balance per Treasurer	\$ 29,580,990	\$ 15,037,599
<u>Funds merged for financial reporting purposes:</u>		
Adjustment for Central Stores negative cash	(43,239)	(71,660)
Animal Friendly Plates Revenue Fund	624	14
Debt Reserve Fund-Human Services Fund	111,974	114,905
County Jail CIP Fund	105,895	49,031
Bond Fund	2,400	2,400
Grants Fund	645,358	553,433
Capital Improvement Fund	214,039	497,252
Rural Roads Fund	244,674	195,315
Courthouse Security Fund	562,676	510,563
Jail Processing Fee Fund	51,414	47,940
Library Gifts Fund	36,589	40,607
Courthouse Maintenance Fund	53,845	38,305
Law Library Fund	14,515	17,719
E-911 Bond Fund	4,060,781	9,908,350
Rescue Billing	128,456	72,926
Subtotal - Merged Funds	\$ <u>6,190,001</u>	\$ <u>11,977,100</u>
<u>Adjustments to covert cash basis records to the modified accrual</u>		
Reversion of School Salaries Payable Fund	\$ 2,223,469	\$ 4,128,164
Adjustment for Landfill Fund	26,458	-
Total Cash Adjustments	\$ <u>2,249,927</u>	\$ <u>4,128,164</u>
Total Cash/Investments – Exhibit 3	\$ <u>38,020,918</u>	\$ <u>31,142,863</u>

	<u>2013</u>	<u>2012</u>
Accrual Entries:		
Taxes and fees receivable	(2,156,848)	11,056,574
Accounts Receivable	618,359	450,867
Amounts due from other funds	43,239	79,781
Amounts due from other Governments	2,105,405	2,149,780
Accounts Payable	(727,761)	(468,050)
Salaries Payable	(30,886)	(38,883)
Retainage Payable	-	(13,234)
Due to other funds	(18,337)	(43986)
Amount due the Component Unit School Board	<u>(185,781)</u>	<u>(1,927,754)</u>
Total Accrual Entries	\$ <u>(352,610)</u>	\$ <u>11,245,095</u>
 Total Fund Balance General Fund – Exhibit 3	 \$ 37,668,308	 \$ 42,387,958

The fund balance of the County's general fund decreased by \$4,719,650 during the current fiscal year. The majority of the decrease in the General Fund Balance can be attributed to the expense of the new E911 equipment upgrade as well as the expense of constructing the new landfill cell.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were net increase of \$1,983,141. This increase occurred because of various budget increases/reductions that occurred after the 2013 budget process was complete. There were also increases that were made to the 2013 budget because of unforeseen events that occurred during the year. Significant budgetary reduction/supplements are included below:

- A major budget reduction was made in the E911 project upgrade. This reduction was necessary because more expense occurred before year-end 2012 than originally anticipated during the budget process.
- A total of \$4,528,403.50 of the final amended budgeted expenditures and revenues was actually budgeted twice. This was done in order to show an appropriation for the transfer as well for the expense.
- During the budget process, an estimate is made for carryover funds not expended in the prior year. These estimates are adjusted at July 1 to accurately show the true amount that remained in these funds at 6/30 of that year. Budgeted carryovers were increased by \$3,565,524.11 during FY 2013. In addition to these carryovers, the Landfill Bond Carryover totaled \$645,829.70.
- Grant Funds increased the budget during FY 2013. New grants received during the year totaled \$357,551.42.
- Unexpected expenditures appropriated from undesignated fund balance totaled \$563,045.65.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2013 is \$126,793,997 (net of accumulated depreciation). This investment in capital assets includes land buildings and system, machinery and equipment, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Landfill Cell II Construction \$2,040,119.15
- E-911 Radio and Tower Upgrades \$9,493,552.21
- Moses Building Stand-by Generator \$68,330.00
- IT Server Upgrade \$149,320.30
- Brosville/Cascade Library Sign \$26,993.00

County of Pittsylvania, Virginia Capital Assets for Governmental Activities (net of depreciation)

	2013 Governmental activities	2012 Governmental activities
Land	\$ 4,904,148	\$ 4,904,148
Buildings and system	110,987,584	114,339,322
Machinery and equipment	1,662,353	1,840,142
Construction in progress	9,239,912	3,763,965
Total	<u>\$ 126,793,997</u>	<u>\$ 124,847,577</u>

School Board Assets financed with debt are considered assets of the General government until debt on these assets has been defeased. As such, the above listed assets include School Board Assets net of related depreciation of \$104,421,476. Additional information on the County's capital assets can be found in the notes to the financial statements.

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Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Pittsylvania's Outstanding Debt

	2013 Business- type activities	2013 Governmental activities	2012 Business- type activities	2012 Governmental activities
General obligation bonds	\$ 4,256,121	\$ 95,055,922	\$ 5,567,677	\$ 79,174,206
Loan Anticipation Note	-	-	-	20,090,000
Lease Revenue Notes	-	2,304,931	-	2,730,140
Deferred Amounts:				
Bond Premium	299,188	1,570,800	351,958	1,407,062
Bond Discounts	-	(136,287)	-	(144,304)
Landfill closure/post-closure	3,128,613	-	5,932,782	-
OPEB Liability	-	761,000	-	661,000
Lease purchase agreements	-	15,389,129	-	15,852,245
Compensated absences	14,403	1,061,495	18,614	992,929
Contingency for CSA	-	2,000,000	-	2,250,000
Total	<u>\$ 7,698,325</u>	<u>\$ 118,006,990</u>	<u>\$ 11,871,031</u>	<u>\$ 123,013,278</u>

Legislations enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board has been assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- At June 30, 2013, the unemployment rate for the County was 6.8 percent, which is a decrease from the rate of 7.2 percent a year ago. This compares unfavorably to the state's average unemployment rate of 5.9 percent and favorably to the national average rate of 7.8 percent.
- Pittsylvania County continues to work jointly with the City of Danville through a joint authority known as the Danville-Pittsylvania County Regional Facilities Authority. This authority works to attract industry and business to Southside Virginia.
- Pittsylvania County has a median household income of \$39,531 compared to the State median household income of \$61,741.
- Pittsylvania County's current population stands at 63,506 based on US Census Bureau information from 2010.

All of these factors were considered in preparing the County's budget for the 2014 fiscal year.

Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund, therefore, it is not anticipated that fund balance will be used to finance daily operations for the 2014 budget year.

Requests for Information

This financial report is designed to provide readers with a general overview of the County of Pittsylvania's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, P.O. Box 426, Chatham, Virginia 24531. The County's website at www.pittgov.org may also be visited to obtain valuable information about the County.

Information relative to the Pittsylvania County Public Service Authority and the Pittsylvania County Industrial Development Authority financial statements may be obtained from those organizations directly.

Basic Financial Statements

County of Pittsylvania, Virginia
Statement of Net Position
June 30, 2013

	Primary Government			Component Units		
	Governmental	Business-type	Total	School Board	Industrial	Pittsylvania
	Activities	Activities			Development	County Service
				Authority	Authority	
ASSETS						
Cash and cash equivalents	\$ 41,925,667	\$ 714,927	\$ 42,640,594	\$ 1,738,584	\$ 206,741	\$ 865,380
Investments	5,505,171	-	5,505,171	-	-	1,658,888
Receivables (net of allowance for uncollectibles):						
Taxes receivable	18,045,800	-	18,045,800	-	-	-
Accounts receivable	1,687,905	308,414	1,996,319	57,663	-	337,828
Notes receivable	-	-	-	-	672,626	-
Interest receivable	-	-	-	-	14,266	157
Due from primary government	-	-	-	185,781	-	-
Due from component unit	-	-	-	-	-	-
Due from other governmental units	3,440,604	-	3,440,604	2,457,302	-	-
Inventories	22,667	-	22,667	-	-	38,367
Assets held for resale - Industrial sites	-	-	-	-	987,700	-
Internal balances	(18,337)	18,337	-	-	-	-
Prepaid items	-	-	-	517,326	-	52,287
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	11,815	-	-
Investments	-	590,096	590,096	-	-	200,000
Noncurrent assets:						
Notes receivable	-	-	-	-	7,549,446	-
Capital assets (net of accumulated depreciation):						
Land	4,904,148	95,000	4,999,148	2,662,750	-	-
Buildings and improvements	110,987,584	-	110,987,584	9,695,612	-	-
Machinery and equipment	1,662,353	145,583	1,807,936	2,737,485	-	-
Infrastructure	-	5,533,084	5,533,084	-	-	-
Utility plant in service	-	-	-	-	-	31,312,470
Construction in progress	9,239,912	-	9,239,912	-	-	3,486,107
Total assets	197,403,474	7,405,441	204,808,915	20,064,318	9,430,779	37,951,484
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	703,256	27,805	731,061	-	-	-
LIABILITIES						
Reconciled overdraft	139,178	-	139,178	-	-	-
Accounts payable	1,582,749	20,369	1,603,118	1,768,991	-	111,941
Salaries payable	38,380	3,322	41,702	2,235,284	-	11,908
Customer deposits	-	-	-	-	-	145,753
Retainage payable	61,042	-	61,042	-	-	-
Estimate of incurred but unreported health claims	844,286	-	844,286	-	-	-
Accrued interest payable	1,896,536	50,237	1,946,773	-	14,266	10,114
Due to component unit	185,781	-	185,781	-	-	-
Unearned revenue	-	253,706	253,706	-	-	71,710
Long-term liabilities:						
Due within one year	8,215,693	567,059	8,782,752	1,228,845	609,892	420,897
Due in more than one year	109,791,297	7,131,266	116,922,563	539,207	6,808,110	1,288,886
Total liabilities	122,754,942	8,025,959	130,780,901	5,772,327	7,432,268	2,061,209
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	15,868,164	-	15,868,164	-	-	-
NET POSITION						
Net investment in capital assets	19,666,872	1,246,163	20,913,035	15,095,847	-	33,690,004
Restricted for:						
Grant funds	692,401	-	692,401	-	-	-
Asset forfeiture funds	903,985	-	903,985	-	-	-
Health Insurance	4,550,299	-	4,550,299	-	-	-
School Cafeteria	-	-	-	446,870	-	-
Unrestricted (deficit)	33,670,067	(1,838,876)	31,831,191	(1,250,726)	1,998,511	2,200,271
Total net position	\$ 59,483,624	\$ (592,713)	\$ 58,890,911	\$ 14,291,991	\$ 1,998,511	\$ 35,890,275

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

County of Pittsylvania, Virginia
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	School Board	Component Units		
					Governmental Activities	Business-type Activities			Industrial Development Authority	Pittsylvania County Service Authority	
PRIMARY GOVERNMENT:											
Governmental activities:											
General government administration	\$ 3,151,761	\$ 115,921	\$ 345,523	\$ -	\$ (2,690,317)	\$ -	\$ (2,690,317)	\$ -	\$ -	\$ -	
Judicial administration	1,577,467	14,250	1,030,816	-	(532,401)	-	(532,401)	-	-	-	
Public safety	14,150,804	749,221	4,292,631	-	(9,108,952)	-	(9,108,952)	-	-	-	
Public works	1,722,616	12,993	219,578	-	(1,490,045)	-	(1,490,045)	-	-	-	
Health and welfare	11,742,309	-	9,152,981	-	(2,589,328)	-	(2,589,328)	-	-	-	
Education	17,610,398	-	-	-	(17,610,398)	-	(17,610,398)	-	-	-	
Parks, recreation, and cultural	1,519,663	88,351	145,395	-	(1,285,917)	-	(1,285,917)	-	-	-	
Community development	4,541,281	-	1,675,164	-	(2,866,117)	-	(2,866,117)	-	-	-	
Interest on long-term debt	5,044,241	-	-	-	(5,044,241)	-	(5,044,241)	-	-	-	
Total governmental activities	<u>61,060,540</u>	<u>980,736</u>	<u>16,862,088</u>	<u>-</u>	<u>(43,217,716)</u>	<u>-</u>	<u>(43,217,716)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Business-type activities:											
Landfill	(355,066)	1,971,415	-	-	-	2,326,481	2,326,481	-	-	-	
Total primary government	<u>\$ 60,705,474</u>	<u>\$ 2,952,151</u>	<u>\$ 16,862,088</u>	<u>\$ -</u>	<u>\$ (43,217,716)</u>	<u>\$ 2,326,481</u>	<u>\$ (40,891,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
COMPONENT UNITS:											
School Board	\$ 84,646,576	\$ 1,914,831	\$ 63,702,845	\$ -	-	-	-	(19,028,900)	-	-	
Industrial Development Authority	518,887	-	-	-	-	-	-	-	(518,887)	-	
Pittsylvania County Service Authority	2,759,451	2,590,569	-	728,253	-	-	-	-	-	559,371	
Total component units	<u>\$ 87,924,914</u>	<u>\$ 4,505,400</u>	<u>\$ 63,702,845</u>	<u>\$ 728,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,028,900)</u>	<u>(518,887)</u>	<u>559,371</u>	
General revenues:											
General property taxes	-	-	-	-	31,959,232	-	31,959,232	-	-	-	
Other local taxes:											
Local sales and use taxes	-	-	-	-	2,067,847	-	2,067,847	-	-	-	
Consumers' utility taxes	-	-	-	-	1,257,205	-	1,257,205	-	-	-	
Motor vehicle licenses	-	-	-	-	2,192,067	-	2,192,067	-	-	-	
Other local taxes	-	-	-	-	1,242,202	-	1,242,202	-	-	-	
Unrestricted revenues from use of money and property	-	-	-	-	638,443	2,482	640,925	40,571	384,645	15,775	
Miscellaneous	-	-	-	-	444,856	5,134	449,990	805,181	-	-	
Payments from the County of Pittsylvania	-	-	-	-	-	-	-	17,831,136	150,000	-	
Grants and contributions not restricted to specific programs	-	-	-	-	6,781,594	-	6,781,594	-	-	-	
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	821	-	
Transfers	-	-	-	-	(1,885,837)	1,885,837	-	-	-	-	
Total general revenues and transfers	-	-	-	-	<u>44,697,609</u>	<u>1,893,453</u>	<u>46,591,062</u>	<u>18,676,888</u>	<u>535,466</u>	<u>15,775</u>	
Change in net position	-	-	-	-	1,479,893	4,219,934	5,699,827	(352,012)	16,579	575,146	
Net position - beginning, as restated	-	-	-	-	58,003,731	(4,812,647)	53,191,084	14,644,003	1,981,932	35,315,129	
Net position - ending	-	-	-	-	<u>\$ 59,483,624</u>	<u>\$ (592,713)</u>	<u>\$ 58,890,911</u>	<u>\$ 14,291,991</u>	<u>\$ 1,998,511</u>	<u>\$ 35,890,275</u>	

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

County of Pittsylvania, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Industrial Development</u>	<u>Workforce Investment Act</u>	<u>Debt Service Reserve</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 33,085,947	\$ 2,490,394	\$ -	\$ 1,044,688	\$ 919,159	\$ 37,540,188
Investments	4,934,971	-	-	-	570,200	5,505,171
Receivables (net of allowance for uncollectibles):						
Taxes receivable	18,045,800	-	-	-	-	18,045,800
Accounts receivable	618,359	-	-	-	-	618,359
Due from other funds	43,239	-	-	-	-	43,239
Due from other governmental units	2,105,405	792,196	534,208	-	8,795	3,440,604
Total assets	<u>58,833,721</u>	<u>3,282,590</u>	<u>534,208</u>	<u>1,044,688</u>	<u>1,498,154</u>	<u>65,193,361</u>
LIABILITIES						
Liabilities:						
Reconciled overdraft	-	-	139,178	-	-	139,178
Accounts payable	727,761	505,500	337,105	-	-	1,570,366
Salaries payable	30,886	-	7,494	-	-	38,380
Retainage payable	-	61,042	-	-	-	61,042
Due to other funds	18,337	-	-	-	-	18,337
Due to component unit	185,781	-	-	-	-	185,781
Total liabilities	<u>962,765</u>	<u>566,542</u>	<u>483,777</u>	<u>-</u>	<u>-</u>	<u>2,013,084</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	20,202,648	-	-	-	-	20,202,648
FUND BALANCES						
Fund balances:						
Restricted:						
Construction Fund	4,060,781	-	-	-	594,169	4,654,950
Grants Fund	641,970	-	50,431	-	-	692,401
Asset Forfeiture Fund	-	-	-	-	903,985	903,985
Committed:						
Special revenue funds	-	2,716,048	-	-	-	2,716,048
Assigned:						
Veterinary Expense Fund	624	-	-	-	-	624
Law Library Fund	14,515	-	-	-	-	14,515
Library Gifts Fund	36,589	-	-	-	-	36,589
Capital Outlay Fund	214,039	-	-	-	-	214,039
Jail Inmate Management Fund	105,895	-	-	-	-	105,895
Courthouse Maintenance Fund	53,845	-	-	-	-	53,845
Courthouse Security Fund	562,518	-	-	-	-	562,518
Jail Processing Fund	51,414	-	-	-	-	51,414
Rural Road Addition Fund	244,674	-	-	-	-	244,674
Debt Service Reserve Fund	-	-	-	1,044,688	-	1,044,688
Social Services Bond Fund	111,974	-	-	-	-	111,974
EMS Billing Fund	37,549	-	-	-	-	37,549
Schools Bond Fund	2,400	-	-	-	-	2,400
Unassigned	31,529,521	-	-	-	-	31,529,521
Total fund balances	<u>37,668,308</u>	<u>2,716,048</u>	<u>50,431</u>	<u>1,044,688</u>	<u>1,498,154</u>	<u>42,977,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 58,833,721</u>	<u>\$ 3,282,590</u>	<u>\$ 534,208</u>	<u>\$ 1,044,688</u>	<u>\$ 1,498,154</u>	<u>\$ 65,193,361</u>

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

County of Pittsylvania, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 42,977,629

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Jointly owned assets are included in the total capital assets.

Land	\$ 4,904,148	
Buildings and improvements	110,987,584	
Machinery, equipment, and vehicles	1,662,353	
Construction in progress	<u>9,239,912</u>	126,793,997

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 4,334,484

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 4,577,784

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$ (95,055,922)	
Lease revenue notes	(2,304,931)	
Capital lease	(15,389,129)	
Unamortized premiums	(1,570,800)	
Unamortized discounts	136,287	
Deferred charges on refundings	703,256	
Accrued interest payable	(1,896,536)	
Net OPEB Obligation	(761,000)	
Compensated absences	(1,061,495)	
Due to the Commonwealth - CSA	<u>(2,000,000)</u>	<u>(119,200,270)</u>

Net position of governmental activities \$ 59,483,624

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

County of Pittsylvania, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	General	Industrial Development	Workforce Investment Act	Debt Service Reserve	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 31,732,883	\$ -	\$ -	\$ -	\$ -	\$ 31,732,883
Other local taxes	6,759,321	-	-	-	-	6,759,321
Permits, privilege fees, and regulatory licenses	188,607	-	-	-	-	188,607
Fines and forfeitures	197,581	-	-	-	-	197,581
Revenue from the use of money and property	437,566	-	190,386	14	10,477	638,443
Charges for services	594,548	-	-	-	-	594,548
Miscellaneous	376,302	-	68,554	-	-	444,856
Recovered costs	998,941	2,867,970	-	-	-	3,866,911
Intergovernmental revenues:						
Commonwealth	16,336,017	1,675,164	-	-	35,353	18,046,534
Federal	2,376,899	-	2,970,249	-	-	5,347,148
Total revenues	<u>59,998,665</u>	<u>4,543,134</u>	<u>3,229,189</u>	<u>14</u>	<u>45,830</u>	<u>67,816,832</u>
EXPENDITURES						
Current:						
General government administration	3,495,374	-	-	-	-	3,495,374
Judicial administration	1,566,578	-	-	-	-	1,566,578
Public safety	14,639,803	-	-	-	123,568	14,763,371
Public works	1,300,429	-	-	-	-	1,300,429
Health and welfare	8,871,554	-	3,056,286	-	-	11,927,840
Education	14,628,679	-	-	-	-	14,628,679
Parks, recreation, and cultural	1,509,918	-	-	-	-	1,509,918
Community development	1,639,257	5,947,675	-	-	-	7,586,932
Capital projects	5,788,631	-	-	-	5,500	5,794,131
Debt service:						
Principal retirement	4,951,609	-	-	20,090,000	-	25,041,609
Bond issuance costs	-	-	-	312,639	-	312,639
Interest and other fiscal charges	4,995,785	-	-	-	-	4,995,785
Total expenditures	<u>63,387,617</u>	<u>5,947,675</u>	<u>3,056,286</u>	<u>20,402,639</u>	<u>129,068</u>	<u>92,923,285</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,388,952)</u>	<u>(1,404,541)</u>	<u>172,903</u>	<u>(20,402,625)</u>	<u>(83,238)</u>	<u>(25,106,453)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	2,360,111	983,140	-	821,832	-	4,165,083
Transfers out	(3,690,809)	-	-	-	(2,360,111)	(6,050,920)
Refunding bonds issued	-	-	-	19,945,000	-	19,945,000
Premium on refunding bonds issued	-	-	-	463,522	-	463,522
Total other financing sources (uses)	<u>(1,330,698)</u>	<u>983,140</u>	<u>-</u>	<u>21,230,354</u>	<u>(2,360,111)</u>	<u>18,522,685</u>
Net change in fund balances	(4,719,650)	(421,401)	172,903	827,729	(2,443,349)	(6,583,768)
Fund balances - beginning	42,387,958	3,137,449	(122,472)	216,959	3,941,503	49,561,397
Fund balances - ending	<u>\$ 37,668,308</u>	<u>\$ 2,716,048</u>	<u>\$ 50,431</u>	<u>\$ 1,044,688</u>	<u>\$ 1,498,154</u>	<u>\$ 42,977,629</u>

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

County of Pittsylvania, Virginia
 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 \$ (6,583,768)

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

Capital outlays	\$ 5,923,003	
Depreciation expense	<u>(3,976,583)</u>	1,946,420

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 226,349

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.

Debt Issued or Incurred:

Issuance of refunding bonds	\$ (19,945,000)	
Premium on refunding bonds	(463,522)	

Principal Payments

Bonds	4,063,284	
Loan anticipation notes	20,090,000	
Lease revenue notes	425,209	
Lease purchase agreements	463,116	
Due to Commonwealth - CSA	<u>250,000</u>	4,883,087

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	\$ (68,566)	
(Increase) decrease in accrued interest payable	72,838	
(Increase) decrease in net OPEB obligation	(100,000)	
Amortization of bond premium	299,784	
Amortization of bond discount	(8,017)	
Amortization of loss on refunding	<u>(100,422)</u>	95,617

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 912,188

Change in net position of governmental activities \$ 1,479,893

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

County of Pittsylvania, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund Landfill Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 714,927	\$ 4,385,479
Accounts receivables, net of allowances for uncollectibles	308,414	1,069,546
Due from other funds	18,337	-
Inventories	-	22,667
Total current assets	1,041,678	5,477,692
Noncurrent assets:		
Restricted assets:		
Investments	590,096	-
Capital assets: (net of related depreciation)		
Land	95,000	-
Machinery and equipment	145,583	-
Infrastructure	5,533,084	-
Total capital assets	5,773,667	-
Total noncurrent assets	6,363,763	-
Total assets	7,405,441	5,477,692
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	27,805	-
LIABILITIES		
Current liabilities:		
Accounts payable	20,369	12,383
Estimate of incurred but unreported health claims	-	844,286
Accrued salaries	3,322	-
Due to other funds	-	43,239
Interest payable	50,237	-
Unearned revenue	253,706	-
Compensated absences - current portion	10,802	-
Bonds payable - current portion	556,257	-
Total current liabilities	894,693	899,908
Noncurrent liabilities:		
Landfill closure/postclosure liability	3,128,613	-
Bonds payable - net of current portion	3,999,052	-
Compensated absences - net of current portion	3,601	-
Total noncurrent liabilities	7,131,266	-
Total liabilities	8,025,959	899,908
NET POSITION		
Net investment in capital assets	1,246,163	-
Restricted for health insurance claims	-	4,550,299
Unrestricted	(1,838,876)	27,485
Total net position	\$ (592,713)	\$ 4,577,784

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

County of Pittsylvania, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Fund Landfill Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Materials and supplies	\$ -	\$ 697,489
Insurance premiums	-	11,006,418
Recycling	7,631	-
Solid waste collections	1,958,694	-
Penalties and interest	5,090	-
Miscellaneous	5,134	-
Total operating revenues	1,976,549	11,703,907
OPERATING EXPENSES		
Supplies, insurance and telephone	-	641,206
Insurance claims and expenses	-	10,150,513
Salaries	607,348	-
Fringes	262,878	-
Contractual services	308,943	-
Utilities	31,381	-
Insurance	14,329	-
Fuel	287,802	-
Supplies	152,933	-
Landfill monitoring	110,629	-
Improvements and closure costs	89,849	-
Miscellaneous	112,728	-
Depreciation	354,295	-
Total operating expenses	2,333,115	10,791,719
Change in Net Position	(356,566)	912,188
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	2,482	-
Recovered costs	2,804,169	-
Interest expense	(115,988)	-
Total nonoperating revenues (expenses)	2,690,663	-
Income before transfers	2,334,097	912,188
Transfers in	1,885,837	-
Change in Net Position	4,219,934	912,188
Total net position - beginning, as restated	(4,812,647)	3,665,596
Total net position - ending	\$ (592,713)	\$ 4,577,784

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

County of Pittsylvania, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise	
	Fund	Internal
	Landfill <u>Fund</u>	Service <u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,959,410	\$ -
Receipts for materials and supplies	-	677,799
Receipts for insurance premiums	-	11,053,471
Payments to suppliers	(1,104,459)	(677,799)
Payments to employees	(876,622)	-
Payments for insurance premiums	-	(10,204,851)
Net cash provided by (used for) operating activities	<u>(21,671)</u>	<u>848,620</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(26,458)	-
Transfers from other funds	1,885,837	-
Net cash provided by (used for) noncapital financing activities	<u>1,859,379</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to utility plant	(1,558,217)	-
Principal payments on bonds	(1,311,556)	-
Interest payments	(206,433)	-
Net cash provided by (used for) capital and related financing activities	<u>(3,076,206)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	2,482	-
Net cash provided by (used for) investing activities	<u>2,482</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,236,016)	848,620
Cash and cash equivalents - beginning (including \$2,145,830 in restricted)	2,541,039	3,536,859
Cash and cash equivalents - ending (including \$590,096 in restricted)	<u>\$ 1,305,023</u>	<u>\$ 4,385,479</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (356,566)	\$ 912,188
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	354,295	-
(Increase) decrease in accounts receivable	(270,845)	27,363
(Increase) decrease in inventories	-	(2,149)
Increase (decrease) in accrued salaries	(2,185)	-
Increase (decrease) in closure/postclosure liability	-	-
Increase (decrease) in accounts payable	4,135	(60,361)
Increase (decrease) in compensated absences	(4,211)	-
Increase (decrease) in unearned revenue	253,706	-
Increase (decrease) in due to other funds	-	(28,421)
Total adjustments	<u>334,895</u>	<u>(63,568)</u>
Net cash provided by (used for) operating activities	<u>\$ (21,671)</u>	<u>\$ 848,620</u>

Supplemental disclosure required:

Interest paid during the year on indebtedness included capitalized interest of \$28,227.

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

County of Pittsylvania, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 558,809
Cash in custody of others	22,137
Total assets	\$ 580,946
 LIABILITIES	
Amounts held for social services clients	\$ 22,964
Amounts held for developer	352,572
Amounts held for land sales	183,273
Amounts held for inmates	22,137
Total liabilities	\$ 580,946

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

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Pittsylvania, Virginia conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Pittsylvania, Virginia is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

The Pittsylvania County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type and does not issue a separate financial statement.

The Industrial Development Authority of Pittsylvania County (IDA) encourages and provides financing for industrial development in Pittsylvania County. The County has executed a support agreement with the IDA to provide funding sufficient to meet principal and interest payments on the Authority's \$2,000,000 revenue bond dated August 1, 2005. As such, the IDA is fiscally dependent upon the County. The IDA's fiscal year end is December 31st and financial data presented herewith for the Authority is for the fiscal year ended December 31, 2012. The IDA issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

The Pittsylvania County Service Authority (Service Authority) provides water and sewer service to residents of Pittsylvania County. The County has executed two support agreements with the Service Authority to provide funding sufficient to meet principal and interest payments on the Service Authority's Series 2006 and 2007 Revenue Notes in the amount of \$622,117 and \$660,000, respectively. As such, the Service Authority is fiscally dependent upon the County. The Service Authority's fiscal year end is December 31st and financial data presented herewith for the Service Authority is for the fiscal year ended December 31, 2012. The Service Authority issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

Note 1-Summary of Significant Accounting Policies: (continued)

A. Financial Reporting Entity (continued)

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The County, in conjunction with the City of Danville, participates in supporting the Danville-Pittsylvania Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$152,318 to the Community Services Board.

The County in conjunction with the City of Danville participates in supporting the Regional Industrial Facilities Authority.

B. Government-wide and Fund Financial Statements

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

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

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net 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).

Note 1-Summary of Significant Accounting Policies: (continued)

B. Government-wide and Fund Financial Statements (continued)

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

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

Note 1-Summary of Significant Accounting Policies: (continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as unearned revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month 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 funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Social Services, Debt Reserve, Bond, Zoning, Grants, CIP, Jail Operations, Rural Roads, Building Code Academy, Courthouse Security, Jail Inmate Management, Landfill Bond, Library Gifts, Courthouse Maintenance, Law Library, Animal Friendly Plates, and Jail Processing Funds. The aforementioned Funds have been merged with the General Fund for financial reporting purposes.

The Industrial Development and Workforce Investment Act Funds serve as the County's major *Special Revenue Funds*. The Industrial Development Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for industrial and community development benefiting the County. The Industrial Development Fund includes the activities of the cyclical and non-cyclical industrial development funds. The Workforce Investment Act Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for administering programs to improve the workforce of Pittsylvania County and surrounding jurisdictions.

The Debt Service Reserve Fund is the County's only *Debt Service Reserve Fund*. It accounts for and reports financial resources to be used for the payment of debt of the County as well as jointly governed organizations.

Note 1-Summary of Significant Accounting Policies: (continued)

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

The nonmajor governmental funds of the County are:

The School Capital Improvements Fund is the County's only nonmajor *Capital Projects Fund*. It accounts for and reports financial resources to be used for the acquisition or construction of major capital facilities of the school board.

The Forfeited Assets Fund is a *Special Revenue Fund* that accounts for and reports financial resources to be used in connection with the Sheriff and Commonwealth Attorney's asset forfeiture funds.

The County reports the following major enterprise fund:

The *Landfill Fund* accounts for activities of the landfill, including charges for services, expenses, assets, and related debts.

Additionally, the government reports the following fund types:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Central Stores and Self-health Insurance Funds.

Fiduciary funds (Trust and Agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Cash Bond, Land Sales, and Sheriff's Inmate Trust and Canteen Account Funds.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to departments for sales and health insurance. Operating expenses for Internal Service Funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted cash and cash equivalents consist of unspent bond proceeds.

2. Inventory

Inventories of material and supplies are recorded at cost, using the first-in, first-out method of valuation.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in installments on June 29th and December 5th. Personal property taxes are due and collectible in installments on June 5th and December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$925,077 at June 30, 2013 and is comprised solely of property taxes.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

6. Use of Estimates

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

7. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. 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 cost 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2013 was \$28,227.

Property, plant, and equipment and infrastructure of the primary government, as well as the Component Unit - School Board, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

9. 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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.

10. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

11. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

11. Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. 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.

12. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaid expenditures) 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.

The Board of Supervisors is the County's highest level of decision-making authority and a resolution is required prior to the last day of the fiscal year in order to establish, modify, or rescind a fund balance commitment. The amount subject to the constraint may be determined in the subsequent period.

The County's Board of Supervisors has authorized the Finance Director to assign fund balance in accordance with the County's fund balance policy.

The County will maintain an unassigned fund balance in the general fund equal to 10% of expenditures/revenues. The County considers a balance of less than 10% to be cause for concern, barring unusual, or deliberate circumstances.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

12. Fund Equity (continued)

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

13. 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.

14. 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.

15. 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 outflows of resources. The requirement 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 the 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.

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Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(continued)

16. 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 beginning balance reported in the financial statements was restated by \$836,517 and \$173,385 for the governmental activities and business-type activities, respectively, as shown in Note 23.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All Funds of the County have legally adopted budgets with the exception of Agency Funds.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund) and the School Capital Projects Funds. The School Operating Fund and School Capital Projects Fund are integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information (continued)

7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

At June 30, 2013, no departments had expenditures in excess of its appropriations.

C. Deficit fund equity

At June 30, 2013, no funds had deficit fund equity.

Note 3-Deposits and Investments:

Deposits

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

Investments

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

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Note 3-Deposits and Investments: (continued)

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk.

The County's rated debt investments for LGIP and Government Obligations were rated by Standard and Poor's and Moody's, respectively, as of June 30, 2013 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	AAA
LGIP	\$ 36,272	\$ -
SNAP	590,096	-
Government Obligations	4,898,699	570,200
Total	\$ 5,525,067	\$ 570,200

External Investment Pools

The fair value of the positions in the external investment pool (Local Government Investment Pool (LGIP)) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

Interest Rate Risk

The County has not adopted an investment policy for interest rate risk and had no investments subject to interest rate risk at June 30, 2013.

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Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 370,907	\$ -
Communication sales tax	367,383	-
State sales tax	-	1,537,605
Non-categorical aid	134,150	-
Categorical aid-shared expenses	439,134	-
Categorical aid-Virginia Public Assistance funds	67,594	-
Categorical aid-other	905,274	304,034
Categorical aid-Comprehensive Services Act funds	535,112	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	84,434	-
Categorical aid-Workforce Investment Act funds	534,208	-
Categorical aid-other	<u>2,408</u>	<u>615,663</u>
 Total Amount Due from Other Governmental Units	 <u>\$ 3,440,604</u>	 <u>\$ 2,457,302</u>

Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
<u>Primary Government:</u>		
General Fund	\$ <u>185,781</u>	\$ <u>-</u>
 <u>Component Unit - School Board:</u>		
School Fund	\$ <u>-</u>	\$ <u>185,781</u>

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Note 5-Interfund/Component-Unit Obligations: (continued)

Interfund balances for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 43,239	\$ 18,337
<i>Enterprise Funds:</i>		
Landfill fund	18,337	-
<i>Internal Service Funds:</i>		
Central Stores Fund	-	43,239
Total	<u>\$ 61,576</u>	<u>\$ 61,576</u>

All balances are the results of time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The County expects all balances to be repaid within one year.

Interfund transfers for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 2,360,111	\$ (3,690,809)
Industrial Development Fund	983,140	-
Debt Service Reserve Fund	821,832	-
<i>Enterprise Funds:</i>		
Landfill fund	1,885,837	-
<i>Nonmajor Governmental Funds:</i>		
School Capital Improvements Fund	-	(2,360,111)
Total	<u>\$ 6,050,920</u>	<u>\$ (6,050,920)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6-Long-Term Obligations:

Primary Government - Governmental Activity Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
General obligation bonds	\$ 79,174,206	\$ 19,945,000	\$ (4,063,284)	\$ 95,055,922
Loan anticipation note	20,090,000	-	(20,090,000)	-
Lease revenue notes	2,730,140	-	(425,209)	2,304,931
Deferred Amounts:				
Bond premiums	1,407,062	463,522	(299,784)	1,570,800
Bond discounts	(144,304)	8,017	-	(136,287)
Capital leases	15,852,245	-	(463,116)	15,389,129
Net OPEB obligation	661,000	161,000	(61,000)	761,000
Compensated absences	992,929	813,263	(744,697)	1,061,495
Due to Commonwealth (CSA)	2,250,000	-	(250,000)	2,000,000
Total	\$ 123,013,278	\$ 21,390,802	\$ (26,397,090)	\$ 118,006,990

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

Year Ending June 30,	General Obligation Bonds		Lease Revenue Notes	
	Principal	Interest	Principal	Interest
2014	\$ 5,206,611	\$ 4,244,950	\$ 438,111	\$ 91,236
2015	5,432,369	3,963,744	461,152	70,210
2016	5,463,178	3,750,776	479,268	48,195
2017	5,155,955	3,542,398	243,000	32,116
2018	24,375,821	3,011,061	252,700	22,226
2019-2023	25,118,246	10,314,253	430,700	15,296
2024-2028	17,543,742	4,604,293	-	-
2029-2031	6,760,000	588,513	-	-
Totals	\$ 95,055,922	\$ 34,019,988	\$ 2,304,931	\$ 279,279

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:							
General Obligation Bond (1)	3.00%	12/13/2012	7/15/2017	lump sum	\$ 19,945,000	\$ 19,945,000	\$ -
General Obligation Bond (1)	4.31%	12/22/1998	7/1/2014	\$346,883-352,402 sa	6,622,000	1,333,879	643,941
General Obligation Bond (2)	3.28%	2/16/2005	2/1/2016	\$966,750-996,072 a+	9,240,000	2,850,000	920,000
General Obligation Bond (1)	4.10-5.60%	11/10/2004	7/15/2024	\$999,906-1,010,000 a+	15,735,749	10,391,043	750,670
General Obligation Bond	3.60%	12/20/2007	3/1/2025	\$723,218-859,192 a+	10,000,000	8,401,000	572,000
General Obligation Bond	3.50-5.75%	10/30/2008	2/1/2030	\$2,330,368-3,574,906 a+	40,000,000	39,250,000	1,280,000
General Obligation Bond (1)	3.00%	5/21/2009	3/1/2017	\$132,575-918,575 a+	1,612,500	1,505,000	110,000
General Obligation Bond	2.00-5.00%	4/22/2010	3/1/2023	\$1,189,963-1,414,500 a+	12,485,000	11,380,000	930,000
Total GO Bonds						<u>\$ 95,055,922</u>	<u>\$ 5,206,611</u>
Lease Revenue Notes:							
Revenue Bond - IDA	5.32%	8/16/2005	8/15/2015	\$244,833-257,849 a+	\$ 2,000,000	\$ 715,131	\$ 225,811
Revenue Bond - SSB	3.99%	4/27/2006	7/15/2019	\$244,017-271,292 a+	2,900,000	1,589,800	212,300
Total lease revenue notes						<u>\$ 2,304,931</u>	<u>\$ 438,111</u>
Deferred amounts:							
Plus:							
Unamortized Premium						\$ 1,570,800	\$ 231,782
Less:							
Unamortized Discount						(136,287)	(8,017)
Total deferred amounts						<u>\$ 1,434,513</u>	<u>\$ 223,765</u>
<u>Other Obligations:</u>							
Capital Leases (Note 7)						\$ 15,389,129	\$ 1,301,085
Net OPEB Obligation						761,000	-
Compensated Absences						1,061,495	796,121
CSA-Due to Commonwealth (Note 13)						2,000,000	250,000
Total Other Obligations						<u>\$ 19,211,624</u>	<u>\$ 2,347,206</u>
Total Long-Term Obligations						<u>\$ 118,006,990</u>	<u>\$ 8,215,693</u>

- (1) Refunding bond
- (2) Advanced refunding bond
- (a+) - annual principal installments shown, does not include semi-annual interest installments
- (sa) - semi-annual installments, includes interest as applicable

During fiscal year ended June 30, 2013, the County issued \$19,945,000 of general obligation school refunding notes for a current refunding of \$20,090,000 loan anticipation notes. The refunding was undertaken because the loan anticipation notes had a maturity date of July 15, 2013. An economic gain or loss was not calculated because the balance of the note was due in the short-term.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6-Long-Term Obligations: (continued)

Primary Government - Enterprise Activity Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases/</u> <u>Issuances</u>	<u>Decreases/</u> <u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>
General obligation bonds	\$ 5,567,677	\$ -	\$ (1,311,556)	\$ 4,256,121
Deferred Amounts:				
Bond premiums	351,958	-	(52,770)	299,188
Landfill Closure/Postclosure	5,932,782	-	(2,804,169)	3,128,613
Compensated absences	18,614	9,750	(13,961)	14,403
	<u>11,871,031</u>	<u>9,750</u>	<u>(4,182,456)</u>	<u>7,698,325</u>
Total	<u>\$ 11,871,031</u>	<u>\$ 9,750</u>	<u>\$ (4,182,456)</u>	<u>\$ 7,698,325</u>

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

<u>Year Ending</u> <u>June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 521,059	\$ 162,588
2015	550,062	137,749
2016	615,000	118,556
2017	1,155,000	96,375
2018	260,000	57,781
2019-2022	<u>1,155,000</u>	<u>111,947</u>
Totals	<u>\$ 4,256,121</u>	<u>\$ 684,996</u>

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COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6-Long-Term Obligations: (continued)

Primary Government - Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	Interest <u>Rates</u>	Date <u>Issued</u>	Final Maturity <u>Date</u>	Installment <u>Amount</u>	Amount of Original <u>Issue</u>	Balance Business-type <u>Activities</u>	Amount Due Within <u>One Year</u>
General Obligation Bonds:							
General Obligation Bond (1)	4.31%	12/22/1998	7/1/2014	\$105,615 sa	\$ 1,978,000	\$ 406,121	\$ 196,059
General Obligation Bond	2.125-5.125%	11/16/2011	11/1/2021	\$268,616-317,944 a+	2,555,000	2,345,000	215,000
General Obligation Bond (1)	3.00%	5/21/2009	3/1/2017	\$110,000-905,000 a+	1,612,500	1,505,000	110,000
Total GO Bonds						\$ 4,256,121	\$ 521,059
Deferred amounts:							
Plus:							
Unamortized Premium						\$ 299,188	\$ 35,198
<u>Other Obligations:</u>							
Landfill Closure/Postclosure Liability						\$ 3,128,613	\$ -
Compensated Absences						14,403	10,802
Total Other Obligations						\$ 3,143,016	\$ 10,802
Total Long-Term Obligations						\$ 7,698,325	\$ 567,059

(1) Refunding Bond

a+ - annual principal installments shown, does not include semi-annual interest payments

sa - semiannual installments, includes interest as applicable

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 7-Capital Leases:

Primary Government

The County has entered into lease agreements to finance the acquisition of buses for the School Board. The School Board also issued a lease purchase agreement to pay for supplies and non-capitalized equipment used to implement an energy savings plan. The County entered into a capital lease agreement to upgrade its E-911 equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	School Buses	E - 911 Equipment	Total
Machinery and equipment	\$ 662,926	\$ 9,171,582	\$ 9,834,508
Less: Accumulated depreciation	<u>(155,061)</u>	<u>-</u>	<u>(155,061)</u>
Net capital assets	<u>\$ 507,865</u>	<u>\$ 9,171,582</u>	<u>\$ 9,679,447</u>

At June 30, 2013, the project to upgrade the E-911 equipment was still in the construction in progress phase.

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30,	School Buses	Energy Savings Lease	E - 911 Equipment Lease	Total
2014	\$ 225,569	\$ -	\$ 1,415,544	\$ 1,641,113
2015	-	324,043	1,415,542	1,739,585
2016	-	324,043	1,415,536	1,739,579
2017	-	324,043	1,415,540	1,739,583
2018	-	324,043	1,415,536	1,739,579
2019-2023	-	648,086	7,077,690	7,725,776
2024	-	-	1,415,536	1,415,536
Subtotal	\$ 225,569	\$ 1,944,258	\$ 15,570,924	\$ 17,740,751
Less, amount representing interest	<u>(3,334)</u>	<u>(245,094)</u>	<u>(2,103,194)</u>	<u>(2,351,622)</u>
Present Value of Lease Agreement	<u>\$ 222,235</u>	<u>\$ 1,699,164</u>	<u>\$ 13,467,730</u>	<u>\$ 15,389,129</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8-Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board-Indebtedness

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Net OPEB obligation	\$ 219,000	\$ 673,000	\$ (857,000)	\$ 35,000
VRS net pension obligation	-	94,592	-	94,592
Compensated absences	<u>1,527,936</u>	<u>1,256,476</u>	<u>(1,145,952)</u>	<u>1,638,460</u>
 Total	 <u>\$ 1,746,936</u>	 <u>\$ 2,024,068</u>	 <u>\$ (2,002,952)</u>	 <u>\$ 1,768,052</u>

Details of long-term indebtedness:

	<u>Total</u> <u>Amount</u>	<u>Amount Due</u> <u>Within One Year</u>
<u>Other Obligations:</u>		
Net OPEB obligation	\$ 35,000	\$ -
VRS net pension obligation	94,592	-
Compensated absences	<u>1,638,460</u>	<u>1,228,845</u>
 Total Long-Term Obligations	 <u>\$ 1,768,052</u>	 <u>\$ 1,228,845</u>

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Note 9-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.

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 10 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.

Note 9-Defined Benefit Pension Plan: (continued)

A. Plan Description (continued)

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 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.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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 of Pittsylvania, Virginia 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 of Pittsylvania, Virginia's contribution rate for the fiscal year ended 2013 was 12.34% of annual covered payroll.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period 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 School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2013 was 7.53% of annual covered payroll. However, the VRS certified rate was 10.75% thus creating a net pension obligation.

Note 9-Defined Benefit Pension Plan: (continued)

C. Annual Pension Cost

For the fiscal year 2013, the County’s annual pension cost of \$1,123,936 (does not include the portion of the employee share assumed by the County which was \$484,994) was equal to the County’s required and actual contributions. For fiscal year 2013, the School Board’s annual pension cost of \$315,795 (does not include the portion of the employee share assumed by the School Board which was \$113,340) was not equal to the School Board’s required and actual contributions for the School Board Non-Professionals. The School Board’s actual contribution for the School Board Non-Professionals was \$221,204.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2011	\$ 1,052,290	100.00%	\$ -
	6/30/2012	1,111,822	100.00%	-
	6/30/2013	1,123,936	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2011	\$ 208,878	100.00%	\$ -
	6/30/2012	201,188	100.00%	-
	6/30/2013	315,795	70.05%	94,592

¹ Employer portion only

Primary Government:

The FY 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 5.60% 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’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Liability (UAAL) was 30 years.

Note 9-Defined Benefit Pension Plan: (continued)

C. Annual Pension Cost (continued)

Discretely Presented-Component Unit School Board - Non-Professional:

The FY 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 5.60% 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 School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 77.76% funded. The actuarial accrued liability for benefits was \$56,549,216, and the actuarial value of assets was \$43,972,176, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,577,040. The covered payroll (annual payroll of active employees covered by the plan) was \$12,469,723, and ratio of the UAAL to the covered payroll was 100.86%.

Discretely Presented Component Unit - School Board (Non-Professional Employees):

As of June 30, 2012, the most recent actuarial valuation date, the plan was 76.66% funded. The actuarial accrued liability for benefits was \$14,073,684, and the actuarial value of assets was \$10,789,089, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,284,595. The covered payroll (annual payroll of active employees covered by the plan) was \$2,989,830, and ratio of the UAAL to the covered payroll was 109.86%.

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

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Note 9-Defined Benefit Pension Plan: (continued)

E. Discretely Presented Component Unit School Board

PROFESSIONAL EMPLOYEES:

Plan Description

The Pittsylvania County School Board contributes to the Virginia Retirement System (VRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. VRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 obtained by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period 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 School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The School Board's contribution to the statewide cost sharing pool for professional employees was \$4,315,987, \$4,383,891, and \$3,499,380, for the fiscal years ended 2013, 2012, and 2011 respectively. Employer contributions represented 11.66%, 6.33%, and 3.93% of covered payroll for the fiscal years ended 2013, 2012, and 2011 respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 10-Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,904,148	\$ -	\$ -	\$ 4,904,148
Construction in progress	3,763,965	5,700,285	(224,338)	9,239,912
Total capital assets not being depreciated	<u>\$ 8,668,113</u>	<u>\$ 5,700,285</u>	<u>\$ (224,338)</u>	<u>\$ 14,144,060</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 141,174,417	\$ 224,338	\$ -	\$ 141,398,755
Machinery and equipment	14,996,546	222,718	(49,968)	15,169,296
Total capital assets being depreciated	<u>\$ 156,170,963</u>	<u>\$ 447,056</u>	<u>\$ (49,968)</u>	<u>\$ 156,568,051</u>
Accumulated depreciation:				
Buildings and improvements	\$ (26,835,095)	\$ (3,576,076)	\$ -	\$ (30,411,171)
Machinery and equipment	(13,156,404)	(400,507)	49,968	(13,506,943)
Total accumulated depreciation	<u>\$ (39,991,499)</u>	<u>\$ (3,976,583)</u>	<u>\$ 49,968</u>	<u>\$ (43,918,114)</u>
Total capital assets being depreciated, net	<u>\$ 116,179,464</u>	<u>\$ (3,529,527)</u>	<u>\$ -</u>	<u>\$ 112,649,937</u>
Governmental activities capital assets, net	<u>\$ 124,847,577</u>	<u>\$ 2,170,758</u>	<u>\$ (224,338)</u>	<u>\$ 126,793,997</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 10-Capital Assets: (continued)

Primary Government: (continued)

	As restated, Beginning Balance	Increases	Decreases	Ending Balance
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Construction in progress	1,284,049	941,060	(2,225,109)	-
Total capital assets not being depreciated	<u>\$ 1,379,049</u>	<u>\$ 941,060</u>	<u>\$ (2,225,109)</u>	<u>\$ 95,000</u>
Capital assets, being depreciated:				
Infrastructure	\$ 5,107,963	\$ 2,225,109	\$ -	\$ 7,333,072
Machinery and equipment	3,440,843	6,715	-	3,447,558
Total capital assets being depreciated	<u>\$ 8,548,806</u>	<u>\$ 2,231,824</u>	<u>\$ -</u>	<u>\$ 10,780,630</u>
Accumulated depreciation:				
Infrastructure	\$ (1,502,196)	\$ (297,792)	\$ -	\$ (1,799,988)
Machinery and equipment	(3,245,472)	(56,503)	-	(3,301,975)
Total accumulated depreciation	<u>\$ (4,747,668)</u>	<u>\$ (354,295)</u>	<u>\$ -</u>	<u>\$ (5,101,963)</u>
Total capital assets being depreciated, net	<u>\$ 3,801,138</u>	<u>\$ 1,877,529</u>	<u>\$ -</u>	<u>\$ 5,678,667</u>
Business-type activities capital assets, net	<u>\$ 5,180,187</u>	<u>\$ 2,818,589</u>	<u>\$ (2,225,109)</u>	<u>\$ 5,773,667</u>

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

Governmental activities:	
General governmental administration	\$ 29,768
Judicial administration	26,905
Public safety	209,931
Public works	282,246
Health and welfare	89,260
Education	3,211,237
Parks, recreation, and cultural	61,323
Community development	65,913
Total depreciation expense-governmental activities	<u>\$ 3,976,583</u>
Business-type activities:	
Public works	<u>\$ 354,295</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 10-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2013 was as follows:

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,662,750	\$ -	\$ -	\$ 2,662,750
Construction in progress	80,827	187,985	(268,812)	-
Total capital assets not being depreciated	<u>\$ 2,743,577</u>	<u>\$ 187,985</u>	<u>\$ (268,812)</u>	<u>\$ 2,662,750</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,096,820	\$ 268,812	\$ -	\$ 22,365,632
Machinery and equipment	14,425,578	739,008	(77,472)	15,087,114
Total capital assets being depreciated	<u>\$ 36,522,398</u>	<u>\$ 1,007,820</u>	<u>\$ (77,472)</u>	<u>\$ 37,452,746</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,350,518)	\$ (319,502)	\$ -	\$ (12,670,020)
Machinery and equipment	(11,578,967)	(843,622)	72,960	(12,349,629)
Total accumulated depreciation	<u>\$ (23,929,485)</u>	<u>\$ (1,163,124)</u>	<u>\$ 72,960</u>	<u>\$ (25,019,649)</u>
Total capital assets being depreciated, net	<u>\$ 12,592,913</u>	<u>\$ (155,304)</u>	<u>\$ (4,512)</u>	<u>\$ 12,433,097</u>
Governmental activities capital assets, net	<u>\$ 15,336,490</u>	<u>\$ 32,681</u>	<u>\$ (273,324)</u>	<u>\$ 15,095,847</u>

Note 11-Risk Management:

The County and its Component Unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Risk Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its Component Unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12-Contingent Liabilities:

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

Note 13-Comprehensive Services Act-Amount Due to Commonwealth:

In an Order entered December 16, 2011, the State Executive Council ("SEC") found that Pittsylvania County is liable for \$7,699,933 in reimbursement for CSA funds used for ineligible students and services based on an audit conducted by the Auditor of Public Accounts. The SEC agreed to allow the CPMB to pay the Commonwealth of Virginia \$250,000 per year for a ten (10) year period, and if the CPMB abides by several probationary actions during the ten (10) year period, the SEC will forgo requiring the CPMB to repay the balance of the amount due and owing. At the December 20, 2011, Pittsylvania County Board of Supervisors' ("BOS") meeting, the BOS objected to the findings in the SEC's Order, but agreed to its disposition of the matter, i.e. repayment of \$2.5 million dollars over a ten (10) year period with probationary measures.

Note 14-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
H. F. Haymore, Jr., Clerk of the Circuit Court	\$ 25,000
Teresa D. Easley, Treasurer	750,000
Samuel W. Swanson, Jr., Commissioner of the Revenue	3,000
Michael W. Taylor, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
 <u>VACo Insurance Programs:</u>	
All County employees - blanket bond	\$ 250,000
 <u>National Grange Mutual Insurance Company:</u>	
All Social Services employees - blanket bond	\$ 100,000

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 15-Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$7,549,295 is the total estimated closure and postclosure care liability at June 30, 2013. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and postclosure in 2013. The liability on the statement of net position of \$3,128,613 is based on the County's estimate that the landfill has reached 100% of Phase I and 22% of Phase II of capacity with a remaining useful life of 20 years for phase II. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill closure and postclosure costs. The County demonstrated financial assurance requirements for closure, post-closure care and corrective action costs through the submission of a Local Government Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 16-Self Health Insurance:

The County of Pittsylvania, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2013, a total of \$10,150,513 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). As of June 30, 2013, the County was exposed to risk totaling \$1,902,316 based on enrollment to that date. Such risk represents the difference between the claims to date and the ceiling liability as calculated based on enrollment levels and health plan coverage. Additional costs in excess of the ceiling liability are covered by Anthem as part of their contract with the County. Incurred but not reported claims of \$844,286 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2013 were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2012-13	\$ 898,624	\$ 10,096,175	\$ (10,150,513)	\$ 844,286

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 17- Deferred Inflows of Resources:

Governmental funds report *unavailable revenue* in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable	\$ 17,256,377
Prepaid taxes	2,946,271
Total deferred/unearned revenue for governmental funds	<u>\$ 20,202,648</u>

Note 18-Commitments and Contingencies:

The Board of Supervisors approved moral obligation support agreements with the Pittsylvania County Service Authority, whereby the County will provide funding, if necessary, to repay the Service Authority's Series 2006 and 2007 Revenue Notes.

The Board of Supervisors of Pittsylvania County and the City Council of the City of Danville, Virginia approved support agreements with the Danville-Pittsylvania Regional Industrial Facility Authority to provide funding (subject to annual appropriations) sufficient to meet principal and interest payments on the Authority's \$7,300,000 revenue bonds.

The County has obligated funds for the projects described below as of June 30, 2013:

	Original Contract	Amount Paid As of 6/30/2013	Remaining Contract Amount	Retainage Payable
Berry Hill Industrial Park	\$ 966,000	\$ 961,000	\$ 5,000	\$ -
Mega Park Water System	1,006,200	667,076	339,124	-
Ringgold East Industrial Park	1,234,422	1,159,793	74,629	61,042
Alternate EOC Generator	130,080	69,705	60,375	-
E-911 Equipment Upgrade	13,038,615	9,059,670	3,978,945	-
Brosville Industrial Park	50,262	42,112	8,150	-
Total Contracts	<u>\$ 16,425,579</u>	<u>\$ 11,959,356</u>	<u>\$ 4,466,223</u>	<u>\$ 61,042</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 18-Commitments and Contingencies: (continued)

The County has also obligated funds for the development of projects initiated by the Regional Industrial Facilities Authority. The County's share of the projects as described below was 50% as of June 30, 2013:

Contractor	Service Provided	Project	Contract Total	Paid as of 6/30/2013	Contract Remaining	Retainage
Dewberry	Engineering	Berry Hill Industrial Park	\$ 1,784,700	\$ 1,758,479	\$ 26,221	\$ -
Dewberry	Engineering	Cane Creek Park	71,881	15,425	56,456	-
McCallen Sweeney	Consulting	Berry Hill Industrial Park	115,000	92,130	22,870	-
Totals			\$ 1,971,581	\$ 1,866,034	\$ 105,547	\$ -
County's 50% obligation			\$ 985,791	\$ 933,017	\$ 52,774	\$ -

School Board Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. Early retirement is available to those employees with a minimum of twenty years of service in the Pittsylvania School System, including the five consecutive years immediately preceding the effective date of retirement. In addition, employees must be at least 55 years of age and less than 65 years of age to be eligible for the program. To participate, the employee must be a vested member of the Virginia Retirement System (VRS). In addition, employees may not work for any other agency covered under the VRS during their tenure in the program. The program allows for payment of 20% of an employee's final contracted salary, earned before the effective date of retirement, for a period of 7 years or until the participant reaches the age of sixty-five. The School Board reserves the right to amend or terminate the program. Employees are required to work twenty days per year to receive their payment. At June 30, 2013 the commitment related to the Early Retirement Incentive Program was \$9,823,041.

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Note 19-Other Post-Employment Benefits-Health Insurance:

From an accrual accounting perspective, the cost of post-employment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County’s future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

The County of Pittsylvania and Pittsylvania County’s Component Unit - School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County and School Board. Any County eligible retiree may receive this benefit until death. Any School Board eligible retiree may receive this benefit until he/she has reached sixty five years of age.

To be eligible for this benefit a retiree must meet at least one of the following criteria: attained age 50 and 10 years of service, attained age 55 and five years of service, or disabled with no age or service requirements. In addition, the School System has an Early Retirement Incentive Program that allows retirees to continue working and receive special benefits for five years if they retire after age 55 with 20 years as a participant of the Virginia Retirement System and have a minimum of 20 years of full-time employment with Pittsylvania County School System. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action respectively. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 340 and 1,039 employees that are eligible, respectively, for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents.

Retirees are eligible to choose one of the following medical options through the County and School Board. The rates are as follows:

Medical & Dental	KeyCare 500	Key Care 30	Dental Basic	Dental Comprehensive
Employee Only	533.78	479.44	23.96	41.00
Employee & Spouse	1,179.02	1,059.38	47.04	81.84
Employee & Child	818.75	735.60	39.76	69.16
Family	1,598.03	1,436.40	78.76	118.70

Note 19-Other Post-Employment Benefits-Health Insurance: (continued)

B. Funding Policy (continued)

The County eligible retirees may continue to receive the benefit past the age of 65. The rates for this group are as follows:

Medical & Dental	KeyCare 500	Key Care 30	Dental Basic	Dental Comprehensive
Employee Only	480.03	431.09	23.96	41.00
Employee & Spouse	960.06	862.18	47.04	81.84
Employee & Child	NA	NA	39.76	69.16
Family	NA	NA	78.76	118.70

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 163,000
Interest on net OPEB obligation	26,000
Adjustment to annual required contribution	<u>(28,000)</u>
Annual OPEB cost (expense)	161,000
Contributions made	<u>(61,000)</u>
Increase in net OPEB obligation	100,000
Net OPEB obligation - beginning of year	<u>661,000</u>
Net OPEB obligation - end of year	\$ 761,000

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 235,000	21%	\$ 464,000
6/30/2012	249,000	21%	661,000
6/30/2013	161,000	38%	761,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 19-Other Post-Employment Benefits-Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

For 2013, the School Board's annual OPEB cost (expense) of \$673,000 was equal to the ARC of \$673,000. The obligation calculation is as follows:

Annual required contribution	\$ 673,000
Interest on net OPEB obligation	9,000
Adjustment to annual required contribution	(9,000)
Annual OPEB cost (expense)	<u>673,000</u>
Contributions made	<u>(857,000)</u>
Increase (Decrease) in net OPEB obligation	(184,000)
Net OPEB obligation - beginning of year	<u>219,000</u>
Net OPEB obligation - end of year	\$ 35,000

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 two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 730,000	123%	\$ 402,000
6/30/2012	737,000	125%	219,000
6/30/2013	673,000	127%	35,000

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of July 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,532,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,532,000
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 12,781,000
UAAL as a percentage of covered payroll	11.99%

Note 19-Other Post-Employment Benefits-Health Insurance: (continued)

D. Funded Status and Funding Progress (continued)

The funded status of the Plan for the School Board as of July 1, 2012, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	7,559,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	7,559,000
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	40,344,647
UAAL as a percentage of covered payroll		18.74%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual 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, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the 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 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, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.5 percent, and investments rate of return at 4.00 percent, and a health care trend rate of 9.00 percent graded to 5.00 percent over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2012 was 30 years.

Note 20—Other Post-Employment Benefits-VRS Health Insurance Credit:

A. Plan Description

The County 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 County, 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 as previously discussed in Note 9.

B. Funding Policy

As a participating local political subdivision, the County 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 County’s contribution rate for the fiscal year ended 2013 was 0.13% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

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

For 2013, the County’s contribution of \$16,252 was equal to the ARC and OPEB cost. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are as follows:

	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
Primary Government:				
County	6/30/2011	\$ 20,173	100.00%	\$ -
	6/30/2012	19,765	100.00%	-
	6/30/2013	16,252	100.00%	-

Note 20—Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)

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)	\$	342,855
Actuarial value of plan assets	\$	286,145
Unfunded actuarial accrued liability (UAAL)	\$	56,710
Funded ratio (actuarial value of plan assets/AAL)		83.46%
Covered payroll (active plan members)	\$	12,469,723
UAAL as a percentage of covered payroll		0.45%

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 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 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2012 was 29 years.

Note 20—Other Post-Employment Benefits-VRS Health Insurance Credit: (continued)

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 year ended June 30, 2013 was \$410,870 and equaled the required contributions.

Note 21—Upcoming Pronouncements:

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. The County has not determined the impact of this pronouncement on its financial statements.

Note 22—Litigation:

As of June 30, 2013, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 23—Restatement of Beginning Net Position:

Due to the implementation of GASB Statement No. 65, bond issuance costs are to be expensed. Therefore, the County has restated the net position as demonstrated below.

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>	<u>Total</u>
Net Position as previously reported 6/30/12	\$ 58,840,248	\$ (4,718,075)	\$ 54,122,173
Capitalized interest	-	78,813	78,813
Bond issuance costs	(836,517)	(173,385)	(1,009,902)
Net Position as restated 6/30/12	\$ 58,003,731	\$ (4,812,647)	\$ 53,191,084

Required Supplementary Information

County of Pittsylvania, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive <u>(Negative)</u>
REVENUES				
General property taxes	\$ 31,077,140	\$ 31,077,140	\$ 31,732,883	\$ 655,743
Other local taxes	6,546,500	6,546,500	6,759,321	212,821
Permits, privilege fees, and regulatory licenses	175,975	175,975	188,607	12,632
Fines and forfeitures	182,000	183,500	197,581	14,081
Revenue from the use of money and property	625,000	625,000	437,566	(187,434)
Charges for services	383,600	511,068	594,548	83,480
Miscellaneous	300,200	141,788	376,302	234,514
Recovered costs	1,261,414	1,563,180	998,941	(564,239)
Intergovernmental revenues:				
Commonwealth	18,745,209	18,757,550	16,336,017	(2,421,533)
Federal	3,433,366	3,365,384	2,376,899	(988,485)
Total revenues	<u>62,730,404</u>	<u>62,947,085</u>	<u>59,998,665</u>	<u>(2,948,420)</u>
EXPENDITURES				
Current:				
General government administration	3,424,194	3,577,454	3,495,374	82,080
Judicial administration	1,566,315	1,628,583	1,566,578	62,005
Public safety	15,054,027	16,265,168	14,639,803	1,625,365
Public works	1,249,645	1,321,238	1,300,429	20,809
Health and welfare	12,771,890	12,808,073	8,871,554	3,936,519
Education	14,251,693	14,863,967	14,628,679	235,288
Parks, recreation, and cultural	1,458,977	1,551,030	1,509,918	41,112
Community development	2,273,099	2,572,300	1,639,257	933,043
Capital projects	13,332,800	10,050,849	5,788,631	4,262,218
Debt service:				
Principal retirement	5,533,030	5,072,161	4,951,609	120,552
Interest and other fiscal charges	5,582,394	5,117,413	4,995,785	121,628
Total expenditures	<u>76,498,064</u>	<u>74,828,236</u>	<u>63,387,617</u>	<u>11,440,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,767,660)</u>	<u>(11,881,151)</u>	<u>(3,388,952)</u>	<u>8,492,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,316,660	3,360,702	2,360,111	(1,000,591)
Transfers out	(3,093,502)	(4,458,509)	(3,690,809)	767,700
Issuance of capital leases	13,000,000	10,256,650	-	(10,256,650)
Total other financing sources (uses)	<u>13,223,158</u>	<u>9,158,843</u>	<u>(1,330,698)</u>	<u>(10,489,541)</u>
Net change in fund balances	(544,502)	(2,722,308)	(4,719,650)	(1,997,342)
Fund balances - beginning	544,502	2,722,308	42,387,958	39,665,650
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,668,308</u>	<u>\$ 37,668,308</u>

County of Pittsylvania, Virginia

Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2013

Primary Government

County Retirement Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2012	\$ 43,972,176	\$ 56,549,216	\$ 12,577,040	77.76%	\$ 12,469,723	100.86%
June 30, 2011	43,854,412	54,482,086	10,627,674	80.49%	12,314,137	86.30%
June 30, 2010	42,833,469	52,167,289	9,333,820	82.11%	12,354,518	75.55%

County VRS Health Insurance Credit Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2012	\$ 286,145	\$ 342,855	\$ 56,710	83.46%	\$ 12,469,723	0.45%
June 30, 2011	293,905	344,127	50,222	85.41%	12,314,137	0.41%
June 30, 2010	251,955	368,558	116,603	68.36%	12,354,518	0.94%

County Healthcare Plan:

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2012	\$ -	\$ 1,532,000	\$ 1,532,000	0.00%	\$ 12,781,000	11.99%
July 1, 2010	-	2,009,000	2,009,000	0.00%	12,354,518	16.26%
July 1, 2008	-	1,622,000	1,622,000	0.00%	12,263,717	13.23%

Discretely Presented Component Unit:

School Board Non-Professional Retirement Plan

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
June 30, 2012	\$ 10,789,089	\$ 14,073,684	\$ 3,284,595	76.66%	\$ 2,989,830	109.86%
June 30, 2011	11,088,588	13,672,566	2,583,978	81.10%	3,107,765	83.15%
June 30, 2010	11,141,234	13,176,579	2,035,345	84.55%	3,138,550	64.85%

School Board Healthcare Plan

Actuarial Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
July 1, 2012	\$ -	\$ 7,559,000	\$ 7,559,000	0.00%	\$ 40,344,647	18.74%
July 1, 2010	-	8,562,000	8,562,000	0.00%	46,278,550	18.50%
July 1, 2008	-	6,368,000	6,368,000	0.00%	52,347,852	12.16%

County of Pittsylvania, Virginia
Special Revenue Fund - Industrial Development
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Recovered costs	\$ 5,500	\$ 2,867,509	\$ 2,867,970	\$ 461
Intergovernmental revenues:				
Commonwealth	7,827,193	6,100,473	1,675,164	(4,425,309)
Total revenues	<u>7,832,693</u>	<u>8,967,982</u>	<u>4,543,134</u>	<u>(4,424,848)</u>
EXPENDITURES				
Current:				
Community development	<u>10,256,870</u>	<u>13,157,558</u>	<u>5,947,675</u>	<u>7,209,883</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,424,177)</u>	<u>(4,189,576)</u>	<u>(1,404,541)</u>	<u>2,785,035</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>983,140</u>	<u>983,140</u>	<u>983,140</u>	<u>-</u>
Net change in fund balances	(1,441,037)	(3,206,436)	(421,401)	2,785,035
Fund balances - beginning	1,441,037	3,206,436	3,137,449	(68,987)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,716,048</u>	<u>\$ 2,716,048</u>

County of Pittsylvania, Virginia
Special Revenue Fund - Workforce Investment Act
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ 227,444	\$ 190,386	\$ (37,058)
Miscellaneous	1,500	4,725	68,554	63,829
Intergovernmental revenues:				
Federal	3,021,935	3,424,877	2,970,249	(454,628)
Total revenues	3,023,435	3,657,046	3,229,189	(427,857)
EXPENDITURES				
Current:				
Health and welfare	3,023,435	3,664,232	3,056,286	607,946
Excess (deficiency) of revenues over (under) expenditures	-	(7,186)	172,903	180,089
Net change in fund balances	-	(7,186)	172,903	180,089
Fund balances - beginning	-	7,186	(122,472)	(129,658)
Fund balances - ending	\$ -	\$ -	\$ 50,431	\$ 50,431

County of Pittsylvania, Virginia
 Debt Service Reserve Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 14	\$ 14
EXPENDITURES				
Debt service:				
Principal retirement	-	-	20,090,000	(20,090,000)
Bond issuance costs	-	-	312,639	(312,639)
Total expenditures	-	-	20,402,639	(20,402,639)
Excess (deficiency) of revenues over (under) expenditures	-	-	(20,402,625)	(20,402,625)
OTHER FINANCING SOURCES (USES)				
Transfers in	821,832	821,832	821,832	-
Refunding bonds issued	-	-	19,945,000	19,945,000
Premium on refunding bonds issued	-	-	463,522	463,522
Total other financing sources (uses)	821,832	821,832	21,230,354	20,408,522
Net change in fund balances	821,832	821,832	827,729	5,897
Fund balances - beginning	(821,832)	(821,832)	216,959	1,038,791
Fund balances - ending	\$ -	\$ -	\$ 1,044,688	\$ 1,044,688

Other Supplementary Information

NON-MAJOR FUNDS

NON-MAJOR SPECIAL REVENUE FUND

Forfeited Assets - The Forfeited Assets fund accounts for financial resources to be used in connection with the Sheriff's asset forfeited funds.

NON-MAJOR CAPITAL PROJECTS FUND

School Capital Projects Fund - The School Capital Projects fund accounts for financial resources to be used in connection with the acquisition and construction of major capital facilities of the School Board.

County of Pittsylvania, Virginia
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Forfeited Assets <u>Fund</u>	School Capital Improvements <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 895,190	\$ 23,969	\$ 919,159
Investments	-	570,200	570,200
Due from other governmental units	8,795	-	8,795
Total assets	903,985	594,169	1,498,154
Fund balances:			
Restricted:			
Construction	-	594,169	594,169
Forfeited Assets Fund	903,985	-	903,985
Assigned:			
Debt service	-	-	-
Total fund balances	903,985	594,169	1,498,154
Total liabilities and fund balances	\$ 903,985	\$ 594,169	\$ 1,498,154

County of Pittsylvania, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Forfeited Assets <u>Fund</u>	School Capital Improvements <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 1,242	\$ 9,235	\$ 10,477
Intergovernmental revenues:			
Commonwealth	35,353	-	35,353
Total revenues	<u>36,595</u>	<u>9,235</u>	<u>45,830</u>
EXPENDITURES			
Current:			
Public safety	123,568	-	123,568
Capital projects	-	5,500	5,500
Total expenditures	<u>123,568</u>	<u>5,500</u>	<u>129,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(86,973)</u>	<u>3,735</u>	<u>(83,238)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(2,360,111)	(2,360,111)
Total other financing sources (uses)	<u>-</u>	<u>(2,360,111)</u>	<u>(2,360,111)</u>
Net change in fund balances	(86,973)	(2,356,376)	(2,443,349)
Fund balances - beginning	990,958	2,950,545	3,941,503
Fund balances - ending	<u>\$ 903,985</u>	<u>\$ 594,169</u>	<u>\$ 1,498,154</u>

County of Pittsylvania, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2013

	Forfeited Assets Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,242	\$ 1,242
Intergovernmental revenues:				
Commonwealth	120,000	220,000	35,353	(184,647)
Total revenues	120,000	220,000	36,595	(183,405)
EXPENDITURES				
Current:				
Public safety	120,000	231,484	123,568	107,916
Excess (deficiency) of revenues over (under) expenditures	-	(11,484)	(86,973)	(75,489)
Net change in fund balances	-	(11,484)	(86,973)	(75,489)
Fund balances - beginning	-	-	990,958	990,958
Fund balances - ending	\$ -	\$ (11,484)	\$ 903,985	\$ 915,469

County of Pittsylvania, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Capital Projects Fund
 For the Year Ended June 30, 2013

	School Improvements Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 9,235	\$ 9,235
Total revenues	-	-	9,235	9,235
EXPENDITURES				
Capital projects	10,000	10,000	5,500	4,500
Total expenditures	10,000	10,000	5,500	4,500
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(10,000)	3,735	13,735
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,360,112)	(2,360,112)	(2,360,111)	1
Net change in fund balances	(2,370,112)	(2,370,112)	(2,356,376)	13,736
Fund balances - beginning	2,370,112	2,370,112	2,950,545	580,433
Fund balances - ending	\$ -	\$ -	\$ 594,169	\$ 594,169

INTERNAL SERVICE FUNDS

Central Stores - The Central Stores fund accounts for the Primary Government's consolidated purchasing. The Primary Government bills internally for the department's usage.

Self-Health Insurance - The Self-Health Insurance fund accounts for insurance premiums paid by the County and for all departments. Internal billings are prepared for all departments.

County of Pittsylvania, Virginia
Combining Statement of Net Position
Internal Service Funds
June 30, 2013

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 4,385,479	\$ 4,385,479
Accounts receivables, net of allowances for uncollectibles	60,440	1,009,106	1,069,546
Inventories	22,667	-	22,667
Total current assets	<u>83,107</u>	<u>5,394,585</u>	<u>5,477,692</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,383	-	12,383
Estimate of incurred but unreported health claims	-	844,286	844,286
Due to other funds	43,239	-	43,239
Total current liabilities	<u>55,622</u>	<u>844,286</u>	<u>899,908</u>
NET POSITION			
Restricted for health insurance claims	\$ -	\$ 4,550,299	\$ 4,550,299
Unrestricted	27,485	-	27,485
Total net position	<u>\$ 27,485</u>	<u>\$ 4,550,299</u>	<u>\$ 4,577,784</u>

County of Pittsylvania, Virginia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Materials and supplies	\$ 697,489	\$ -	\$ 697,489
Insurance premiums	-	11,006,418	11,006,418
Total operating revenues	<u>697,489</u>	<u>11,006,418</u>	<u>11,703,907</u>
OPERATING EXPENSES			
Supplies, insurance and telephone	641,206	-	641,206
Insurance claims and expenses	-	10,150,513	10,150,513
Total operating expenses	<u>641,206</u>	<u>10,150,513</u>	<u>10,791,719</u>
Operating income (loss)	<u>56,283</u>	<u>855,905</u>	<u>912,188</u>
Total net position - beginning	(28,798)	3,694,394	3,665,596
Total net position - ending	<u>\$ 27,485</u>	<u>\$ 4,550,299</u>	<u>\$ 4,577,784</u>

County of Pittsylvania, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for materials and supplies	\$ 677,799	\$ -	\$ 677,799
Receipts for insurance premiums	-	11,053,471	11,053,471
Payments to suppliers	(677,799)	-	(677,799)
Payments for premiums	-	(10,204,851)	(10,204,851)
Net cash provided by (used for) operating activities	-	848,620	848,620
Net increase (decrease) in cash and cash equivalents	-	848,620	848,620
Cash and cash equivalents - beginning	-	3,536,859	3,536,859
Cash and cash equivalents - ending	\$ -	\$ 4,385,479	\$ 4,385,479
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 56,283	\$ 855,905	\$ 912,188
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	(19,690)	47,053	27,363
(Increase) decrease in inventories	(2,149)	-	(2,149)
Increase (decrease) in accounts payable	(6,023)	(54,338)	(60,361)
Increase (decrease) in due to other funds	(28,421)	-	(28,421)
Total adjustments	(56,283)	(7,285)	(63,568)
Net cash provided by (used for) operating activities	\$ -	\$ 848,620	\$ 848,620

FIDUCIARY FUNDS

Special Welfare - The Special Welfare fund accounts for those funds belonging to individuals entrusted to the local social services agency, such as foster care children.

Cash Bond Fund - The Cash Bond fund accounts for those escrow funds received from developers or contractors which, upon satisfactory project completion, are returned to the developer or contractor.

Inmate Trust and Canteen - The Jail Inmate Trust and Canteen fund accounts for the inmate commissary, inmate trust, and inmate monitoring funds.

Land Sales Fund - The County's attorneys have established an account to account for funds received as the result of land sales for delinquent taxes. Funds are kept in this account until transferred to the County's Clerk's office for processing.

County of Pittsylvania, Virginia
 Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2013

	Agency Funds				Sheriff's Inmate Trust and Canteen Account <u>Fund</u>	<u>Total</u>
	<u>Special Welfare</u>	<u>Cash Bond Fund</u>	<u>Land Sales Fund</u>			
ASSETS						
Cash and cash equivalents	\$ 22,964	\$ 352,572	\$ 183,273	\$ -	\$ -	\$ 558,809
Cash in custody of others	-	-	-	22,137	-	22,137
Total assets	<u>22,964</u>	<u>352,572</u>	<u>183,273</u>	<u>22,137</u>	<u>-</u>	<u>580,946</u>
LIABILITIES						
Amounts held for social services clients	22,964	-	-	-	-	22,964
Amounts held for developers	-	352,572	-	-	-	352,572
Amounts held for land sales	-	-	183,273	-	-	183,273
Amounts held for inmates	-	-	-	22,137	-	22,137
Total liabilities	<u>\$ 22,964</u>	<u>\$ 352,572</u>	<u>\$ 183,273</u>	<u>\$ 22,137</u>	<u>\$ -</u>	<u>\$ 580,946</u>

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund is a special revenue fund that accounts for the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Pittsylvania, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2013

	<u>School Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,738,584
Receivables (net of allowance for uncollectibles):	
Accounts receivable	57,663
Due from primary government	185,781
Due from other governmental units	2,457,302
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	11,815
Total assets	<u>4,451,145</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	1,768,991
Salaries payable	2,235,284
Total liabilities	<u>4,004,275</u>
Fund balances:	
Restricted:	
School Cafeteria	446,870
Total fund balances	446,870
Total liabilities and fund balances	<u>\$ 4,451,145</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:	
Total fund balances per above	\$ 446,870
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Land	\$ 2,662,750
Buildings and improvements	9,695,612
Machinery, equipment, and vehicles	<u>2,737,485</u>
	15,095,847
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.	
	517,326
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net OPEB obligation	\$ (35,000)
VRS Net pension obligation (NPO)	(94,592)
Compensated absences	<u>(1,638,460)</u>
	(1,768,052)
Net position of governmental activities	<u>\$ 14,291,991</u>

County of Pittsylvania, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2013

		<u>School Operating Fund</u>
REVENUES		
Revenue from the use of money and property	\$	40,571
Charges for services		1,914,831
Miscellaneous		805,181
Recovered costs		3,656,626
Intergovernmental revenues:		
Local government		14,619,899
Commonwealth		55,155,564
Federal		8,547,281
Total revenues		<u>84,739,953</u>
EXPENDITURES		
Current:		
Education		<u>84,680,673</u>
Excess (deficiency) of revenues over (under) expenditures		<u>59,280</u>
Net change in fund balances		59,280
Fund balances - beginning		<u>387,590</u>
Fund balances - ending	\$	<u><u>446,870</u></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	\$	59,280
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital asset additions in the current period.		
Capital asset additions	\$	926,993
Depreciation in current year		<u>(1,163,124)</u> (236,131)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		(4,512)
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	\$	(110,524)
(Increase) decrease in VRS net pension obligation (NPO)		(94,592)
(Increase) decrease in net OPEB obligation		<u>184,000</u> (21,116)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.		(149,533)
Change in net position of governmental activities	\$	<u><u>(352,012)</u></u>

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

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 40,666	\$ 40,666	\$ 40,571	\$ (95)
Charges for services	2,342,862	2,342,862	1,914,831	(428,031)
Miscellaneous	771,565	755,843	805,181	49,338
Recovered costs	3,328,839	3,339,807	3,656,626	316,819
Intergovernmental revenues:				
Local government	14,213,985	14,855,186	14,619,899	(235,287)
Commonwealth	55,682,092	55,638,732	55,155,564	(483,168)
Federal	10,568,994	10,925,267	8,547,281	(2,377,986)
Total revenues	<u>86,949,003</u>	<u>87,898,363</u>	<u>84,739,953</u>	<u>(3,158,410)</u>
EXPENDITURES				
Current:				
Education	86,949,003	87,898,363	84,680,673	3,217,690
Excess (deficiency) of revenues over (under) expenditures	-	-	59,280	59,280
Net change in fund balances	-	-	59,280	59,280
Fund balances - beginning	-	-	387,590	387,590
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446,870</u>	<u>\$ 446,870</u>

SUPPORTING SCHEDULES

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 20,428,154	\$ 20,428,154	\$ 20,703,420	\$ 275,266
Real and Personal PSC Tax	1,803,925	1,803,925	2,093,613	289,688
Personal Property Tax	6,352,554	6,352,554	6,079,536	(273,018)
Mobile Home Tax	268,656	268,656	249,261	(19,395)
Machinery and Tools Tax	1,471,360	1,471,360	1,678,704	207,344
Merchants Capital	199,991	199,991	232,089	32,098
Penalties	317,500	317,500	442,091	124,591
Interest	235,000	235,000	254,169	19,169
Total general property taxes	<u>\$ 31,077,140</u>	<u>\$ 31,077,140</u>	<u>\$ 31,732,883</u>	<u>\$ 655,743</u>
Other local taxes:				
Local Sales and Use Tax	\$ 1,815,000	\$ 1,815,000	\$ 2,067,847	\$ 252,847
Consumers' Utility Tax	1,350,000	1,350,000	1,257,205	(92,795)
Consumption Taxes	150,000	150,000	205,069	55,069
Franchise License Tax	-	-	37,473	37,473
Business License Tax	3,000	3,000	3,100	100
Meals Tax	650,000	650,000	643,530	(6,470)
Motor Vehicle Licenses	2,221,500	2,221,500	2,192,067	(29,433)
Bank Stock Tax	50,000	50,000	62,550	12,550
Taxes on Recordation and Wills	307,000	307,000	290,480	(16,520)
Total other local taxes	<u>\$ 6,546,500</u>	<u>\$ 6,546,500</u>	<u>\$ 6,759,321</u>	<u>\$ 212,821</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 81,250	\$ 81,250	\$ 100,103	\$ 18,853
Cellular tower fees	34,700	34,700	36,699	1,999
Animal licenses	40,000	40,000	30,149	(9,851)
Permits and other licenses	20,025	20,025	21,656	1,631
Total permits, privilege fees, and regulatory licenses	<u>\$ 175,975</u>	<u>\$ 175,975</u>	<u>\$ 188,607</u>	<u>\$ 12,632</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 182,000	\$ 183,500	\$ 197,581	\$ 14,081
Revenue from use of money and property:				
Revenue from use of money	\$ 400,000	\$ 400,000	\$ 344,975	\$ (55,025)
Revenue from use of property	225,000	225,000	92,591	(132,409)
Total revenue from use of money and property	<u>\$ 625,000</u>	<u>\$ 625,000</u>	<u>\$ 437,566</u>	<u>\$ (187,434)</u>

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for emergency services	\$ 100,000	\$ 210,000	\$ 287,371	\$ 77,371
Charges for courthouse security	90,000	90,000	62,726	(27,274)
Charges for parks and recreation	65,000	65,000	61,281	(3,719)
Charges for jail inmates	12,800	30,268	56,297	26,029
Charges for administration	44,500	44,500	45,125	625
Charges for library	22,000	22,000	27,070	5,070
Charges for courthouse maintenance	15,000	15,000	12,993	(2,007)
Charges for law library	16,000	16,000	9,283	(6,717)
Charges for fire prevention	5,000	5,000	6,475	1,475
Charges for commonwealth's attorney	2,500	2,500	4,967	2,467
Charges for law enforcement	3,500	3,500	4,409	909
Charges for Animal Control	7,000	7,000	4,110	(2,890)
Other charges for services	300	300	12,441	12,141
Total charges for services	<u>\$ 383,600</u>	<u>\$ 511,068</u>	<u>\$ 594,548</u>	<u>\$ 83,480</u>
Miscellaneous revenue:				
Tax sales	\$ -	\$ -	\$ 111,466	\$ 111,466
Miscellaneous other	232,200	33,266	136,157	102,891
J.T. Minnie Maude recreation grants	-	25,000	25,000	-
Gifts and donations	43,000	58,522	32,456	(26,066)
City of Danville, Virginia revenue sharing	25,000	25,000	71,223	46,223
Total miscellaneous revenue	<u>\$ 300,200</u>	<u>\$ 141,788</u>	<u>\$ 376,302</u>	<u>\$ 234,514</u>
Recovered costs:				
Jail reimbursements	\$ 255,360	\$ 305,579	\$ 272,892	\$ (32,687)
Sheriffs extra duty	80,000	129,610	128,683	(927)
Soil and water conservation district	106,912	119,386	119,386	-
School resource officer	89,142	89,142	90,015	873
City of Danville, Virginia	60,000	60,000	88,340	28,340
Health department	70,000	70,000	67,207	(2,793)
Social Services	80,000	80,000	56,041	(23,959)
Other recovered costs	520,000	709,463	176,377	(533,086)
Total recovered costs	<u>\$ 1,261,414</u>	<u>\$ 1,563,180</u>	<u>\$ 998,941</u>	<u>\$ (564,239)</u>
Total revenue from local sources	<u>\$ 40,551,829</u>	<u>\$ 40,824,151</u>	<u>\$ 41,285,749</u>	<u>\$ 461,598</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 80,000	\$ 80,000	\$ 196,031	\$ 116,031
Mobile home titling tax	120,000	120,000	46,484	(73,516)
Motor vehicle rental tax	4,000	4,000	5,814	1,814
State recordation tax	80,000	80,000	70,312	(9,688)
State Communications Tax	2,245,000	2,245,000	2,323,676	78,676
Personal property tax relief act funds	4,139,276	4,139,276	4,139,277	1
Total noncategorical aid	<u>\$ 6,668,276</u>	<u>\$ 6,668,276</u>	<u>\$ 6,781,594</u>	<u>\$ 113,318</u>

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental revenue: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 492,043	\$ 492,043	\$ 493,354	\$ 1,311
Sheriff	3,715,573	3,715,573	3,810,553	94,980
Commissioner of revenue	139,288	139,288	139,767	479
Treasurer	152,411	152,411	152,782	371
Registrar/electoral board	45,500	55,900	52,974	(2,926)
Clerk of the Circuit Court	383,521	405,123	401,208	(3,915)
Circuit Court	60,000	60,000	66,048	6,048
Total Shared Expenses	<u>\$ 4,988,336</u>	<u>\$ 5,020,338</u>	<u>\$ 5,116,686</u>	<u>\$ 96,348</u>
Other categorical aid:				
Victim witness grant	\$ 17,676	\$ 17,676	\$ 13,257	\$ (4,419)
VJCCA grant	38,546	39,824	39,824	-
Records preservation grant	5,000	12,000	17,178	5,178
Law enforcement grants	51,780	51,780	1,492	(50,288)
E-911 grants	138,000	110,670	54,799	(55,871)
Transportation grants	-	-	49,359	49,359
EMS grants	70,000	70,000	63,121	(6,879)
Fire program funds	194,000	194,000	172,171	(21,829)
Library grants	149,432	145,395	145,395	-
Litter control grants	19,000	22,428	22,428	-
Public assistance	1,851,239	1,851,239	1,207,931	(643,308)
Comprehensive services act	4,501,126	4,501,126	2,623,306	(1,877,820)
Babycare grant	52,798	52,798	27,476	(25,322)
Total other categorical aid	<u>\$ 7,088,597</u>	<u>\$ 7,068,936</u>	<u>\$ 4,437,737</u>	<u>\$ (2,631,199)</u>
Total categorical aid	<u>\$ 12,076,933</u>	<u>\$ 12,089,274</u>	<u>\$ 9,554,423</u>	<u>\$ (2,534,851)</u>
Total revenue from the Commonwealth	<u>\$ 18,745,209</u>	<u>\$ 18,757,550</u>	<u>\$ 16,336,017</u>	<u>\$ (2,421,533)</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant	\$ 95,000	\$ 95,000	\$ -	\$ (95,000)
Transportation enhancement grant	400,000	400,000	147,791	(252,209)
DMV grants	6,500	6,500	5,997	(503)
Homeland security	32,000	62,000	8,659	(53,341)
Emergency management preparedness	196,605	98,623	54,039	(44,584)
Law enforcement block grants	120,000	120,000	29,309	(90,691)
Crime victim assistance	53,027	53,027	39,771	(13,256)
Bureau of justice assistance	59,000	59,000	17,314	(41,686)
Comprehensive services act	-	-	18,862	18,862
Public assistance	2,471,234	2,471,234	2,055,157	(416,077)
Total revenue from the federal government	<u>\$ 3,433,366</u>	<u>\$ 3,365,384</u>	<u>\$ 2,376,899</u>	<u>\$ (988,485)</u>
Total General Fund	<u>\$ 62,730,404</u>	<u>\$ 62,947,085</u>	<u>\$ 59,998,665</u>	<u>\$ (2,948,420)</u>

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Industrial Development Fund:				
Revenue from local sources:				
Recovered costs:				
Industrial Development Authority	\$ 5,500	\$ 2,867,509	\$ 2,867,970	\$ 461
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco indemnification funds	\$ 7,827,193	\$ 6,100,473	\$ 1,675,164	\$ (4,425,309)
Total Industrial Development Fund	<u>\$ 7,832,693</u>	<u>\$ 8,967,982</u>	<u>\$ 4,543,134</u>	<u>\$ (4,424,848)</u>
Workforce Investment Act Fund:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ 227,444	\$ 190,386	\$ (37,058)
Miscellaneous revenue:				
Other miscellaneous	\$ 1,500	\$ 4,725	\$ 68,554	\$ 63,829
Intergovernmental revenue:				
Revenue from the federal government:				
Categorical aid:				
WIA adult programs, youth activities, and dislocated workers	\$ 3,021,935	\$ 3,424,877	\$ 2,970,249	\$ (454,628)
Total Workforce Investment Act Fund	<u>\$ 3,023,435</u>	<u>\$ 3,657,046</u>	<u>\$ 3,229,189</u>	<u>\$ (427,857)</u>
Debt Service Reserve Funds:				
Debt Service Reserve Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 14	\$ 14
Total Debt Service Reserve Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 14</u>
Nonmajor Special Revenue Funds:				
Forfeited Assets Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,242	\$ 1,242
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	\$ 120,000	\$ 220,000	\$ 35,353	\$ (184,647)
Total Forfeited Assets Fund	<u>\$ 120,000</u>	<u>\$ 220,000</u>	<u>\$ 36,595</u>	<u>\$ (183,405)</u>

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Capital Projects Funds:				
School Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 9,235	\$ 9,235
Total School Capital Improvements Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,235</u>	<u>\$ 9,235</u>
Total Primary Government	<u>\$ 73,706,532</u>	<u>\$ 75,792,113</u>	<u>\$ 67,816,832</u>	<u>\$ (7,975,281)</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 666	\$ 666	\$ 271	\$ (395)
Revenue from the use of property	40,000	40,000	40,300	300
Total revenue from use of money and property	<u>\$ 40,666</u>	<u>\$ 40,666</u>	<u>\$ 40,571</u>	<u>\$ (95)</u>
Charges for services:				
School food	\$ 2,220,382	\$ 2,220,382	\$ 1,813,430	\$ (406,952)
Tuition and payments from other divisions	122,480	122,480	101,401	(21,079)
Total charges for services	<u>\$ 2,342,862</u>	<u>\$ 2,342,862</u>	<u>\$ 1,914,831</u>	<u>\$ (428,031)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 771,565	\$ 755,843	\$ 805,181	\$ 49,338
Recovered costs:				
Other recovered costs	\$ 3,328,839	\$ 3,339,807	\$ 3,656,626	\$ 316,819
Total revenue from local sources	<u>\$ 6,483,932</u>	<u>\$ 6,479,178</u>	<u>\$ 6,417,209</u>	<u>\$ (61,969)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Pittsylvania, Virginia	\$ 14,213,985	\$ 14,855,186	\$ 14,619,899	\$ (235,287)

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 9,065,767	\$ 9,065,767	\$ 9,055,183	\$ (10,584)
Basic Aid	27,526,170	27,526,170	27,560,929	34,759
Remedial summer education	214,983	214,983	191,848	(23,135)
Regular foster care	68,852	68,852	8,518	(60,334)
Gifted and talented	308,717	308,717	309,585	868
Remedial education	1,006,687	1,006,687	1,009,517	2,830
Special education	4,033,941	4,033,941	4,029,764	(4,177)
Textbook payment	602,200	602,200	603,893	1,693
Alternative education	184,333	184,333	184,227	(106)
Algebra readiness	153,936	153,936	161,096	7,160
Mentor teacher program	10,504	10,504	8,585	(1,919)
Social security fringe benefits	1,865,727	1,865,727	1,870,971	5,244
Group life	114,091	114,091	114,412	321
Retirement fringe benefits	3,120,730	3,120,730	3,129,502	8,772
Governor's school	17,630	17,630	17,630	-
Early reading intervention	223,194	169,155	169,155	-
Homebound education	90,631	90,631	98,051	7,420
Vocation education	1,441,913	1,441,913	1,425,607	(16,306)
JROTC	256,767	256,767	261,766	4,999
Special education - foster children	-	-	24,258	24,258
At risk payments	1,175,652	1,175,652	1,179,110	3,458
Primary class size	1,479,323	1,479,323	1,474,051	(5,272)
Technology	544,000	544,000	403,849	(140,151)
At risk four-year olds	1,291,290	1,291,290	1,006,845	(284,445)
School Food	180,011	190,690	100,684	(90,006)
English as a second language	102,299	102,299	115,759	13,460
Other state funds	579,168	579,168	604,275	25,107
GED prep program	23,576	23,576	23,576	-
Project Graduation	-	-	12,918	12,918
Total categorical aid	<u>\$ 55,682,092</u>	<u>\$ 55,638,732</u>	<u>\$ 55,155,564</u>	<u>\$ (483,168)</u>
Total revenue from the Commonwealth	<u>\$ 55,682,092</u>	<u>\$ 55,638,732</u>	<u>\$ 55,155,564</u>	<u>\$ (483,168)</u>

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental revenues: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 2,583,966	\$ 2,620,799	\$ 2,388,325	\$ (232,474)
Special Education	2,008,102	2,008,102	1,899,223	(108,879)
Title VI-B, preschool	26,526	26,526	28,963	2,437
Vocational education	166,728	173,001	155,033	(17,968)
ARRA - School food equipment grant	-	-	17,739	17,739
School food program	5,240,533	5,553,700	3,236,666	(2,317,034)
Title II	366,337	366,337	318,030	(48,307)
Title IV Part B-21	105,752	105,752	111,306	5,554
Language acquisition	21,050	21,050	10,766	(10,284)
School improvement grant	-	-	381,230	381,230
Other federal funds	50,000	50,000	-	(50,000)
Total categorical aid	<u>\$ 10,568,994</u>	<u>\$ 10,925,267</u>	<u>\$ 8,547,281</u>	<u>\$ (2,377,986)</u>
 Total revenue from the federal government	 <u>\$ 10,568,994</u>	 <u>\$ 10,925,267</u>	 <u>\$ 8,547,281</u>	 <u>\$ (2,377,986)</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 86,949,003</u>	 <u>\$ 87,898,363</u>	 <u>\$ 84,739,953</u>	 <u>\$ (3,158,410)</u>

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 115,645	\$ 116,062	\$ 115,606	\$ 456
General and financial administration:				
County administrator	\$ 272,992	\$ 275,888	\$ 258,836	\$ 17,052
Legal services	203,426	218,564	157,260	61,304
Independent auditor	74,000	74,000	60,339	13,661
Commissioner of revenue	564,420	594,947	539,887	55,060
Reassessment	360,060	360,060	453,954	(93,894)
Treasurer	636,155	671,270	658,960	12,310
Central accounting	266,398	276,472	271,960	4,512
Management information systems	520,986	533,948	526,443	7,505
Central purchasing	112,338	114,337	111,918	2,419
Grants administration	72,794	73,759	71,868	1,891
Total general and financial administration	<u>\$ 3,083,569</u>	<u>\$ 3,193,245</u>	<u>\$ 3,111,425</u>	<u>\$ 81,820</u>
Board of elections:				
Electoral board	\$ 87,519	\$ 124,550	\$ 126,102	\$ (1,552)
Registrar	137,461	143,597	142,241	1,356
Total board of elections	<u>\$ 224,980</u>	<u>\$ 268,147</u>	<u>\$ 268,343</u>	<u>\$ (196)</u>
Total general government administration	<u>\$ 3,424,194</u>	<u>\$ 3,577,454</u>	<u>\$ 3,495,374</u>	<u>\$ 82,080</u>
Judicial administration:				
Courts:				
Circuit court	\$ 130,991	\$ 137,986	\$ 130,301	\$ 7,685
General district court	14,161	18,258	12,696	5,562
Special magistrates	4,827	4,827	3,443	1,384
Juvenile & Domestic relations Court	11,375	11,375	8,918	2,457
Clerk of the circuit court	630,187	665,626	636,709	28,917
Law Library	25,800	25,800	24,071	1,729
Victim and witness assistance	70,703	71,510	66,824	4,686
Commissioner of Accounts	960	960	896	64
Total courts	<u>\$ 889,004</u>	<u>\$ 936,342</u>	<u>\$ 883,858</u>	<u>\$ 52,484</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 677,311	\$ 692,241	\$ 682,720	\$ 9,521
Total judicial administration	<u>\$ 1,566,315</u>	<u>\$ 1,628,583</u>	<u>\$ 1,566,578</u>	<u>\$ 62,005</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 5,922,339	\$ 6,357,059	\$ 5,873,112	\$ 483,947
Sheriff - grants	482,280	478,513	115,877	362,636
Sheriff - 911 System	106,000	129,398	95,847	33,551
Total law enforcement and traffic control	<u>\$ 6,510,619</u>	<u>\$ 6,964,970</u>	<u>\$ 6,084,836</u>	<u>\$ 880,134</u>

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire Marshall	\$ 32,422	\$ 29,814	\$ 26,752	\$ 3,062
Volunteer fire department	2,070,157	2,208,935	1,797,131	411,804
Ambulance and rescue services	140,000	243,236	89,580	153,656
Total fire and rescue services	<u>\$ 2,242,579</u>	<u>\$ 2,481,985</u>	<u>\$ 1,913,463</u>	<u>\$ 568,522</u>
Correction and detention:				
Sheriff - correction and detention	\$ 3,934,997	\$ 4,249,071	\$ 4,124,930	\$ 124,141
Court services unit	409,816	443,173	378,358	64,815
Other correction and detention	10,600	31,564	30,776	788
Total correction and detention	<u>\$ 4,355,413</u>	<u>\$ 4,723,808</u>	<u>\$ 4,534,064</u>	<u>\$ 189,744</u>
Inspections:				
Building inspections	\$ 282,773	\$ 289,781	\$ 289,810	\$ (29)
Other protection:				
Animal control	\$ 250,442	\$ 266,600	\$ 251,844	\$ 14,756
Medical examiner	2,500	2,500	1,600	900
E911 System	1,259,096	1,271,919	1,186,418	85,501
Emergency Management	50,605	53,605	17,471	36,134
Emergency Services	100,000	210,000	360,297	(150,297)
Total other protection	<u>\$ 1,662,643</u>	<u>\$ 1,804,624</u>	<u>\$ 1,817,630</u>	<u>\$ (13,006)</u>
Total public safety	<u>\$15,054,027</u>	<u>\$16,265,168</u>	<u>\$14,639,803</u>	<u>\$ 1,625,365</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works	\$ 156,782	\$ 158,353	\$ 155,283	\$ 3,070
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 976,363	\$ 1,046,385	\$ 1,029,923	\$ 16,462
Fleet management	116,500	116,500	115,223	1,277
Total maintenance of general buildings and grounds	<u>\$ 1,092,863</u>	<u>\$ 1,162,885</u>	<u>\$ 1,145,146</u>	<u>\$ 17,739</u>
Total public works	<u>\$ 1,249,645</u>	<u>\$ 1,321,238</u>	<u>\$ 1,300,429</u>	<u>\$ 20,809</u>
Health and welfare:				
Health:				
Local health department	\$ 490,000	\$ 490,000	\$ 490,000	\$ -
Mental health and mental retardation:				
Mental health and mental retardation	\$ 152,318	\$ 152,318	\$ 152,318	\$ -

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Welfare administration	\$ 4,419,786	\$ 4,459,088	\$ 3,425,715	\$ 1,033,373
Public assistance	1,246,170	1,220,849	653,303	567,546
Comprehensive Services Act	6,365,818	6,382,293	4,050,115	2,332,178
Family preservation grant	45,000	50,300	47,754	2,546
Baby care grant	52,798	53,225	52,349	876
Total welfare	<u>\$12,129,572</u>	<u>\$12,165,755</u>	<u>\$ 8,229,236</u>	<u>\$ 3,936,519</u>
Total health and welfare	<u>\$12,771,890</u>	<u>\$12,808,073</u>	<u>\$ 8,871,554</u>	<u>\$ 3,936,519</u>
Education:				
Other instructional costs:				
Contribution to local school board	\$14,242,912	\$14,855,186	\$14,619,899	\$ 235,287
Contributions to community college	8,781	8,781	8,780	1
Total education	<u>\$14,251,693</u>	<u>\$14,863,967</u>	<u>\$14,628,679</u>	<u>\$ 235,288</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Administration of parks and recreation	\$ 259,540	\$ 296,873	\$ 276,453	\$ 20,420
State Forestry	33,984	33,984	33,984	-
Total parks and recreation	<u>\$ 293,524</u>	<u>\$ 330,857</u>	<u>\$ 310,437</u>	<u>\$ 20,420</u>
Cultural enrichment:				
Welcome Center	\$ 35,500	\$ -	\$ -	\$ -
Library:				
Library administration	\$ 1,129,953	\$ 1,220,173	\$ 1,199,481	\$ 20,692
Total parks, recreation, and cultural	<u>\$ 1,458,977</u>	<u>\$ 1,551,030</u>	<u>\$ 1,509,918</u>	<u>\$ 41,112</u>
Community development:				
Planning and community development:				
Planning commission	\$ 144,312	\$ 152,352	\$ 150,489	\$ 1,863
Community development	992,737	1,333,239	530,074	803,165
Zoning board	218,730	229,200	228,852	348
Economic development	721,637	632,499	542,454	90,045
Total planning and community development	<u>\$ 2,077,416</u>	<u>\$ 2,347,290</u>	<u>\$ 1,451,869</u>	<u>\$ 895,421</u>
Environmental management:				
Soil and water conservation district	\$ 106,912	\$ 119,445	\$ 119,923	\$ (478)
Other environmental management	19,000	35,794	15,898	19,896
Total environmental management	<u>\$ 125,912</u>	<u>\$ 155,239</u>	<u>\$ 135,821</u>	<u>\$ 19,418</u>

County of Pittsylvania, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Cooperative extension program	\$ 69,771	\$ 69,771	\$ 51,567	\$ 18,204
Total community development	\$ 2,273,099	\$ 2,572,300	\$ 1,639,257	\$ 933,043
Capital projects:				
Other capital projects	\$13,332,800	\$10,050,849	\$ 5,788,631	\$ 4,262,218
Debt service:				
Principal retirement	\$ 5,533,030	\$ 5,072,161	\$ 4,951,609	\$ 120,552
Interest and other fiscal charges	5,582,394	5,117,413	4,995,785	121,628
Total debt service	\$11,115,424	\$10,189,574	\$ 9,947,394	\$ 242,180
Total General Fund	\$76,498,064	\$74,828,236	\$63,387,617	\$ 11,440,619
Special Revenue Funds:				
Industrial Development Fund:				
Community development:				
Planning and community development:				
Gretna engineering-intake project	\$ -	\$ 787,690	\$ -	\$ 787,690
Industrial development	1,988,640	3,106,759	970,059	2,136,700
Berry Hill Projects	7,338,197	8,436,419	4,266,275	4,170,144
Hurt Klopman Mills water and sewer improvements	930,033	826,690	711,341	115,349
Total planning and community development	\$10,256,870	\$13,157,558	\$ 5,947,675	\$ 7,209,883
Total Industrial Development Fund	\$10,256,870	\$13,157,558	\$ 5,947,675	\$ 7,209,883
Workforce Investment Act Fund:				
Health and welfare:				
Welfare:				
Workforce investment act	\$ 3,023,435	\$ 3,664,232	\$ 3,056,286	\$ 607,946
Total Workforce Investment Act Fund	\$ 3,023,435	\$ 3,664,232	\$ 3,056,286	\$ 607,946
Debt Service Reserve Funds:				
Debt Service Reserve Fund:				
Debt service:				
Principal retirement	\$ -	\$ -	\$20,090,000	\$ (20,090,000)
Bond issuance costs	-	-	312,639	(312,639)
Total Debt Service Reserve Fund	\$ -	\$ -	\$20,402,639	\$ (20,402,639)

County of Pittsylvania, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2013

Schedule 2
 Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 120,000	\$ 231,484	\$ 123,568	\$ 107,916
Total Forfeited Asset Fund	<u>\$ 120,000</u>	<u>\$ 231,484</u>	<u>\$ 123,568</u>	<u>\$ 107,916</u>
Nonmajor Capital Projects Funds:				
School Capital Improvements Fund:				
Education:				
Capital projects expenditures:				
Capital projects	\$ 10,000	\$ 10,000	\$ 5,500	\$ 4,500
Total School Capital Improvements Fund	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 5,500</u>	<u>\$ 4,500</u>
Total Primary Government	<u>\$89,908,369</u>	<u>\$91,891,510</u>	<u>\$92,923,285</u>	<u>\$ (1,031,775)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 3,348,784	\$ 3,075,811	\$ 3,086,433	\$ (10,622)
Instruction costs:				
Instructional costs	\$60,926,749	\$59,792,580	\$59,708,604	\$ 83,976
Technology	2,515,152	2,441,676	2,475,446	(33,770)
Total instruction costs	<u>\$63,441,901</u>	<u>\$62,234,256</u>	<u>\$62,184,050</u>	<u>\$ 50,206</u>
Operating costs:				
Pupil transportation	\$ 5,613,388	\$ 6,742,834	\$ 6,716,905	\$ 25,929
Operation and maintenance of school plant	6,709,905	7,368,325	7,109,541	258,784
Food service and non-instructional	7,835,025	8,192,207	5,347,739	2,844,468
Facilities	-	284,930	236,005	48,925
Total operating costs	<u>\$20,158,318</u>	<u>\$22,588,296</u>	<u>\$19,410,190</u>	<u>\$ 3,178,106</u>
Total education	<u>\$86,949,003</u>	<u>\$87,898,363</u>	<u>\$84,680,673</u>	<u>\$ 3,217,690</u>
Total Discretely Presented Component Unit - School Board	<u>\$86,949,003</u>	<u>\$87,898,363</u>	<u>\$84,680,673</u>	<u>\$ 3,217,690</u>

OTHER STATISTICAL INFORMATION

Table 1

County of Pittsylvania, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (2)	Health and Welfare	Education (1)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Landfill (2)	Total
2012-13	\$ 3,151,761	\$ 1,577,467	\$ 14,150,804	\$ 1,722,616	\$ 11,742,309	\$ 17,610,398	\$ 1,519,663	\$ 4,541,281	\$ -	\$ 5,044,241	\$ (355,066)	\$ 60,705,474
2011-12	2,352,270	1,604,516	14,004,881	1,312,173	11,725,859	17,483,731	1,389,794	5,297,007	-	4,852,814	3,192,265	63,215,310
2010-11	2,317,903	1,521,622	13,492,424	5,199,400	15,013,208	16,068,919	1,212,790	6,009,715	-	5,052,047	-	65,888,028
2009-10	3,008,491	1,289,615	13,884,135	5,552,474	18,784,848	11,601,833	1,179,959	5,879,792	-	5,658,339	-	66,839,486
2008-09	2,953,224	1,579,879	13,399,420	4,495,239	15,855,096	13,030,727	1,163,559	6,642,658	-	4,706,088	-	63,825,890
2007-08	2,268,035	1,554,911	12,356,590	4,416,883	15,780,009	15,904,724	1,170,737	7,041,212	-	2,799,504	-	63,292,605
2006-07	2,271,683	1,464,735	11,577,156	3,420,748	16,364,479	14,808,363	938,209	6,967,075	-	2,677,642	-	60,490,090
2005-06	2,563,706	1,402,086	10,803,557	5,646,411	13,944,548	17,754,863	895,838	6,727,152	17,373	2,826,528	-	62,582,062
2004-05	2,285,096	1,582,446	10,020,520	3,144,897	11,611,407	23,251,349	892,832	4,127,916	-	2,169,822	-	59,086,285
2003-04	2,660,863	1,504,247	9,127,879	2,339,464	11,032,918	12,009,437	835,972	5,409,677	-	2,710,932	-	47,631,389

(1) Debt financed assets are transferred to the School Board upon defeasance of debt.

This amounts includes assets (net of related depreciation) that were transferred to the School Board during the fiscal year.

(2) In FY 2012, the County implemented a Landfill Fund which decreased the Public Works expenses.

Table 2

County of Pittsylvania, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES							Total
	Charges for Services (3)	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes (2)	Permits, Privilege Fees, Regulatory Licenses	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs (2)		
2012-13	\$ 2,952,151	\$ 16,862,088	\$ -	\$ 31,959,232	\$ 6,759,321	\$ -	\$ 640,925	\$ 449,990	\$ 6,781,594	\$ 66,405,301	
2011-12	924,023	15,633,076	2,405,211	31,373,406	6,805,947	-	651,947	409,617	6,698,703	64,901,930	
2010-11	861,632	16,037,575	3,564,213	28,781,337	6,696,327	-	646,849	673,095	6,760,306	64,021,334	
2009-10	885,248	21,413,814	3,006,599	27,907,392	6,414,085	-	1,174,002	758,424	6,748,918	68,308,482	
2008-09	776,068	22,813,227	-	29,680,376	8,304,925	-	1,520,387	272,379	4,483,640	67,851,002	
2007-08	924,114	24,461,459	-	24,012,434	7,748,448	-	1,708,824	512,564	4,523,327	63,891,170	
2006-07 (1)	829,230	14,801,890	-	39,379,257	5,932,477	-	1,477,238	494,659	13,480,047	76,394,798	
2005-06	774,016	20,133,387	-	25,730,408	7,670,729	-	1,219,586	333,902	3,563,250	59,425,278	
2004-05	531,084	16,502,453	-	21,149,043	7,447,714	-	809,786	47,292	7,392,906	53,880,278	
2003-04	527,386	15,899,410	-	23,295,522	6,492,864	-	738,614	85,777	7,402,488	54,442,061	

- (1) Fiscal year 2006-07 was the first time the County started twice a year collections for property taxes, as such general property taxes increased significantly due to collecting one and a half years of taxes.
- (2) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.
- (3) The Landfill fund created in fiscal year 2012 started billings in fiscal year 2013.

Table 3

County of Pittsylvania, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (3)	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2012-13	\$ 3,495,374	\$ 1,566,578	\$ 14,763,371	\$ 1,300,429	\$ 11,927,840	\$ 84,680,673	\$ 1,509,918	\$ 7,586,932	\$ 5,794,131	\$ -	\$ 30,350,033	\$ 162,975,279
2011-12	2,768,169	1,566,584	14,222,860	1,215,984	11,862,939	85,983,611	1,384,918	5,540,095	3,705,766	-	9,948,658	138,199,584
2010-11	2,784,289	1,494,085	13,806,655	3,244,763	12,690,342	82,087,870	1,178,396	6,502,580	398,872	-	9,436,325	133,624,177
2009-10	3,149,941	1,536,157	14,173,636	3,634,763	18,836,521	82,202,930	1,116,757	6,385,274	-	8,342	10,609,182	141,653,503
2008-09	3,138,333	1,610,990	14,046,712	3,867,606	16,044,417	85,614,779	1,101,641	11,053,679	-	14,414	9,655,047	146,147,618
2007-08	2,540,697	1,563,729	12,980,722	3,474,763	15,680,679	80,580,365	1,117,971	8,628,219	-	10,123	8,428,853	135,006,121
2006-07	2,410,245	1,457,412	11,716,463	3,258,613	17,740,409	79,929,753	1,059,877	7,240,548	-	17,966	7,985,324	132,816,610
2005-06	2,867,450	1,485,388	11,085,605	4,909,283	15,318,430	75,191,815	848,209	7,000,961	-	17,372	7,729,334	126,453,847
2004-05	2,406,966	1,570,920	9,494,823	2,367,735	8,377,443	69,384,008	832,365	2,246,097	-	-	26,194,358	122,874,715
2003-04	2,135,874	1,490,079	9,286,993	2,472,419	10,931,596	60,411,775	790,805	5,391,857	-	-	6,071,046	98,982,444

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) In FY 2012, the County implemented a Landfill Fund which decreased the Public Works expenditures.

Table 4

County of Pittsylvania, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes (3)	Other Local Taxes (4)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services (5)	Miscellaneous	Recovered Costs	Inter-governmental (2,4)	Total
2012-13	\$ 31,732,883	\$ 6,759,321	\$ 188,607	\$ 197,581	\$ 638,443	\$ 2,509,379	\$ 1,250,731	\$ 7,523,537	\$ 87,096,527	\$ 137,897,009
2011-12	29,536,089	6,805,947	162,287	173,265	670,207	2,393,242	1,270,149	4,672,806	88,822,247	134,506,239
2010-11	29,100,604	6,696,327	178,650	170,237	688,107	2,877,131	1,173,698	5,320,326	88,957,513	135,162,593
2009-10	29,247,029	6,414,085	179,480	166,937	740,864	2,801,689	981,228	1,779,199	100,511,627	142,822,138
2008-09	28,538,436	8,304,925	187,789	76,900	728,070	2,778,471	413,763	5,608,484	97,486,830	144,123,668
2007-08	26,648,575	7,748,448	228,189	59,939	1,617,807	2,807,395	752,137	2,865,162	93,065,615	135,793,267
2006-07	37,457,835	5,932,477	190,647	59,261	1,502,448	2,664,912	928,174	2,930,935	91,314,513	142,981,202
2005-06	23,973,358	7,670,729	194,032	35,858	1,212,422	2,527,252	364,769	2,669,158	79,797,186	118,444,764
2004-05	22,118,617	7,447,714	99,367	30,696	808,248	2,261,561	246,988	2,477,978	77,002,158	112,493,327
2003-04	22,190,424	6,492,864	110,376	28,778	642,446	1,925,765	194,390	1,894,935	70,110,021	103,589,999

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Fiscal year 2006-07 was the first time the County started twice a year collections for property taxes, as such general property taxes increased significantly due to collecting one and a half years of taxes.

(4) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.

(5) In fiscal year 2011-2012 the County implemented a Landfill fund and charges for those services were included in that fund.

Table 5

County of Pittsylvania, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2,3)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections (2)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1), (4)	Percent of Delinquent Taxes to Tax Levy
2012-13	\$ 35,706,993	\$ 34,265,018	95.96%	\$ 908,882	\$ 35,173,900	98.51%	\$ 4,969,523	13.92%
2011-12	34,990,189	32,026,677	91.53%	1,158,500	33,185,177	94.84%	4,388,377	12.54%
2010-11	32,592,883	31,183,881	95.68%	1,432,717	32,616,598	100.07%	4,024,379	12.35%
2009-10	31,940,215	30,753,521	96.28%	2,000,871	32,754,392	102.55%	4,372,838	13.69%
2008-09	32,080,815	31,031,751	96.73%	1,055,873	32,087,624	100.02%	6,093,598	18.99%
2007-08	30,622,788	29,287,616	95.64%	995,228	30,282,844	98.89%	5,162,664	16.86%
2006-07 (3)	42,906,728	40,904,736	95.33%	1,372,240	42,276,976	98.53%	5,442,012	12.68%
2005-06	27,550,647	25,301,243	91.84%	1,244,080	26,545,323	96.35%	3,890,053	14.12%
2004-05	25,825,295	24,583,223	95.19%	910,357	25,493,580	98.72%	3,274,117	12.68%
2003-04	26,189,167	24,800,704	94.70%	965,446	25,766,150	98.38%	3,105,388	11.86%

(1) Exclusive of penalties and interest.

(2) Includes amount received under the Personal Property Tax Relief Act.

(3) Fiscal year 2006-07 was the first time the County started twice a year collections for property taxes, as such the tax levy increased significantly due to levying one and a half years of taxes.

(4) In fiscal year 2011-2012, the 60 day collections were subtracted from the outstanding delinquent taxes due to the change in due date to June 29, 2012.

Table 6

County of Pittsylvania, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools	Merchant's Capital	Mobile Homes	Public Service (2)	Total
2012-13	\$ 3,765,453,474	\$ 119,660,633	\$ 39,087,600	\$ 8,899,321	\$ 47,871,206	\$ 338,873,822	\$ 4,319,846,056
2011-12	3,701,567,643	116,972,188	35,378,260	8,856,290	46,913,277	316,586,962	4,226,274,620
2010-11	3,703,464,286	112,839,901	34,298,350	8,580,130	47,038,600	326,907,505	4,233,128,772
2009-10	3,658,961,545	111,212,898	30,661,670	8,358,600	46,670,090	302,840,801	4,158,705,604
2008-09	3,441,025,740	116,284,250	27,960,420	10,958,360	53,850,620	279,532,952	3,929,612,342
2007-08	3,340,200,900	126,995,535	30,406,175	14,075,345	53,156,985	303,006,203	3,867,841,143
2006-07	3,283,464,100	124,122,610	31,212,500	14,007,680	52,996,310	319,260,819	3,825,064,019
2005-06	2,611,570,600	118,411,320	31,222,910	7,285,270	59,329,740	276,384,720	3,104,204,560
2004-05	2,548,462,609	111,655,846	34,479,460	12,614,550	59,705,300	300,082,626	3,067,000,391
2003-04	2,510,303,915	118,426,518	33,893,110	12,783,450	59,872,634	304,244,572	3,039,524,199

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission-includes all property types.

Table 7

County of Pittsylvania, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes	Generating Equipment (2)
2012-13	\$ 0.56	\$ 8.75	\$ 4.50	\$ 2.75	\$ 0.56	0.56
2011-12	0.52/0.56	8.75	4.50	2.75	0.52/0.56	0.52/0.56
2010-11	0.52	8.50	4.50	2.75	0.52	0.52
2009-10	0.56/0.52	8.50	4.50	2.75	0.56/0.52	0.56/0.52
2008-09	0.53/0.56	7.75/8.50	4.50	2.75	0.53/0.56	0.53/0.56
2007-08	0.53	7.75	4.50	2.75	0.53	0.53
2006-07	0.50	7.75	4.50	2.75	0.50	0.48
2005-06	0.57	7.75	4.50	2.75	0.57	0.55
2004-05	0.55	7.25	4.50	2.75	0.55	0.45
2003-04	0.55	7.25	4.50	2.75	0.55	0.45
2002-03	0.55	7.25	4.50	2.75	0.55	0.45

(1) Per \$100 of assessed value. Property taxes are assessed on January 1 of each year and therefore, the rates for amounts due on December 5th, may be different from the rates for amounts due on June 5th.

(2) Included as part of Public Service Corporations in other schedules

Table 8

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2012-13	63,506	\$ 4,319,846	\$ 101,616,973	101,616,973	2.35%	\$ 1,600
2011-12	63,506	4,226,275	107,562,022	107,562,022	2.55%	1,694
2010-11	63,506	4,233,129	110,332,166	110,332,166	2.61%	1,737
2009-10	61,745	4,158,706	114,021,227	114,021,227	2.74%	1,847
2008-09	61,745	3,929,612	116,514,098	116,514,098	2.97%	1,887
2007-08	61,745	3,867,841	60,326,400	60,326,400	1.56%	977
2006-07	61,745	3,825,064	54,194,748	54,194,748	1.42%	878
2005-06	61,745	3,104,205	57,958,492	57,958,492	1.87%	939
2004-05	61,745	3,067,000	58,888,579	58,888,579	1.92%	954
2003-04	61,745	3,039,524	66,116,252	66,116,252	2.18%	1,071

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
 Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absen

Table 9

County of Pittsylvania, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2012-13	\$ 10,260,033	\$ 162,975,279	6.30%
2011-12	9,947,394	138,199,584	7.20%
2010-11	9,436,325	133,624,177	7.06%
2009-10 (3)	10,992,554	141,653,503	7.76%
2008-09	9,587,217	146,147,618	6.56%
2007-08	8,428,853	135,006,121	6.24%
2006-07	7,985,324	132,816,610	6.01%
2005-06	7,729,334	126,453,847	6.11%
2004-05 (2)	6,519,530	132,684,871	4.91%
2003-04	6,071,046	122,570,186	4.95%

(1) Includes all governmental funds of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit-School Board.

(2) Excludes payoff of \$20 million dollar note.

(3) Excludes refunding transactions, including bond issuance costs.

Table 10

County of Pittsylvania, Virginia
Assessed Valuation of Top Ten Taxpayers
Fiscal Year 2013

Taxpayer	Type of Business	2013 Assessed Valuation	Percentage of Total Assessed Valuation
Virginia Electric & Power	Electric Utility	\$ 143,332,513	3.31%
Appalachian Power Company	Electric Utility	67,003,340	1.55%
Transcontinental Gas Pipeline	Gas Utility	34,143,417	0.79%
Swedwood	Manufacturer	30,974,620	0.71%
Colonial Pipeline	Gas Utility	25,156,181	0.58%
Norfolk Southern	Railroad	24,012,236	0.55%
Mecklenburg Electric Coop, Inc.	Electric Utility	21,409,083	0.49%
Verizon VA, Inc.	Communications	19,406,257	0.45%
Sartomer USA LLC	Manufacturer	11,403,760	0.26%
Intertape Polymer Corp	Electric Utility	10,012,060	0.23%
Total		\$ 386,853,467	8.92%
All Others		\$ 3,949,480,030	91.08%
Total Assessed Valuation		\$ 4,336,333,497	100.00%

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 Board of Supervisors
County of Pittsylvania, Virginia
Chatham, 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 business-type activities, the discretely presented component unit-School Board, each major fund, and the aggregate remaining fund information of County of Pittsylvania, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise County of Pittsylvania, Virginia's basic financial statements and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness [2013-1].

Compliance and Other Matters

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

County of Pittsylvania, Virginia's Response to Finding

County of Pittsylvania, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Pittsylvania, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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, Faure, Co. Associates

Blacksburg, Virginia
December 5, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Supervisors
County of Pittsylvania, Virginia
Chatham, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Pittsylvania, 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 Pittsylvania, Virginia's major federal programs for the year ended June 30, 2013. County of Pittsylvania, Virginia's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, County of Pittsylvania, 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 County of Pittsylvania, 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 Pittsylvania, 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 Pittsylvania, 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, Famer, Cox Associates

Blacksburg, Virginia
December 5, 2013

County of Pittsylvania, 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	\$ 35,986
Temporary Assistance for Needy Families	93.558	0400112, 0400113	456,651
Refugee and Entrant Assistance - State Administered Programs	93.566	0500112, 0500113	1,604
Low-Income Home Energy Assistance	93.568	0600412, 0600413	47,004
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770111, 0770113	(1,190)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760112, 0760113	69,433
Chafee Education & Training Vouchers Program	93.599	9160112	3,498
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900112, 0900113	2,651
Foster Care - Title IV-E	93.658	1100112, 1100113	199,455
Adoption Assistance	93.659	1120112, 1120113	58,650
Social Services Block Grant	93.667	1000112, 1000113	362,212
Chafee Foster Care Independence Program	93.674	9150112, 9150113	3,842
Children's Health Insurance Program	93.767	0540112, 0540113	12,543
Medical Assistance Program	93.778	1200112, 1200113	<u>303,142</u>
Total Department of Health and Human Services			<u>\$ 1,555,481</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Virginia Department of Agriculture & Consumer Services:			
Food Distribution-Schools (Note D)	10.555	Not applicable	\$ 298,140
Department of Education:			
National School Lunch Program	10.555	40623	\$ 2,200,255
National School Lunch Program Subtotal	10.555		<u>\$ 2,498,395</u>
Virginia Department of Agriculture & Consumer Services:			
Summer Food Service Program for Children (Note D)	10.559	Not applicable	\$ 1,097
Department of Education:			
National School Breakfast Program	10.553	40591	<u>\$ 737,174</u>
Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	40593	17,739
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010112, 0010113, 0030112, 0030113, 0040112, 0040113, 0050112, 0050113	<u>\$ 518,538</u>
Total Department of Agriculture			<u>\$ 3,772,943</u>
Department of Justice:			
Direct payments:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not applicable	<u>\$ 17,314</u>
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	12VAGX0001	<u>\$ 39,771</u>
Total Department of Justice			<u>\$ 57,085</u>

County of Pittsylvania, 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 Transportation:			
Pass Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	EN03-187-00074484	\$ 147,791
Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K8-2013-53414-5129 K8-2012-52196-4574	\$ 29,309
Occupant Protection Incentive Grants	20.602	K2-2013-53378-5093	5,997
			<u>\$ 183,097</u>
Total Department of Transportation			
Department of Labor:			
Pass Through Payments:			
Virginia Employment Commission:			
Trade Adjustment Assistance	17.245	888651	\$ 95,307
Virginia Community College System:			
Workforce Investment Act Cluster:			
Workforce Investment Act Adult Program	17.258	53427	\$ 1,212,831
Workforce Investment Act Youth Activities	17.259	53427	1,147,669
Workforce Investment Act Dislocated Worker Formula Grants	17.260	53427	514,442
			<u>\$ 2,970,249</u>
Total Department of Labor			
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to local educational agencies	84.010	42901, 42892	\$ 2,388,325
Special Education Cluster:			
Special Education: Grants to States	84.027	43071	1,899,223
Special Education: Preschool Grants	84.173	62521	28,963
Career and Technical Education: Basic Grants to States	84.048	61095, 86647	155,033
Twenty-First Century Community Learning Centers	84.287	60565	111,306
School Improvement Grants	84.377	43040	381,230
English Language Acquisition Grants	84.365	60512	10,766
Improving Teacher Quality - State Grants	84.367	61480	318,030
			<u>\$ 5,292,876</u>
Total Department of Education			
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Homeland Security Grant Program	97.073	52700	\$ 8,659
Emergency Management Performance Grants	97.042	52741, 52910	47,123
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	11099	6,916
			<u>\$ 62,698</u>
Total Department of Homeland Security			
			<u>\$ 13,894,429</u>
Total Expenditures of Federal Awards			

County of Pittsylvania, 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
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Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Pittsylvania County, 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 Pittsylvania, Virginia, it is not intended to and does not present the financial position, changes in nets position, or cash flows of the County of Pittsylvania, Virginia.

Note B -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such 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 C -- Subrecipients

Of the federal expenditures presented in the schedule, Pittsylvania County, Virginia provided federal awards to subrecipients as follows:
 CFDA Numbers: 17.245, 17.258, 17.259 and 17.260
 Program Name: Workforce Development Act Cluster
 Amount Provided to Subrecipients: \$2,970,249

Note D -- Food Donation:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2013, The Pittsylvania County School Board had food commodities totaling \$0 in inventory.

Note E -- 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	\$	2,376,899
Workforce Investment Act Fund		2,970,249
Total primary government:	\$	5,347,148
Component Unit Schools:		
School Operating Fund	\$	8,547,281
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	13,894,429

County of Pittsylvania, Virginia

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting: Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.010	Title I - Grants to Local Education Agencies
84.027/84.173	Special Education (IDEA) - Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$416,833
Auditee qualified as low-risk auditee?	No

County of Pittsylvania, Virginia

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

Section II - Financial Statement Findings

2013-1

Criteria: Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose *adjustments* necessary to comply with reporting standards is not a component of such controls.

Condition: The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause of Condition: The County does not have proper controls in place to notice and correct errors in closing their year end financial statements.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls over financial reporting.

Recommendation: The County should review the auditors' proposed audit adjustments for fiscal year 2013 and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: Management agrees with this finding and will continue to work toward having their trial balance more complete and ready for the audit process.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

Financial Statement Finding 2012-1 was recurring in the current year.