

**COUNTY OF PITTSYLVANIA, VIRGINIA**

**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2012**

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ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2012**

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## INTRODUCTORY SECTION

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# COUNTY OF PITTSYLVANIA, VIRGINIA

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## BOARD OF SUPERVISORS

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

## COUNTY SCHOOL BOARD

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

## SOCIAL SERVICES BOARD

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

## OTHER OFFICIALS

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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

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**FINANCIAL SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit-School Board, the major funds, and the aggregate remaining fund information of the County of Pittsylvania, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Pittsylvania, Virginia's management. 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, which jointly represents 16.91%, 35.16% and 6.89%, of the total assets, net assets and program revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Pittsylvania County Service Authority in the aggregate discretely presented component units, is based 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, the major funds, and the aggregate remaining fund information of the County of Pittsylvania, Virginia as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012, except for the Industrial Development Authority of Pittsylvania County and Note 1, as to which the date is January 23, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements,

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Pittsylvania, Virginia's basic financial statements as a whole. 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The introductory section, other supplementary information, supporting schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other statistical information have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

The County of Pittsylvania, Virginia was unable to obtain financial statements for the Industrial Development Authority of Pittsylvania County until January 23, 2013. These financial statements have been restated to reflect the inclusion of the Industrial Development Authority of Pittsylvania County, a discretely presented component unit.

*Robinson, Turner, Co. Associates*

Blacksburg, Virginia

December 4, 2012, except for the Industrial Development Authority of Pittsylvania County and Note 1, as to which the date is January 23, 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, 2012. 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 governmental activities' assets of the County of Pittsylvania, Virginia exceeded its liabilities at the close of the most recent fiscal year by \$58,840,248 (net assets). Of this amount, \$31,555,327 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Information concerning net assets for the County, its business-type activities and its component units is located on Exhibit 1. The business-type activities include a newly established Landfill Enterprise Fund. The business-type activities' liabilities exceeded its assets by \$4,718,075. Of this amount, \$(3,941,286) is unrestricted. The component units include the School Board's net assets totaling \$14,644,003 of which \$(1,080,077) is unrestricted and Pittsylvania County Service Authority's net assets totaling \$35,315,129 of which \$1,897,507 is unrestricted (See Exhibit 1). The Industrial Development Authority's financial statements were unavailable as of release of the County of Pittsylvania, Virginia's audit report. 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 governmental activities' net assets increased by \$1,516,207. In addition, the School Board's net assets increased by \$1,386,243 and the PCSA's net assets increased by \$3,520,154. Business-type activities' net assets increased by \$170,413 (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 \$30,270,256 or 50 percent of total general fund expenditures. (See Exhibit 3.) This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2012 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2013.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$49,561,397, an increase of \$6,206,239 from last year. Approximately 70 percent of this total amount, or \$34,458,332 (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 \$3,014,977, (2) assigned funds which represents \$1,173,099 and (3) unassigned funds which represents \$30,270,256. (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 2011-2012.
- 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 and liabilities 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 assets and 2) the statement of activities.

4The statement of net assets presents all of the County's permanent accounts, or assets, liabilities and net assets. The difference between assets and liabilities is reported as net assets. Increases or decreases in net assets 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 assets 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 in government revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both 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 elsewhere in this report.

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 assets 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, governmental activities' assets exceeded liabilities by \$58,840,248 at the end of the fiscal year.

The County's net assets are divided into three categories: (1) invested in capital assets, net of related debt; (2) restricted; and (3) unrestricted.

<b>County of Pittsylvania's Net Assets</b>			
	2012		2011
	Governmental Activities		Governmental Activities
	_____		_____
Current and other assets	\$ 77,678,389	\$	68,415,681
Capital assets	124,847,577		126,808,089
Total assets	<u>\$ 202,525,966</u>	<u>\$</u>	<u>195,223,770</u>
Long-term liabilities	\$ 122,209,600	\$	122,430,878
Other liabilities	21,476,118		20,308,757
Total liabilities	<u>\$ 143,685,718</u>	<u>\$</u>	<u>142,739,635</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 21,483,509	\$	21,394,339

Restricted	5,801,412	2,867,351
Unrestricted	31,555,327	28,222,445
Total net assets	\$ <u>58,840,248</u>	\$ <u>52,484,135</u>

For the County, 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 37 percent of total net assets. 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 assets represent resources that are subject to external restrictions on how they may be used. These assets include funds restricted for grants, law library, courthouse maintenance and courthouse security. Also included in these restricted assets are assets seized by the Sheriff's Department and can only be used for law enforcement. The County's restricted net assets account for 9 percent of total net assets.

The remaining balance of unrestricted net assets, which is \$31,555,327 or 54 percent of total net assets, 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 assets.

The government's net assets increased by \$1,516,207 during the current fiscal year. The majority of this increase can be attributed to the recent construction on the new cell at the landfill as well as the upgrade of E911 radios and towers.

#### Governmental Activities

Governmental activities increased the County's net assets by \$1,516,207. Key elements of this decrease are as follows:

	<u>2012</u> <u>Business-type</u> <u>Activities</u>	<u>2012</u> <u>Governmental</u> <u>Activities</u>	<u>2011</u> <u>Governmental</u> <u>Activities</u>
Revenues:			
Program revenues:			
Charges for services	\$ 258,898	\$ 665,125	\$ 861,632
Operating grants & contributions		15,633,076	16,037,575
General revenues:			
General property taxes		31,373,406	28,781,337

Other local taxes		6,805,947	6,696,327
Use of money and property	4,876	647,071	646,849
Other	388	409,229	673,095
Grants and contributions not restricted to specific programs		6,698,703	6,760,306
Community Development Grants		2,405,211	3,564,213
Total revenues	\$ 264,162	\$ 64,637,768	\$ 64,021,334
Expenses:			
General government	\$	\$ 2,352,270	\$ 2,317,903
Judicial administration		1,604,516	1,521,622
Public safety		14,004,881	13,492,424
Public works		1,312,173	5,199,400
Landfill	3,192,265	-	-
Health and welfare		11,725,859	15,013,208
Education		17,483,731	16,068,919
Parks, recreation and cultural		1,389,794	1,212,790
Community development		5,297,007	6,009,715
Interest on long-term debt		4,852,814	5,052,047
Total expense	\$ 3,192,265	\$ 60,023,045	\$ 65,888,028
Transfer In/(Out)	3,098,516	(3,098,516)	
Increase/(Decrease) in net assets	170,413	\$ 1,516,207	\$ (1,866,694)
Net assets, Beginning*	(4,888,488)	57,324,041	54,350,829
Net assets, Ending	\$ (4,718,075)	\$ 58,840,248	\$ 52,484,135

\*beginning assets balance for FY2012 was restated-see note 22

-Revenues: Under the full accrual method, general property taxes increased by 9% from last year. Under the modified accrual basis, real property taxes experienced an increase of 3% and personal property taxes experienced a slight increase of 1%. 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 first installment including these new increases is reflected in the figures above.

-Revenues: Other local taxes experienced an overall increase of 2% from FY2011, which was due primarily to increases in local sales and use tax as well as an increase in meals tax receipts. Local sales tax was up by 5% while meals tax was up by 2%. Motor Vehicle licenses also increased during this year by 3% because the Treasurer's Office continued to use DMV Registration Stops which forced citizens to pay license fees in order to keep their vehicle registration current.

-Expenses: Overall primary government expenditures increased less than 1% over FY2011. Expenditures were up this year primarily because of construction of a new cell at the Landfill as a major upgrade of E911 equipment required by law.

-Expenses: Education increased by 5% from FY2011. All categories of education increased during 2012.

-Expenses: Community Development decreased by 42%. Community Development expenditures decreased primarily because of the completion of various economic development projects. Projects that continued during the FY2012 year included construction of a water and sewer line at the Berry Hill Mega Park as well as water and sewer improvements at the Hurt Klopman Mills plant.

### **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 \$49,561,397. Approximately 61 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, 2012, total fund balance of the general fund was \$42,387,958 of which \$30,270,256 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved 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 \$15,536,358.

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 Year Ended June 30, 2012**

	2012	2011
General Fund Balance per Treasurer	\$ 15,037,599	\$ 28,873,828
 <u>Funds merged for financial reporting purposes:</u>		
Adjustment for Central Stores negative cash	(71,660)	(55,534)
Adjustment for WIA negative cash	-	-
Animal Friendly Plates Revenue Fund	14	988
Debt Reserve Fund-Human Services Fund	114,905	114,512
County Jail CIP Fund	49,031	24,373
Bond Fund	2,400	2,400
Grants Fund	553,433	592,117
Capital Improvement Fund	497,252	571,537
Rural Roads Fund	195,315	195,315
Landfill Bond Fund	-	(38,700)
Courthouse Security Fund	510,563	462,452
Jail Processing Fee Fund	47,940	42,761
Library Gifts Fund	40,607	61,364
Courthouse Maintenance Fund	38,305	21,660
Law Library Fund	17,719	21,091
E-911 Bond Fund	9,908,350	-
Rescue Billing	72,926	-
Subtotal - Merged Funds	\$ <u>11,977,100</u>	\$ <u>2,016,336</u>
 <u>Adjustments to covert cash basis records to the modified accrual</u>		
Reversion of School Salaries Payable Fund	\$ 4,128,164	\$ 4,100,813
Funds held in the Sheriff's Office	-	-
Total Cash Adjustments	\$ <u>4,128,164</u>	\$ <u>4,100,813</u>
Total Cash/Investments – Exhibit 3	\$ <u>31,142,863</u>	\$ <u>34,990,977</u>
 Accrual Entries:		
Taxes and fees receivable	11,056,574	(2,069,905)

Accounts Receivable	450,867	587,838
Amounts due from other funds	79,781	55,534
Amounts due from other Governments	2,149,780	2,041,289
Accounts Payable	(468,050)	(444,377)
Salaries Payable	(38,883)	(26,987)
Retainage Payable	(13,234)	(13,259)
Due to other funds	(43986)	-
Amount due the Component Unit School Board	(1,927,754)	(1,703,516)
Total Accrual Entries	\$ 11,245,095	\$ (1,573,383)
Total Fund Balance General Fund – Exhibit 3	\$ 42,387,958	\$ 33,417,594

The fund balance of the County’s general fund increased by \$9,018,946 during the current fiscal year. The majority of the increase in the General Fund Balance can be attributed to the inclusion of funds for the new E911 equipment upgrade as well as funds for construction of the new landfill cell.

**General Fund Budgetary Highlights**

Differences between the original budgeted appropriations and the final amended budgeted appropriations were net decrease of \$9,505,273. This decrease occurred because of various budget reductions that occurred after the 2012 budget process was complete. There were also increases that were made to the 2012 budget because of unforeseen events that occurred during the year. Significant budgetary reduction/supplements are included below:

- A major budget reduction concerned the construction of a new jail at \$22,000,000. It was determined early in the 2012 budget year that this project was unlikely to happen and the Board felt that this amount needed to be removed from the budget.
- A total of \$2,040,663.81 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. On July 1, 2011, budgeted carryovers were increased by \$536,163.91. In addition to these carryovers, the High School Renovation Carryover totaled \$578,084.43.
- Grant Funds increased the budget significantly during FY 2012. New grants received during the year totaled \$2,912,358.18.
- Unexpected expenditures appropriated from undesignated fund balance totaled \$484,763.50.

## **Capital Asset and Debt Administration**

### **Capital assets**

The County's investment in capital assets for its governmental activities as of June 30, 2012 is \$124,847,577 (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 \$520,397
- E-911 Radio and Tower Upgrades \$3,664,991
- Captain Martin Building Renovations \$183,705
- Mobile Remote Monitoring Surveillance Trailer (Sheriff) \$47,585
- Library Roof Replacement \$50,988

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

	2012 Governmental activities	2011 Governmental activities
Land	\$ 4,904,148	\$ 4,989,148
Buildings and system	114,339,322	56,322,327
Machinery and equipment	1,840,142	2,110,318
Construction in progress	3,763,965	63,386,296
Total	<u>\$ 124,847,577</u>	<u>\$ 126,808,089</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 \$107,632,713. 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**

	2012	2012	2011
	Business-type	Governmental	Governmental
	activities	activities	activities
General obligation bonds	\$ 3,970,063	79,174,206	\$ 87,109,614
Loan Anticipation Note		20,090,000	20,090,000
Lease Revenue Notes		2,730,140	3,132,553
Bond Premium		1,407,062	1,739,853
Deferred Amount on Refunding	(41,708)	(803,678)	(951,440)
Bond Discounts		(144,304)	(152,321)
Landfill closure/post-closure	5,130,261	-	5,130,261
OPEB Liability		661,000	464,000
Capital leases		15,852,245	2,354,277
Compensated absences	15,869	992,929	1,014,081
Contingency for CSA		2,250,000	2,500,000
Total	\$ 9,074,485	122,209,600	\$ 122,430,878

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, 2012, the unemployment rate for the County was 7.2 percent, which is a decrease from the rate of 9.3 percent a year ago. This compares unfavorably to the state's average unemployment rate of 6.0 percent and favorably to the national average rate of 8.4 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 \$40,333 (based on the latest attainable 2011 data) compared to the State median household income of \$63,302.
- 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 2013 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 2012 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](http://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 Assets  
June 30, 2012

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority	Pittsylvania County Service Authority
<b>ASSETS</b>						
Cash and cash equivalents	\$ 28,742,401	\$ 395,209	\$ 29,137,610	\$ 382,346	\$ 94,232	\$ 653,536
Investments	13,042,260	-	13,042,260	-	-	1,246,275
Receivables (net of allowance for uncollectibles):						
Taxes receivable	30,572,803	-	30,572,803	-	-	-
Accounts receivable	1,560,834	37,569	1,598,403	25,440	-	353,590
Notes receivable	-	-	-	-	625,057	-
Interest receivable	-	-	-	-	18,538	-
Due from primary government	-	-	-	1,927,754	-	-
Due from other governmental units	2,894,935	-	2,894,935	3,080,007	-	-
Inventories	20,518	-	20,518	-	-	43,890
Assets held for resale - Industrial sites	-	-	-	-	987,700	-
Internal balances	8,121	(8,121)	-	-	-	-
Prepaid expenses	-	-	-	666,859	-	34,984
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	2,614	-	-
Investments	-	2,145,830	2,145,830	-	-	450,000
Other assets:						
Unamortized bond issue costs	836,517	173,385	1,009,902	-	-	-
Noncurrent assets:						
Notes receivable	-	-	-	-	7,755,108	-
Capital assets (net of accumulated depreciation):						
Land	4,904,148	95,000	4,999,148	2,662,750	-	-
Buildings and improvements	114,339,322	-	114,339,322	9,746,302	-	-
Machinery and equipment	1,840,142	202,086	2,042,228	2,846,611	-	-
Infrastructure	-	3,605,767	3,605,767	-	-	-
Utility plant in service	-	-	-	-	-	31,945,418
Construction in progress	3,763,965	1,205,236	4,969,201	80,827	-	2,975,410
Total assets	202,525,966	7,851,961	210,377,927	21,421,510	9,480,635	37,703,103
<b>LIABILITIES</b>						
Accounts payable	1,199,819	605,861	1,805,680	899,793	-	120,605
Salaries payable	38,883	5,507	44,390	4,130,778	-	6,262
Customer deposits	-	-	-	-	-	140,053
Retainage payable	33,570	55,757	89,327	-	-	-
Estimate of incurred but unreported health claims	898,624	-	898,624	-	-	-
Accrued interest payable	1,969,374	66,637	2,036,011	-	18,538	12,376
Due to component unit	1,927,754	-	1,927,754	-	-	-
Unearned revenue	15,408,094	-	15,408,094	-	-	66,540
Long-term liabilities:						
Due within one year	6,139,075	1,353,761	7,492,836	1,145,952	556,741	424,200
Due in more than one year	116,070,525	10,482,513	126,553,038	600,984	6,923,424	1,617,938
Total liabilities	143,685,718	12,570,036	156,255,754	6,777,507	7,498,703	2,387,974
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	21,483,509	(776,789)	20,706,720	15,336,490	-	33,417,622
Restricted for:						
Grant funds	549,554	-	549,554	-	-	-
Asset forfeiture funds	990,958	-	990,958	-	-	-
Law library funds	17,719	-	17,719	-	-	-
Courthouse maintenance funds	38,304	-	38,304	-	-	-
Courthouse security funds	510,483	-	510,483	-	-	-
Health Insurance	3,694,394	-	3,694,394	-	-	-
School Cafeteria	-	-	-	387,590	-	-
Unrestricted (deficit)	31,555,327	(3,941,286)	27,614,041	(1,080,077)	1,981,932	1,897,507
Total net assets	\$ 58,840,248	\$ (4,718,075)	\$ 54,122,173	\$ 14,644,003	\$ 1,981,932	\$ 35,315,129

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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units		
					Governmental Activities	Business-type Activities		School Board	Industrial Development Authority	Pittsylvania County Service Authority
<b>PRIMARY GOVERNMENT:</b>										
Governmental activities:										
General government administration	\$ 2,352,270	\$ 172,018	\$ 351,055	\$ -	\$ (1,829,197)		\$ (1,829,197)			
Judicial administration	1,604,516	16,481	1,036,598	-	(551,437)		(551,437)			
Public safety	14,004,881	437,890	5,109,034	-	(8,457,957)		(8,457,957)			
Public works	1,312,173	12,018	15,001	-	(1,285,154)		(1,285,154)			
Health and welfare	11,725,859	-	8,927,820	-	(2,798,039)		(2,798,039)			
Community development	5,297,007	2,108	50,000	2,405,211	(2,839,688)		(2,839,688)			
Interest on long-term debt	4,852,814	-	-	-	(4,852,814)		(4,852,814)			
Total governmental activities	60,023,045	640,515	15,489,508	2,405,211	(41,487,811)		(41,487,811)			
Business-type activities:										
Landfill	\$ 3,192,265	\$ 258,898	\$ -	\$ -		\$ (2,933,367)	\$ (2,933,367)			
Total primary government	\$ 63,215,310	\$ 899,413	\$ 15,489,508	\$ 2,405,211	\$ (41,487,811)	\$ (2,933,367)	\$ (44,421,178)			
<b>COMPONENT UNITS:</b>										
School Board	\$ 82,374,494	\$ 2,063,669	\$ 64,335,257	\$ -			\$ (15,975,568)	\$ -	\$ -	\$ -
Industrial Development Authority	951,728	-	-	-			-	(951,728)	-	-
Pittsylvania County Service Authority	2,806,181	2,328,839	-	3,979,882			-	-	-	3,502,540
Total component units	\$ 86,132,403	\$ 4,392,508	\$ 64,335,257	\$ 3,979,882			\$ (15,975,568)	\$ (951,728)	\$ -	\$ 3,502,540
General revenues:										
General property taxes					\$ 31,373,406	\$ -	\$ 31,373,406	\$ -	\$ -	\$ -
Other local taxes:										
Local sales and use taxes					1,982,491	-	1,982,491	-	-	-
Consumers' utility taxes					1,283,427	-	1,283,427	-	-	-
Motor vehicle taxes					2,339,861	-	2,339,861	-	-	-
Other local taxes					1,200,168	-	1,200,168	-	-	-
Unrestricted revenues from use of money and property					647,071	4,876	651,947	40,831	331,453	16,114
Miscellaneous					409,229	388	409,617	860,920	-	-
Payments from the County of Pittsylvania					-	-	-	16,460,060	-	-
Grants and contributions not restricted to specific programs					6,842,271	-	6,842,271	-	-	-
Gain on disposal of capital assets					-	-	-	-	-	1,500
Transfers					(3,098,516)	3,098,516	-	-	-	-
Total general revenues and transfers					42,979,408	3,103,780	46,083,188	17,361,811	331,453	17,614
Change in net assets					1,491,597	170,413	1,662,010	1,386,243	(620,275)	3,520,154
Net assets - beginning, as restated					57,324,041	(4,888,488)	52,435,553	13,257,760	2,602,207	31,794,975
Net assets - ending					\$ 58,815,638	\$ (4,718,075)	\$ 54,097,563	\$ 14,644,003	\$ 1,981,932	\$ 35,315,129

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

County of Pittsylvania, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2012

	General	Industrial Development	Workforce Investment Act	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 21,061,148	\$ 2,879,065	\$ 114,456	\$ 1,150,873	\$ 25,205,542
Investments	10,081,715	-	-	2,960,545	13,042,260
Receivables (net of allowance for uncollectibles):					
Taxes receivable	30,572,803	-	-	-	30,572,803
Accounts receivable	450,867	-	-	13,058	463,925
Due from other funds	79,781	-	-	43,986	123,767
Due from other governmental units	2,149,780	388,035	357,120	-	2,894,935
Total assets	<u>64,396,094</u>	<u>3,267,100</u>	<u>471,576</u>	<u>4,168,462</u>	<u>72,303,232</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	468,050	119,315	594,048	-	1,181,413
Salaries payable	38,883	-	-	-	38,883
Retainage payable	13,234	10,336	-	10,000	33,570
Due to other funds	43,986	-	-	-	43,986
Due to component unit	1,927,754	-	-	-	1,927,754
Deferred revenue	19,516,229	-	-	-	19,516,229
Total liabilities	<u>22,008,136</u>	<u>129,651</u>	<u>594,048</u>	<u>10,000</u>	<u>22,741,835</u>
Fund balances:					
Restricted:					
Construction Fund	10,045,502	-	-	2,950,545	12,996,047
Grants Fund	549,554	-	-	-	549,554
Asset Forfeiture Fund	-	-	-	990,958	990,958
Law Library Fund	17,719	-	-	-	17,719
Courthouse Maintenance Fund	38,304	-	-	-	38,304
Courthouse Security Fund	510,483	-	-	-	510,483
Committed:					
Special revenue funds	-	3,137,449	-	-	3,137,449
Assigned:					
Veterinary Expense Fund	13	-	-	-	13
Library Gifts Fund	40,267	-	-	-	40,267
Capital Outlay Fund	506,270	-	-	-	506,270
Jail Inmate Management Fund	49,030	-	-	-	49,030
Jail Processing Fund	47,940	-	-	-	47,940
Rural Road Addition Fund	195,315	-	-	-	195,315
Debt Service Reserve Fund	-	-	-	216,959	216,959
Social Services Bond Fund	114,905	-	-	-	114,905
Schools Bond Fund	2,400	-	-	-	2,400
Unassigned	30,270,256	-	(122,472)	-	30,147,784
Total fund balances	<u>42,387,958</u>	<u>3,137,449</u>	<u>(122,472)</u>	<u>4,158,462</u>	<u>49,561,397</u>
Total liabilities and fund balances	<u>\$ 64,396,094</u>	<u>\$ 3,267,100</u>	<u>\$ 471,576</u>	<u>\$ 4,168,462</u>	<u>\$ 72,303,232</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 Assets  
 June 30, 2012

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 49,561,397
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	124,847,577
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	4,108,135
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 assets.	3,665,596
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	836,517
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(124,178,974)
Net assets of governmental activities	<u>\$ 58,840,248</u>

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, 2012

	General	Industrial Development	Workforce Investment Act	Other Governmental Funds	Total
<b>REVENUES</b>					
General property taxes	\$ 29,536,089	\$ -	\$ -	\$ -	\$ 29,536,089
Other local taxes	6,805,947	-	-	-	6,805,947
Permits, privilege fees, and regulatory licenses	162,287	-	-	-	162,287
Fines and forfeitures	173,265	-	-	-	173,265
Revenue from the use of money and property	622,287	-	-	24,784	647,071
Charges for services	329,573	-	-	-	329,573
Miscellaneous	129,429	-	279,800	-	409,229
Recovered costs	1,425,793	39,790	-	9,937	1,475,520
Intergovernmental revenues:					
Commonwealth	15,755,962	2,263,381	-	766,416	18,785,759
Federal	2,618,292	-	3,082,939	-	5,701,231
Total revenues	<u>57,558,924</u>	<u>2,303,171</u>	<u>3,362,739</u>	<u>801,137</u>	<u>64,025,971</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	2,768,169	-	-	-	2,768,169
Judicial administration	1,566,584	-	-	-	1,566,584
Public safety	14,064,597	-	-	158,263	14,222,860
Public works	1,215,984	-	-	-	1,215,984
Health and welfare	8,357,254	-	3,505,685	-	11,862,939
Education	15,544,890	-	-	-	15,544,890
Parks, recreation, and cultural	1,384,918	-	-	-	1,384,918
Community development	1,972,730	2,567,365	-	1,000,000	5,540,095
Capital projects	3,705,766	-	-	1,091,009	4,796,775
Debt service:					
Principal retirement	5,000,446	-	-	-	5,000,446
Bond issuance costs	118,425	-	-	-	118,425
Interest and other fiscal charges	4,829,787	-	-	-	4,829,787
Total expenditures	<u>60,529,550</u>	<u>2,567,365</u>	<u>3,505,685</u>	<u>2,249,272</u>	<u>68,851,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,970,626)</u>	<u>(264,194)</u>	<u>(142,946)</u>	<u>(1,448,135)</u>	<u>(4,825,901)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,598,806	939,748	-	-	3,538,554
Transfers out	(4,076,964)	(15,790)	-	(2,544,316)	(6,637,070)
Issuance of capital leases	13,467,730	-	-	662,926	14,130,656
Total other financing sources (uses)	<u>11,989,572</u>	<u>923,958</u>	<u>-</u>	<u>(1,881,390)</u>	<u>11,032,140</u>
Net change in fund balances	9,018,946	659,764	(142,946)	(3,329,525)	6,206,239
Fund balances - beginning	33,369,012	2,477,685	20,474	7,487,987	43,355,158
Fund balances - ending	<u>\$ 42,387,958</u>	<u>\$ 3,137,449</u>	<u>\$ (122,472)</u>	<u>\$ 4,158,462</u>	<u>\$ 49,561,397</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, 2012

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

Net change in fund balances - total governmental funds	\$ 6,206,239
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 and the transfer of debt financed assets to the School Board exceeded depreciation in the current period.	2,220,086
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,837,317
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(8,761,785)
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.	(214,744)
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.	229,094
Change in net assets of governmental activities	<u>\$ 1,516,207</u>

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

County of Pittsylvania, Virginia  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	Enterprise Fund Landfill Fund	Internal Service Funds
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 395,209	\$ 3,536,859
Accounts receivables, net of allowances for uncollectibles	37,569	1,096,909
Inventories	-	20,518
Total current assets	<u>432,778</u>	<u>4,654,286</u>
Noncurrent assets:		
Restricted assets:		
Investments	<u>2,145,830</u>	-
Other assets:		
Unamortized bond issue costs	<u>173,385</u>	-
Capital assets: (net of related depreciation)		
Land	95,000	-
Machinery and equipment	202,086	-
Infrastructure	3,605,767	-
Construction in progress	1,205,236	-
Total capital assets	<u>5,108,089</u>	-
Total noncurrent assets	<u>7,427,304</u>	-
Total assets	<u>7,860,082</u>	<u>4,654,286</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	605,861	18,406
Estimate of incurred but unreported health claims	-	898,624
Accrued salaries	5,507	-
Due to other funds	8,121	71,660
Retainage payable	55,757	-
Interest payable	66,637	-
Compensated absences - current portion	13,960	-
Bonds payable - current portion	1,339,801	-
Total current liabilities	<u>2,095,644</u>	<u>988,690</u>
Noncurrent liabilities:		
Landfill closure/postclosure liability	5,932,782	-
Bonds payable - net of current portion	4,545,077	-
Compensated absences - net of current portion	4,654	-
Total noncurrent liabilities	<u>10,482,513</u>	-
Total liabilities	<u>12,578,157</u>	<u>988,690</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	(776,789)	-
Restricted for health insurance claims	-	3,694,394
Unrestricted	(3,941,286)	(28,798)
Total net assets	<u>\$ (4,718,075)</u>	<u>\$ 3,665,596</u>

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 Assets  
Proprietary Funds  
For the Year Ended June 30, 2012

	Enterprise Fund <u>Landfill</u> Fund	Internal Service Funds
<b>OPERATING REVENUES</b>		
Charges for services:		
Materials and supplies	\$ -	\$ 718,714
Insurance premiums	-	10,875,470
Recycling	17,971	-
Solid waste collections	240,927	-
Miscellaneous	388	-
Total operating revenues	<u>259,286</u>	<u>11,594,184</u>
<b>OPERATING EXPENSES</b>		
Supplies, insurance and telephone	-	746,481
Insurance claims and expenses	-	10,618,609
Salaries	597,217	-
Fringes	254,592	-
Contractual services	287,644	-
Utilities	31,705	-
Insurance	13,943	-
Fuel	307,798	-
Supplies	135,446	-
Landfill monitoring	133,172	-
Improvements and closure costs	818,971	-
Miscellaneous	80,193	-
Depreciation	294,460	-
Total operating expenses	<u>2,955,141</u>	<u>11,365,090</u>
Change in net assets	<u>(2,695,855)</u>	<u>229,094</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	4,876	-
Interest expense	(237,124)	-
Total nonoperating revenues (expenses)	<u>(232,248)</u>	<u>-</u>
Income before contributions and transfers	(2,928,103)	229,094
Transfers in	3,137,216	-
Transfers out	(38,700)	-
Change in net assets	<u>170,413</u>	<u>229,094</u>
Total net assets - beginning, as restated	(4,888,488)	3,436,502
Total net assets - ending	<u>\$ (4,718,075)</u>	<u>\$ 3,665,596</u>

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, 2012

	Enterprise Fund Landfill Fund	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 221,717	\$ -
Receipts for materials and supplies	-	745,550
Receipts for insurance premiums	-	9,819,311
Payments to suppliers	(984,252)	(745,550)
Payments to employees	(846,302)	-
Payments for insurance premiums	-	(10,560,749)
Net cash provided by (used for) operating activities	<u>(1,608,837)</u>	<u>(741,438)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	(30,579)	-
Transfers from other funds	3,137,216	-
Net cash provided by (used for) noncapital financing activities	<u>3,106,637</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Additions to utility plant	(579,687)	-
Principal payments on bonds	(957,386)	-
Bond issuance costs	(152,188)	-
Bond issuance premiums	351,958	-
Proceeds from indebtedness	2,555,000	-
Interest payments	(179,334)	-
Net cash provided by (used for) capital and related financing activities	<u>1,038,363</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends received	4,876	-
Net cash provided by (used for) investing activities	<u>4,876</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,541,039	(741,438)
Cash and cash equivalents - beginning	-	4,278,297
Cash and cash equivalents - ending (including \$2,145,830 in restricted)	<u>\$ 2,541,039</u>	<u>\$ 3,536,859</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (2,695,855)	\$ 229,094
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	294,460	-
(Increase) decrease in accounts receivable	(37,569)	(1,029,323)
(Increase) decrease in inventories	-	(3,182)
Increase (decrease) in accrued salaries	5,507	-
Increase (decrease) in closure/postclosure liability	802,521	-
Increase (decrease) in accounts payable	19,354	45,847
Increase (decrease) in compensated absences	2,745	-
Increase (decrease) in due to other funds	-	16,126
Total adjustments	<u>1,087,018</u>	<u>(970,532)</u>
Net cash provided by (used for) operating activities	<u>\$ (1,608,837)</u>	<u>\$ (741,438)</u>

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

County of Pittsylvania, Virginia  
 Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2012

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 309,499
Cash in custody of others	33,944
Total assets	\$ 343,443
 <b>LIABILITIES</b>	
Amounts held for Social Services clients	\$ 12,972
Amounts held for developer	296,527
Amounts held for inmates	33,944
Total liabilities	\$ 343,443

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, 2012

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**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, 2011. The IDA issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531. The financial statements were obtained on January 23, 2013 and were subsequently included in the financial statements thus removing the prior qualification of the opinion.

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, 2011. 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 \$147,882 to the Community Services Board.

The County in conjunction with the City of Danville participates in supporting the Regional Industrial Facilities Authority. The County contributed \$1,000,000 in fiscal year 2012.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its 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.

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

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.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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.

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.

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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred 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 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.

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

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

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 nonmajor governmental funds of the County are:

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

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

The Forfeited Assets Fund is a *Special Revenue Fund* that accounts for 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, and Sheriff's Inmate Trust and Canteen Account Funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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.

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.

2. 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."

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

D. Assets, Liabilities, and Net Assets or Equity (continued)

3. 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 29<sup>th</sup> and December 5<sup>th</sup>. Personal property taxes are due and collectible in installments on July 16<sup>th</sup> and December 5<sup>th</sup>. The County bills and collects its own property taxes.

4. 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 \$905,512 at June 30, 2012 and is comprised solely of property taxes.

5. 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.

6. 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.

Property, plant, and equipment 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, Liabilities, and Net Assets or Equity (continued)

7. 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.

8. 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Fund Equity

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and 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;

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

D. Assets, Liabilities, and Net Assets or Equity (continued)

9. Fund Equity (continued)

- 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.

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.

10. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

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**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "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." The details of these \$2,220,086 and \$978,229 for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
Capital outlays	\$ 5,149,993	\$ 1,822,270
Reversion of assets back to the School Board (net)	(405,211)	405,211
Depreciation expense	<u>(2,524,696)</u>	<u>(1,249,252)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,220,086</u>	<u>\$ 978,229</u>

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**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states "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 obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$(8,761,785) difference in the primary government are as follows:

	<u>Primary Government</u>
Debt Issued or Incurred:	
Bond issuance costs	\$ 118,425
Issuance of lease purchase agreements	(14,130,656)
Principal Payments:	
Bonds	3,965,345
Lease revenue notes	402,413
Lease purchase agreements	632,688
Comprehensive Services Act-Due to Commonwealth	<u>250,000</u>
Net adjustment to increase (decrease) <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (8,761,785)</u>

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**Note 2-Reconciliation of Government-Wide and Fund Financial Statements: (continued)**

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states, "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." The details of these \$(214,744) and \$284,505 differences for the primary government and discretely presented component unit, respectively, are as follows:

	Primary Government	Component Unit School Board
	<u>                    </u>	<u>                    </u>
(Increase) decrease in compensated absences	\$ 5,283	\$ 101,505
(Increase) decrease in accrued interest	(7,899)	-
(Increase) decrease in other postemployment benefits	(197,000)	183,000
Amortization of bond premium	332,791	-
Amortization of bond discount	(8,017)	-
Amortization of loss on refunding	(106,054)	-
Amortization of issuance costs	<u>(233,848)</u>	<u>-</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities</i>	<u>\$ (214,744)</u>	<u>\$ 284,505</u>

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**Note 3-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).
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, 2012, no departments had expenditures in excess of its appropriations.

C. Deficit fund equity

At June 30, 2012 the Workforce Investment Act and Central Stores funds had deficit fund equity.

**Note 4-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).

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, 2012 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
LGIP	\$ 36,213	\$ -
SNAP	2,145,830	-
Government Obligations	-	13,006,047
Total	\$ 2,182,043	\$ 13,006,047

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.

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, 2012.

**Note 5-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	\$ 356,715	\$ -
Communication sales tax	395,797	-
State sales tax	-	1,519,185
Non-categorical aid	37,525	-
Categorical aid-shared expenses	442,779	-
Categorical aid-Virginia Public Assistance funds	65,481	-
Categorical aid-other	501,327	363,606
Categorical aid-Comprehensive Services Act funds	642,793	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	100,883	-
Categorical aid-Workforce Investment Act funds	344,227	-
Categorical aid-other	7,408	1,197,216
Total Amount Due from Other Governmental Units	<u>\$ 2,894,935</u>	<u>\$ 3,080,007</u>

**Note 6-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>\$ 1,927,754</u>	<u>\$ -</u>
<u>Component Unit - School Board:</u>		
School Fund	<u>\$ -</u>	<u>\$ 1,927,754</u>

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**Note 6-Interfund/Component-Unit Obligations: (continued)**

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

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
<b>Primary Government:</b>		
<i>Major Governmental Funds:</i>		
General Fund	\$ 43,986	\$ 79,781
<i>Enterprise Funds:</i>		
Landfill fund	8,121	-
<i>Internal Service Funds:</i>		
Central Stores Fund	71,660	-
<i>Nonmajor Governmental Funds:</i>		
Forfeited Assets Fund	-	43,986
Total	<u>\$ 123,767</u>	<u>\$ 123,767</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, 2012, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Primary Government:</b>		
<i>Major Governmental Funds:</i>		
General Fund	\$ 2,598,806	\$ (4,076,964)
Industrial Development Fund	939,748	(15,790)
<i>Enterprise Funds:</i>		
Landfill fund	3,137,216	(38,700)
<i>Nonmajor Governmental Funds:</i>		
School Capital Improvements Fund	-	(2,368,861)
Debt Service Reserve Fund	-	(175,455)
Total	<u>\$ 6,675,770</u>	<u>\$ (6,675,770)</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, 2012

**Note 7-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, 2012:

	As Restated,			
	Balance			Balance
	July 1, 2011	Issuances	Retirements	June 30, 2012
General obligation bonds	\$ 83,139,551	\$ -	\$ (3,965,345)	\$ 79,174,206
Loan anticipation note	20,090,000	-	-	20,090,000
Lease revenue notes	3,132,553	-	(402,413)	2,730,140
Deferred Amounts:				
Bond premiums	1,739,853	-	(332,791)	1,407,062
On refunding	(909,732)	-	106,054	(803,678)
Bond discounts	(152,321)	-	8,017	(144,304)
Lease purchase agreements	2,354,277	14,130,656	(632,688)	15,852,245
OPEB liability	464,000	249,000	(52,000)	661,000
Compensated absences	998,212	743,376	(748,659)	992,929
Due to Commonwealth (CSA)	2,500,000	-	(250,000)	2,250,000
<b>Total</b>	<b>\$ 113,356,393</b>	<b>\$ 15,123,032</b>	<b>\$ (6,269,825)</b>	<b>\$ 122,209,600</b>

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

Year Ending June 30,	General Obligation Bonds		Loan Anticipation Note		Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 4,063,284	\$ 3,736,395	\$ -	\$ 703,150	\$ 425,209	\$ 111,385
2014	5,206,612	3,240,116	20,090,000	351,575	438,111	91,236
2015	5,432,369	3,365,394	-	-	461,152	70,210
2016	5,463,178	3,152,474	-	-	479,268	48,195
2017	5,155,955	2,944,048	-	-	243,000	32,116
2018-2022	24,084,347	11,445,758	-	-	683,400	37,522
2023-2027	19,903,461	5,617,436	-	-	-	-
2028-2031	9,865,000	1,155,750	-	-	-	-
<b>Totals</b>	<b>\$ 79,174,206</b>	<b>\$ 34,657,371</b>	<b>\$ 20,090,000</b>	<b>\$ 1,054,725</b>	<b>\$ 2,730,140</b>	<b>\$ 390,664</b>

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2012

**Note 7-Long-Term Obligations: (continued)**

Primary Government - Governmental Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
<b>General Obligation Bonds:</b>						
General Obligation Refunding Bond	4.31%	12/22/1998	7/1/2014	\$ 6,622,000	\$ 1,954,823	\$ 620,944
General Obligation Advance Refunding Bond	3.28%	2/16/2005	2/1/2016	9,240,000	3,740,000	890,000
General Obligation Refunding Bond	4.10-5.60%	11/10/2004	7/15/2024	15,735,749	11,123,883	732,840
General Obligation Bond	3.60%	12/20/2007	3/1/2025	10,000,000	8,953,000	552,000
General Obligation Bond	3.50-5.75%	10/30/2008	2/1/2030	40,000,000	39,500,000	250,000
General Obligation Refunding Bond	3.00%	5/21/2009	3/1/2017	1,612,500	1,612,500	107,500
General Obligation Bond	2.00-5.00%	4/22/2010	3/1/2023	12,485,000	12,290,000	910,000
Total GO Bonds					<u>\$ 79,174,206</u>	<u>\$ 4,063,284</u>
<b>Lease Revenue Notes:</b>						
Revenue Bond - IDA	5.32%	8/16/2005	8/15/2015	\$ 2,000,000	\$ 929,240	\$ 214,109
Revenue Bond - SSB	3.99%	4/27/2006	7/15/2019	2,900,000	1,800,900	211,100
Total lease revenue notes					<u>\$ 2,730,140</u>	<u>\$ 425,209</u>
Loan Anticipation Note	3.50%	4/22/2010	7/15/2013	\$ 20,090,000	\$ 20,090,000	\$ -
<b>Deferred amounts:</b>						
Plus:						
Unamortized Premium					\$ 1,407,062	\$ 304,990
Less:						
Unamortized Discount					(144,304)	(8,017)
Unamortized Amounts on Refunding					(803,678)	(106,054)
Total deferred amounts					<u>\$ 459,080</u>	<u>\$ 190,919</u>
<b>Other Obligations:</b>						
Capital Leases (Note 8)					\$ 15,852,245	\$ 464,966
Other postemployment benefits					661,000	-
Compensated Absences					992,929	744,697
CSA-Due to Commonwealth (Note 14)					2,250,000	250,000
Total Other Obligations					<u>\$ 19,756,174</u>	<u>\$ 1,459,663</u>
Total Long-Term Obligations					<u>\$ 122,209,600</u>	<u>\$ 6,139,075</u>

**Note 7-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, 2012:

	As Restated,			
	Balance			Balance
	July 1, 2011	Issuances	Retirements	June 30, 2012
General obligation bonds	\$ 3,970,063	\$ 2,555,000	\$ (957,386)	\$ 5,567,677
Deferred Amounts:				
Bond premiums	-	351,958	-	351,958
On refunding	(41,708)	-	6,951	(34,757)
Landfill Closure/Postclosure	5,130,261	802,521	-	5,932,782
Compensated absences	15,869	14,647	(11,902)	18,614
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	\$ 9,074,485	\$ 3,724,126	\$ (962,337)	\$ 11,836,274

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2013	\$ 1,311,556	\$ 203,370
2014	521,059	159,791
2015	550,062	135,227
2016	615,000	116,325
2017	1,155,000	94,450
2018-2022	1,415,000	165,150
	<u>          </u>	<u>          </u>
Totals	\$ 5,567,677	\$ 874,313

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**Note 7-Long-Term Obligations: (continued)**

Primary Government - Enterprise Activity Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:						
General Obligation Refunding Bond	4.31%	12/22/1998	7/1/2014	\$ 1,978,000	\$ 595,177	\$ 189,056
General Obligation Landfill Bond	2.125-5.125%	11/16/2011	11/1/2021	2,555,000	2,555,000	210,000
General Obligation Landfill Bond	2.00-3.10%	6/1/2003	2/1/2013	6,500,000	805,000	805,000
General Obligation Refunding Bond	3.00%	5/21/2009	3/1/2017	1,612,500	1,612,500	107,500
Total GO Bonds					<u>\$ 5,567,677</u>	<u>\$ 1,311,556</u>
Deferred amounts:						
Plus:						
Unamortized Premium					\$ 351,958	\$ 35,196
Less:						
Unamortized Amounts on Refunding					(34,757)	(6,951)
Total deferred amounts					<u>\$ 317,201</u>	<u>\$ 28,245</u>
<u>Other Obligations:</u>						
Landfill Closure/Postclosure Liability					\$ 5,932,782	\$ -
Compensated Absences					18,614	13,960
Total Other Obligations					<u>\$ 5,951,396</u>	<u>\$ 13,960</u>
Total Long-Term Obligations					<u>\$ 11,836,274</u>	<u>\$ 1,353,761</u>

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**Note 8-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:

	<u>School Buses</u>	<u>E - 911 Equipment</u>	<u>Total</u>
Machinery and equipment	\$ 662,926	\$ 3,550,106	\$ 4,213,032
Less: Accumulated depreciation	<u>(72,195)</u>	<u>-</u>	<u>(72,195)</u>
Net Asset	<u>\$ 590,731</u>	<u>\$ 3,550,106</u>	<u>\$ 4,140,837</u>

At June 30, 2012, 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, 2012, were as follows:

<u>Year Ending June 30,</u>	<u>School Buses</u>	<u>Energy Savings Lease</u>	<u>E - 911 Equipment Lease</u>	<u>Total</u>
2013	\$ 224,601	\$ 324,043	\$ 356,334	\$ 904,978
2014	223,402	324,043	1,415,544	1,962,989
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
2018-2022	-	648,086	7,077,688	7,725,774
2023-2024	<u>-</u>	<u>-</u>	<u>2,831,074</u>	<u>2,831,074</u>
Subtotal	\$ 448,003	\$ 2,268,301	\$ 15,927,258	\$ 18,643,562
Less, amount representing interest	<u>(9,044)</u>	<u>(322,745)</u>	<u>(2,459,528)</u>	<u>(2,791,317)</u>
Present Value of Lease Agreement	<u>\$ 438,959</u>	<u>\$ 1,945,556</u>	<u>\$ 13,467,730</u>	<u>\$ 15,852,245</u>

**Note 9-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, 2012:

	Balance <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
OPEB Liability	\$ 402,000	\$ 737,000	\$ (920,000)	\$ 219,000
Compensated absences	<u>1,629,441</u>	<u>1,120,576</u>	<u>(1,222,081)</u>	<u>1,527,936</u>
<b>Total</b>	<b>\$ <u>2,031,441</u></b>	<b>\$ <u>1,857,576</u></b>	<b>\$ <u>(2,142,081)</u></b>	<b>\$ <u>1,746,936</u></b>

**Details of long-term indebtedness:**

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<b><u>Other Obligations:</u></b>		
Other postemployment benefits	\$ 219,000	\$ -
Compensated absences	<u>1,527,936</u>	<u>1,145,952</u>
<b>Total Long-Term Obligations</b>	<b>\$ <u><u>1,746,936</u></u></b>	<b>\$ <u><u>1,145,952</u></u></b>

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**Note 10-Defined Benefit Pension Plan:**

A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 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 who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

**Note 10-Employee Retirement System and Pension Plans: (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 Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County 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 2012 was 9.00% 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. 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 2012 was 6.75% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year 2012, the County's annual pension cost of \$1,111,822 (does not include the portion of the employee share assumed by the County which was \$617,679) was equal to the County's required and actual contributions. For fiscal year 2012, the School Board's annual pension cost of \$201,188 (does not include the portion of the employee share assumed by the School Board which was \$149,028) was equal to the School Board's required and actual contributions for the School Board Non-Professionals.

**Note 10-Employee Retirement System and Pension Plans: (continued)**

C. Annual Pension Cost (continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
County	6/30/2010	\$ 1,095,418	100.00%	\$ -
	6/30/2011	1,052,290	100.00%	-
	6/30/2012	1,111,822	100.00%	-
Discretely Presented-Component Unit:				
School Board Non-Professional	6/30/2010	\$ 210,824	100.00%	\$ -
	6/30/2011	208,878	100.00%	-
	6/30/2012	201,188	100.00%	-

<sup>1</sup> Employer portion only

Primary Government:

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

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**Note 10-Employee Retirement System and Pension Plans: (continued)**

C. Annual Pension Cost (continued)

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

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

D. Funded Status and Funding Progress

Primary Government:

As of June 30, 2011, the most recent actuarial valuation date, the plan was 80.49% funded. The actuarial accrued liability for benefits was \$54,482,086, and the actuarial value of assets was \$43,854,412, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,627,674. The covered payroll (annual payroll of active employees covered by the plan) was \$12,314,137, and ratio of the UAAL to the covered payroll was 86.30%.

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

As of June 30, 2011, the most recent actuarial valuation date, the plan was 81.10% funded. The actuarial accrued liability for benefits was \$13,672,566, and the actuarial value of assets was \$11,088,588, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,583,978. The covered payroll (annual payroll of active employees covered by the plan) was \$3,107,765, and ratio of the UAAL to the covered payroll was 83.15%.

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 10-Employee Retirement System and Pension Plans: (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 Web site at <http://www.varetire.org/Pdf/Publications/2011-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. 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 \$4,383,891, \$3,499,380, and \$4,716,692, for the fiscal years ended 2012, 2011, and 2010 respectively. Employer contributions represented 6.33%, 3.93%, and 8.81% of covered payroll for the fiscal years ended 2012, 2011, and 2010 respectively.

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**Note 11-Capital Assets:**

Capital asset activity for the year ended June 30, 2012 was as follows:

Primary Government:

	As Restated, Beginning Balance	Increases	Decreases	Ending Balance
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,904,148	\$ -	\$ -	\$ 4,904,148
Construction in progress	63,386,296	4,144,395	(63,766,726)	3,763,965
Total capital assets not being depreciated	<u>\$ 68,290,444</u>	<u>\$ 4,144,395</u>	<u>\$ (63,766,726)</u>	<u>\$ 8,668,113</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 77,352,433	\$ 63,821,984	\$ -	\$ 141,174,417
Machinery and equipment	14,669,245	950,340	(623,039)	14,996,546
Total capital assets being depreciated	<u>\$ 92,021,678</u>	<u>\$ 64,772,324</u>	<u>\$ (623,039)</u>	<u>\$ 156,170,963</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (24,856,847)	\$ (1,978,248)	\$ -	\$ (26,835,095)
Machinery and equipment	(12,827,784)	(546,448)	217,828	(13,156,404)
Total accumulated depreciation	<u>\$ (37,684,631)</u>	<u>\$ (2,524,696)</u>	<u>\$ 217,828</u>	<u>\$ (39,991,499)</u>
Total capital assets being depreciated, net	<u>\$ 54,337,047</u>	<u>\$ 62,247,628</u>	<u>\$ (405,211)</u>	<u>\$ 116,179,464</u>
Governmental activities capital assets, net	<u>\$ 122,627,491</u>	<u>\$ 66,392,023</u>	<u>\$ (64,171,937)</u>	<u>\$ 124,847,577</u>

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**Note 11-Capital Assets: (continued)**

Primary Government: (continued)

	As Restated, Beginning Balance	Increases	Decreases	Ending Balance
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Enterprise Activities:				
Capital assets, not being depreciated:				
Land	\$ 85,000	\$ 10,000	\$ -	\$ 95,000
Construction in progress	-	1,205,236	-	1,205,236
Total capital assets not being depreciated	<u>\$ 85,000</u>	<u>\$ 1,215,236</u>	<u>\$ -</u>	<u>\$ 1,300,236</u>
Capital assets, being depreciated:				
Infrastructure	\$ 5,107,963	\$ -	\$ -	\$ 5,107,963
Machinery and equipment	3,440,843	6,715	-	3,447,558
Total capital assets being depreciated	<u>\$ 8,548,806</u>	<u>\$ 6,715</u>	<u>\$ -</u>	<u>\$ 8,555,521</u>
Less: accumulated depreciation for:				
Infrastructure	\$ (1,281,222)	\$ (220,974)	\$ -	\$ (1,502,196)
Machinery and equipment	(3,171,986)	(73,486)	-	(3,245,472)
Total accumulated depreciation	<u>\$ (4,453,208)</u>	<u>\$ (294,460)</u>	<u>\$ -</u>	<u>\$ (4,747,668)</u>
Total capital assets being depreciated, net	<u>\$ 4,095,598</u>	<u>\$ (287,745)</u>	<u>\$ -</u>	<u>\$ 3,807,853</u>
Enterprise activities capital assets, net	<u>\$ 4,180,598</u>	<u>\$ 927,491</u>	<u>\$ -</u>	<u>\$ 5,108,089</u>

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

**Governmental activities:**

General governmental administration	\$ 66,631
Judicial administration	28,483
Public safety	324,062
Public works	285,562
Health and welfare	85,055
Education	1,609,410
Parks, recreation, and cultural	59,399
Community development	66,094
Total depreciation expense-governmental activities	<u>\$ 2,524,696</u>

**Enterprise activities:**

Public works	<u>\$ 294,460</u>
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**Note 11-Capital Assets: (continued)**

Capital asset activity for the School Board for the year ended June 30, 2012 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	250,000	1,766,203	(1,935,376)	80,827
Total capital assets not being depreciated	<u>\$ 2,912,750</u>	<u>\$ 1,766,203</u>	<u>\$ (1,935,376)</u>	<u>\$ 2,743,577</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 20,161,444	\$ 1,935,376	\$ -	\$ 22,096,820
Machinery and equipment	14,050,861	571,630	(196,913)	14,425,578
Total capital assets being depreciated	<u>\$ 34,212,305</u>	<u>\$ 2,507,006</u>	<u>\$ (196,913)</u>	<u>\$ 36,522,398</u>
Less: accumulated depreciation for:				
Buildings and improvements	\$ (12,083,506)	\$ (267,012)	\$ -	\$ (12,350,518)
Machinery and equipment	(10,683,288)	(1,092,592)	196,913	(11,578,967)
Total accumulated depreciation	<u>\$ (22,766,794)</u>	<u>\$ (1,359,604)</u>	<u>\$ 196,913</u>	<u>\$ (23,929,485)</u>
Total capital assets being depreciated, net	<u>\$ 11,445,511</u>	<u>\$ 1,147,402</u>	<u>\$ -</u>	<u>\$ 12,592,913</u>
Governmental activities capital assets, net	<u>\$ 14,358,261</u>	<u>\$ 2,913,605</u>	<u>\$ (1,935,376)</u>	<u>\$ 15,336,490</u>

**Note 12-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 13-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 14-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 15-Surety Bonds:**

Primary Government:

<u>Fidelity &amp; 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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**Note 16-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. \$6,214,458 is the total estimated closure and postclosure care liability at June 30, 2012. 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 2012. The liability on the statement of net assets of \$5,932,782 is based on the County's estimate that the landfill has reached 100% of Phase I and 93% of cell A in Phase II of capacity with a remaining useful life of 20 years for phase II, including cells B&C. 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.

**Note 17-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 2012, a total of \$10,618,609 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, 2012, the County was exposed to risk totaling \$1,173,207 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 \$898,624 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 2012 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>
2011-12	\$ 840,764	\$ 10,676,469	\$ (10,618,609)	\$ 898,624

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**Note 18-Deferred (Unearned) Revenue:**

Governmental funds report *deferred 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 *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 18,238,795	\$ 14,130,660
Prepaid taxes	1,277,434	1,277,434
Total deferred/unearned revenue for governmental funds	\$ 19,516,229	\$ 15,408,094

**Note 19-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, 2012:

	Original Contract	Amount Paid As of 6/30/2012	Remaining Contract Amount	Retainage Payable
Berry Hill Industrial Park	\$ 965,500	\$ 918,075	\$ 47,425	\$ -
Mega Park Water System	982,600	608,972	373,628	-
Ringgold East Industrial Park	99,000	52,800	46,200	-
Landfill Phase II Cell B Construction	2,094,773	1,186,547	908,226	55,757
E-911 Equipment Upgrade	12,796,871	3,445,272	9,351,599	-
Orphanage Rd & Jefferson Rd	32,540	13,100	19,440	-
Hurt-Klopman Waterline Extension	407,399	298,743	108,656	10,336
Chatham Railroad Depot	271,500	251,449	20,051	13,234
Total Contracts	<u>\$ 17,650,183</u>	<u>\$ 6,774,958</u>	<u>\$ 10,875,225</u>	<u>\$ 79,327</u>

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**Note 19-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, 2012.

Contractor	Service Provided	Project	Contract Total	Paid as of 6/30/2012	Contract Remaining	Retainage
Dewberry	Engineering	Berry Hill Industrial Park	\$ 990,850	\$ 972,754	\$ 18,096	\$ -
Dewberry	Engineering	Berry Hill Industrial Park	793,850	725	793,125	-
Dewberry	Engineering	Cane Creek Park	71,881	12,645	59,236	-
McCallen Sweeney	Consulting	Berry Hill Industrial Park	115,000	92,130	22,870	-
Totals			\$ 1,971,581	\$ 1,078,254	\$ 893,327	\$ -
County's 50% obligation			\$ 985,791	\$ 539,127	\$ 446,664	\$ -

*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, 2012 the commitment related to the Early Retirement Incentive Program was \$12,517,485.

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**Note 20-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 375 and 1,317 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	465.70	418.30	23.96	41.00
Employee & Spouse	1,028.64	924.26	47.04	81.84
Employee & Child	714.33	641.78	39.76	69.16
Family	1,394.53	1,253.20	78.76	118.70

**Note 20-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		418.81	376.11	23.96	41.00
Employee & Spouse		837.62	752.22	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	\$ 249,000
Interest on net OPEB obligation	19,000
Adjustment to annual required contribution	(19,000)
Annual OPEB cost (expense)	249,000
Contributions made	(52,000)
Increase in net OPEB obligation	197,000
Net OPEB obligation - beginning of year	464,000
Net OPEB obligation - end of year	\$ 661,000

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 189,000	26%	\$ 278,000
6/30/2011	235,000	21%	464,000
6/30/2012	249,000	21%	661,000

**Note 20-Other Post-Employment Benefits-Health Insurance: (continued)**

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

For 2012, the School Board's annual OPEB cost (expense) of \$737,000 was not equal to the ARC of \$738,000. The obligation calculation is as follows:

Annual required contribution	\$ 738,000
Interest on net OPEB obligation	16,000
Adjustment to annual required contribution	<u>(17,000)</u>
Annual OPEB cost (expense)	737,000
Contributions made	<u>(920,000)</u>
Increase (Decrease) in net OPEB obligation	(183,000)
Net OPEB obligation - beginning of year	<u>402,000</u>
Net OPEB obligation - end of year	\$ 219,000

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2010	\$ 714,000	58%	\$ 570,000
6/30/2011	730,000	123%	\$ 402,000
6/30/2012	737,000	125%	\$ 219,000

D. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 2,009,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 2,009,000
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 12,354,518
UAAL as a percentage of covered payroll	16.26%

**Note 20-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 June 30, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	8,562,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	8,562,000
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	46,278,550
UAAL as a percentage of covered payroll		18.50%

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, 2010, 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 June 30, 2011 was 29 years.

**Note 21—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 10.

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 2012 was 0.16% of annual covered payroll.

C. OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The 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 2012, the County's contribution of \$19,765 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 2012 and the two preceding years are as follows:

Primary Government:	Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
County	6/30/2010	\$ -	100.00%	\$ -
	6/30/2011	20,173	100.00%	-
	6/30/2012	19,765	100.00%	-

**Note 21—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, 2011, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	344,127
Actuarial value of plan assets	\$	293,905
Unfunded actuarial accrued liability (UAAL)	\$	50,222
Funded ratio (actuarial value of plan assets/AAL)		85.41%
Covered payroll (active plan members)	\$	12,314,137
UAAL as a percentage of covered payroll		0.41%

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, 2011 was 30 years.

**Note 21—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 0.88% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2012 was \$232,157 and equaled the required contributions.

**Note 22—Restatement of Beginning Equity:**

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>General Fund</u>	<u>Landfill Fund</u>	<u>School Board</u>
Fund Balance as Previously Reported 6/30/11	\$ 33,417,594	\$ -	\$ 279,766
Error in posting AR affecting amount due Schools	(48,582)	-	48,582
Fund Balance as Restated 6/30/11	<u>\$ 33,369,012</u>	<u>\$ -</u>	<u>\$ 328,348</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Component Unit</u>
	<u>Activities</u>	<u>Activities</u>	<u>School Board</u>
Net Assets as Previously Reported 6/30/11	\$ 52,484,135	\$ -	\$ 13,209,178
Change in Fund Balance (above)	(48,582)	-	48,582
Accrued Leave*	15,869	(15,869)	-
Interest Payable*	20,037	(20,037)	-
Landfill Closure/Postclosure*	5,130,261	(5,130,261)	-
Debt Obligations*	3,970,063	(3,970,063)	-
Issuance Costs*	(25,436)	25,436	-
Loss on Refunding*	(41,708)	41,708	-
Capital Assets, net of related depreciation*	(4,180,598)	4,180,598	-
Net Assets as Restated 6/30/11	<u>\$ 57,324,041</u>	<u>\$ (4,888,488)</u>	<u>\$ 13,257,760</u>

\*Restatement is due to the separation of the Landfill from Public Works in the General Fund into its own Proprietary Fund.

## **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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 28,455,893	\$ 28,455,893	\$ 29,536,089	\$ 1,080,196
Other local taxes	6,549,245	6,549,245	6,805,947	256,702
Permits, privilege fees, and regulatory licenses	153,900	153,900	162,287	8,387
Fines and forfeitures	182,000	182,000	173,265	(8,735)
Revenue from the use of money and property	600,000	600,000	622,287	22,287
Charges for services	523,200	279,700	329,573	49,873
Miscellaneous	148,335	195,450	129,429	(66,021)
Recovered costs	2,163,744	2,500,089	1,425,793	(1,074,296)
Intergovernmental revenues:				
Commonwealth	20,656,483	20,773,301	15,755,962	(5,017,339)
Federal	3,978,660	4,061,428	2,618,292	(1,443,136)
Total revenues	<u>63,411,460</u>	<u>63,751,006</u>	<u>57,558,924</u>	<u>(6,192,082)</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	2,805,785	2,913,316	2,768,169	145,147
Judicial administration	1,514,876	1,600,056	1,566,584	33,472
Public safety	15,329,398	16,215,608	14,064,597	2,151,011
Public works	4,408,653	1,401,537	1,215,984	185,553
Health and welfare	14,533,843	14,550,079	8,357,254	6,192,825
Education	12,978,702	14,621,755	15,544,890	(923,135)
Parks, recreation, and cultural	1,325,111	1,389,289	1,384,918	4,371
Community development	24,513,719	2,473,626	1,972,730	500,896
Capital projects	18,201,800	18,144,329	3,705,766	14,438,563
Debt service:				
Principal retirement	5,605,428	5,631,127	5,000,446	630,681
Bond issuance costs	-	-	118,425	(118,425)
Interest and other fiscal charges	5,315,255	5,340,686	4,829,787	510,899
Total expenditures	<u>106,532,570</u>	<u>84,281,408</u>	<u>60,529,550</u>	<u>23,751,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,121,110)</u>	<u>(20,530,402)</u>	<u>(2,970,626)</u>	<u>17,559,776</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,587,388	3,908,155	2,598,806	(1,309,349)
Transfers out	(2,132,967)	(4,141,916)	(4,076,964)	64,952
Issuance of general obligation bonds	25,000,000	-	-	-
Issuance of capital leases	17,539,000	17,539,000	13,467,730	(4,071,270)
Total other financing sources and uses	<u>43,993,421</u>	<u>17,305,239</u>	<u>11,989,572</u>	<u>(5,315,667)</u>
Net change in fund balances	872,311	(3,225,163)	9,018,946	12,244,109
Fund balances - beginning, as restated	918,050	4,888,449	33,369,012	28,480,563
Fund balances - ending	<u>\$ 1,790,361</u>	<u>\$ 1,663,286</u>	<u>\$ 42,387,958</u>	<u>\$ 40,724,672</u>

## County of Pittsylvania, Virginia

Schedule of Pension and OPEB Funding Progress  
For the Year Ended June 30, 2012

## Primary Government

## County Retirement Plan:

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)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
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%
June 30, 2009	42,534,376	47,119,923	4,585,547	90.27%	12,416,646	36.93%

## County VRS Health Insurance Credit Plan:

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)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
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%
June 30, 2009	242,603	347,092	104,489	69.90%	12,416,646	0.84%

## County Healthcare Plan:

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)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
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

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)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
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%
June 30, 2009	11,326,200	12,127,414	801,214	93.39%	3,168,040	25.29%

## School Board Healthcare Plan

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)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
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%

\*Only two years of data available

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Recovered costs	\$ 5,500	\$ 39,759	\$ 39,790	\$ 31
Intergovernmental revenues:				
Commonwealth	4,986,021	8,316,674	2,263,381	(6,053,293)
Total revenues	<u>4,991,521</u>	<u>8,356,433</u>	<u>2,303,171</u>	<u>(6,053,262)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	7,216,146	12,189,536	2,567,365	9,622,171
Excess (deficiency) of revenues over (under) expenditures	<u>(2,224,625)</u>	<u>(3,833,103)</u>	<u>(264,194)</u>	<u>3,568,909</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	930,000	939,748	939,748	-
Transfers out	-	(15,790)	(15,790)	-
Total other financing sources (uses)	<u>930,000</u>	<u>923,958</u>	<u>923,958</u>	<u>-</u>
Net change in fund balances	(1,294,625)	(2,909,145)	659,764	3,568,909
Fund balances - beginning	1,294,625	2,909,145	2,477,685	(431,460)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,137,449</u>	<u>\$ 3,137,449</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ 220,503	\$ 279,800	\$ 59,297
Intergovernmental revenues:				
Federal	2,727,185	3,748,180	3,082,939	(665,241)
Total revenues	<u>2,727,185</u>	<u>3,968,683</u>	<u>3,362,739</u>	<u>(605,944)</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	<u>2,727,185</u>	<u>3,968,683</u>	<u>3,505,685</u>	<u>462,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(142,946)</u>	<u>(142,946)</u>
Net change in fund balances	-	-	(142,946)	(142,946)
Fund balances - beginning	-	-	20,474	20,474
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (122,472)</u>	<u>\$ (122,472)</u>

## **Other Supplementary Information**

County of Pittsylvania, Virginia  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012

	<u>Forfeited Assets Fund</u>	<u>Debt Service Reserve Fund</u>	<u>School Capital Improvements Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 933,914	\$ 216,959	\$ -	\$ 1,150,873
Investments	-	-	2,960,545	2,960,545
Receivables (net of allowance for uncollectibles):				
Accounts receivable	13,058	-	-	13,058
Due from other funds	43,986	-	-	43,986
Total assets	<u>990,958</u>	<u>216,959</u>	<u>2,960,545</u>	<u>4,168,462</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Retainage payable	-	-	10,000	10,000
Total liabilities	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Fund balances:				
Restricted:				
Construction	-	-	2,950,545	2,950,545
Forfeited Assets Fund	990,958	-	-	990,958
Assigned:				
Debt service	-	216,959	-	216,959
Total fund balances	<u>990,958</u>	<u>216,959</u>	<u>2,950,545</u>	<u>4,158,462</u>
Total liabilities and fund balances	<u>\$ 990,958</u>	<u>\$ 216,959</u>	<u>\$ 2,960,545</u>	<u>\$ 4,168,462</u>

County of Pittsylvania, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Forfeited Assets Fund	Debt Service Reserve Fund	School Capital Improvements Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,576	\$ 5,513	\$ 17,695	\$ 24,784
Recovered costs	9,937	-	-	9,937
Intergovernmental revenues:				
Commonwealth	766,416	-	-	766,416
Total revenues	<u>777,929</u>	<u>5,513</u>	<u>17,695</u>	<u>801,137</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	158,263	-	-	158,263
Community development	-	1,000,000	-	1,000,000
Capital projects	-	-	1,091,009	1,091,009
Total expenditures	<u>158,263</u>	<u>1,000,000</u>	<u>1,091,009</u>	<u>2,249,272</u>
Excess (deficiency) of revenues over (under) expenditures	<u>619,666</u>	<u>(994,487)</u>	<u>(1,073,314)</u>	<u>(1,448,135)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(175,455)	(2,368,861)	(2,544,316)
Issuance of capital leases	-	-	662,926	662,926
Total other financing sources (uses)	<u>-</u>	<u>(175,455)</u>	<u>(1,705,935)</u>	<u>(1,881,390)</u>
Net change in fund balances	619,666	(1,169,942)	(2,779,249)	(3,329,525)
Fund balances - beginning	371,292	1,386,901	5,729,794	7,487,987
Fund balances - ending	<u>\$ 990,958</u>	<u>\$ 216,959</u>	<u>\$ 2,950,545</u>	<u>\$ 4,158,462</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, 2012

	Forfeited Assets Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,576	\$ 1,576
Recovered costs	-	-	9,937	9,937
Intergovernmental revenues:				
Commonwealth	65,000	178,500	766,416	587,916
Total revenues	65,000	178,500	777,929	599,429
<b>EXPENDITURES</b>				
Current:				
Public safety	65,000	178,500	158,263	20,237
Excess (deficiency) of revenues over (under) expenditures	-	-	619,666	619,666
Net change in fund balances	-	-	619,666	619,666
Fund balances - beginning	-	-	371,292	371,292
Fund balances - ending	\$ -	\$ -	\$ 990,958	\$ 990,958

County of Pittsylvania, Virginia  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Debt Service Fund  
 For the Year Ended June 30, 2012

	Debt Service Reserve Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,513	\$ 5,513
Total revenues	-	-	5,513	5,513
<b>EXPENDITURES</b>				
Current:				
Community development	-	1,000,000	1,000,000	-
Total expenditures	-	1,000,000	1,000,000	-
Excess (deficiency) of revenues over (under) expenditures	-	(1,000,000)	(994,487)	5,513
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(5,759)	(180,759)	(175,455)	5,304
Total other financing sources (uses)	(5,759)	(180,759)	(175,455)	5,304
Net change in fund balances	(5,759)	(1,180,759)	(1,169,942)	10,817
Fund balances - beginning, as restated	5,759	1,180,759	1,386,901	206,142
Fund balances - ending	\$ -	\$ -	\$ 216,959	\$ 216,959

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, 2012

	School Improvements Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 17,695	\$ 17,695
Total revenues	-	-	17,695	17,695
<b>EXPENDITURES</b>				
Capital projects	-	578,083	1,091,009	(512,926)
Total expenditures	-	578,083	1,091,009	(512,926)
Excess (deficiency) of revenues over (under) expenditures	-	(578,083)	(1,073,314)	(495,231)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(2,368,862)	(2,368,862)	(2,368,861)	1
Issuance of capital leases	-	-	662,926	662,926
Total other financing sources (uses)	(2,368,862)	(2,368,862)	(1,705,935)	662,927
Net change in fund balances	(2,368,862)	(2,946,945)	(2,779,249)	167,696
Fund balances - beginning	2,368,862	2,946,945	5,729,794	2,782,849
Fund balances - ending	\$ -	\$ -	\$ 2,950,545	\$ 2,950,545

County of Pittsylvania, Virginia  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2012

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ -	\$ 3,536,859	\$ 3,536,859
Accounts receivables, net of allowances for uncollectibles	40,750	1,056,159	1,096,909
Inventories	20,518	-	20,518
Total current assets	<u>61,268</u>	<u>4,593,018</u>	<u>4,654,286</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	18,406	-	18,406
Estimate of incurred but unreported health claims	-	898,624	898,624
Due to other funds	71,660	-	71,660
Total current liabilities	<u>90,066</u>	<u>898,624</u>	<u>988,690</u>
<b>NET ASSETS</b>			
Restricted for health insurance claims	\$ -	\$ 3,694,394	\$ 3,694,394
Unrestricted	(28,798)	-	(28,798)
Total net assets	<u>\$ (28,798)</u>	<u>\$ 3,694,394</u>	<u>\$ 3,665,596</u>

County of Pittsylvania, Virginia  
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2012

	<u>Central Stores Fund</u>	<u>Self- Insurance Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services:			
Materials and supplies	\$ 718,714	\$ -	\$ 718,714
Insurance premiums	-	10,875,470	10,875,470
Total operating revenues	<u>718,714</u>	<u>10,875,470</u>	<u>11,594,184</u>
<b>OPERATING EXPENSES</b>			
Supplies, insurance and telephone	746,481	-	746,481
Insurance claims and expenses	-	10,618,609	10,618,609
Total operating expenses	<u>746,481</u>	<u>10,618,609</u>	<u>11,365,090</u>
Operating income (loss)	<u>(27,767)</u>	<u>256,861</u>	<u>229,094</u>
Total net assets - beginning	(1,031)	3,437,533	3,436,502
Total net assets - ending	<u>\$ (28,798)</u>	<u>\$ 3,694,394</u>	<u>\$ 3,665,596</u>

County of Pittsylvania, Virginia  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2012

	Central Stores Fund	Self- Insurance Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts for materials and supplies	\$ 745,550	\$ -	\$ 745,550
Receipts for insurance premiums	-	9,819,311	9,819,311
Payments to suppliers	(745,550)	-	(745,550)
Payments for premiums	-	(10,560,749)	(10,560,749)
Net cash provided by (used for) operating activities	-	(741,438)	(741,438)
Net increase (decrease) in cash and cash equivalents	-	(741,438)	(741,438)
Cash and cash equivalents - beginning	-	4,278,297	4,278,297
Cash and cash equivalents - ending	\$ -	\$ 3,536,859	\$ 3,536,859
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>			
Operating income (loss)	\$ (27,767)	\$ 256,861	\$ 229,094
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	26,836	(1,056,159)	(1,029,323)
(Increase) decrease in inventories	(3,182)	-	(3,182)
Increase (decrease) in accounts payable	(12,013)	57,860	45,847
Increase (decrease) in due to other funds	16,126	-	16,126
Total adjustments	27,767	(998,299)	(970,532)
Net cash provided by (used for) operating activities	\$ -	\$ (741,438)	\$ (741,438)

County of Pittsylvania, Virginia  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2012

	Agency Funds			Total
	Special Welfare	Cash Bond Fund	Sheriff's Inmate Trust and Canteen Account Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,972	\$ 296,527	\$ -	\$ 309,499
Cash in custody of others	-	-	33,944	33,944
Total assets	<u>12,972</u>	<u>296,527</u>	<u>33,944</u>	<u>343,443</u>
<b>LIABILITIES</b>				
Amounts held for social services clients	12,972	-	-	12,972
Amounts held for developers	-	296,527	-	296,527
Amounts held for inmates	-	-	33,944	33,944
Total liabilities	<u>\$ 12,972</u>	<u>\$ 296,527</u>	<u>\$ 33,944</u>	<u>\$ 343,443</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, 2012

	<u>School Operating Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 382,346
Receivables (net of allowance for uncollectibles):	
Accounts receivable	25,440
Due from primary government	1,927,754
Due from other governmental units	3,080,007
Restricted assets:	
Temporarily restricted:	
Cash and cash equivalents	2,614
Total assets	<u>5,418,161</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	899,793
Salaries payable	4,130,778
Total liabilities	<u>5,030,571</u>
Fund balances:	
Restricted:	
School Cafeteria	387,590
Total fund balances	387,590
Total liabilities and fund balances	<u>\$ 5,418,161</u>
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Total fund balances per above	\$ 387,590
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,336,490
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	666,859
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,746,936)
Net assets of governmental activities	<u>\$ 14,644,003</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, 2012

	<u>School Operating Fund</u>
<b>REVENUES</b>	
Revenue from the use of money and property	\$ 40,831
Charges for services	2,063,669
Miscellaneous	860,920
Recovered costs	3,197,286
Intergovernmental revenues:	
Local government	15,536,358
Commonwealth	53,375,056
Federal	10,960,201
Total revenues	<u>86,034,321</u>
<b>EXPENDITURES</b>	
Current:	
Education	<u>85,975,079</u>
Excess (deficiency) of revenues over (under) expenditures	<u>59,242</u>
Net change in fund balances	59,242
Fund balances - beginning, as restated	328,348
Fund balances - ending	<u>\$ 387,590</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	\$ 59,242
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 and the transfer of debt financed assets from the general government exceeded depreciation in the current period.	978,229
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.	284,505
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net assets.	64,267
Change in net assets of governmental activities	<u>\$ 1,386,243</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, 2012

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,116	\$ 1,116	\$ 40,831	\$ 39,715
Charges for services	2,319,690	2,319,690	2,063,669	(256,021)
Miscellaneous	634,802	701,310	860,920	159,610
Recovered costs	1,207,292	4,338,218	3,197,286	(1,140,932)
Intergovernmental revenues:				
Local government	12,970,170	14,613,223	15,536,358	923,135
Commonwealth	52,802,964	53,456,933	53,375,056	(81,877)
Federal	13,021,400	13,366,362	10,960,201	(2,406,161)
Total revenues	<u>82,957,434</u>	<u>88,796,852</u>	<u>86,034,321</u>	<u>(2,762,531)</u>
<b>EXPENDITURES</b>				
Current:				
Education	82,957,434	88,796,852	85,975,079	2,821,773
Excess (deficiency) of revenues over (under) expenditures	-	-	59,242	59,242
Net change in fund balances	-	-	59,242	59,242
Fund balances - beginning, as restated	-	-	328,348	328,348
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387,590</u>	<u>\$ 387,590</u>

## **SUPPORTING SCHEDULES**

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

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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>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 19,009,788	\$ 19,009,788	\$ 19,564,706	\$ 554,918
Real and Personal PSC Tax	1,729,915	1,729,915	1,799,245	69,330
Personal Property Tax	5,290,113	5,290,113	5,672,978	382,865
Mobile Home Tax	231,782	231,782	243,679	11,897
Machinery and Tools Tax	1,386,315	1,386,315	1,534,656	148,341
Merchants Capital	205,480	205,480	230,636	25,156
Penalties	282,500	282,500	263,596	(18,904)
Interest	320,000	320,000	226,593	(93,407)
Total general property taxes	<u>\$ 28,455,893</u>	<u>\$ 28,455,893</u>	<u>\$ 29,536,089</u>	<u>\$ 1,080,196</u>
Other local taxes:				
Local Sales and Use Tax	\$ 1,792,000	\$ 1,792,000	\$ 1,982,491	\$ 190,491
Consumers' Utility Tax	1,350,000	1,350,000	1,283,427	(66,573)
Consumption Taxes	125,000	125,000	196,835	71,835
Franchise License Tax	-	-	45,667	45,667
Business License Tax	2,800	2,800	2,650	(150)
Meals Tax	595,000	595,000	630,980	35,980
Motor Vehicle Licenses	2,346,245	2,346,245	2,339,861	(6,384)
Bank Stock Tax	35,200	35,200	58,495	23,295
Taxes on Recordation and Wills	303,000	303,000	265,541	(37,459)
Total other local taxes	<u>\$ 6,549,245</u>	<u>\$ 6,549,245</u>	<u>\$ 6,805,947</u>	<u>\$ 256,702</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 40,000	\$ 40,000	\$ 37,259	\$ (2,741)
Land use application fees	2,200	2,200	2,108	(92)
Transfer fees	1,600	1,600	1,718	118
Cellular tower fees	30,000	30,000	32,054	2,054
Permits and other licenses	80,100	80,100	89,148	9,048
Total permits, privilege fees, and regulatory licenses	<u>\$ 153,900</u>	<u>\$ 153,900</u>	<u>\$ 162,287</u>	<u>\$ 8,387</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 182,000	\$ 182,000	\$ 173,265	\$ (8,735)
Revenue from use of money and property:				
Revenue from use of money	\$ 375,000	\$ 375,000	\$ 403,072	\$ 28,072
Revenue from use of property	225,000	225,000	219,215	(5,785)
Total revenue from use of money and property	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 622,287</u>	<u>\$ 22,287</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)
Charges for Commonwealth's Attorney	2,000	2,000	4,568	2,568
Miscellaneous jail and inmate fees	62,200	62,200	79,539	17,339
Charges for Animal Control	6,000	6,000	4,160	(1,840)
Charges for Copies	3,000	3,000	2,900	(100)
Charges for sanitation and waste removal	245,000	-	-	-
Charges for parks and recreation	-	-	94	94
Rescue Billing	-	10,000	81,907	71,907
Charges for recycling	8,500	-	528	528
Administrative charges	42,000	42,000	42,716	716
Charges for library	22,000	22,000	24,516	2,516
Law library fees	16,000	16,000	10,195	(5,805)
Courthouse maintenance fees	15,000	15,000	11,490	(3,510)
Courthouse security fees	90,000	90,000	56,375	(33,625)
Medical Co-pay	3,600	3,600	5,385	1,785
Other Charges for Services	4,400	4,400	5,200	800
Total charges for services	<u>\$ 523,200</u>	<u>\$ 279,700</u>	<u>\$ 329,573</u>	<u>\$ 49,873</u>

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

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>
<b>General Fund: (Continued)</b>				
Revenue from local sources: (Continued)				
Miscellaneous revenue:				
Sale of maps, ordinances	\$ 600	\$ 600	\$ 1,616	\$ 1,016
Miscellaneous other	104,735	146,885	54,080	(92,805)
Sale of property/surplus	-	-	53,504	53,504
Gifts and donations	43,000	47,965	20,229	(27,736)
Total miscellaneous revenue	<u>\$ 148,335</u>	<u>\$ 195,450</u>	<u>\$ 129,429</u>	<u>\$ (66,021)</u>
Recovered costs:				
Recovered costs - Danville City	\$ 60,000	\$ 205,717	\$ 247,877	\$ 42,160
Recovered cost - Community College	9,000	9,000	10,051	1,051
Sheriffs extra duty	65,000	102,466	104,645	2,179
Recovered costs - Social Services	1,310,000	1,310,000	74,297	(1,235,703)
Recovered cost local jails	255,360	255,360	319,023	63,663
Recoverd cost health department	100,000	100,000	69,827	(30,173)
Expenditure refunds	-	110,591	132,465	21,874
Recovered cost CSA	10,000	10,000	9,556	(444)
Soil and water conservation district	132,667	132,667	120,410	(12,257)
School resource officer	87,217	87,217	87,712	495
Recovered cost - telephone	5,000	46,065	44,908	(1,157)
P.A. refunds	25,000	25,000	48,024	23,024
Other Recovered Costs	104,500	106,006	156,998	50,992
Total recovered costs	<u>\$ 2,163,744</u>	<u>\$ 2,500,089</u>	<u>\$ 1,425,793</u>	<u>\$ (1,074,296)</u>
Total revenue from local sources	<u>\$ 38,776,317</u>	<u>\$ 38,916,277</u>	<u>\$ 39,184,670</u>	<u>\$ 268,393</u>
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 80,000	\$ 80,000	\$ 80,262	\$ 262
Mobile home titling tax	120,000	120,000	80,218	(39,782)
Motor vehicle rental tax	2,000	2,000	3,880	1,880
State recordation tax	80,000	80,000	77,538	(2,462)
State Communications Tax	2,400,000	2,400,000	2,317,528	(82,472)
Personal property tax relief act funds	4,139,276	4,139,276	4,139,277	1
Total noncategorical aid	<u>\$ 6,821,276</u>	<u>\$ 6,821,276</u>	<u>\$ 6,698,703</u>	<u>\$ (122,573)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 501,307	\$ 501,307	\$ 489,511	\$ (11,796)
Sheriff	3,647,955	3,647,955	3,742,018	94,063
Commissioner of revenue	139,223	139,223	138,896	(327)
Treasurer	153,895	153,895	152,895	(1,000)
Registrar/electoral board	60,000	60,000	59,020	(980)
Clerk of the Circuit Court	348,037	400,424	393,442	(6,982)
Circuit Court	55,000	55,200	70,435	15,235
Total Shared Expenses	<u>\$ 4,905,417</u>	<u>\$ 4,958,004</u>	<u>\$ 5,046,217</u>	<u>\$ 88,213</u>
Other categorical aid:				
Victim witness grant	\$ 17,329	\$ 17,329	\$ 18,321	\$ 992
VJCCA grant	38,546	38,546	39,440	894
Records preservation grant	5,000	9,976	9,924	(52)
DMV grants	-	6,400	6,365	(35)
Law enforcement grants	1,054,900	1,059,965	7,573	(1,052,392)
E-911 grants	267,606	269,606	125,205	(144,401)
Criminal history grants	108,000	108,000	-	(108,000)

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

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>
<b>General Fund: (Continued)</b>				
Intergovernmental revenue: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Technology grants	\$ 5,000	\$ 5,000	\$ 244	\$ (4,756)
EMS grants	95,000	95,000	63,412	(31,588)
Fire Program Funds	190,000	190,000	159,500	(30,500)
Library grants	154,647	143,568	143,568	-
Litter control grants	19,000	25,869	15,001	(10,868)
Public assistance	2,136,280	2,136,280	1,210,072	(926,208)
Comprehensive services act	4,786,527	4,786,527	2,135,615	(2,650,912)
Babycare grant	51,955	51,955	26,802	(25,153)
CDBG state grants	-	50,000	50,000	-
Total other categorical aid	<u>\$ 8,929,790</u>	<u>\$ 8,994,021</u>	<u>\$ 4,011,042</u>	<u>\$ (4,982,979)</u>
Total categorical aid	<u>\$ 13,835,207</u>	<u>\$ 13,952,025</u>	<u>\$ 9,057,259</u>	<u>\$ (4,894,766)</u>
Total revenue from the Commonwealth	<u>\$ 20,656,483</u>	<u>\$ 20,773,301</u>	<u>\$ 15,755,962</u>	<u>\$ (5,017,339)</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant	\$ 95,000	\$ 95,000	\$ -	\$ (95,000)
Train Depot Restoration	400,000	400,000	141,830	(258,170)
CDBG grants	700	700	-	(700)
Homeland security	16,300	99,068	80,180	(18,888)
Emergency management preparedness	18,605	18,605	-	(18,605)
Law enforcement block grants	161,714	161,714	110,824	(50,890)
Crime victim assistance	51,988	51,988	54,965	2,977
Bureau of justice assistance	58,400	58,400	8,101	(50,299)
Public assistance	3,175,953	3,175,953	2,222,392	(953,561)
Total categorical aid	<u>\$ 3,978,660</u>	<u>\$ 4,061,428</u>	<u>\$ 2,618,292</u>	<u>\$ (1,443,136)</u>
Total revenue from the federal government	<u>\$ 3,978,660</u>	<u>\$ 4,061,428</u>	<u>\$ 2,618,292</u>	<u>\$ (1,443,136)</u>
Total General Fund	<u>\$ 63,411,460</u>	<u>\$ 63,751,006</u>	<u>\$ 57,558,924</u>	<u>\$ (6,192,082)</u>
<b>Special Revenue Funds:</b>				
<b>Industrial Development Fund:</b>				
Revenue from local sources:				
Recovered costs:				
Industrial Development Authority	\$ 5,500	\$ 39,759	\$ 39,790	\$ 31
Categorical aid:				
Tobacco indemnification funds	\$ 4,986,021	\$ 8,266,674	\$ 2,213,381	\$ (6,053,293)
Governor's opportunity funds	-	50,000	50,000	-
Total categorical aid	<u>\$ 4,986,021</u>	<u>\$ 8,316,674</u>	<u>\$ 2,263,381</u>	<u>\$ (6,053,293)</u>
Total revenue from the Commonwealth	<u>\$ 4,986,021</u>	<u>\$ 8,316,674</u>	<u>\$ 2,263,381</u>	<u>\$ (6,053,293)</u>
Total Industrial Development Fund	<u>\$ 4,991,521</u>	<u>\$ 8,356,433</u>	<u>\$ 2,303,171</u>	<u>\$ (6,053,262)</u>
<b>Workforce Investment Act Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 220,503	\$ 279,800	\$ 59,297

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

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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>
<b>Special Revenue Funds: (Continued)</b>				
<b>Workforce Investment Act Fund: (Continued)</b>				
Intergovernmental revenue:				
Revenue from the federal government:				
Categorical aid:				
WIA adult programs, youth activities, and dislocated workers	\$ 2,727,185	\$ 3,748,180	\$ 3,082,939	\$ (665,241)
Total Workforce Investment Act Fund	<u>\$ 2,727,185</u>	<u>\$ 3,968,683</u>	<u>\$ 3,362,739</u>	<u>\$ (605,944)</u>
<b>Nonmajor Special Revenue Funds:</b>				
<b>Forfeited Assets Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,576	\$ 1,576
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 9,937	\$ 9,937
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,513</u>	<u>\$ 11,513</u>
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	\$ 65,000	\$ 178,500	\$ 766,416	\$ 587,916
Total Forfeited Assets Fund	<u>\$ 65,000</u>	<u>\$ 178,500</u>	<u>\$ 777,929</u>	<u>\$ 599,429</u>
<b>Nonmajor Debt Service Reserve Funds:</b>				
<b>Debt Service Reserve Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 5,513	\$ 5,513
Total Debt Service Reserve Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,513</u>	<u>\$ 5,513</u>
<b>Nonmajor Capital Projects Funds:</b>				
<b>School Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 17,695	\$ 17,695
Total School Capital Improvements Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,695</u>	<u>\$ 17,695</u>
Total Primary Government	<u>\$ 71,195,166</u>	<u>\$ 76,254,622</u>	<u>\$ 64,025,971</u>	<u>\$ (12,228,651)</u>

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

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>
<b>Discretely Presented Component Unit - School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 1,116	\$ 1,116	\$ 591	\$ (525)
Revenue from the use of property	-	-	40,240	40,240
Total revenue from use of money and property	<u>\$ 1,116</u>	<u>\$ 1,116</u>	<u>\$ 40,831</u>	<u>\$ 39,715</u>
Charges for services:				
School food	\$ 2,179,070	\$ 2,179,070	\$ 1,959,072	\$ (219,998)
Tuition and payments from other divisions	140,620	140,620	104,597	(36,023)
Total charges for services	<u>\$ 2,319,690</u>	<u>\$ 2,319,690</u>	<u>\$ 2,063,669</u>	<u>\$ (256,021)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 634,802	\$ 701,310	\$ 860,920	\$ 159,610
Recovered costs:				
Other recovered costs	\$ 1,207,292	\$ 4,338,218	\$ 3,197,286	\$ (1,140,932)
Total revenue from local sources	<u>\$ 4,162,900</u>	<u>\$ 7,360,334</u>	<u>\$ 6,162,706</u>	<u>\$ (1,197,628)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Pittsylvania, Virginia	\$ 12,970,170	\$ 14,613,223	\$ 15,536,358	\$ 923,135
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 8,678,101	\$ 8,678,101	\$ 8,774,083	\$ 95,982
Basic Aid	27,982,620	27,982,620	27,827,116	(155,504)
Remedial summer education	190,375	190,375	200,120	9,745
Regular foster care	72,668	72,668	19,007	(53,661)
Gifted and talented	305,332	305,332	304,947	(385)
Remedial education	848,143	848,143	847,074	(1,069)
Special education	4,377,541	4,377,541	4,368,680	(8,861)
Textbook payment	275,206	275,206	343,580	68,374
Alternative education	161,679	161,679	161,679	-
Algebra readiness	123,049	123,049	123,049	-
Mentor teacher program	10,504	10,504	8,162	(2,342)
Social security fringe benefits	1,865,915	1,865,915	1,863,562	(2,353)
Group life	67,851	67,851	67,766	(85)
Retirement fringe benefits	1,689,502	1,689,502	1,687,371	(2,131)
Governor's school	17,000	17,000	17,630	630
Early reading intervention	140,842	140,842	177,784	36,942
Homebound education	111,856	111,856	85,534	(26,322)
Vocation education	1,497,652	1,497,652	1,482,634	(15,018)
JROTC	-	-	257,076	257,076
Special education - foster children	-	-	48,415	48,415
At risk payments	843,395	843,395	842,349	(1,046)
Primary class size	1,155,508	1,155,508	1,108,743	(46,765)
Technology	544,000	837,750	855,888	18,138
At risk four-year olds	665,672	793,336	793,336	-
School Food	168,334	400,889	89,080	(311,809)
English as a second language	103,343	103,343	91,628	(11,715)
Other state funds	3,809	3,809	892,256	888,447
GED prep program	23,576	23,576	23,576	-

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

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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>
<b>Discretely Presented Component Unit - School Board: (Continued)</b>				
<b>School Operating Fund: (Continued)</b>				
Intergovernmental revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Project Graduation	\$ -	\$ -	\$ 12,931	\$ 12,931
Lottery payments	879,491	879,491	-	(879,491)
Total categorical aid	<u>\$ 52,802,964</u>	<u>\$ 53,456,933</u>	<u>\$ 53,375,056</u>	<u>\$ (81,877)</u>
Total revenue from the Commonwealth	<u>\$ 52,802,964</u>	<u>\$ 53,456,933</u>	<u>\$ 53,375,056</u>	<u>\$ (81,877)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 2,553,241	\$ 2,583,815	\$ 2,577,645	\$ (6,170)
ARRA - Title I	-	-	4,787	4,787
Special Education	1,893,221	1,893,221	1,901,827	8,606
ARRA - Special Education	-	265,254	12,622	(252,632)
Title VI-B, preschool	-	-	27,819	27,819
Vocational education	168,662	168,355	241,326	72,971
Title II Part D	15,324	15,324	-	(15,324)
School fresh fruit and vegetable program	51,219	51,219	49,064	(2,155)
School food program	5,148,341	5,148,341	3,062,706	(2,085,635)
Title II	447,317	365,801	376,932	11,131
Title IV Part B-21	-	-	72,610	72,610
Language acquisition	-	-	11,432	11,432
ARRA - Educational jobs funds	-	-	2,424,987	2,424,987
School improvement grant	-	-	196,444	196,444
Other federal funds	2,744,075	2,875,032	-	(2,875,032)
Total categorical aid	<u>\$ 13,021,400</u>	<u>\$ 13,366,362</u>	<u>\$ 10,960,201</u>	<u>\$ (2,406,161)</u>
Total revenue from the federal government	<u>\$ 13,021,400</u>	<u>\$ 13,366,362</u>	<u>\$ 10,960,201</u>	<u>\$ (2,406,161)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 82,957,434</u>	<u>\$ 88,796,852</u>	<u>\$ 86,034,321</u>	<u>\$ (2,762,531)</u>

County of Pittsylvania, Virginia  
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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>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 105,990	\$ 131,727	\$ 126,237	\$ 5,490
General and financial administration:				
County administrator	\$ 264,782	\$ 269,949	\$ 268,034	\$ 1,915
Legal services	181,438	196,305	155,027	41,278
Independent auditor	74,000	74,000	61,408	12,592
Commissioner of revenue	546,600	584,447	522,258	62,189
Reassessment	-	-	6,250	(6,250)
Treasurer	610,572	618,085	627,454	(9,369)
Central accounting	260,549	263,608	262,650	958
Management information systems	333,417	338,552	322,994	15,558
Central purchasing	110,432	111,924	110,573	1,351
Grants administration	71,548	72,270	69,257	3,013
Total general and financial administration	<u>\$ 2,453,338</u>	<u>\$ 2,529,140</u>	<u>\$ 2,405,905</u>	<u>\$ 123,235</u>
Board of elections:				
Electoral board	\$ 91,159	\$ 97,555	\$ 97,812	\$ (257)
Registrar	155,298	154,894	138,215	16,679
Total board of elections	<u>\$ 246,457</u>	<u>\$ 252,449</u>	<u>\$ 236,027</u>	<u>\$ 16,422</u>
Total general government administration	<u>\$ 2,805,785</u>	<u>\$ 2,913,316</u>	<u>\$ 2,768,169</u>	<u>\$ 145,147</u>
Judicial administration:				
Courts:				
Circuit court	\$ 131,467	\$ 132,928	\$ 123,700	\$ 9,228
General district court	14,161	14,161	9,782	4,379
Special magistrates	4,827	4,827	4,082	745
Juvenile & Domestic relations Court	13,650	13,797	12,331	1,466
Clerk of the circuit court	577,335	654,150	646,120	8,030
Law Library	25,800	25,800	22,948	2,852
Victim and witness assistance	69,317	70,128	78,605	(8,477)
Commissioner of Accounts	960	960	7	953
Total courts	<u>\$ 837,517</u>	<u>\$ 916,751</u>	<u>\$ 897,575</u>	<u>\$ 19,176</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 677,359	\$ 683,305	\$ 669,009	\$ 14,296
Total judicial administration	<u>\$ 1,514,876</u>	<u>\$ 1,600,056</u>	<u>\$ 1,566,584</u>	<u>\$ 33,472</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 5,580,343	\$ 5,840,550	\$ 5,670,650	\$ 169,900
Sheriff - grants	396,248	398,766	56,767	341,999
Sheriff - 911 System	1,299,372	1,499,388	386,355	1,113,033
Total law enforcement and traffic control	<u>\$ 7,275,963</u>	<u>\$ 7,738,704</u>	<u>\$ 6,113,772</u>	<u>\$ 1,624,932</u>
Fire and rescue services:				
Fire Marshall	\$ 90,786	\$ 91,575	\$ 86,020	\$ 5,555
Volunteer fire department	1,558,305	1,614,144	1,444,592	169,552
Ambulance and rescue services	374,905	415,905	242,357	173,548
Total fire and rescue services	<u>\$ 2,023,996</u>	<u>\$ 2,121,624</u>	<u>\$ 1,772,969</u>	<u>\$ 348,655</u>

County of Pittsylvania, Virginia  
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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>
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Correction and detention:				
Sheriff - correction and detention	\$ 3,757,911	\$ 4,112,998	\$ 4,185,670	\$ (72,672)
Court services unit	451,677	445,899	402,355	43,544
Other correction and detention	80,600	80,600	62,873	17,727
Total correction and detention	<u>\$ 4,290,188</u>	<u>\$ 4,639,497</u>	<u>\$ 4,650,898</u>	<u>\$ (11,401)</u>
Inspections:				
Building inspections	\$ 290,027	\$ 290,042	\$ 288,537	\$ 1,505
Other protection:				
Animal control	\$ 246,386	\$ 260,234	\$ 252,921	\$ 7,313
Medical examiner	2,500	2,500	740	1,760
E911 System	1,200,338	1,153,007	979,695	173,312
Emergency Services	-	10,000	5,065	4,935
Total other protection	<u>\$ 1,449,224</u>	<u>\$ 1,425,741</u>	<u>\$ 1,238,421</u>	<u>\$ 187,320</u>
Total public safety	<u>\$ 15,329,398</u>	<u>\$ 16,215,608</u>	<u>\$ 14,064,597</u>	<u>\$ 2,151,011</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works	\$ 155,095	\$ 156,403	\$ 153,341	\$ 3,062
Sanitation and waste removal:				
Refuse collection	\$ 20,500	\$ -	\$ -	\$ -
Refuse disposal	3,050,000	-	-	-
Total sanitation and waste removal	<u>\$ 3,070,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 1,071,396	\$ 1,133,472	\$ 961,731	\$ 171,741
Fleet management	111,662	111,662	100,912	10,750
Total maintenance of general buildings and grounds	<u>\$ 1,183,058</u>	<u>\$ 1,245,134</u>	<u>\$ 1,062,643</u>	<u>\$ 182,491</u>
Total public works	<u>\$ 4,408,653</u>	<u>\$ 1,401,537</u>	<u>\$ 1,215,984</u>	<u>\$ 185,553</u>
Health and welfare:				
Health:				
Local health department	\$ 490,000	\$ 490,000	\$ 490,000	\$ -
Mental health and mental retardation:				
Mental health and mental retardation	\$ 147,882	\$ 147,882	\$ 147,882	\$ -
Welfare:				
Welfare administration	\$ 5,120,612	\$ 5,134,497	\$ 3,398,790	\$ 1,735,707
Public assistance	2,274,788	2,274,788	802,777	1,472,011
Comprehensive Services Act	6,403,606	6,405,772	3,431,302	2,974,470
Family preservation grant	45,000	45,000	36,105	8,895
Baby care grant	51,955	52,140	50,398	1,742
Total welfare	<u>\$ 13,895,961</u>	<u>\$ 13,912,197</u>	<u>\$ 7,719,372</u>	<u>\$ 6,192,825</u>
Total health and welfare	<u>\$ 14,533,843</u>	<u>\$ 14,550,079</u>	<u>\$ 8,357,254</u>	<u>\$ 6,192,825</u>
Education:				
Other instructional costs:				
Contribution to local school board	\$ 12,970,170	\$ 14,613,223	\$ 15,536,358	\$ (923,135)
Contributions to community college	8,532	8,532	8,532	-
Total education	<u>\$ 12,978,702</u>	<u>\$ 14,621,755</u>	<u>\$ 15,544,890</u>	<u>\$ (923,135)</u>

County of Pittsylvania, Virginia  
 Schedule of Expenditures - Budget and Actual  
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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>
<b>General Fund: (Continued)</b>				
Parks, recreation, and cultural:				
Parks and recreation:				
Administration of parks and recreation	\$ 225,120	\$ 255,092	\$ 255,783	\$ (691)
State Forestry	33,984	33,984	33,984	-
Total parks and recreation	<u>\$ 259,104</u>	<u>\$ 289,076</u>	<u>\$ 289,767</u>	<u>\$ (691)</u>
Library:				
Library administration	\$ 1,066,007	\$ 1,100,213	\$ 1,095,151	\$ 5,062
Total parks, recreation, and cultural	<u>\$ 1,325,111</u>	<u>\$ 1,389,289</u>	<u>\$ 1,384,918</u>	<u>\$ 4,371</u>
Community development:				
Planning and community development:				
Planning commission	\$ 141,379	\$ 142,149	\$ 141,322	\$ 827
Community development	23,251,863	1,142,720	809,093	333,627
Zoning board	216,577	221,236	220,995	241
Economic development	690,041	746,093	598,072	148,021
Total planning and community development	<u>\$ 24,299,860</u>	<u>\$ 2,252,198</u>	<u>\$ 1,769,482</u>	<u>\$ 482,716</u>
Environmental management:				
Soil and water conservation district	\$ 132,667	\$ 132,667	\$ 120,289	\$ 12,378
Other environmental management	19,000	26,569	25,436	1,133
Total environmental management	<u>\$ 151,667</u>	<u>\$ 159,236</u>	<u>\$ 145,725</u>	<u>\$ 13,511</u>
Cooperative extension program:				
Cooperative extension program	\$ 62,192	\$ 62,192	\$ 57,523	\$ 4,669
Total community development	<u>\$ 24,513,719</u>	<u>\$ 2,473,626</u>	<u>\$ 1,972,730</u>	<u>\$ 500,896</u>
Capital projects:				
Other capital projects	\$ 18,201,800	\$ 18,144,329	\$ 3,705,766	\$ 14,438,563
Debt service:				
Principal retirement	\$ 5,605,428	\$ 5,631,127	\$ 5,000,446	\$ 630,681
Bond issuance costs	-	-	118,425	(118,425)
Interest and other fiscal charges	5,315,255	5,340,686	4,829,787	510,899
Total debt service	<u>\$ 10,920,683</u>	<u>\$ 10,971,813</u>	<u>\$ 9,948,658</u>	<u>\$ 1,023,155</u>
Total General Fund	<u>\$ 106,532,570</u>	<u>\$ 84,281,408</u>	<u>\$ 60,529,550</u>	<u>\$ 23,751,858</u>
<b>Special Revenue Funds:</b>				
<b>Industrial Development Fund:</b>				
Community development:				
Planning and community development:				
Industrial development	\$ 1,785,500	\$ 3,126,259	\$ 552,176	\$ 2,574,083
Olde Dominion Ag Complex	40,000	469,208	266,816	202,392
Ringgold East Industrial Park	617,444	-	-	-
Berry Hill Projects	3,788,202	7,609,069	1,437,004	6,172,065
Hurt Klopman Mills water and sewer improvements	985,000	985,000	311,369	673,631
Total planning and community development	<u>\$ 7,216,146</u>	<u>\$ 12,189,536</u>	<u>\$ 2,567,365</u>	<u>\$ 9,622,171</u>
Total Industrial Development Fund	<u>\$ 7,216,146</u>	<u>\$ 12,189,536</u>	<u>\$ 2,567,365</u>	<u>\$ 9,622,171</u>

County of Pittsylvania, Virginia  
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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>
<b>Special Revenue Funds: (Continued)</b>				
<b>Workforce Investment Act Fund:</b>				
Health and welfare:				
Welfare:				
Workforce investment act	\$ 2,727,185	\$ 3,968,683	\$ 3,505,685	\$ 462,998
Total Workforce Investment Act Fund	<u>\$ 2,727,185</u>	<u>\$ 3,968,683</u>	<u>\$ 3,505,685</u>	<u>\$ 462,998</u>
<b>Nonmajor Special Revenue Funds:</b>				
<b>Forfeited Assets Fund:</b>				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 65,000	\$ 178,500	\$ 158,263	\$ 20,237
Total Forfeited Asset Fund	<u>\$ 65,000</u>	<u>\$ 178,500</u>	<u>\$ 158,263</u>	<u>\$ 20,237</u>
<b>Nonmajor Debt Service Reserve Funds:</b>				
<b>Debt Service Reserve Fund:</b>				
Community Development:				
Contribution to Danville-Pittsylvania Regional IFA	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
Total Debt Service Reserve Fund	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>
<b>Nonmajor Capital Projects Funds:</b>				
<b>School Capital Improvements Fund:</b>				
Education:				
Capital projects expenditures:				
Capital projects	\$ -	\$ 578,083	\$ 1,091,009	\$ (512,926)
Total School Capital Improvements Fund	<u>\$ -</u>	<u>\$ 578,083</u>	<u>\$ 1,091,009</u>	<u>\$ (512,926)</u>
Total Primary Government	<u>\$ 116,540,901</u>	<u>\$ 101,196,210</u>	<u>\$ 67,851,872</u>	<u>\$ 33,344,338</u>
<b>Discretely Presented Component Unit - School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
Administration and health services	\$ 3,190,947	\$ 3,189,176	\$ 3,207,689	\$ (18,513)
Instruction costs:				
Instructional costs	\$ 56,211,097	\$ 59,580,373	\$ 59,513,313	\$ 67,060
Technology	2,427,298	2,848,918	2,881,289	(32,371)
Total instruction costs	<u>\$ 58,638,395</u>	<u>\$ 62,429,291</u>	<u>\$ 62,394,602</u>	<u>\$ 34,689</u>
Operating costs:				
Pupil transportation	\$ 5,581,951	\$ 6,024,939	\$ 6,057,303	\$ (32,364)
Operation and maintenance of school plant	6,277,833	7,271,261	7,355,721	(84,460)
Food service and non-instructional	7,704,945	8,078,513	5,392,098	2,686,415
Facilities	1,563,363	1,803,672	1,567,666	236,006
Total operating costs	<u>\$ 21,128,092</u>	<u>\$ 23,178,385</u>	<u>\$ 20,372,788</u>	<u>\$ 2,805,597</u>
Total education	<u>\$ 82,957,434</u>	<u>\$ 88,796,852</u>	<u>\$ 85,975,079</u>	<u>\$ 2,821,773</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 82,957,434</u>	<u>\$ 88,796,852</u>	<u>\$ 85,975,079</u>	<u>\$ 2,821,773</u>

## **OTHER STATISTICAL INFORMATION**

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
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
2002-03	2,022,962	1,398,748	9,090,059	2,702,900	6,766,239	12,191,587	837,773	7,566,200	-	3,060,427	-	45,636,895

(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	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)	
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
2002-03	494,579	10,696,949	-	21,146,965	6,534,585	100,605	1,433,632	371,831	5,625,312	46,404,458

- (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.

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
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
2002-03	2,152,426	1,533,500	10,427,733	2,316,920	6,824,678	58,519,618	784,601	7,557,079	-	-	5,282,447	95,399,002

(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
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
2002-03	21,195,402	6,534,585	100,605	23,342	563,297	1,847,634	583,846	1,503,521	60,329,569	92,681,801

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(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.

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
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%
2002-03	25,574,656	24,176,353	94.53%	633,949	24,810,302	97.01%	3,148,322	12.31%

(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
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
2002-03	2,459,198,245	112,986,792	32,289,430	11,285,150	59,105,530	326,980,484	3,001,845,631

(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)
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

**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
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
2002-03	61,745	3,001,846	68,775,935	68,775,935	2.29%	1,114

(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 absences.

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
2011-12	\$ 9,948,658	\$ 138,203,584	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%
2002-03	5,682,447	119,870,113	4.74%

(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 2012**

Taxpayer	Type of Business	2012 Assessed Valuation	Percentage of Total Assessed Valuation
Virginia Electric & Power	Electric Utility	\$ 106,705,350	2.51%
Appalachian Power Company	Electric Utility	65,509,568	1.54%
Swedwood	Manufacturer	30,974,950	0.73%
Transcontinental Gas Pipeline	Gas Utility	27,715,676	0.65%
Colonial Pipeline	Gas Utility	22,603,628	0.53%
Mecklenburg Electric Coop, Inc.	Electric Utility	20,380,331	0.48%
Intertape Polymer Corp	Electric Utility	19,973,000	0.47%
Verizon VA, Inc.	Communications	18,101,537	0.43%
Owens Brockway	Manufacturer	11,223,320	0.26%
Times Fiber	Communications	4,050,000	0.10%
Total		\$ 327,237,360	7.71%
All Others		\$ 3,915,942,602	92.29%
Total Assessed Valuation		\$ 4,243,179,962	100.00%

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**COMPLIANCE SECTION**

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## 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 Members of the Board of Supervisors  
County of Pittsylvania, Virginia  
Chatham, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit – School Board, the major funds, and the aggregate remaining fund information of the County of Pittsylvania, Virginia as of and for the year ended June 30, 2012, which collectively comprise the County of Pittsylvania, Virginia's basic financial statements and have issued our report thereon dated December 4, 2012, except for the Industrial Development Authority of Pittsylvania County and Note 1, as to which the date is January 23, 2013. Our report includes reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Pittsylvania County Service Authority and the Industrial Development Authority of Pittsylvania County, as described in our report on County of Pittsylvania, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not necessarily designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 (Reference 2012-1).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Pittsylvania, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial

statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the County of Pittsylvania, Virginia in a separate letter dated December 4, 2012.

The County of Pittsylvania, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County of Pittsylvania, Virginia's response and, accordingly, we express no opinion on it.

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

*Robinson, Faener, Co. Associates*

Blacksburg, Virginia

December 4, 2012, except for the Industrial Development Authority of Pittsylvania County and Note 1, as to which the date is January 23, 2013.

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Compliance

We have audited the 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 the County of Pittsylvania, Virginia's major federal programs for the year ended June 30, 2012. The 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Pittsylvania, Virginia's management. Our responsibility is to express an opinion on the County of Pittsylvania, Virginia's compliance based on our audit.

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

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

### Internal Control Over Compliance

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

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

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

*Robinson, Faure, Co. Associates*

Blacksburg, Virginia

December 4, 2012

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950111, 0950112	\$ 28,147
Temporary Assistance for Needy Families	93.558	0400111, 0400112	451,884
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111, 0500112	685
Low-Income Home Energy Assistance	93.568	0600411, 0600412	47,053
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	0770110, 0770111	142,627
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111, 0760112	110,202
Chafee Education & Training Vouchers Program	93.599	9160111	2,445
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111, 0900112	1,639
Foster Care - Title IV-E	93.658	1100111, 1100112	165,887
Adoption Assistance	93.659	1120111, 1120112	60,817
Social Services Block Grant	93.667	1000111, 1000112	343,352
Chafee Foster Care Independence Program	93.674	9150111, 9150112	6,338
Children's Health Insurance Program	93.767	0540111, 0540112	15,265
Medical Assistance Program	93.778	1200111, 1200112	<u>312,004</u>
Total Department of Health and Human Services			<u>\$ 1,688,345</u>
Department of Agriculture:			
Pass Through Payments:			
Virginia Department of Agriculture & Consumer Services:			
Child Nutrition Cluster:			
Food Distribution-Schools (Note D)	10.555	Not applicable	\$ 254,182
Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	40623	<u>\$ 2,070,973</u>
National School Lunch Program Subtotal	10.555		<u>\$ 2,325,155</u>
Virginia Department of Agriculture & Consumer Services:			
Child Nutrition Cluster:			
Summer Food Service Program for Children (Note D)	10.559	Not applicable	\$ 1,799
Department of Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	40591	\$ 735,752
Fresh Fruit and Vegetable Program	10.582	40599	<u>49,064</u>
Department of Education pass through payments			<u>\$ 784,816</u>
Department of Social Services:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0010111, 0010112, 0030111, 0030112 0040111, 0040112 0050111, 0050112	\$ 534,047
State Administrative Matching Grants for Supplemental Nutrition Assistance Program Subtotal	10.561		<u>\$ 534,047</u>
Total Department of Agriculture			<u>\$ 3,645,817</u>

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Public Safety Partnership and Community Policing Grants	16.710	Not applicable	\$ 4,640
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Not applicable	<u>8,101</u>
Total Department of Justice - direct payments			<u>\$ 12,741</u>
Pass Through Payments:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	11VAGX0001 10VAGX0095	<u>\$ 54,965</u>
Total Department of Justice			<u>\$ 67,706</u>
Department of Transportation:			
Pass Through Payments:			
Virginia Department of Transportation:			
Highway Planning and Construction	20.205	EN03-187-00074484	\$ 141,830
Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	K8-2012-52196-4574 K8-2012-52100-4478	<u>\$ 24,418</u>
Total Department of Transportation			<u>\$ 166,248</u>
Department of Labor:			
Pass Through Payments:			
Virginia Community College System:			
Workforce Investment Act Cluster:			
Workforce Investment Act Adult Program	17.258	53427	\$ 1,053,968
Workforce Investment Act Youth Activities	17.259	53427	1,088,863
Workforce Investment Act Dislocated Workers	17.260	53427	<u>940,108</u>
Total Department of Labor			<u>\$ 3,082,939</u>
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Cluster:			
Title I: Grants to local educational agencies	84.010	42901, 42892	\$ 2,577,645
ARRA-Title I: Grants to local educational agencies	84.389	42913	4,787
Special Education Cluster:			
Special Education: Grants to States	84.027	43071	1,901,827
ARRA-Special Education: Grants to States	84.391	61245	12,622
Special Education: Preschool Grants	84.173	62521	27,819
Career and Technical Education: Basic Grants to States	84.048	61095, 86647	241,326
Twenty-First Century Community Learning Centers	84.287	60565	72,610
ARRA-State Fiscal Stabilization Fund - Education Jobs Funds	84.410	62700	2,424,987
School Improvement Grants	84.377	43040	196,444
English Language Acquisition State Grant	84.365	60512	11,432
Improving Teacher Quality - State Grants	84.367	61480	<u>376,932</u>
Total Department of Education			<u>\$ 7,848,431</u>

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Homeland Security Grant Program	97.073	52708, 52709	\$ 38,412
Emergency Management Performance Grant	97.042	52740	41,768
Buffer Zone Protection Program (BZPP)	97.078	52769	<u>81,766</u>
Total U.S. Department of Homeland Security			<u>\$ 161,946</u>
Total Expenditures of Federal Awards			<u>\$ 16,661,432</u>

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, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Pittsylvania, Virginia, it is not intended to and does not present the financial position, changes in net assets, 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: 17.258, 17.259 and 17.260  
Program Name: Workforce Development Act Cluster  
Amount Provided to Subrecipients: \$3,082,939

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, 2012, 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	\$ 2,618,292
Workforce Investment Act Fund	<u>3,082,939</u>
Total primary government:	<u>\$ 5,701,231</u>
Component Unit Schools:	
School Operating Fund	<u>\$ 10,960,201</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 16,661,432</u>

**County of Pittsylvania, Virginia**

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

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

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 auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.410	ARRA - Education Jobs Funds
84.010/84.389	Title I - Part A Cluster
93.558	Temporary Assistance for Needy Families (TANF)
84.027/84.173/84.391	Special Education (IDEA) - Cluster
93.667	Social Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs \$499,843

Auditee qualified as low-risk auditee? No

**County of Pittsylvania, Virginia**

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

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**Section II - Financial Statement Findings**

**2012-1**

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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 2012 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 2011-1 was recurring in the current year.