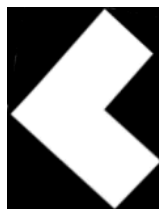


*County of Henry, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2014*



*Creedle, Jones  
& Alga, P.C.*  
*Certified Public Accountants*

## County of Henry, Virginia

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# FINANCIAL SECTION





**Creedle  
Jones  
& Alga**

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Virginia Society of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
County of Henry, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of County of Henry, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–9 and 62–75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015, on our consideration of the County of Henry, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Henry, Virginia's internal control over financial reporting and compliance.

*Credle, Jones & Alga, P.C.*

Credle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
January 6, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Henry, Virginia presents the following discussion and analysis as an overview of the County of Henry, Virginia's financial activities for the fiscal year ending June 30, 2014. We encourage readers to read this discussion and analysis in conjunction with the County's financial statements.

### Financial Highlights

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the County, excluding its Component Units, exceeded its liabilities by \$54,460,551. Of this amount, \$29,254,392 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the County's governmental activities were \$48,258,254 and expenses amounted to \$46,803,678. The County's total net position increased \$1,454,576.
- For business-type activities, revenues were \$1,057,574 and expenses were \$126,908. The net position increased by \$930,666.

#### Highlights for Fund Financial Statements

- As of June 30, 2014, the County's Governmental Funds reported combined fund balances of \$30,647,793, an increase of \$1,042,463 in comparison with the prior year. Approximately 68.8 percent of the combined fund balances, \$21,071,892, is available to meet the County's current and future needs based on fund classifications explained in the notes to the financial statements.
- The General Fund reported a fund balance of \$30,092,977, an increase of \$1,118,616 from June 30, 2013.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

### Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the County's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education. Philpott Marina activities represent the business-type activities.

Furthermore, the government-wide financial statements include legally separate entities, the school board and the Industrial Development Authority, for which the County is financially accountable. The County is the fiscal agent for the Henry-Martinsville Social Services, which is supported by funds from the Federal government, Commonwealth of Virginia, County General Fund, and the City of Martinsville, Virginia. Financial information for component units is reported separately from the financial information presented for the primary government itself.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single aggregated presentation.

The County has three types of funds:

*Governmental Funds* - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects Funds, all of which are considered to be major funds.

*Proprietary Funds* – The County uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

*Fiduciary Funds* – The County is the trustee, or fiduciary, for the County's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

### **Notes to the Basic Financial Statements**

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.



## Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current and other assets	\$ 32,939,130	\$ 32,285,006	\$ 13,797	\$ -	\$ 32,952,927	\$ 32,285,006
Capital assets (net)	41,793,467	43,610,684	1,276,494	-	43,069,961	43,610,684
Total Assets	<u>\$ 74,732,597</u>	<u>\$ 75,895,690</u>	<u>\$ 1,290,291</u>	<u>\$ -</u>	<u>\$ 76,022,888</u>	<u>\$ 75,895,690</u>
<b>Liabilities</b>						
Other liabilities	\$ 1,042,401	\$ 1,635,012	\$ 51,076	\$ -	\$ 1,093,477	\$ 1,635,012
Long-term liabilities	19,092,902	21,106,432	-	-	19,092,902	21,106,432
Total Liabilities	<u>20,135,303</u>	<u>22,741,444</u>	<u>51,076</u>	<u>-</u>	<u>20,186,379</u>	<u>22,741,444</u>
<b>Deferred Inflows of Resources</b>	<b>136,743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,743</b>	<b>-</b>
<b>Net Position</b>						
Net investment in capital assets	25,206,159	24,905,399	1,276,494	-	26,482,653	24,905,399
Restricted	-	163,463	-	-	-	163,463
Unrestricted	29,254,392	28,085,384	(37,279)	-	29,217,113	28,085,384
Total Net Position	<u>54,460,551</u>	<u>53,154,246</u>	<u>1,239,215</u>	<u>-</u>	<u>55,699,766</u>	<u>53,154,246</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 74,732,597</u>	<u>\$ 75,895,690</u>	<u>\$ 1,290,291</u>	<u>\$ -</u>	<u>\$ 76,022,888</u>	<u>\$ 75,895,690</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's Primary Government reporting entity, assets exceeded liabilities by \$55,699,766 at June 30, 2014. The portion of the reporting entity's net position, \$26,482,653, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

## Statement of Activities

The following table summarizes revenues and expenses for the primary government:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 606,094	\$ 661,344	\$ 48,633	\$ -	\$ 654,727	\$ 661,344
Grants and contributions	7,947,155	8,470,021	218,532	-	8,165,687	8,470,021
<b>General Revenues</b>						
General property taxes, real and personal	23,263,287	22,021,911	-	-	23,263,287	22,021,911
Other taxes	11,400,075	11,423,797	-	-	11,400,075	11,423,797
Noncategorical aid from state	4,320,361	4,379,884	-	-	4,320,361	4,379,884
Use of property	314,512	313,298	-	-	314,512	313,298
Investment earnings	327,489	325,522	-	-	327,489	325,522
Miscellaneous	79,281	68,059	4,438	-	83,719	68,059
Transfers in	-	-	785,971	-	785,971	-
Total Revenues	<u>48,258,254</u>	<u>47,663,836</u>	<u>1,057,574</u>	<u>-</u>	<u>49,315,828</u>	<u>47,663,836</u>
<b>Expenses</b>						
General government administration	2,844,334	2,894,415	-	-	2,844,334	2,894,415
Judicial administration	2,986,103	2,837,316	-	-	2,986,103	2,837,316
Public safety	13,525,442	12,843,010	-	-	13,525,442	12,843,010
Public works	3,407,640	3,188,523	-	-	3,407,640	3,188,523
Health and welfare	2,111,706	2,072,696	-	-	2,111,706	2,072,696
Education	15,913,386	16,517,987	-	-	15,913,386	16,517,987
Parks, recreation, and cultural	1,898,332	1,509,301	126,908	-	2,025,240	1,509,301
Community development	2,656,017	3,366,996	-	-	2,656,017	3,366,996
Interest on long-term debt	674,747	751,059	-	-	674,747	751,059
Transfers out	785,971	-	-	-	785,971	-
Total Expenses	<u>46,803,678</u>	<u>45,981,303</u>	<u>126,908</u>	<u>-</u>	<u>46,930,586</u>	<u>45,981,303</u>
Increase in Net Position	<u>1,454,576</u>	<u>1,682,533</u>	<u>930,666</u>	<u>-</u>	<u>2,385,242</u>	<u>1,682,533</u>
Beginning Net Position	<u>53,152,546</u>	<u>51,471,713</u>	<u>1,700</u>	<u>-</u>	<u>53,154,246</u>	<u>51,471,713</u>
Prior Period Adjustment	<u>(146,571)</u>	<u>-</u>	<u>306,849</u>	<u>-</u>	<u>160,278</u>	<u>-</u>
Ending Net Position	<u>\$ 54,460,551</u>	<u>\$ 53,154,246</u>	<u>\$ 1,239,215</u>	<u>\$ -</u>	<u>\$ 55,699,766</u>	<u>\$ 53,154,246</u>

Governmental activities increased the County's net position by \$1,454,576 for fiscal year 2014. Revenues from governmental activities totaled \$48,258,254. General property taxes comprise the largest source of these revenues, totaling \$23,263,287 or 48.2 percent of all governmental activities revenue. Business-type activities revenues totaled \$1,057,574 and expenses totaled \$126,908 increasing the net position by \$930,666.

The total cost of all governmental activities for this fiscal year was \$46,803,678. Education was the County's largest program with expenses totaling \$15,913,386. Public safety, which totals \$13,525,442, represents the second largest expense.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,844,334	\$ (2,405,268)	\$ 2,894,415	\$ (2,511,665)
Judicial administration	2,986,103	(1,810,443)	2,837,316	(1,686,578)
Public safety	13,525,442	(7,786,147)	12,843,010	(7,496,284)
Public works	3,407,640	(3,234,372)	3,188,523	(3,011,738)
Health and welfare	2,111,706	(1,481,250)	2,072,696	(1,473,429)
Parks, recreation, and cultural	1,898,332	(1,849,405)	1,509,301	(1,452,630)
Community development	2,656,017	(2,309,440)	3,366,996	(1,948,568)
Education	15,913,386	(15,913,386)	16,517,987	(16,517,987)
Interest on long-term debt	<u>674,747</u>	<u>(674,747)</u>	<u>751,059</u>	<u>(751,059)</u>
Total	<u>\$ 46,017,707</u>	<u>\$ (37,464,458)</u>	<u>\$45,981,303</u>	<u>\$ (36,849,938)</u>

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2014, the County's Governmental Funds reported a combined ending fund balance of \$30,647,793. The unassigned fund balance is \$21,043,246 which is available for spending at the government's discretion.

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$21,043,246. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 45.2 percent of total fund expenditures.

- The General Fund contributed operating funds to finance the component units as follows: \$17,145,289 School Board operations, \$1,094,516 to finance the Industrial Development Authority, and \$524,925 to the Social Services Board.

The Special Grant Projects Fund has a total fund balance of \$203,603, all of which is assigned for ongoing and future capital projects.

### BUDGETARY HIGHLIGHTS

#### General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

## Budgetary Comparison

### General Fund

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 22,217,833	\$ 22,217,833	\$ 23,277,658	\$ 21,982,898	\$ 21,719,898	\$ 22,057,534
Other	14,720,856	15,136,024	15,168,985	14,513,686	14,785,948	15,047,661
Intergovernmental	10,150,968	15,402,396	11,061,054	11,983,988	13,138,511	10,481,848
Total	<u>47,089,657</u>	<u>52,756,253</u>	<u>49,507,697</u>	48,480,572	49,644,357	47,587,043
<b>Expenditures</b>	<u>46,056,998</u>	<u>60,516,995</u>	<u>46,629,475</u>	47,781,740	58,857,505	46,066,534
Excess (Deficiency) of Revenues Over Expenditures	1,032,659	(7,760,742)	2,878,222	698,832	(9,213,148)	1,520,509
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	<u>(1,032,659)</u>	<u>(1,845,856)</u>	<u>(1,759,606)</u>	<u>(998,832)</u>	<u>(1,783,679)</u>	<u>(939,516)</u>
Total	<u>(1,032,659)</u>	<u>(1,845,856)</u>	<u>(1,759,606)</u>	<u>(998,832)</u>	<u>(1,783,679)</u>	<u>(939,516)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(9,606,598)	1,118,616	(300,000)	(10,996,827)	580,993
Transfer from Surplus Funds	<u>-</u>	<u>9,606,598</u>	<u>-</u>	<u>300,000</u>	<u>10,996,827</u>	<u>-</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,118,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580,993</u>

Final amended budget revenues were more than the original budget by \$5,666,596.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$14,459,997 primarily because of the FEMA Safer Grant awarded and additional money paid to Henry County Public Service Authority and the School Board.

Actual revenues were less than final budget amounts by \$3,248,556, or 6.2 percent, while actual expenditures were \$13,887,520, or 22.9 percent less than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2014, the County's net investment in capital assets totals \$25,206,159, which is net capital assets less related debt for governmental activities and \$1,276,494 for business-type activities.

During fiscal year 2014, the County's net capital assets (including additions, decreases, and depreciation) decreased \$1,068,619 for governmental activities, increased \$969,645 for business-type activities; decreased \$239,177 for the School Board; decreased \$628,095 for the IDA; and increased \$4,557 for Social Services as summarized in the following tables:

## Change in Capital Assets

### Primary Government

#### Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 2,926,097	\$ -	\$ 2,926,097
Construction in process	306,849	(64,164)	242,685
Buildings and improvements	24,824,160	-	24,824,160
Furniture, equipment, and vehicles	<u>11,935,240</u>	<u>153,518</u>	<u>12,088,758</u>
Total Capital Assets	39,992,346	89,354	40,081,700
Less: Accumulated depreciation and amortization	<u>(20,563,073)</u>	<u>(1,157,973)</u>	<u>(21,721,046)</u>
Total Capital Assets, Net Before Allocation of Schools	<u>\$ 19,429,273</u>	<u>\$ (1,068,619)</u>	<u>18,360,654</u>
Allocation of net school buildings with outstanding debt			<u>23,432,813</u>
Total Capital Assets, Net			<u>\$ 41,793,467</u>

#### Business-Type Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 51,876	\$ -	\$ 51,876
Buildings and improvements	254,973	849,912	1,104,885
Furniture, equipment, and vehicles	<u>-</u>	<u>137,158</u>	<u>137,158</u>
Total Capital Assets	306,849	987,070	1,293,919
Less: Accumulated depreciation and amortization	<u>-</u>	<u>(17,425)</u>	<u>(17,425)</u>
Total Capital Assets, Net	<u>\$ 306,849</u>	<u>\$ 969,645</u>	<u>\$ 1,276,494</u>

### Component Units

#### School Board

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 787,516	\$ -	\$ 787,516
Construction in process	712,861	1,057,980	1,770,841
Buildings and improvements	75,427,210	772,906	76,200,116
Furniture, equipment, and vehicles	<u>11,791,447</u>	<u>(12,032)</u>	<u>11,779,415</u>
Total Capital Assets	88,719,034	1,818,854	90,537,888
Less: Accumulated depreciation and amortization	<u>(41,150,955)</u>	<u>(2,058,031)</u>	<u>(43,208,986)</u>
Total Capital Assets, Net Before Allocation to County	<u>\$ 47,568,079</u>	<u>\$ (239,177)</u>	<u>47,328,902</u>
Allocation of net school buildings with outstanding debt			<u>(23,432,813)</u>
Total Capital Assets, Net			<u>\$ 23,896,089</u>

**Note:** School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off.

**IDA**

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Equipment	\$ 4,440,059	\$ 6,305	\$ 4,446,364
Total Capital Assets	4,440,059	6,305	4,446,364
Less: Accumulated depreciation and amortization	<u>(3,171,470)</u>	<u>(634,400)</u>	<u>(3,805,870)</u>
Total Capital Assets, Net	<u>\$ 1,268,589</u>	<u>\$ (628,095)</u>	<u>\$ 640,494</u>

**Henry-Martinsville Social Services**

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Machinery and equipment	\$ 258,072	\$ (11,113)	\$ 246,959
Less: Accumulated depreciation and amortization	<u>(216,485)</u>	<u>15,670</u>	<u>(200,815)</u>
Total Capital Assets, Net	<u>\$ 41,587</u>	<u>\$ 4,557</u>	<u>\$ 46,144</u>

**Long-Term Debt**

As of June 30, 2014, the County's long-term obligations, excluding the Component Units, total \$19,075,715.

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities</b>			
General obligation bonds	\$ 13,524,343	\$ (1,449,222)	\$ 12,075,121
Literary Fund loans	2,861,976	(541,289)	2,320,687
Recovery Zone bonds	1,835,000	(85,000)	1,750,000
Landfill obligation	330,923	(70,500)	260,423
OPEB obligation (asset)	(79,289)	62,102	(17,187)
Compensated absences	2,070,224	174,947	2,245,171
LT Agreement	<u>164,800</u>	<u>(19,200)</u>	<u>145,600</u>
	20,707,977	(1,928,162)	18,779,815
Add: Premiums	<u>319,166</u>	<u>(23,266)</u>	<u>295,900</u>
Total Governmental Activities	<u>\$ 21,027,143</u>	<u>\$ (1,951,428)</u>	<u>\$ 19,075,715</u>

General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

More detailed information on the County's long-term obligations is presented in Note 11 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The average unemployment rate for the County of Henry, Virginia in June 2014 was 8.4 percent, a decrease of .9 percent from June 2013. This compares unfavorably to the state's rate of 5.4 percent and the national rate of 6.3 percent.
- According to the 2010 U.S. Census, the population in Henry County, Virginia was 54,151, a decrease of 6.5%, since the 2000 U.S. Census. The latest estimate by University of Virginia Weldon Cooper Center for Public Service is a population of 53,560, a decrease of 1.09% from 2010 U.S. census.
- The per capita income in Henry County, Virginia was \$31,650, compared to \$48,773 for the state, according to the latest available estimates from the U.S. Department of Commerce Bureau of Economic Analysis.

The fiscal year 2015 Adopted Budget anticipates General Fund revenues and expenditures to be \$47,769,505, a 1.44 percent increase over the fiscal year 2014 original budget.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the County of Henry, Director of Finance, P. O. Box 7, Collinsville, Virginia 24078-0007, telephone 276-634-4630, or visit the County's website at [www.henrycountyva.gov](http://www.henrycountyva.gov).

# BASIC FINANCIAL STATEMENTS





## County of Henry, Virginia

## Statement of Net Position

At June 30, 2014

	Primary Government			School Board	Component Units	
	Governmental Activities	Business-Type Activities	Total Primary Government		Industrial Development Authority	Henry-Martinsville Social Services
<b>Assets</b>						
Cash	\$ 26,417,260	\$ 200	\$ 26,417,460	\$ 1,842,609	\$ 953,895	\$ 38,778
Cash - restricted	-	-	-	33,295	-	-
Receivables, net	2,749,827	4,200	2,754,027	396,819	932,630	8,047
Due from County of Henry, Virginia - primary government	-	-	-	1,165,498	-	-
Due from component units	1,490,075	-	1,490,075	-	-	-
Due from other funds	-	1,550	1,550	-	-	-
Due from other governments/agencies	2,236,135	-	2,236,135	2,299,392	368	680,771
Inventory	28,646	7,847	36,493	-	17,369,670	-
Notes receivable	-	-	-	-	1,341,360	-
Net OPEB prepaid liability	17,187	-	17,187	195,708	-	85,483
<b>Capital Assets</b>						
Land and construction in progress	3,168,782	51,300	3,220,082	2,558,357	-	-
Other capital assets, net of accumulated depreciation	38,624,685	1,225,194	39,849,879	21,337,732	640,494	46,144
Capital Assets, Net	41,793,467	1,276,494	43,069,961	23,896,089	640,494	46,144
Total Assets	<u>\$ 74,732,597</u>	<u>\$ 1,290,291</u>	<u>\$ 76,022,888</u>	<u>\$ 29,829,410</u>	<u>\$ 21,238,417</u>	<u>\$ 859,223</u>
<b>Liabilities</b>						
Accounts payable	\$ 563,721	\$ 7,992	\$ 571,713	\$ 270,182	\$ 711,731	\$ -
Accrued payroll and other liabilities	242,929	3,351	246,280	3,857,842	-	41,338
Accrued interest	229,961	-	229,961	-	27,627	-
Unearned rents	-	39,733	39,733	-	-	-
Due to other governments/agencies	4,240	-	4,240	-	-	-
Due to other funds	1,550	-	1,550	-	-	-
Due to County of Henry, Virginia - primary government	-	-	-	-	1,969,315	686,258
<b>Long-Term Liabilities</b>						
<i>Due within one year</i>						
Bonds, loans, other	2,425,596	-	2,425,596	78,107	1,113,881	40,115
<i>Due in more than one year</i>						
Landfill obligation	234,381	-	234,381	-	-	-
Compensated absences	2,020,654	-	2,020,654	702,962	-	361,034
Bonds, capital leases, and loans payable, net of premiums	14,412,271	-	14,412,271	-	4,155,310	-
Total Liabilities	20,135,303	51,076	20,186,379	4,909,093	7,977,864	1,128,745
<b>Deferred Inflows of Resources</b>						
Unexpended grants payable	136,743	-	136,743	79,830	750,000	-
<b>Net Position</b>						
Net investment in capital assets	25,206,159	1,276,494	26,482,653	23,896,089	-	46,144
Unrestricted (deficit)	29,254,392	(37,279)	29,217,113	944,398	12,510,553	(315,666)
Total Net Position (Deficit)	54,460,551	1,239,215	55,699,766	24,840,487	12,510,553	(269,522)
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 74,732,597</u>	<u>\$ 1,290,291</u>	<u>\$ 76,022,888</u>	<u>\$ 29,829,410</u>	<u>\$ 21,238,417</u>	<u>\$ 859,223</u>

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

County of Henry, Virginia  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	School Board	Industrial Development Authority	Henry-Martinsville Social Services
<b>Primary Government</b>										
<b>Governmental Activities</b>										
General government administration	\$ 2,844,334	\$ 34,208	\$ 404,858	\$ -	\$ (2,405,268)		\$ (2,405,268)			
Judicial administration	2,986,103	91,046	1,084,614	-	(1,810,443)		(1,810,443)			
Public safety	13,525,442	279,588	5,459,707	-	(7,786,147)		(7,786,147)			
Public works	3,407,640	152,325	20,943	-	(3,234,372)		(3,234,372)			
Health and welfare	2,111,706	-	630,456	-	(1,481,250)		(1,481,250)			
Parks, recreation, and cultural	1,898,332	48,927	-	-	(1,849,405)		(1,849,405)			
Community development	2,656,017	-	346,577	-	(2,309,440)		(2,309,440)			
Education - local school	15,860,919	-	-	-	(15,860,919)		(15,860,919)			
Education - community college	52,467	-	-	-	(52,467)		(52,467)			
Interest on long-term debt	674,747	-	-	-	(674,747)		(674,747)			
Total Governmental Activities	46,017,707	606,094	7,947,155	-	(37,464,458)		(37,464,458)			
<b>Business-Type Activities</b>										
<b>Philpott Marina</b>										
Parks, Recreation, and Cultural	126,908	48,633	-	218,532		\$ 140,257	140,257			
Total Business-Type Activities	126,908	48,633	-	218,532		140,257	140,257			
Total Primary Government	\$ 46,144,615	\$ 654,727	\$ 7,947,155	\$ 218,532			(37,324,201)			
<b>Component Units</b>										
<b>School Board</b>										
Instruction	\$ 43,755,814	\$ 599,590	\$ 51,063,764	\$ -			\$ 7,907,540			
Administration, attendance, and health	2,660,562	-	-	-			(2,660,562)			
Pupil transportation	5,306,934	-	-	-			(5,306,934)			
Operation and maintenance	5,666,089	-	-	-			(5,666,089)			
Cafeterias	4,108,119	761,651	3,259,088	-			(87,380)			
Special grants	8,323,170	-	-	-			(8,323,170)			
Facilities	1,600,349	-	-	-			(1,600,349)			
Technology	2,079,973	-	-	-			(2,079,973)			
Total School Board	73,501,010	1,361,241	54,322,852	-			(17,816,917)			
<b>Industrial Development Authority</b>										
Economic development	1,968,766	-	2,377,030	-				\$ 408,264		
Interest	118,997	-	-	-				(118,997)		
Total Industrial Development Authority	2,087,763	-	2,377,030	-				289,267		
<b>Henry-Martinsville Social Services</b>										
Health and welfare	5,981,489	-	5,405,856	-						\$ (575,633)
Total - Component Units	\$ 81,570,262	\$ 1,361,241	\$ 62,105,738	\$ -						(575,633)
<b>General Revenues</b>										
<b>Unrestricted</b>										
General property taxes					23,263,287	-	23,263,287	-		-
Other local taxes					11,400,075	-	11,400,075	-		-
Payments - County of Henry, Virginia					-	-	-	15,860,919	1,094,516	524,925
Use of property					314,512	-	314,512	25,247	764,545	-
Investment income					327,489	-	327,489	14,638	96,085	-
Miscellaneous					79,281	4,438	83,719	2,077,523	774,722	25,321
Noncategorical aid from state					4,320,361	-	4,320,361	-	-	-
Transfers in (out)					(785,971)	785,971	-	-	-	-
Total General Revenues and Transfers					38,919,034	790,409	39,709,443	17,978,327	2,729,868	550,246
Change in Net Position					1,454,576	930,666	2,385,242	161,410	3,019,135	(25,387)
Net Position (Deficit) - Beginning of Year					53,152,546	1,700	53,154,246	24,679,077	9,491,418	(244,135)
Prior Period Adjustment - Reclassification of Funds					(146,571)	306,849	160,278	-	-	-
Net Position (Deficit) - End of Year					\$ 54,460,551	\$ 1,239,215	\$ 55,699,766	\$ 24,840,487	\$ 12,510,553	\$ (269,522)

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

County of Henry, Virginia

Balance Sheet

Governmental Funds

At June 30, 2014

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
<b>Assets</b>							
Cash	\$26,270,834	\$ -	\$ -	\$ -	\$ 146,426	\$ -	\$ 26,417,260
Receivables - net							
Taxes	1,455,529	-	-	-	-	-	1,455,529
Licenses	48,267	-	-	-	-	-	48,267
Accounts	1,243,829	391	113	1,698	-	-	1,246,031
Due from other funds	285,010	-	-	124,982	-	189,571	599,563
Due from component units	2,680,441	-	-	-	-	-	2,680,441
Due from other governments/agencies	1,686,810	102,886	356,224	-	-	90,215	2,236,135
Inventory	28,646	-	-	-	-	-	28,646
Total Assets	<u>\$33,699,366</u>	<u>\$ 103,277</u>	<u>\$ 356,337</u>	<u>\$ 126,680</u>	<u>\$ 146,426</u>	<u>\$ 279,786</u>	<u>\$ 34,711,872</u>
<b>Liabilities</b>							
Accounts payable	\$ 406,445	\$ 65,545	\$ 13,123	\$ 850	\$ 1,575	\$ 76,183	\$ 563,721
Accrued liabilities	227,525	710	14,694	-	-	-	242,929
Due to other governments/agencies	4,240	-	-	-	-	-	4,240
Due to other funds	316,103	37,022	245,663	-	2,325	-	601,113
Due to component units	1,190,366	-	-	-	-	-	1,190,366
Total Liabilities	2,144,679	103,277	273,480	850	3,900	76,183	2,602,369
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - unearned grants	136,743	-	-	-	-	-	136,743
Unavailable revenue - taxes and licenses	1,324,967	-	-	-	-	-	1,324,967
Total Deferred Inflows of Resources	1,461,710	-	-	-	-	-	1,461,710
<b>Fund Balances</b>							
Nonspendable fund balance	28,646	-	-	-	-	-	28,646
Restricted fund balance	583,241	-	-	125,830	142,526	-	851,597
Committed fund balance	3,404,943	-	-	-	-	-	3,404,943
Assigned fund balance	5,032,901	-	82,857	-	-	203,603	5,319,361
Unassigned fund balance	21,043,246	-	-	-	-	-	21,043,246
Total Fund Balances	<u>30,092,977</u>	<u>-</u>	<u>82,857</u>	<u>125,830</u>	<u>142,526</u>	<u>203,603</u>	<u>30,647,793</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$33,699,366</u>	<u>\$ 103,277</u>	<u>\$ 356,337</u>	<u>\$ 126,680</u>	<u>\$ 146,426</u>	<u>\$ 279,786</u>	<u>\$ 34,711,872</u>

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

County of Henry, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2014

Total Fund Balances for Governmental Funds		\$ 30,647,793
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land and construction in progress	\$ 3,041,252	
School assets associated with debt held by County	23,432,813	
Buildings and improvements, net of accumulated depreciation	11,789,405	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,529,997</u>	
Total Capital Assets		41,793,467
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - taxes and licenses		1,324,967
Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds, capital leases, and notes payable with related premiums	(16,587,308)	
Accrued interest payable	(229,961)	
OPEB (obligation) asset	17,187	
Landfill closure and post-closure liability	(260,423)	
Compensated absences	<u>(2,245,171)</u>	
Total		<u>(19,305,676)</u>
Total Net Position of Governmental Activities		<u>\$ 54,460,551</u>

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

County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
<b>Revenues</b>							
General property taxes	\$ 23,277,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,277,658
Other local taxes	11,449,845	-	-	-	-	-	11,449,845
Permits, privilege fees, and regulatory licenses	67,111	-	-	-	-	-	67,111
Fines and forfeitures	199,043	-	-	-	-	-	199,043
Use of money and property	628,024	-	-	-	784	-	628,808
Charges for services	332,388	-	-	7,552	-	-	339,940
Miscellaneous	79,185	-	-	-	96	-	79,281
Recovered costs	2,413,389	41,827	339,104	7,208	-	9,290	2,810,818
<i>Intergovernmental</i>							
Revenue from the Commonwealth of Virginia	10,317,062	530,614	329,271	-	-	112,523	11,289,470
Revenue from the Federal Government	743,992	-	-	-	-	234,054	978,046
<b>Total Revenues</b>	<b>49,507,697</b>	<b>572,441</b>	<b>668,375</b>	<b>14,760</b>	<b>880</b>	<b>355,867</b>	<b>51,120,020</b>
<b>Expenditures</b>							
<b>Current</b>							
General government administration	3,022,708	-	-	-	-	-	3,022,708
Judicial administration	2,710,226	-	-	16,850	-	-	2,727,076
Public safety	13,191,464	-	1,418,887	-	-	-	14,610,351
Public works	3,309,779	-	-	-	18,632	-	3,328,411
Health and welfare - social services component unit	524,925	-	-	-	-	-	524,925
Health and welfare	772,424	873,579	-	-	-	-	1,646,003
Education - community college	52,467	-	-	-	-	-	52,467
Education - school board component unit	17,145,289	-	-	-	-	-	17,145,289
Parks, recreation, and cultural	1,762,935	-	-	-	-	-	1,762,935
Community development - IDA component unit	1,094,516	-	-	-	-	-	1,094,516
Community development	1,908,478	-	-	-	-	334,163	2,242,641
Nondepartmental	14,401	-	-	-	-	-	14,401
<i>Debt service</i>							
Principal	720,000	-	-	-	-	-	720,000
Interest	55,750	-	-	-	-	-	55,750
Capital outlay	344,113	-	-	-	-	-	344,113
<b>Total Expenditures</b>	<b>46,629,475</b>	<b>873,579</b>	<b>1,418,887</b>	<b>16,850</b>	<b>18,632</b>	<b>334,163</b>	<b>49,291,586</b>
Excess (Deficiency) of Revenues Over Expenditures	2,878,222	(301,138)	(750,512)	(2,090)	(17,752)	21,704	1,828,434
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	301,138	667,650	-	-	4,847	973,635
Transfers out	(1,759,606)	-	-	-	-	-	(1,759,606)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,759,606)</b>	<b>301,138</b>	<b>667,650</b>	<b>-</b>	<b>-</b>	<b>4,847</b>	<b>(785,971)</b>
Net Change in Fund Balances	1,118,616	-	(82,862)	(2,090)	(17,752)	26,551	1,042,463
Fund Balances - Beginning of Year	28,974,361	-	165,719	127,920	160,278	177,052	29,605,330
Fund Balances - End of Year	\$ 30,092,977	\$ -	\$ 82,857	\$ 125,830	\$ 142,526	\$ 203,603	\$ 30,647,793

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

County of Henry, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds		\$ 1,042,463
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>		
Net capital outlays and dispositions of assets	\$ 912,198	
Depreciation expense	<u>(1,673,968)</u>	(761,770)
<p>Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This negative amount represents that there were additional amounts deferred in the prior year which were recorded as revenue in the fund statements in the current year, but had already been recognized in the Statement of Activities during the previous year.</p>		
		(64,141)
<p>Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.</p>		
Tower lease	19,200	
Repayment of principal	2,098,777	
Change in accrued interest	<u>35,194</u>	
Net Adjustment		2,153,171
<p>Change in allocation of school's capital assets (new school buildings) that have debt held and payable by the County associated with the buildings.</p>		
Change in net school assets allocated to County	<u>(748,598)</u>	(748,598)
<p>Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:</p>		
Landfill obligation	70,500	
OPEB obligation	(62,102)	
Compensated absences	<u>(174,947)</u>	
Net Adjustment		<u>(166,549)</u>
Change in Net Position of Governmental Activities		<u>\$ 1,454,576</u>

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

## County of Henry, Virginia

## Statement of Net Position

Proprietary Funds

At June 30, 2014

**Business-Type  
Activities -  
Enterprise Fund  
Philpott Marina  
Fund #51**

**Assets****Current Assets**

Cash	\$	200
Receivables, net		4,200
Inventory		7,847
Due from General Fund		<u>1,550</u>

Total Current Assets 13,797

**Noncurrent Assets**

Capital assets, net		<u>1,276,494</u>
---------------------	--	------------------

Total Noncurrent Assets 1,276,494

Total Assets \$ 1,290,291

**Liabilities****Current Liabilities**

Accounts payable	\$	7,992
Accrued payroll and other liabilities		3,351
Unearned rents		<u>39,733</u>

Total Current Liabilities 51,076

Total Liabilities 51,076

**Net Position**

Net investment in capital assets	1,276,494
Unrestricted (deficit)	<u>(37,279)</u>

Total Net Position 1,239,215

Total Liabilities and Net Position \$ 1,290,291

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

## County of Henry, Virginia

### Statement of Revenues, Expenses, and Changes in Net Position

#### Proprietary Funds

Year Ended June 30, 2014

**Business-Type  
Activities -  
Enterprise Fund  
Philpott Marina  
Fund #51**

#### Operating Revenues

Charges for services, net - fuel and store sales	\$ 24,933
Charges for services, net - rentals	23,700
Miscellaneous - insurance recoveries	<u>4,438</u>

Total Operating Revenues 53,071

#### Operating Expenses

Personal services	20,390
Fringe benefits	1,938
Repairs and maintenance	13,370
Food and store purchases for resale	9,660
Fuel purchases for resale	14,148
Utilities	7,019
Advertising	2,714
Office expenses	1,961
Insurance	95
Other supplies and charges	494
Small construction and equipment purchases	37,694
Depreciation	<u>17,425</u>

Total Operating Expenses 126,908

Operating Loss (73,837)

#### Nonoperating Revenues (Expenses)

Donation - Virginia Harvest Foundation	125,000
EDC contribution	<u>93,532</u>

Total Nonoperating Revenues (Expenses) 218,532

Income Before Transfers 144,695

Operating Transfers In 785,971

Net Operating Transfers 785,971

Change in Net Position 930,666

Total Net Position - Beginning of Year 1,700

Prior Period Adjustment 306,849

Total Net Position - End of Year \$ 1,239,215

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



**County of Henry, Virginia**

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2014

	<b>Business-Type Activities - Enterprise Fund Philpott Marina Fund #51</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 88,604
Payments for personnel and related costs	(18,977)
Payments to suppliers and other operating costs	<u>(85,676)</u>
Net Cash Used in Operating Activities	(16,049)
<b>Cash Flows from Noncapital Financing Activities</b>	
Net transfers from other funds	<u>1,007,722</u>
Net Cash Provided by Noncapital Financing Activities	1,007,722
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases and construction of capital assets	<u>(1,185,473)</u>
Net Cash Used in Capital and Related Financing Activities	(1,185,473)
<b>Cash Flows from Investing Activities</b>	
Donation - Virginia Harvest Foundation	125,000
EDC contribution	<u>69,000</u>
Net Cash Provided by Investing Activities	<u>194,000</u>
Net Increase in Cash and Cash Equivalents	200
Cash and Cash Equivalents - Beginning of Year	<u>-</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 200</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating loss	\$ (73,837)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	17,425
Changes in assets and liabilities	
Receivables, net	(2,867)
Inventory	(7,847)
Accounts payable and accrued expenses	11,344
Unearned rents	<u>39,733</u>
Net Cash Used in Operating Activities	<u><u>\$ (16,049)</u></u>

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

**County of Henry, Virginia**

Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2014

Agency Funds

	<u>Special Welfare</u>	<u>Gateway Streetscape Foundation, Inc.</u>	<u>Jail Inmate</u>	<u>OPEB Trust</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 9,841	\$ 48,626	\$ 86,468	\$ 1,914,789	\$ 2,059,724
Due from other governmental unit	-	6,812	-	-	6,812
Capital assets, net	-	3,621	-	-	3,621
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 9,841</u>	<u>\$ 59,059</u>	<u>\$ 86,468</u>	<u>\$ 1,914,789</u>	<u>\$ 2,070,157</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ -	\$ 3,943	\$ -	\$ -	\$ 3,943
Amounts held for others	9,841	55,116	86,468	1,914,789	2,066,214
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>\$ 9,841</u>	<u>\$ 59,059</u>	<u>\$ 86,468</u>	<u>\$ 1,914,789</u>	<u>\$ 2,070,157</u>

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

## County of Henry, Virginia

### Notes to Financial Statements

Year Ended June 30, 2014

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The County of Henry, Virginia (the "County") has a population of approximately 54,151 living within an area of 382 square miles. The County is located in the foothills of the Blue Ridge Mountains, in the southern Piedmont region of Virginia. The borders are shared with Patrick County to the west, Franklin County to the north, Pittsylvania County to the east, and the North Carolina line to the south.

The County was named for Patrick Henry, who lived there from 1780 to 1784. They originally were part of Pittsylvania County, but then went on their own in 1777.

The County of Henry, Virginia (the "County") is governed under the County Administration-Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and cultural, community development, and education.

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

### **1-A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Henry, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

## Individual Component Unit Disclosures

### Discretely Presented Component Units

#### *Henry County School Board*

Henry County School Board (the "School Board") is organized as an independently governed school system for operating the public schools in the County. Citizens of the County elect school board members. The School Board is financially dependent on appropriations by the County Board of Supervisors for current operations, with any surplus funds returned to the County annually. In addition, major capital improvements are financed by long-term debt issued by the County. In accordance with requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, the School Board is considered to be a major component unit of the County. The government-wide statements are shown on the Statement of Net Position and the Statement of Activities, and the School Board governmental fund combining statements are shown in the Other Supplementary Information section.

#### *Industrial Development Authority of Henry County, Virginia*

The Industrial Development Authority of Henry County, Virginia (the "IDA") operates as an enterprise activity by assisting local industry with bond financing. The IDA is a legally separate organization; however, the Board of Supervisors of the County appoints all of the IDA's Board, and the County is legally obligated for the debts of the IDA. The IDA is presented as a discretely presented component unit for reporting purposes. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position and the governmental fund statements are shown in the Other Supplementary Information section.

#### *Henry-Martinsville Social Services Board*

The Henry-Martinsville Social Services Board (the "HMSS") operates the Department of Social Services for both the County and the City. This joint entity was established June 1, 1997. Of the nine Board members, the County appoints six. The County is financially accountable for HMSS because it appoints a majority of the Board members and because the County is legally obligated to finance the deficits of, and provide financial support to, the Board. The County and the City have an agreement in which the City will reimburse the County for their share of administrative, operating, and maintenance costs that are unreimbursed by state or federal grants. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the governmental fund statements are shown in the Other Supplementary Information section. These entities are collectively included and referred to as the "County."

## Exclusions from the Reporting Entity

### Related Organization

#### *Henry County Public Service Authority*

The primary function of Henry County Public Service Authority (the "HCPSA") is to provide water and sewer services to areas of the County. The HCPSA Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for HCPSA comes from state and federal grants as well as

from charges for services. The County provides some financial assistance, but HCPSA is not financially dependent on the County. The Board of Supervisors appoints a Board member to the HCPSA from each County district. While not a component unit of the County, HCPSA is considered to be a related organization since the County has determinable ongoing financial interests in or responsibilities for HCPSA. The County contributed \$406,800 to the Authority for fire hydrant rental during the year.

#### **1-B. Financial Reporting Model**

The County's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and other supplementary information, described as follows:

***Management's Discussion and Analysis*** – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

***Government-wide Financial Statements*** – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the County and its discretely presented component units at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

**Fund Financial Statements** – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

**Reconciliation of Government-wide and Fund Financial Statements** – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

#### **1-C. Financial Statement Presentation**

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

**Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:

##### **Major Governmental Funds**

###### *General Fund*

The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of

money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes. A significant part of the General Fund's revenue is transferred to other funds and component units, principally to finance the operations of the County's Public Schools.

### ***Special Revenue Funds***

Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

#### ***Comprehensive Services Act Fund***

The Comprehensive Services Act Fund accounts for revenue derived from the Commonwealth of Virginia for the care of the localities' special needs children. This special revenue fund is considered a major governmental fund for reporting purposes.

#### ***E-911 Central Dispatch Fund***

The E-911 Central Dispatch Fund accounts for the financial transactions associated with the operation of the County's 911 Emergency Services Center. Revenues are primarily derived from reimbursements from the City of Martinsville, Virginia, County of Henry, Virginia, the State Compensation Board, and Virginia Wireless Board. This special revenue fund is considered a major governmental fund for reporting purposes.

#### ***Law Library Fund***

The Law Library Fund accounts for revenue received from other funds for the use of the library. This special revenue fund is considered a major governmental fund for reporting purposes.

#### ***Fieldale Sanitary District Fund***

Fieldale Sanitary District – This fund accounted for money held in trust for the benefit of the Fieldale Sanitary District through June 30, 2013. Effective July 1, 2013, the Fieldale Sanitary District Board gifted to the County the remaining cash assets of the District. These funds will be in a special revenue fund in fiscal year 2014 to continue to be used for street lights and curb maintenance for the community of Fieldale.

In January 2011, the County became the fiscal agent for the Fieldale Sanitary District. The district was created in the 1940s to provide water and sewer to the citizens and businesses of the community of Fieldale. Over time, the water and sewer operations were turned over to the Henry County Public Service Authority. The district now only maintains select street lights and curb maintenance in the Fieldale community.

***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has one enterprise fund at this time, Philpott Marina Fund, which accounts for activities of the Marina for recreational use by the citizens of Henry County and the surrounding area. The Component Unit – IDA Fund is also accounted for as a proprietary fund.



**Capital Projects Funds** – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital Projects Funds include the following:

*Special Grant Projects Fund*

The Special Grant Projects Fund accounts for all financial resources used for recording activity for CDBG and related type grants. This fund is considered a major governmental fund for reporting purposes.

**Fiduciary Funds – (Agency Funds)** – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The County maintains the following fiduciary funds:

**Special Welfare Fund** – The Special Welfare Fund is used to reimburse the Comprehensive Service Act Fund, State Agencies, and others for expenses incurred on behalf of Henry-Martinsville Social Services welfare clients. Income is derived primarily from the Social Security Administration and other local organizations on behalf of the Social Services' clients.

**Gateway Streetscape Foundation, Inc.** – This fund is used to account for the funds of a local nonprofit organization whose purpose is to improve the Community's aesthetic value by planting flowers and trees on major roadways.

**Jail Inmate Fund** – This fund is comprised of cash on inmates of the Henry County Jail at the time of their arrest or contributions to them from their family members. These funds can only be used for the health and welfare of specific County inmates.

**OPEB Trust Fund** – This fund is comprised of the money held in trust to fund post-retiree benefits of health insurance for the County, the School Board, and Henry-Martinsville Social Services.

***Component Unit (Henry County School Board)***

The Henry County School Board has the following funds:

School Fund – The School Fund accounts for the general operations and activities of the schools with the exception of the textbook purchases and cafeteria operations.

School Textbook Fund – The School Textbook Fund handles purchases of textbooks for the school system.

School Cafeteria Fund – The School Cafeteria Fund accounts for all school cafeteria operations including federal and state grants, meal charges, and food purchases.



#### **1-D. Measurement Focus and Basis of Accounting**

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

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

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 unavailable 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 within two months preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. 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 cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity**

**1-E-1 Cash and Cash Equivalents**

The County operates a cash and investment pool which most funds utilize. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income.

**1-E-2 Investments**

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

**1-E-3 Receivables and Payables**

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

The County levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the County Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of Henry County. The Commonwealth of Virginia assesses public utility property. Neither the County nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and real estate is reassessed every four years. The Commissioner of Revenue prorates billings for property incomplete as of January 1, but completed during the year. Any taxes paid after the due date is subject to a 10 percent penalty and 8 percent interest charge.

Real estate taxes are billed annually and due by December 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10 percent per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance.

Personal property tax assessments on tangible business property are based on a declining graduated percent of cost based on year of acquisition. All motor vehicles are based on 100 percent of loan value of the property as of January 1 of each year. Personal property taxes do not create a lien on property; however, County vehicle decals, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes. Any taxes paid after the due date is subject to a 10 percent penalty and 8 percent interest charge.

Property taxes receivable are included as unavailable revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period.

Any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the County receives taxpayers' payments in fiscal year 2014 from the State for its share of the local personal property tax payment (for personal use motor vehicles), with the remainder collected by the County.

#### ***1-E-4 Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

#### ***1-E-5 Capital Assets***

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

Capital outlays are recorded as expenditures of the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds and as assets in the government-wide financial statements to the extent the County's capitalization thresholds are met. The capitalization threshold for capitalizing capital assets is \$5,000 and \$100,000 for building additions. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation is recorded on general capital assets on a government-wide basis.

In the fund financial statements, maintenance, repairs, and minor equipment costs are charged to operations when incurred. Expenditures that meet the County's capitalization policy and materially change capacities or extend useful lives are capitalized in the government-wide financial statements. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings	15-40 years
Equipment	3-15 years

**1-E-6 Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Property taxes receivable but not collected in 60 day period is unavailable and included as deferred inflow.

**1-E-7 Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

**1-E-8 Retirement Plan**

Retirement plan contributions are actuarially determined for the Virginia Retirement System (VRS) and consist of current service costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension cost at the actuarially determined rates.

### **1-E-9 Other Postemployment Benefits Plans**

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to financial statements present required schedules of funding progress that includes multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **1-E-10 Fund Equity**

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

**Governmental Fund Balances** – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – 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 of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

**Net Position** – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

### ***1-E-11 Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for Philpott Marina. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

### ***1-E-12 Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

### ***1-E-13 Long-Term Obligations***

The County reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

### ***1-E-14 Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### ***1-E-15 Encumbrances***

Encumbrance accounting, the recording of purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds.

### ***1-E-16 Land and Building – Held for Sale***

The IDA has land and building that are held for resale to potential industries in the County. The assets are recorded at cost. Periodically, incidental rent is received for the use of these facilities.

## **2** Stewardship, Compliance, and Accountability

### ***Budgets and Budgetary Accounting***

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component units. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended and unencumbered appropriations lapse at the end of each fiscal year except as allowed by the Appropriations Resolution.

#### ***Budgetary Data***

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

1. Prior to April 18, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
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 fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.
8. The County Administrator is authorized to transfer budgeted amounts within general government departments subject to limitations set in the Appropriations Resolution; however, the School Board and Henry-Martinsville Social Services are authorized to transfer budgeted amounts within each of their respective budget categories.

#### ***Expenditures in Excess of Appropriations***

No expenditures exceeded appropriations at the fund level.

#### ***Fund Deficits***

The Component Unit Henry-Martinsville Social Services had an unrestricted deficit of \$315,666 for GASB 34 reporting purposes.

The business-type activities (Philpott Marina) had an unrestricted deficit of \$37,279.



### **3** Deposits and Investments

#### ***Deposits***

All cash of the County and its component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et seq.* of the *Code of Virginia* (the "Code") or covered by Federal Depository Insurance.

#### ***Investments***

Statutes authorize local governments and other public bodies 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, the State Treasurer's Local Government Investment Pool (LGIP), and the Virginia State Treasurer's Non-Arbitrage Program (SNAP).

The County has invested bond proceeds subject to rebate of arbitrage earnings in SNAP. SNAP is an open-end management investment company registered with the SEC designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. This program provides comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities, and towns.

#### ***Interest Rate Risk***

At year end, the County is only invested in SNAP, which has a dollar weighted average portfolio maturity of 90 days and money market funds which are readily available.

#### ***Custodial Credit Risk***

As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the County's investments are held in a bank's trust department in the County's name by the County's designated custodian. All investment activity during the year was in securities of the type held at year end.



The above items are reflected in the statements as follows:

	<u>Component Units</u>					<u>Total</u>
	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry- Martinsville Social Services</u>	
<b>Fund Statements</b>						
<b>Deposits and Investments</b>						
Petty cash	\$ 1,525	\$ -	\$ -	\$ -	\$ -	\$ 1,525
Deposits	<u>26,415,935</u>	<u>2,059,724</u>	<u>1,875,904</u>	<u>953,895</u>	<u>38,778</u>	<u>31,344,236</u>
	<u>\$ 26,417,460</u>	<u>\$ 2,059,724</u>	<u>\$ 1,875,904</u>	<u>\$ 953,895</u>	<u>\$ 38,778</u>	<u>\$ 31,345,761</u>
<b>Statement of Net Position</b>						
<b>Deposits and Investments</b>						
Cash and cash equivalents	\$ 26,417,460	\$ -	\$ 1,875,904	\$ 953,895	\$ 38,778	\$ 29,286,037
Fiduciary fund cash	<u>-</u>	<u>2,059,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,059,724</u>
	<u>\$ 26,417,460</u>	<u>\$ 2,059,724</u>	<u>\$ 1,875,904</u>	<u>\$ 953,895</u>	<u>\$ 38,778</u>	<u>\$ 31,345,761</u>

***Credit Risk***

State statute requires that obligations of the Commonwealth of Virginia and its political subdivisions have a debt rating of at least AA by Standard & Poor's (S&P) or equivalent by Moody's Investors Service (Moody's). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102 percent of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rated at least A-1 by S&P and P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P and Aa by Moody's. Money market mutual funds must trade on a constant net position value and invest solely in securities otherwise eligible for investment under these guidelines.

***Concentration of Credit Risk***

Although the intent of the County is to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the County places no limit on the amount it may invest in any one issuer.

## 4 Receivables

Receivables at June 30, 2014 consist of the following:

	<u>Primary Government</u>		<u>School Board</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
<b>Accounts Receivable</b>					
Property taxes	\$ 3,151,339	\$ -	\$ -	\$ -	\$ -
Business licenses	48,267	-	-	-	-
Meals taxes	29,994	-	-	-	-
Other miscellaneous	1,216,037	4,200	396,819	932,630	8,047
Total	4,445,637	4,200	396,819	932,630	8,047
Allowance for uncollectibles	(1,695,810)	-	-	-	-
Net Accounts Receivable	\$ 2,749,827	\$ 4,200	\$ 396,819	\$ 932,630	\$ 8,047
<b>Notes Receivable</b>					
Notes Receivable	\$ -	\$ -	\$ -	\$ 2,181,299	\$ -
Allowance for uncollectibles	-	-	-	(839,939)	-
Net Notes Receivable	\$ -	\$ -	\$ -	\$ 1,341,360	\$ -

## 5 Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>County of Henry, Virginia</b>		
<b>General Fund (for operations or construction costs)</b>		
From General Fund to Central Dispatch Fund	\$ -	\$ 667,650
From General Fund to Special Grant Projects Fund	-	4,847
From General Fund to Philpott Marina Fund	-	785,971
From General Fund to Comprehensive Services Fund	-	301,138
<b>Comprehensive Services Act Fund</b>		
From General Fund to Comprehensive Services Fund	301,138	-
<b>Special Grant Projects Fund</b>		
From General Fund to Special Grant Projects Fund	4,847	-
<b>Central Dispatch Fund</b>		
From General Fund to Central Dispatch Fund	667,650	-
Subtotal - Governmental Funds	973,635	1,759,606
<b>Proprietary Fund - Philpott Marina Fund</b>		
From General Fund to Philpott Marina Fund	785,971	-
	<u>\$ 1,759,606</u>	<u>\$ 1,759,606</u>

## 6 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2014 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>County of Henry, Virginia to Component Units</b>		
<b>Primary Government - County of Henry, Virginia</b>		
To Component Unit - Social Services	\$ -	\$ 524,925
To Component Unit - Industrial Development Authority	-	1,094,516
To Component Unit - School Board	-	17,145,289
<b>Component Unit - Social Services</b>		
From Primary Government - County of Henry, Virginia	524,925	-
<b>Component Unit - Industrial Development Authority</b>		
From Primary Government - County of Henry, Virginia	1,094,516	-
<b>Component Unit - School Board</b>		
From Primary Government - County of Henry, Virginia	<u>17,145,289</u>	<u>-</u>
	<u>\$ 18,764,730</u>	<u>\$ 18,764,730</u>
<b>Component Unit - School Board - Transfers</b>		
<b>School Fund</b>		
From School to School Textbook Fund	\$ -	\$ 479,840
<b>School Textbook Fund</b>		
From School to School Textbook Fund	<u>479,840</u>	<u>-</u>
	<u>\$ 479,840</u>	<u>\$ 479,840</u>

## 7 Due to/From Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2014 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>County of Henry, Virginia</b>		
<b>Governmental Funds</b>		
General Fund from/to Other governmental funds	\$ 285,010	\$ 314,553
General Fund to Philpott Marina	-	1,550
Comprehensive Services Act Fund to General Fund	-	37,022
E-911 Central Dispatch Fund to General Fund	-	245,663
Fieldale Sanitary District to the General Fund	-	2,325
Law Library Fund from General Fund	124,982	-
Special Grant Projects Fund from General Fund	<u>189,571</u>	<u>-</u>
	599,563	601,113
<b>Proprietary Funds</b>		
Philpott Marina from General Fund	<u>1,550</u>	<u>-</u>
Total	<u>\$ 601,113</u>	<u>\$ 601,113</u>
<b>Primary Government and Component Units - Interfund Accounts</b>		
<b>Primary Government</b>		
Due from Industrial Development Authority to County	\$ 1,657,083	\$ -
Due from Regional Industrial Site Project to County	312,232	-
Due from Social Services to County	686,258	-
Due to School Fund from County	-	1,190,366
Due from School Cafeteria Fund to County	<u>24,868</u>	<u>-</u>
Total	<u>2,680,441</u>	1,190,366
Net Due from Component Units to Primary Government	1,490,075	
<b>Component Unit - Industrial Development Authority</b>		
Due from Industrial Development Authority to County	-	1,657,083
Due from Regional Industrial Site Project to County	<u>-</u>	<u>312,232</u>
Total	-	1,969,315
Net Due to Primary Government from Component Unit		1,969,315
<b>Component Unit - Social Services</b>		
Due from Social Services to County	<u>-</u>	<u>686,258</u>
Total	-	686,258
Net Due to Primary Government from Component Unit		686,258
<b>Component Unit - School Board</b>		
Due from School Cafeteria Fund to County	-	24,868
Due to School Fund from County	<u>1,190,366</u>	<u>-</u>
Total	<u>1,190,366</u>	<u>24,868</u>
Net Due to Primary Government from Component Unit	<u>1,165,498</u>	
Total Net Due to/from's between Primary Government and Component Units	<u>\$ 2,655,573</u>	<u>\$ 2,655,573</u>

	<u>Due From</u>	<u>Due To</u>
<b>Component Unit - School Board (Fund Statements Only)</b>		
<b>School Fund</b>		
From School Textbook Fund to School Fund	\$ 214,146	\$ -
<b>School Textbook Fund</b>		
To School from School Textbook Fund	-	214,146
Due to/from Other Funds - School Board	<u>\$ 214,146</u>	<u>\$ 214,146</u>

## 8 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2014, are as follows:

	<u>Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
<b>Commonwealth of Virginia</b>				
State and local sales taxes	\$ 679,619	\$ 1,309,480	\$ -	\$ -
Communications tax	393,583	-	-	-
Auto rental tax	6,069	-	-	-
Mobile home tax	12,797	-	-	-
Compensation Board	470,142	-	-	-
Recordation tax	14,468	-	-	-
Comprehensive services	102,886	-	-	-
911 funds	17,598	-	-	-
Other reimbursements	7,981	79,316	-	-
Public assistance	-	-	-	153,807
	<u>1,705,143</u>	<u>1,388,796</u>	-	<u>153,807</u>
<b>Federal Government</b>				
Title VIB Flow-Through	-	467,667	-	-
Title VI Rural and Low Income	-	9,696	-	-
Preschool Handicapped	-	19,641	-	-
Title I	-	327,512	-	-
School food program	-	52,405	-	-
CTE federal payments - Carl Perkins	-	5,663	-	-
Law enforcement	26,306	-	-	-
Emergency services	51,226	-	-	-
Development grants - special projects	90,215	-	-	-
Transportation grants	15,570	-	-	-
Public assistance	-	-	-	257,837
Other reimbursements	9,049	28,012	-	-
	<u>192,366</u>	<u>910,596</u>	-	<u>257,837</u>
<b>Other Governmental Entities</b>				
911 operations - City of Martinsville, VA	338,626	-	-	-
Industrial site expenses - City of Martinsville, VA	-	-	368	-
Social Services operations - City of Martinsville, VA	-	-	-	269,127
	<u>\$ 2,236,135</u>	<u>\$ 2,299,392</u>	<u>\$ 368</u>	<u>\$ 680,771</u>

## 9 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 2,926,097	\$ -	\$ -	\$ 2,926,097
Construction in progress	<u>306,849</u>	<u>242,685</u>	<u>306,849</u>	<u>242,685</u>
Total Capital Assets Not Being Depreciated	3,232,946	242,685	306,849	3,168,782
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	24,824,160	-	-	24,824,160
Furniture, equipment, and vehicles	<u>11,935,240</u>	<u>675,520</u>	<u>522,002</u>	<u>12,088,758</u>
Total Capital Assets - Depreciable	36,759,400	675,520	522,002	36,912,918
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	93,620	33,910	-	127,530
Buildings and improvements	12,310,733	724,022	-	13,034,755
Furniture, equipment, and vehicles	<u>8,158,720</u>	<u>916,036</u>	<u>515,995</u>	<u>8,558,761</u>
Total Accumulated Depreciation	<u>20,563,073</u>	<u>1,673,968</u>	<u>515,995</u>	<u>21,721,046</u>
Other Capital Assets, Net	<u>16,196,327</u>	<u>(998,448)</u>	<u>6,007</u>	<u>15,191,872</u>
Net Capital Assets before Allocation from School	<u>\$ 19,429,273</u>	<u>\$ (755,763)</u>	<u>\$ 312,856</u>	<u>18,360,654</u>
Add: Net school buildings allocated to County with outstanding debt				<u>23,432,813</u>
Net Capital Assets				<u>\$ 41,793,467</u>

Depreciation expense was allocated as follows:

General government administration	\$ 179,496
Judicial administration	235,791
Public safety	990,283
Public works	90,466
Health and welfare	42,535
Parks, recreation, and cultural	<u>135,397</u>
Depreciation	<u>\$ 1,673,968</u>

**Business-Type Activities**

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 51,876	\$ -	\$ -	\$ 51,876
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	51,876	-	-	51,876
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	254,973	849,912	-	1,104,885
Furniture, equipment, and vehicles	<u>-</u>	<u>137,158</u>	<u>-</u>	<u>137,158</u>
Total Capital Assets - Depreciable	254,973	987,070	-	1,242,043
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	-	576	-	576
Buildings and improvements	-	12,277	-	12,277
Furniture, equipment, and vehicles	<u>-</u>	<u>4,572</u>	<u>-</u>	<u>4,572</u>
Total Accumulated Depreciation	<u>-</u>	<u>17,425</u>	<u>-</u>	<u>17,425</u>
Other Capital Assets, Net	<u>254,973</u>	<u>969,645</u>	<u>-</u>	<u>1,224,618</u>
Net Capital Assets	<u>\$ 306,849</u>	<u>\$ 969,645</u>	<u>\$ -</u>	<u>\$ 1,276,494</u>
Depreciation expense was allocated as follows:				
Marina expenses	<u>\$ 17,425</u>			
Depreciation	<u>\$ 17,425</u>			

**Component Unit - School Board**

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 787,516	\$ -	\$ -	\$ 787,516
Construction in progress - school renovations	<u>712,861</u>	<u>1,352,666</u>	<u>294,686</u>	<u>1,770,841</u>
Total Capital Assets Not Being Depreciated	1,500,377	1,352,666	294,686	2,558,357
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	75,427,210	772,906	-	76,200,116
Furniture and equipment	<u>11,791,447</u>	<u>457,854</u>	<u>469,886</u>	<u>11,779,415</u>
Total Capital Assets, Depreciable	87,218,657	1,230,760	469,886	88,979,531
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	14,733	-	-	14,733
Buildings and improvements	32,615,044	1,717,953	-	34,332,997
Furniture and equipment	<u>8,521,178</u>	<u>803,766</u>	<u>463,688</u>	<u>8,861,256</u>
Total Accumulated Depreciation	<u>41,150,955</u>	<u>2,521,719</u>	<u>463,688</u>	<u>43,208,986</u>
Other Capital Assets, Net	<u>46,067,702</u>	<u>(1,290,959)</u>	<u>6,198</u>	<u>44,770,545</u>
Net Capital Assets before Allocation to County	<u>\$47,568,079</u>	<u>\$ 61,707</u>	<u>\$ 300,884</u>	<u>47,328,902</u>
Less: Net school buildings allocated to County with outstanding debt				<u>(23,432,813)</u>
Net Capital Assets				<u>\$ 23,896,089</u>

**Component Unit - IDA**

	<b>Balance July 1, 2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2014</b>
<b>Capital Assets - Depreciable</b>				
Equipment	\$ 4,440,059	\$ 6,305	\$ -	\$ 4,446,364
Total Capital Assets - Depreciable	4,440,059	6,305	-	4,446,364
<b>Less: Accumulated depreciation for</b>				
Equipment	<u>3,171,470</u>	<u>634,400</u>	<u>-</u>	<u>3,805,870</u>
Total Accumulated Depreciation	<u>3,171,470</u>	<u>634,400</u>	<u>-</u>	<u>3,805,870</u>
Net Capital Assets	<u>\$ 1,268,589</u>	<u>\$ (628,095)</u>	<u>\$ -</u>	<u>\$ 640,494</u>



**Component Unit - Henry-Martinsville Social Services**

	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
<b>Other Capital Assets</b>				
Machinery and equipment	\$ 258,072	\$ 24,464	\$ 35,577	\$ 246,959
Total Other Capital Assets	258,072	24,464	35,577	246,959
<b>Less: Accumulated depreciation for</b>				
Machinery and equipment	<u>216,485</u>	<u>19,907</u>	<u>35,577</u>	<u>200,815</u>
Total Accumulated Depreciation	<u>216,485</u>	<u>19,907</u>	<u>35,577</u>	<u>200,815</u>
Other Capital Assets, Net	<u>41,587</u>	<u>4,557</u>	<u>-</u>	<u>46,144</u>
Net Capital Assets	<u>\$ 41,587</u>	<u>\$ 4,557</u>	<u>\$ -</u>	<u>\$ 46,144</u>

## 10 Compensated Absences

County employees earn vacation based on length of service and sick leave at the rate of one day per month. Twenty-five percent of the amount for unused sick leave is paid for upon termination. All accumulated unused vacation is paid upon termination.

## 11 Long-Term Debt

### A. Bonds Payable

The schedule below represents long-term debt payable at June 30, 2014:

#### Primary Government

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2014</u>
General Obligation Bonds - 2002	\$ 6,040,000	\$ 755,000	3.00-5.00	2014	\$ 755,000
Va. Public School Authority Bonds - 2007B	2,711,471	122,817	5.10	2028	2,033,064
Va. Public School Authority Bonds - 2006	6,009,728	282,803	4.60-5.10	2027	4,214,325
Va. Public School Authority Bonds - 2005	2,342,487	110,636	4.60-5.10	2026	1,538,995
Va. Public School Authority Bonds - 1995	1,916,194	119,426	5.10-6.10	2016	242,537
VML/VACO Recovery Zone Bonds - 2010	2,000,000	85,000	2.00-6.57	2030	1,750,000
VPSA QSCB Recovery Act Bonds - 2011	3,400,000	115,600	0.00	2027	3,291,200
Sanville Elementary Literary Loan - 1998	2,080,772	104,039	2.00	2018	416,148
Laurel Park Literary Loan - 1998	1,387,370	69,500	2.00	2018	275,370
Rich Acres Literary Loan - 1998	2,462,218	122,750	2.00	2018	498,218
Stanleytown Literary Loan - 1998	2,425,951	120,000	2.00	2018	505,951
Fieldale-Collinsville Literary Loan - 1998	2,500,000	125,000	2.00	2019	625,000
					<u>\$ 16,145,808</u>

**Component Unit - Industrial Development Authority**

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2014</u>
Public Improvement Bond - Series 2007	\$ 4,000,000	\$ 420,549	3.79	2018	\$ 1,780,270
Series 2013 Lease Revenue Bonds	3,500,000	-	1.95	2018	2,795,589
Public Improvement Equipment Lease Revenue Bond - Series 2008	4,400,000	693,332	3.39	2015	<u>693,332</u>
					<u>\$ 5,269,191</u>

**B. Governmental Obligation**

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Position for the year ended June 30, 2014:

**Primary Government**

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
General obligations bonds - County	\$ 1,475,000	\$ -	\$ 720,000	\$ 755,000	\$ 755,000
General obligations bonds - public schools	12,049,343	-	729,222	11,320,121	751,282
Literary Fund loans	2,861,976	-	541,289	2,320,687	541,289
Recovery Zone bonds	1,835,000	-	85,000	1,750,000	85,000
Subtotal - School-related debt	16,746,319	-	1,355,511	15,390,808	1,377,571
Subtotal - County and school	18,221,319	-	2,075,511	16,145,808	2,132,571
Add: Bond premiums	319,166	-	23,266	295,900	23,266
Subtotal after premiums	18,540,485	-	2,098,777	16,441,708	2,155,837
Note payable to Verizon (Tower)	164,800	-	19,200	145,600	19,200
Landfill closure monitoring	330,923	-	70,500	260,423	26,042
OPEB obligation (asset)	(79,289)	-	(62,102)	(17,187)	-
Compensated absences	2,070,224	174,947	-	2,245,171	224,517
	<u>\$21,027,143</u>	<u>\$ 174,947</u>	<u>\$2,126,375</u>	<u>\$ 19,075,715</u>	<u>\$2,425,596</u>

Compensated absences expenses are allocated by department and by fund. The change in compensated absences for the Statement of Activities is charged to general government.

Debt service on the preceding long-term debt in future years is as follows:

Primary Government

Fiscal Year Ending June 30.	General Obligation Bond		General Obligation Bonds School Board		Recovery Zone Bonds and Literary Fund Loans		Totals		Long-Term Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 755,000	\$ 18,875	\$ 751,282	\$ 368,569	\$ 626,289	\$ 104,647	\$ 2,132,571	\$ 492,091	\$ 19,200	\$ -
2016	-	-	767,618	335,732	631,289	92,093	1,398,907	427,825	19,200	-
2017	-	-	685,022	305,278	631,289	78,477	1,316,311	383,755	19,200	-
2018	-	-	673,867	278,632	666,820	65,006	1,340,687	343,638	19,200	-
2019	-	-	940,985	252,515	220,000	50,774	1,160,985	303,289	19,200	-
2020-2024	-	-	4,628,094	845,507	530,000	194,704	5,158,094	1,040,211	49,600	-
2025-2029	-	-	2,873,253	157,595	625,000	97,054	3,498,253	254,649	-	-
2030-2034	-	-	-	-	140,000	5,197	140,000	5,197	-	-
	<u>\$ 755,000</u>	<u>\$ 18,875</u>	<u>\$ 11,320,121</u>	<u>\$ 2,543,828</u>	<u>\$ 4,070,687</u>	<u>\$ 687,952</u>	<u>\$ 16,145,808</u>	<u>\$ 3,250,655</u>	<u>\$ 145,600</u>	<u>\$ -</u>

**C. Long-Term Agreement**

The County entered into a long-term agreement with Verizon in 2008 for construction and renovations made to a tower. The agreement was for \$265,600 and will be paid back over approximately 14 years in lieu of Verizon paying rent. The annual amount is \$19,200.

**D. Component Units**

Following is a summary of the changes in long-term liabilities that are recorded in the component units for the year ended June 30, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<b>School Board</b>					
Compensated absences	\$ 756,418	\$ 24,651	\$ -	\$ 781,069	\$ 78,107
<b>Industrial Development Authority</b>					
Series 2013 Lease Revenue Bonds	\$ -	\$ 2,795,589	\$ -	\$ 2,795,589	\$ -
Public Improvement Bond - Series 2007	2,185,463	-	405,193	1,780,270	420,549
Public Improvement Equipment Lease Revenue Bond - Series 2008	1,364,240	-	670,908	693,332	693,332
Total	<u>\$ 3,549,703</u>	<u>\$ 2,795,589</u>	<u>\$ 1,076,101</u>	<u>\$ 5,269,191</u>	<u>\$ 1,113,881</u>
<b>Henry-Martinsville Social Services</b>					
Compensated absences	\$ 375,851	\$ 25,298	\$ -	\$ 401,149	\$ 40,115

Estimated principal maturities for future years ended June 30 follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,113,881	\$ 138,583
2016	436,489	111,512
2017	453,031	94,656
2018	470,201	77,160
2019	<u>2,795,589</u>	<u>34,125</u>
	<u>\$5,269,191</u>	<u>\$ 456,036</u>

## 12 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2014 is determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>School</u> <u>Board</u>	<u>Social</u> <u>Services</u>
<b>Net Investment in Capital Assets</b>				
Cost of capital assets	\$ 63,514,513	\$ 1,293,919	\$ 67,105,075	\$ 246,959
Less: Accumulated depreciation	<u>(21,721,046)</u>	<u>(17,425)</u>	<u>(43,208,986)</u>	<u>(200,815)</u>
Book value	41,793,467	1,276,494	23,896,089	46,144
Less: Capital related debt	(16,291,408)	-	-	-
Less: Bond premiums	<u>(295,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 25,206,159</u>	<u>\$ 1,276,494</u>	<u>\$ 23,896,089</u>	<u>\$ 46,144</u>

## 13 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes and other local taxes and licenses are comprised of the following:

### Primary Government - Deferred Inflows of Resources

#### General Fund

Delinquent taxes not collected within 60 days	\$ 1,229,907
Other liabilities	16,798
Delinquent business licenses	48,268
Delinquent meals taxes	<u>29,994</u>
Total Unavailable Revenue - Taxes and Licenses	<u>\$ 1,324,967</u>

Unearned grants	<u>\$ 136,743</u>
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Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 1,461,710</u>
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#### School Board

Unearned grants	<u>\$ 79,830</u>
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#### Industrial Development Authority

Unearned grants	<u>\$ 750,000</u>
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#### Governmental Activities

Unearned grants	<u>\$ 136,743</u>
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## 14 Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool and Virginia Association of Counties Group Self-Insurance Risk Pool, both public entity risk pools currently operating as a common risk management and insurance program for participating local governments. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The component units carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 15 Commitments and Contingencies

Federal programs in which the County and all discretely presented 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 the 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 disallowance of current grant program expenditures, if any, would be immaterial.

## 16 Litigation

At June 30, 2014, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

## 17 Performance Agreements

The County has signed performance agreements with various companies that have located within the County. As part of many of these agreements, the County has agreed to pay cash incentives to the companies. As of June 30, 2014, the County had two outstanding commitments for future payments under these agreements in the amount of \$100,000 expected to be paid in fiscal year 2015.

## 18 Legal Compliance

### *Computation of Legal Debt Margin*

Total Assessed Value of Taxed Real Property	<u>\$ 2,858,290,984</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 285,829,098
Amount of Debt Applicable to Debt Limit	
Gross Debt	<u>16,145,808</u>
Legal Debt Margin - June 30, 2014	<u>\$ 269,683,290</u>

**Note:** Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes capital leases, landfill closure, postretirement health care benefits, and compensated absences.

## 19 Surety Bond Information

The following constitutional officers and County employees are covered by Surety Bonds issued in the amounts shown at June 30, 2014:

Treasurer	\$ 750,000
Commissioner of Revenue	3,000
Clerk of Circuit Court	124,000
Sheriff	30,000
Employees of above officers - blanket bond	1,000,000
County Administrator	1,000,000
Employees of County and Board members - blanket bond	1,000,000
Clerk of the School Board	10,000
Director of Public Welfare	100,000
Employees of Social Services - blanket bond	100,000

## 20 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

	<b>School Board</b>
Appropriation from General Fund	\$ 17,145,289
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	748,598
Adjustment for long-term debt paid by School on buildings owned by the County until the debt is paid off	<u>(2,032,968)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 15,860,919</u>

## 21 Pension Plan

### A. Plan Description

<b>Name of Plan:</b>	Virginia Retirement System (VRS)
<b>Identification of Plan:</b>	Agent and Cost-Sharing Multiple-Employer Pension Plan
<b>Administering Entity:</b>	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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

**VRS  
PLAN 1**

***About VRS Plan 1***

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

***Eligible Members***

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

***Hybrid Opt-In Election***

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

**VRS  
PLAN 2**

***About VRS Plan 2***

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

***Eligible Members***

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

***Hybrid Opt-In Election***

VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

**HYBRID  
RETIREMENT PLAN**

***About the Hybrid Retirement Plan***

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

***Eligible Members***

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees\*
- School division employees
- Political subdivision employees\*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

***\*Non-Eligible Members***

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.



**VRS  
PLAN 1**

**Retirement Contributions**

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Creditable Service**

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Vesting**

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

**VRS  
PLAN 2**

**Retirement Contributions**

Same as VRS Plan 1.

**Creditable Service**

Same as VRS Plan 1.

**Vesting**

Same as VRS Plan 1.

**HYBRID  
RETIREMENT PLAN**

**Retirement Contributions**

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**Creditable Service**

**Defined Benefit Component:**

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

**Defined Contribution Component:**

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**Vesting**

**Defined Benefit Component:**

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

**Defined Contribution Component:**

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

**VRS  
PLAN 1**

**Calculating the Benefit**

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

**Average Final Compensation**

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier**

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

**Normal Retirement Age**

Age 65.

**Earliest Unreduced Retirement Eligibility**

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**Earliest Reduced Retirement Eligibility**

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**VRS  
PLAN 2**

**Calculating the Benefit**

See definition under VRS Plan 1.

**Average Final Compensation**

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier**

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

**Normal Retirement Age**

Normal Social Security retirement age.

**Earliest Unreduced Retirement Eligibility**

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**Earliest Reduced Retirement Eligibility**

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**HYBRID  
RETIREMENT PLAN**

**Calculating the Benefit**

**Defined Benefit Component:**

See definition under VRS Plan 1.

**Defined Contribution Component:**

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**Average Final Compensation**

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

**Service Retirement Multiplier**

The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**Normal Retirement Age**

**Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Earliest Unreduced Retirement Eligibility**

**Defined Benefit Component:**

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Earliest Reduced Retirement Eligibility**

**Defined Benefit Component:**

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**Defined Contribution Component:**

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**VRS  
PLAN 1**

**Cost-of-Living Adjustment (COLA) in Retirement**

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

**Eligibility:**

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**Exceptions to COLA Effective Dates:**

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**VRS  
PLAN 2**

**Cost-of-Living Adjustment (COLA) in Retirement**

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**Eligibility:**

Same as VRS Plan 1

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1

**Disability Coverage**

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it is earned, purchased, or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**HYBRID  
RETIREMENT PLAN**

**Cost-of-Living Adjustment (COLA) in Retirement**

**Defined Benefit Component:**

Same as VRS Plan 2

**Defined Contribution Component:**

Not applicable

**Eligibility:**

Same as VRS Plan 1 and VRS Plan 2

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1 and VRS Plan 2

**Disability Coverage**

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

VRS  
PLAN 1

***Purchase of Prior Service***

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

VRS  
PLAN 2

***Purchase of Prior Service***

Same as VRS Plan 1

HYBRID  
RETIREMENT PLAN

***Purchase of Prior Service***

**Defined Benefit Component:**

Same as VRS Plan 1

**Defined Contribution Component:**

Not applicable

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was **12.97%** of annual covered payroll. The Component Unit – School Board's contribution rate for non-professional employees for the fiscal year ended 2014 was **11.34%** of annual covered payroll. The Component Unit – School Board contributed **\$4,068,188** to the teacher cost-sharing pool at a rate of **11.66%**.

**C. Annual Pension Cost**

For fiscal year 2014, the County and the School Board's non-professionals' annual employer pension cost of **\$1,852,586** and **\$374,332**, respectively, was equal to the County and School Board non-professionals' required and actual contributions.

**Three-Year Trend Information for County and School Board Non-Professional**

	<u>Fiscal Year Ending</u>	<u>*Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b>County</b>	June 30, 2012	\$ 1,301,637	100%	\$ -
	June 30, 2013	1,780,468	100%	-
	<b>June 30, 2014</b>	<b>1,852,586</b>	<b>100%</b>	<b>-</b>
<b>School Board Non-Professional</b>	June 30, 2012	\$ 262,931	100%	\$ -
	June 30, 2013	372,650	100%	-
	<b>June 30, 2014</b>	<b>374,332</b>	<b>100%</b>	<b>-</b>

**\*Required employer cost only.**

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of **7.00%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees, **3.75% to 6.20%** per year for teachers, and **3.50% to 4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year for Plan 1 employees and **2.25%** for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets

over a five-year period. County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

**D. Funded Status and Funding Progress**

As of June 30, 2013, the most recent actuarial valuation date, the plan was **79.25%** funded. The actuarial accrued liability for benefits was **\$67,216,208**, and the actuarial value of assets was **\$53,269,489**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$13,946,719**. The covered payroll (annual payroll of active employees covered by the plan) was **\$13,621,346**, and ratio of the UAAL to the covered payroll was **102.39%**.

For the nonprofessional School Board, as of June 30, 2013, the most recent actuarial valuation date, the plan was **81.83%** funded. The actuarial accrued liability for benefits was **\$17,492,576**, and the actuarial value of assets was **\$14,314,921**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$3,177,655**. The covered payroll (annual payroll of active employees covered by the plan) was **\$3,292,140** and ratio of the UAAL to the covered payroll was **96.52%**.

The schedule of funding progress, presented below, 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress for County and Component Unit - School Board

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
<b>County of Henry, Virginia</b>						
June 30, 2011	\$51,679,507	\$ 65,539,682	\$ 13,860,175	78.85%	\$13,615,377	101.80%
June 30, 2012	51,620,189	67,414,704	15,794,515	76.57%	13,841,495	114.11%
<b>June 30, 2013</b>	<b>53,269,489</b>	<b>67,216,208</b>	<b>13,946,719</b>	<b>79.25%</b>	<b>13,621,346</b>	<b>102.39%</b>
<b>Component Unit - School Board</b>						
June 30, 2011	\$14,893,635	\$ 17,736,285	\$ 2,842,650	83.97%	\$ 3,386,793	83.93%
June 30, 2012	14,270,258	17,823,596	3,553,338	80.06%	3,136,252	113.30%
<b>June 30, 2013</b>	<b>14,314,921</b>	<b>17,492,576</b>	<b>3,177,655</b>	<b>81.83%</b>	<b>3,292,140</b>	<b>96.52%</b>

This information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>County</u>	<u>Component Unit - School Board</u>
Valuation Date	June 30, 2013	June 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	30 Years (decreasing by one each year in subsequent valuations until reaching 0 years)	30 Years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset Valuation Method	Five-Year Smoothed Market Value	Five-Year Smoothed Market Value
Actuarial Assumptions		
a. Investment Rate of Return*	7.00%	7.00%
b. Projected Salary Increases*		
1) Non-LEO Members	3.50% to 5.35%	3.50% to 5.35%
2) LEO Members	3.50% to 4.75%	3.50% to 4.75%
c. Cost-of-Living Adjustments		
1) Plan 1 Members	2.50%	2.50%
2) Plan 2 Members	2.25%	2.25%

\*Includes inflation of 2.5%

## 22 Other Postemployment Benefits (OPEB)—Healthcare

### *Plan Description*

County of Henry, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses.

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
<b>County</b>			
06/30/12	\$ 81,650	132.7%	\$ 1,285
06/30/13	83,571	196.4%	(79,289)
<b>06/30/14</b>	<b>78,758</b>	<b>21.1%</b>	<b>(17,187)</b>
<b>School Board</b>			
06/30/12	\$ 425,471	108.5%	\$ (291,553)
06/30/13	371,607	119.1%	(362,447)
<b>06/30/14</b>	<b>371,147</b>	<b>55.1%</b>	<b>(195,708)</b>
<b>Henry-Martinsville Social Services</b>			
06/30/12	\$ 8,697	314.8%	\$ (91,763)
06/30/13	15,742	89.6%	(90,129)
<b>06/30/14</b>	<b>16,044</b>	<b>71.0%</b>	<b>(85,483)</b>

Following are disclosures for the County's postemployment benefits:

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Plan Assets</u> (a)	<u>Accrued Liability</u> (b)	<u>Unfunded Liability</u> (b-a)	<u>Normal Cost</u> (c)	<u>Funded Ratio</u> (a)/(b)	<u>Covered Payroll</u> (d)	<u>Unfunded % of Payroll</u> (b-a)/(d)
<b>County</b>							
7/1/2009	\$ 111,112	\$ 1,007,951	\$ 896,839	\$ 20,863	11.0%	\$ 10,023,578	8.9%
<b>7/1/2012</b>	<b>204,236</b>	<b>1,048,660</b>	<b>844,424</b>	<b>28,939</b>	<b>19.5%</b>	<b>11,575,609</b>	<b>7.3%</b>
<b>School Board</b>							
7/1/2009	\$ 330,009	\$ 5,640,560	\$ 5,310,551	\$ 92,988	5.9%	\$ 32,942,499	16.1%
<b>7/1/2012</b>	<b>880,618</b>	<b>4,692,414</b>	<b>3,811,796</b>	<b>128,511</b>	<b>18.8%</b>	<b>36,977,558</b>	<b>10.3%</b>
<b>Henry-Martinsville Social Services</b>							
7/1/2009	\$ 56,218	\$ 150,745	\$ 94,527	\$ 5,766	37.3%	\$ 2,588,432	3.7%
<b>7/1/2012</b>	<b>120,054</b>	<b>255,195</b>	<b>135,141</b>	<b>7,942</b>	<b>47.0%</b>	<b>2,678,643</b>	<b>5.0%</b>

**Schedule of Contributions**

<u>FYE</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>% Contributed</u>
<b>County</b>			
June 30, 2012	\$ 81,650	\$ 108,374	132.7%
June 30, 2013	83,571	164,145	196.4%
<b>June 30, 2014</b>	<b>78,758</b>	<b>16,656</b>	<b>21.1%</b>
<b>School Board</b>			
June 30, 2012	\$ 425,471	\$ 461,753	108.5%
June 30, 2013	371,607	442,501	119.1%
<b>June 30, 2014</b>	<b>371,147</b>	<b>204,408</b>	<b>55.1%</b>
<b>Henry-Martinsville Social Services</b>			
June 30, 2012	\$ 8,697	\$ 27,379	314.8%
June 30, 2013	15,742	14,108	89.6%
<b>June 30, 2014</b>	<b>16,044</b>	<b>11,398</b>	<b>71.0%</b>



### Annual Pension OPEB Cost Summary

<u>Plan Year</u>	<u>Beginning of Year Net OPEB Obligation</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Interest</u>	<u>Annual Cost Adjustment</u>	<u>Total</u>	<u>Contributions</u>	<u>End of Year Net OPEB Obligation</u>	<u>Interest Rate</u>	<u>Amort. Period</u>
<b>County</b>									
2011-12	\$ 28,009	\$ 81,326	\$ 2,101	\$ (1,777)	\$ 81,650	\$ 108,374	\$ 1,285	7.50%	30
2012-13	1,285	83,556	96	(81)	83,571	164,145	(79,289)	7.50%	30
<b>2013-14</b>	<b>(79,289)</b>	<b>79,677</b>	<b>(5,947)</b>	<b>5,028</b>	<b>78,758</b>	<b>16,656</b>	<b>(17,187)</b>	<b>7.50%</b>	<b>30</b>
<b>School Board</b>									
2011-12	\$ (255,271)	\$ 428,428	\$(19,146)	\$ 16,189	\$ 425,471	\$ 461,753	\$ (291,553)	7.50%	30
2012-13	(291,553)	374,983	(21,866)	18,490	371,607	442,501	(362,447)	7.50%	30
<b>2013-14</b>	<b>(362,447)</b>	<b>375,344</b>	<b>(27,183)</b>	<b>22,986</b>	<b>371,147</b>	<b>204,408</b>	<b>(195,708)</b>	<b>7.50%</b>	<b>30</b>
<b>Henry-Martinsville Social Services</b>									
2011-12	\$ (73,081)	\$ 9,543	\$ (5,481)	\$ 4,635	\$ 8,697	\$ 27,379	\$ (91,763)	7.50%	30
2012-13	(91,763)	16,805	(6,882)	5,819	15,742	14,108	(90,129)	7.50%	30
<b>2013-14</b>	<b>(90,129)</b>	<b>17,088</b>	<b>(6,760)</b>	<b>5,716</b>	<b>16,044</b>	<b>11,398</b>	<b>(85,483)</b>	<b>7.50%</b>	<b>30</b>

#### **Virginia Retirement System (VRS)**

##### **Plan Description**

County of Henry, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses through the Virginia Retirement System (VRS) Health Insurance Credit Program.

##### **Summary of Main Benefit Provisions as Interpreted for Valuation Purposes**

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be \$1.50 per year of creditable service, which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees are eligible to receive a maximum monthly credit of \$45.

If an eligible employee has worked for more than one employer in VRS, for the purpose of this valuation, their most current (or last) employer assumes full liability for that employee.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Health Insurance Credit Program**

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
		<b>Actuarial Accrued</b>				
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Liability (AAL) Projected Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
June 30, 2011	\$ 269,820	\$ 216,812	\$ (53,008)	124.45%	\$ 4,263,231	-1.24%
June 30, 2012	257,650	229,816	(27,834)	112.11%	4,909,754	-0.57%
<b>June 30, 2013</b>	<b>274,887</b>	<b>231,877</b>	<b>(43,010)</b>	<b>118.55%</b>	<b>4,510,688</b>	<b>-0.95%</b>

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return <sup>1</sup>	7.00%
Payroll Growth Rate	3.00%

<sup>1</sup>Includes inflation at 2.5%

## 23 Fund Balances – Governmental Funds

As of June 30, 2014, fund balances are composed of the following:

	<u>Primary Government</u>					<u>Total</u>
	<u>General Fund</u>	<u>E-911 Central Dispatch Fund</u>	<u>Law Library Fund</u>	<u>Fieldale Sanitary District Fund</u>	<u>Special Grant Projects Fund</u>	<u>Governmental Funds</u>
<b>Restricted for</b>						
Subsequent years' appropriations	\$ 583,241	\$ -	\$ 125,830	\$ 142,526	\$ -	\$ 851,597
<b>Committed</b>	3,404,943	-	-	-	-	3,404,943
<b>Assigned</b>	5,032,901	82,857	-	-	203,603	5,319,361
						-
Total Fund Balances	<u>\$ 9,021,085</u>	<u>\$ 82,857</u>	<u>\$ 125,830</u>	<u>\$ 142,526</u>	<u>\$ 203,603</u>	<u>\$ 9,575,901</u>

## 24 Landfill Post-Closure Care Cost

The County maintains a landfill, which was closed in 1993. In accordance with state and federal laws and regulations, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions at the site for a minimum of ten years after closure. A high concentration of methane has been detected at the landfill; therefore, the Department of Environmental Quality ("DEQ") has required an additional monitoring period as well as the installation of certain equipment at the landfill for remediation of the high methane concentrations. The County expects the methane monitoring to continue for approximately twenty years. The County is currently in compliance with groundwater protection standards and, as such, DEQ has allowed the County to stop groundwater monitoring.

The \$260,423 reported as landfill post-closure care liability at June 30, 2014 represents what it would cost to perform all future post-closure care. The estimated liability is based on the DEQ accepting the active remedy proposed by the County. If the DEQ does not accept the active remedy, the actual costs may increase. Also, actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

## 25 Notes Receivable – Component Unit

The Component Unit – Industrial Development Authority had a note receivable from a Company in the amount of \$2,181,299 as of June 30, 2014. The Company had been making payments in accordance with a bankruptcy decree from 1999. In 2007 with the Company coming out of bankruptcy and still owing the Industrial Development Authority a substantial amount of money on the note, the County filed a lawsuit against the shareholders, co-obligors of the note. In December 2008, the County, the Company, and co-obligors reached a settlement agreement. This agreement calls for monthly payments beginning January 1, 2009 of \$25,000 plus accrued interest. The County has granted temporary reduction in the amount of \$25,000 at times due to economic conditions. The interest rate can vary from 3 to 5 percent depending on the total payments the Company makes on an annual basis. The interest rate was at 5 percent from July 1, 2013 to December 31, 2013 and 3.50 percent from January 1, 2014 to June 30, 2014. As a part of the agreement, the co-obligors executed documents giving the County a third priority lien and security interest in certain real estate holdings on which the Company operates.

## 26 Revenue Sharing Agreements

The County of Henry, Virginia and the Henry County Industrial Development Authority have entered into three revenue sharing agreements with the City of Martinsville, Virginia.

Two of the agreements, one dated April 30, 2002 and one dated August 31, 2009, are related to the Patriot Centre Industrial Park. The third dated September 25, 2007 is related to the Commonwealth Crossing Business Centre Industrial Park and land currently being referred to as the Bryant Property which is located adjacent to the Patriot Centre Industrial Park.

All these agreements state that the County agrees when a business locates on one of the designated sites in these industrial parks it will pay the City one-third of all revenues generated from real estate, personal property, machinery & tools, and consumer utility taxes. No revenues will be shared until such time the County has recovered the cumulative costs of developing and maintaining the parks.

In the past few years, several businesses have located on revenue sharing lots in the Patriot Centre Industrial Park. Based on the existing businesses, it is estimated it will be more than ten years before the County recovers its costs in order to share revenues.

There are currently no businesses located in the Commonwealth Crossing Business Centre; therefore, the County has not yet started to recover its cost related to this Industrial Park.

## 27 Implementation of GASB Statement No. 65

The County implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. These statements required changes in account captions in the Statements of Net Position.

## 28 Prior Period Adjustment

The County made two fund classification changes effective for the year ended June 30, 2014. The County now accounts for Fieldale Sanitary District as a special revenue fund (previously an agency fund) and Philpott Marina Fund as a proprietary enterprise fund (previously a special revenue fund). The County feels these reclassifications are more representative of the funds' activities.

### Prior Period Adjustments Due to Change in Fund Classifications

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Adoption of Fieldale Sanitary District as a Special Revenue Fund	\$ 160,278	\$ -
Reclassification of Philpott Marina as a Proprietary Fund - Net Fixed Assets	<u>(306,849)</u>	<u>306,849</u>
Net Prior Period Adjustment	<u>\$ (146,571)</u>	<u>\$ 306,849</u>

The beginning balance of the Governmental Activities Net Position has been reduced by \$1,700 in order to establish the Business-Type Net Position for the Philpott Marina of \$1,700. This restatement of the beginning balances does not affect the Primary Government as a whole.

# REQUIRED SUPPLEMENTARY INFORMATION



**County of Henry, Virginia**  
Budgetary Comparison Schedule  
Year Ended June 30, 2014  
**General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Property taxes - all years	\$ 21,892,833	\$ 21,892,833	\$ 22,807,467	\$ 914,634
Penalties - all tax years	200,000	200,000	275,806	75,806
Interest - all tax years	<u>125,000</u>	<u>125,000</u>	<u>194,385</u>	<u>69,385</u>
Total General Property Taxes	22,217,833	22,217,833	23,277,658	1,059,825
<b>Other Local Taxes</b>				
Local sales and use taxes	3,880,000	3,880,000	3,858,545	(21,455)
Consumer utility tax	2,576,000	2,576,000	2,680,606	104,606
Business license taxes	1,515,000	1,515,000	1,579,148	64,148
Motor vehicle licenses	900,000	900,000	889,203	(10,797)
Bank franchise taxes	178,000	178,000	171,958	(6,042)
Transient occupancy taxes	100,000	100,000	109,728	9,728
Taxes on recordation and wills	196,000	196,000	182,609	(13,391)
Restaurant food taxes	<u>1,900,000</u>	<u>1,900,000</u>	<u>1,978,048</u>	<u>78,048</u>
Total Other Local Taxes	11,245,000	11,245,000	11,449,845	204,845
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	10,000	10,000	10,353	353
Building and related permits	65,000	65,000	48,852	(16,148)
Other permits, licenses, and fees	<u>5,000</u>	<u>5,000</u>	<u>7,906</u>	<u>2,906</u>
Total Permits, Privilege Fees, and Regulatory Licenses	80,000	80,000	67,111	(12,889)
<b>Fines and Forfeitures</b>				
Court fines and forfeitures	192,600	192,600	199,043	6,443
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	300,000	300,000	326,705	26,705
Revenue from use of property	<u>289,110</u>	<u>289,110</u>	<u>301,319</u>	<u>12,209</u>
Total Revenue from Use of Money and Property	589,110	589,110	628,024	38,914
<b>Charges for Services</b>				
Sheriff fees	19,754	19,754	26,383	6,629
Commonwealth's attorney	3,400	3,400	6,110	2,710
County and hired attorneys	85,000	85,000	77,384	(7,616)
Law enforcement and traffic control	10,000	38,500	54,162	15,662
Charges for sanitation and waste removal	66,991	66,991	66,661	(330)
Treasurer's administrative collection fees	15,000	15,000	8,228	(6,772)
Parks and recreation	50,000	50,000	48,927	(1,073)
Utility bill collection	14,500	14,500	18,553	4,053
Miscellaneous other charges for services	<u>3,050</u>	<u>15,817</u>	<u>25,980</u>	<u>10,163</u>
Total Charges for Services	267,695	308,962	332,388	23,426

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Recovered Costs</b>				
Jail costs - Commonwealth of Virginia	302,335	302,335	346,205	43,870
Inmate housing fees	-	45,620	45,619	(1)
Salary - court secretary	20,000	20,000	21,892	1,892
City share of extension services	6,925	6,925	6,925	-
School share of school resource officer	304,476	304,476	158,692	(145,784)
EMS fees for service	585,000	585,000	670,744	85,744
M/HC Economic Development Corporation	764,018	894,018	671,850	(222,168)
Harvest Foundation Grant	-	22,060	15,317	(6,743)
Local and special grants	-	27,731	27,858	127
Transportation Grants	58,860	74,200	59,930	(14,270)
Other recovered costs	-	12,721	24,840	12,119
Insurance recoveries	-	27,121	58,360	31,239
Miscellaneous refunds	<u>239,837</u>	<u>333,145</u>	<u>305,157</u>	<u>(27,988)</u>
Total Recovered Costs	2,281,451	2,655,352	2,413,389	(241,963)
<b>Miscellaneous</b>	65,000	65,000	79,185	14,185
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	45,000	45,000	47,818	2,818
Mobile home titling tax	36,000	36,000	41,877	5,877
Tax on deeds	59,000	59,000	51,878	(7,122)
Auto rental sales tax	42,000	42,000	54,221	12,221
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
PARA mutual tax	27,000	27,000	17,105	(9,895)
Communication tax	<u>2,369,000</u>	<u>2,369,000</u>	<u>2,335,634</u>	<u>(33,366)</u>
Total Noncategorical Aid	4,349,828	4,349,828	4,320,361	(29,467)
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	551,948	551,948	533,121	(18,827)
Sheriff	4,179,200	4,179,200	4,157,503	(21,697)
Commissioner of the Revenue	171,117	171,117	172,367	1,250
Treasurer	165,436	165,436	164,852	(584)
Electoral Board and General Registrar	45,906	45,906	46,531	625
Clerk of Circuit Court	<u>433,301</u>	<u>433,301</u>	<u>445,311</u>	<u>12,010</u>
Total Categorical Aid	5,546,908	5,546,908	5,519,685	(27,223)
<i>Other Categorical Aid</i>				
Emergency services grant	-	146,744	146,743	(1)
Fire programs fund	-	158,872	135,042	(23,830)
Victim witness program	26,618	26,618	53,091	26,473
Transportation grant funds	35,553	35,849	35,849	-
Litter control program	23,742	23,742	20,943	(2,799)
State EMS Two for Life funds	-	52,204	52,204	-
Other state grants and awards	-	34,025	17,700	(16,325)
Tobacco Indemnification money	-	2,400,000	-	(2,400,000)
Asset forfeiture funds	<u>-</u>	<u>129,002</u>	<u>15,444</u>	<u>(113,558)</u>
Total Other Categorical Aid	85,913	3,007,056	477,016	(2,530,040)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	9,982,649	12,903,792	10,317,062	(2,586,730)
<b>Revenue from the Federal Government</b>				
Payments in lieu of taxes	3,000	3,000	3,408	408
Emergency services	24,874	1,380,703	237,221	(1,143,482)
Law enforcement grants	-	309,937	108,699	(201,238)
Victim Witness Program	79,852	79,852	53,091	(26,761)
Asset forfeiture funds	-	270,194	267,830	(2,364)
Other federal grants	-	360,385	9,750	(350,635)
Transportation grants	60,593	94,533	63,993	(30,540)
Total Revenue from the Federal Government	168,319	2,498,604	743,992	(1,754,612)
Total Intergovernmental Revenue	10,150,968	15,402,396	11,061,054	(4,341,342)
Total Revenues	47,089,657	52,756,253	49,507,697	(3,248,556)

**Expenditures**

**Current**

*General Government Administration*

Board of Supervisors	125,630	125,630	104,804	20,826
County Administrator	328,806	329,306	328,888	418
Independent auditor	55,000	55,000	35,200	19,800
Human resources/training	53,731	53,731	51,458	2,273
County Attorney	162,311	162,311	158,904	3,407
Commissioner of Revenue	536,874	536,874	538,008	(1,134)
Assessors	108,019	108,019	105,212	2,807
Treasurer	557,083	557,083	571,651	(14,568)
Finance	360,190	360,190	356,377	3,813
Information services	342,178	377,743	360,092	17,651
Central purchasing	204,578	209,123	202,435	6,688
Board of Elections - registrar	236,834	236,834	209,679	27,155
Total General Government Administration	3,071,234	3,111,844	3,022,708	89,136

*Judicial Administration*

Circuit Court	91,412	91,412	82,767	8,645
General District Court	17,086	17,086	15,185	1,901
Magistrates	3,060	3,060	2,056	1,004
Juvenile and Domestic Relations	9,124	9,124	8,716	408
Clerk of the Circuit Court	713,023	721,218	699,420	21,798
Sheriff Civil and Court Security	1,020,281	1,020,956	1,006,594	14,362
Victim/Witness Assist	143,603	143,603	140,271	3,332
Commonwealth's Attorney	787,885	787,885	755,217	32,668
Total Judicial Administration	2,785,474	2,794,344	2,710,226	84,118



	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<i>Public Safety</i>				
Law enforcement and traffic control	5,513,904	5,652,504	5,425,432	227,072
Law enforcement and traffic control - grants	-	113,551	95,935	17,616
COPS hiring grant	-	196,386	171,713	24,673
School resource officer	304,476	304,476	158,692	145,784
Fire and rescue services	1,051,133	1,525,448	1,228,811	296,637
Emergency medical services	191,823	201,250	193,920	7,330
EMS grants	-	184,348	184,348	-
EMS supplemental services	815,697	873,133	865,172	7,961
FEMA Safer Grant	-	1,355,829	211,056	1,144,773
Fire marshal	278,918	278,918	277,710	1,208
Correction and detention	2,333,392	2,338,907	2,508,999	(170,092)
Correction and detention - SCAAP grant	-	22,241	5,326	16,915
Probation	354,100	354,100	238,495	115,605
Code enforcement	325,242	406,690	330,494	76,196
Public safety	121,109	121,909	121,152	757
Payments to IDA for equipment lease	711,518	711,518	711,518	-
Electronic monitoring	10,875	10,875	10,278	597
Animal control	162,789	162,789	169,313	(6,524)
Asset forfeiture	-	399,197	271,433	127,764
SPCA	7,267	11,667	11,667	-
<b>Total Public Safety</b>	<b>12,182,243</b>	<b>15,225,736</b>	<b>13,191,464</b>	<b>2,034,272</b>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	9,000	10,780	10,778	2
Refuse collection	1,643,285	1,661,785	1,557,087	104,698
Refuse disposal - closure maintenance	24,300	21,800	12,458	9,342
<i>Maintenance of buildings and grounds</i>				
General engineering	274,028	275,273	257,369	17,904
Communication equipment	65,269	65,644	62,391	3,253
Administrative building	488,786	391,786	355,486	36,300
Courthouse	330,360	325,360	313,029	12,331
Sheriff's office	54,350	48,275	41,461	6,814
Jail	281,250	270,250	249,364	20,886
Other	281,727	284,850	266,368	18,482
Social services and health department	58,344	60,421	55,960	4,461
Dupont property	149,866	149,866	128,028	21,838
<b>Total Maintenance of Buildings and Grounds</b>	<b>1,983,980</b>	<b>1,871,725</b>	<b>1,729,456</b>	<b>142,269</b>
<b>Total Public Works</b>	<b>3,660,565</b>	<b>3,566,090</b>	<b>3,309,779</b>	<b>256,311</b>
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	609,153	611,303	524,925	86,378
Health Department	293,429	293,429	293,429	-
Mental health and retardation	117,567	117,567	117,567	-
Transportation grants	164,344	213,920	160,153	53,767
Property tax relief for the elderly	75,000	75,000	78,431	(3,431)
Group home services	123,321	123,321	118,808	4,513
Other welfare and social services	13,036	13,036	4,036	9,000
<b>Total Health and Welfare</b>	<b>1,395,850</b>	<b>1,447,576</b>	<b>1,297,349</b>	<b>150,227</b>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<i>Education</i>				
Contributions to community colleges	52,467	52,467	52,467	-
Contributions to component unit - school board	<u>16,577,895</u>	<u>20,337,507</u>	<u>17,145,289</u>	<u>3,192,218</u>
Total Education	16,630,362	20,389,974	17,197,756	3,192,218
<i>Parks, Recreation, and Cultural</i>				
Parks, recreation, and cultural	944,001	984,152	949,325	34,827
Cultural enrichment	102,346	102,346	102,346	-
Library	<u>706,264</u>	<u>711,264</u>	<u>711,264</u>	<u>-</u>
Total Parks, Recreation, and Cultural	1,752,611	1,797,762	1,762,935	34,827
<i>Community Development</i>				
Planning and community development	285,231	285,231	286,758	(1,527)
Engineering and mapping	273,362	275,357	267,871	7,486
M/HC Economic Development Corporation	764,018	764,018	669,640	94,378
Cooperative extension program	48,412	51,283	51,382	(99)
Henry County Industrial Development Authority	1,422,705	4,982,368	1,094,516	3,887,852
Other community and economic development	<u>621,989</u>	<u>709,102</u>	<u>632,827</u>	<u>76,275</u>
Total Community Development	3,415,717	7,067,359	3,002,994	4,064,365
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	77,192	106,907	14,401	92,506
Contingency reserve	<u>150,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Nondepartmental	227,192	156,907	14,401	142,506
<i>Capital Projects</i>				
Henry County PSA for water tank	-	2,830,000	-	2,830,000
Other miscellaneous capital projects	<u>160,000</u>	<u>1,353,653</u>	<u>344,113</u>	<u>1,009,540</u>
Total Capital Projects	160,000	4,183,653	344,113	3,839,540
<i>Debt Service</i>				
Principal	720,000	720,000	720,000	-
Interest and other costs	<u>55,750</u>	<u>55,750</u>	<u>55,750</u>	<u>-</u>
Total Debt Service	<u>775,750</u>	<u>775,750</u>	<u>775,750</u>	<u>-</u>
Total Expenditures	<u>46,056,998</u>	<u>60,516,995</u>	<u>46,629,475</u>	<u>13,887,520</u>
Excess (Deficiency) of Revenues Over Expenditures	1,032,659	(7,760,742)	2,878,222	10,638,964
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	<u>(1,032,659)</u>	<u>(1,845,856)</u>	<u>(1,759,606)</u>	<u>86,250</u>
Total Other Financing Sources (Uses)	<u>(1,032,659)</u>	<u>(1,845,856)</u>	<u>(1,759,606)</u>	<u>86,250</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
Net Change in Fund Balance Before Transfer from Surplus	-	(9,606,598)	1,118,616	10,725,214
Transfer from Surplus Funds	<u>-</u>	<u>9,606,598</u>	<u>-</u>	<u>(9,606,598)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	1,118,616	<u>\$ 1,118,616</u>
Fund Balance - Beginning of Year			<u>28,974,361</u>	
Fund Balance - End of Year			<u>\$ 30,092,977</u>	

**Comprehensive Services Act Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Recovered costs	\$ 41,827	\$ 41,827	\$ 41,827	\$ -
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	<u>652,295</u>	<u>652,295</u>	<u>530,614</u>	<u>(121,681)</u>
Total Intergovernmental Revenue	<u>652,295</u>	<u>652,295</u>	<u>530,614</u>	<u>(121,681)</u>
Total Revenues	694,122	694,122	572,441	(121,681)
<b>Expenditures</b>				
<b>Current</b>				
<i>Health and Welfare</i>				
Welfare and social services	<u>1,028,183</u>	<u>1,028,183</u>	<u>873,579</u>	<u>154,604</u>
Total Expenditures	<u>1,028,183</u>	<u>1,028,183</u>	<u>873,579</u>	<u>154,604</u>
Excess (Deficiency) of Revenues Over Expenditures	(334,061)	(334,061)	(301,138)	32,923
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>334,061</u>	<u>334,061</u>	<u>301,138</u>	<u>(32,923)</u>
Total Other Financing Sources (Uses)	<u>334,061</u>	<u>334,061</u>	<u>301,138</u>	<u>(32,923)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

**E-911 Central Dispatch Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Local Revenues</b>				
Recovered costs	\$ 351,019	\$ 353,694	\$ 339,104	\$ (14,590)
Total Local Revenues	351,019	353,694	339,104	(14,590)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	325,071	325,071	329,271	4,200
Total Intergovernmental Revenues	325,071	325,071	329,271	4,200
<b>Reserve from Surplus</b>				
Total Revenues	676,090	678,765	668,375	(10,390)
<b>Expenditures</b>				
<b>Current</b>				
Public safety	1,457,550	1,466,466	1,418,887	47,579
Total Expenditures	1,457,550	1,466,466	1,418,887	47,579
Net Change in Fund Balance Before Transfers	(781,460)	(787,701)	(750,512)	37,189
Transfer from Other Funds	698,598	698,598	667,650	(30,948)
Net Change in Fund Balance Before Transfer from Surplus	(82,862)	(89,103)	(82,862)	6,241
Transfer from Surplus Funds	82,862	89,103	-	(89,103)
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(82,862)	<u>\$ (82,862)</u>
Fund Balance - Beginning of Year			165,719	
Fund Balance - End of Year			<u>\$ 82,857</u>	

**Law Library Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Charges for services	\$ 7,000	\$ 7,000	\$ 7,552	\$ 552
Recovered costs	<u>4,600</u>	<u>4,600</u>	<u>7,208</u>	<u>2,608</u>
Total Revenues	11,600	11,600	14,760	3,160
<b>Expenditures</b>				
<b>Current</b>				
Judicial administration	<u>31,500</u>	<u>31,500</u>	<u>16,850</u>	<u>14,650</u>
Total Expenditures	<u>31,500</u>	<u>31,500</u>	<u>16,850</u>	<u>14,650</u>
Net Change in Fund Balance Before Transfer from Surplus	(19,900)	(19,900)	(2,090)	17,810
Transfer from Surplus Funds	<u>19,900</u>	<u>19,900</u>	<u>-</u>	<u>(19,900)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(2,090)	<u>\$ (2,090)</u>
Fund Balance - Beginning of Year			<u>127,920</u>	
Fund Balance - End of Year			<u>\$ 125,830</u>	

**Fieldale Sanitary District Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from use of money and property	\$ 1,200	\$ 1,200	\$ 784	\$ (416)
Miscellaneous	<u>500</u>	<u>500</u>	<u>96</u>	<u>(404)</u>
Total Revenues	1,700	1,700	880	(820)
<b>Expenditures</b>				
<b>Current</b>				
Public works	<u>19,850</u>	<u>19,850</u>	<u>18,632</u>	<u>1,218</u>
Total Expenditures	<u>19,850</u>	<u>19,850</u>	<u>18,632</u>	<u>1,218</u>
Net Change in Fund Balance Before Transfer from Surplus	(18,150)	(18,150)	(17,752)	398
Transfer from Surplus Funds	<u>18,150</u>	<u>18,150</u>	<u>-</u>	<u>(18,150)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(17,752)	<u>\$ (17,752)</u>
Fund Balance - Beginning of Year			<u>160,278</u>	
Fund Balance - End of Year			<u>\$ 142,526</u>	

**Special Grant Projects Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Recovered costs	\$ -	\$ 210,336	\$ 9,290	\$ (201,046)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	-	9,200	112,523	103,323
Revenue from the Federal Government	-	1,926,973	234,054	(1,692,919)
	<u>-</u>	<u>1,926,973</u>	<u>234,054</u>	<u>(1,692,919)</u>
Total Revenues	-	2,146,509	355,867	(1,790,642)
<b>Expenditures</b>				
<b>Current</b>				
Community development	-	2,180,757	334,163	1,846,594
	<u>-</u>	<u>2,180,757</u>	<u>334,163</u>	<u>1,846,594</u>
Total Expenditures	-	2,180,757	334,163	1,846,594
	<u>-</u>	<u>2,180,757</u>	<u>334,163</u>	<u>1,846,594</u>
Net Change in Fund Balance Before Transfers	-	(34,248)	21,704	55,952
Transfer from Other Funds	-	27,226	4,847	(22,379)
	<u>-</u>	<u>27,226</u>	<u>4,847</u>	<u>(22,379)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(7,022)	26,551	33,573
Transfer from Surplus Funds	-	7,022	-	(7,022)
	<u>-</u>	<u>7,022</u>	<u>-</u>	<u>(7,022)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	26,551	<u>\$ 26,551</u>
Fund Balance - Beginning of Year			<u>177,052</u>	
Fund Balance - End of Year			<u>\$ 203,603</u>	



Henry County School Board  
School Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from the use of money and property	\$ 40,000	\$ 40,000	\$ 25,247	\$ (14,753)
Charges for services	48,000	611,446	599,590	(11,856)
Recovered costs	395,000	395,000	448,075	53,075
<b>Miscellaneous</b>				
Harvest Foundation	-	537,885	525,791	(12,094)
Other miscellaneous	651,000	1,273,075	1,551,732	278,657
Payment from Primary Government - Henry County	16,577,895	20,337,507	17,145,289	(3,192,218)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	43,416,705	45,594,321	44,984,597	(609,724)
Educational Technology - Comm. of Virginia	492,000	492,000	466,000	(26,000)
Revenue from the Federal Government	9,653,000	6,722,156	5,471,183	(1,250,973)
QSCB federal loan interest subsidy	-	-	141,984	141,984
Total Intergovernmental Revenues	<u>53,561,705</u>	<u>52,808,477</u>	<u>51,063,764</u>	<u>(1,744,713)</u>
Total Revenues	71,273,600	76,003,390	71,359,488	(4,643,902)
<b>Expenditures</b>				
Instruction	42,531,103	44,279,603	43,320,324	959,279
Administration, attendance, and health	2,622,107	2,714,143	2,628,340	85,803
Pupil transportation	5,198,689	5,502,879	5,026,079	476,800
Operation and maintenance	6,180,491	6,424,708	5,613,725	810,983
Facilities	310,000	2,587,305	1,888,996	698,309
Special grants	9,800,000	9,800,000	8,320,202	1,479,798
Technology	2,011,422	2,074,964	2,049,014	25,950
Contingency reserve	100,000	100,000	-	100,000
<b>Debt Service</b>				
Principal	1,355,511	1,355,511	1,355,511	-
Interest and other charges	684,437	684,437	677,457	6,980
Total Expenditures	<u>70,793,760</u>	<u>75,523,550</u>	<u>70,879,648</u>	<u>4,643,902</u>
Excess (Deficiency) of Revenues Over Expenditures	479,840	479,840	479,840	-
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>(479,840)</u>	<u>(479,840)</u>	<u>(479,840)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(479,840)</u>	<u>(479,840)</u>	<u>(479,840)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

**Henry County School Board  
School Textbook Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 14,638	\$ 14,638
Total Revenues	-	-	14,638	14,638
<b>Expenditures</b>				
Textbooks	<u>871,400</u>	<u>871,400</u>	<u>642,891</u>	<u>228,509</u>
Total Expenditures	<u>871,400</u>	<u>871,400</u>	<u>642,891</u>	<u>228,509</u>
Excess (Deficiency) of Revenues Over Expenditures	(871,400)	(871,400)	(628,253)	243,147
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>479,840</u>	<u>479,840</u>	<u>479,840</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>479,840</u>	<u>479,840</u>	<u>479,840</u>	<u>-</u>
Net Change in Fund Balance	(391,560)	(391,560)	(148,413)	243,147
Transfer from Surplus Funds	<u>391,560</u>	<u>391,560</u>	<u>-</u>	<u>(391,560)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(148,413)	<u>\$ (148,413)</u>
Fund Balance - Beginning of Year			<u>990,046</u>	
Fund Balance - End of Year			<u>\$ 841,633</u>	

Henry County School Board  
School Cafeteria Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 927,106	\$ 1,068,919	\$ 761,651	\$ (307,268)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	-	-	126,227	126,227
Revenue from the Federal Government	<u>3,694,251</u>	<u>3,694,251</u>	<u>3,132,861</u>	<u>(561,390)</u>
Total Intergovernmental Revenues	<u>3,694,251</u>	<u>3,694,251</u>	<u>3,259,088</u>	<u>(435,163)</u>
Total Revenues	4,621,357	4,763,170	4,020,739	(742,431)
<b>Expenditures</b>				
Cafeteria	<u>4,621,357</u>	<u>4,763,170</u>	<u>4,028,947</u>	<u>734,223</u>
Total Expenditures	<u>4,621,357</u>	<u>4,763,170</u>	<u>4,028,947</u>	<u>734,223</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(8,208)	<u>\$ (8,208)</u>
Fund Balance - Beginning of Year			<u>696,334</u>	
Fund Balance - End of Year			<u>\$ 688,126</u>	

# OTHER SUPPLEMENTARY INFORMATION



## County of Henry, Virginia

## Combining Balance Sheet

## Component Unit - School Board

Year Ended June 30, 2014

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
<b>Assets</b>				
Cash	\$ 41,367	\$ 1,055,779	\$ 745,463	\$ 1,842,609
Cash - restricted	33,295	-	-	33,295
Receivables - net	396,690	-	129	396,819
Due from other funds	214,146	-	-	214,146
Due from primary government	1,190,366	-	-	1,190,366
Due from other governments	<u>2,246,987</u>	<u>-</u>	<u>52,405</u>	<u>2,299,392</u>
 Total Assets	 <u>\$ 4,122,851</u>	 <u>\$ 1,055,779</u>	 <u>\$ 797,997</u>	 <u>\$ 5,976,627</u>
<b>Liabilities</b>				
Accounts payable	\$ 270,182	\$ -	\$ -	\$ 270,182
Accrued salaries and benefits	3,772,839	-	85,003	3,857,842
Due to other funds	-	214,146	-	214,146
Due to primary government	<u>-</u>	<u>-</u>	<u>24,868</u>	<u>24,868</u>
 Total Liabilities	 4,043,021	 214,146	 109,871	 4,367,038
<b>Deferred Inflows of Resources</b>				
Unexpended grants	79,830	-	-	79,830
<b>Fund Balances</b>				
Restricted	-	-	688,126	688,126
Assigned	<u>-</u>	<u>841,633</u>	<u>-</u>	<u>841,633</u>
 Total Fund Balances	 <u>-</u>	 <u>841,633</u>	 <u>688,126</u>	 <u>1,529,759</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 4,122,851</u>	 <u>\$ 1,055,779</u>	 <u>\$ 797,997</u>	 <u>\$ 5,976,627</u>
				Fund Balances - per above \$ 1,529,759
				Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 23,896,089
				The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds. 195,708
				Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds. <u>(781,069)</u>
				Net Position of Governmental Activities <u>\$24,840,487</u>

**County of Henry, Virginia**  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Component Unit - School Board  
 Year Ended June 30, 2014

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
<b>Revenues</b>				
Revenue from use of money and property	\$ 25,247	\$ 14,638	\$ -	\$ 39,885
Charges for services	599,590	-	761,651	1,361,241
Recovered costs	448,075	-	-	448,075
Miscellaneous	2,077,523	-	-	2,077,523
<b>Intergovernmental</b>				
County of Henry, Virginia	17,145,289	-	-	17,145,289
Commonwealth of Virginia	45,450,597	-	126,227	45,576,824
Federal	5,471,183	-	3,132,861	8,604,044
QSCB federal loan interest subsidy	141,984	-	-	141,984
Total Revenues	71,359,488	14,638	4,020,739	75,394,865
<b>Expenditures</b>				
<b>Current</b>				
Instruction	43,320,324	642,891	-	43,963,215
Administration, attendance, and health	2,628,340	-	-	2,628,340
Pupil transportation	5,026,079	-	-	5,026,079
Operation and maintenance	5,613,725	-	-	5,613,725
Cafeteria - school food service	-	-	4,028,947	4,028,947
Facilities	1,888,996	-	-	1,888,996
Special grants	8,320,202	-	-	8,320,202
Technology	2,049,014	-	-	2,049,014
<b>Debt Service</b>				
Principal	1,355,511	-	-	1,355,511
Interest and other charges	677,457	-	-	677,457
Total Expenditures	70,879,648	642,891	4,028,947	75,551,486
Excess (Deficiency) of Expenditures Over Revenues	479,840	(628,253)	(8,208)	(156,621)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	479,840	-	479,840
Transfers out	(479,840)	-	-	(479,840)
Total Other Financing Sources (Uses)	(479,840)	479,840	-	-
Net Change in Fund Balances	-	(148,413)	(8,208)	(156,621)
Fund Balances - Beginning of Year	-	990,046	696,334	1,686,380
Fund Balances - End of Year	\$ -	\$ 841,633	\$ 688,126	\$ 1,529,759

Net Change in Fund Balances - per above \$ (156,621)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and dispositions. (239,177)

Construction related to renovation of school buildings is part of the County Primary Government since the debt is in the County name. However, the school building belongs to the County until such time the debt is paid off. All debt payments paid by the School Board are adjusted and shown as being paid by the County. 748,598

Governmental funds use the modified accrual basis of accounting whereas the Statement of Activities for the Governmental Type statements use the full accrual method in reporting expenses and liabilities. Therefore, the following adjustment reflects the net changes in the following accounts:

Change in Compensated Absences	(24,651)
Change in Net OPEB Asset	(166,739)
Change in Net Position of Governmental Activities	\$ 161,410

## County of Henry, Virginia

## Statement of Net Position

## Component Unit - Industrial Development Authority

At June 30, 2014

	<b>Industrial Site Project Fund #37</b>	<b>Main Operating Fund #45</b>	<b>Total Industrial Development Authority</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ -	\$ 953,895	\$ 953,895
Due from other governmental unit	368	-	368
Receivables - net	924,413	8,217	932,630
Inventory	<u>3,846,523</u>	<u>13,523,147</u>	<u>17,369,670</u>
Total Current Assets	4,771,304	14,485,259	19,256,563
<b>Noncurrent Assets</b>			
Fixed assets, net of accumulated depreciation	-	640,494	640,494
Notes receivables - net	<u>-</u>	<u>1,341,360</u>	<u>1,341,360</u>
Total Noncurrent Assets	<u>-</u>	<u>1,981,854</u>	<u>1,981,854</u>
Total Assets	<u>\$ 4,771,304</u>	<u>\$ 16,467,113</u>	<u>\$ 21,238,417</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 112,549	\$ 599,182	\$ 711,731
Accrued interest payable	-	27,627	27,627
Current portion of long-term debt	<u>-</u>	<u>1,113,881</u>	<u>1,113,881</u>
Total Current Liabilities	112,549	1,740,690	1,853,239
<b>Long-Term Liabilities</b>			
Long-term debt - due in more than one year	-	4,155,310	4,155,310
Due to primary government - Henry County, VA	<u>312,232</u>	<u>1,657,083</u>	<u>1,969,315</u>
Total Long-Term Liabilities	<u>312,232</u>	<u>5,812,393</u>	<u>6,124,625</u>
Total Liabilities	424,781	7,553,083	7,977,864
<b>Deferred Inflows of Resources</b>			
Unexpended grants payable	500,000	250,000	750,000
<b>Net Position</b>			
Unrestricted	<u>3,846,523</u>	<u>8,664,030</u>	<u>12,510,553</u>
Total Net Position	<u>3,846,523</u>	<u>8,664,030</u>	<u>12,510,553</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 4,771,304</u>	<u>\$ 16,467,113</u>	<u>\$ 21,238,417</u>

**County of Henry, Virginia**

Statement of Revenues, Expenses, and Changes in Net Position

Component Unit - Industrial Development Authority

Year Ended June 30, 2014

	<b>Industrial Site Project Fund #37</b>	<b>Main Operating Fund #45</b>	<b>Total Industrial Development Authority</b>
<b>Operating Revenues</b>			
Payment from primary government	\$ 736	\$ 1,093,780	\$ 1,094,516
Tobacco Indemnification revenues	924,413	230,000	1,154,413
Governor's Opportunity Fund	-	375,000	375,000
Other state grants	847,617	-	847,617
EDC share of costs	-	216,855	216,855
City of Martinsville share of costs	<u>367</u>	<u>-</u>	<u>367</u>
Total Operating Revenues	1,773,133	1,915,635	3,688,768
<b>Operating Expenses</b>			
Economic development	-	1,334,366	1,334,366
Depreciation	<u>-</u>	<u>634,400</u>	<u>634,400</u>
Total Operating Expenses	<u>-</u>	<u>1,968,766</u>	<u>1,968,766</u>
Operating Income (Loss)	1,773,133	(53,131)	1,720,002
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	-	96,085	96,085
Sale of timber	-	53,027	53,027
Donation - grading land	-	557,500	557,500
Rental of property	-	711,518	711,518
Interest expense and bond issue costs	<u>-</u>	<u>(118,997)</u>	<u>(118,997)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>1,299,133</u>	<u>1,299,133</u>
Change in Net Position	1,773,133	1,246,002	3,019,135
Total Net Position - Beginning of Year	<u>2,073,390</u>	<u>7,418,028</u>	<u>9,491,418</u>
Total Net Position - End of Year	<u>\$ 3,846,523</u>	<u>\$ 8,664,030</u>	<u>\$ 12,510,553</u>



County of Henry, Virginia

Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2014

	<b>Industrial Site Project Fund #37</b>	<b>Main Operating Fund #45</b>	<b>Total Industrial Development Authority</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from primary government	\$ 736	\$ 1,093,780	\$ 1,094,516
Other miscellaneous receipts	-	518,977	518,977
State grants	-	605,000	605,000
Purchase of inventory for resale	(1,673,350)	(3,506,196)	(5,179,546)
Cash paid for economic development	-	(510,921)	(510,921)
	<u>(1,672,614)</u>	<u>(1,799,360)</u>	<u>(3,471,974)</u>
Net Cash Used in Operating Activities			
<b>Cash Flows from Noncapital Financing Activities</b>			
Payments on Due to / Due from accounts from primary government	<u>1,672,614</u>	<u>(500,573)</u>	<u>1,172,041</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	1,672,614	(500,573)	1,172,041
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments of principal on long-term debt	-	(1,076,101)	(1,076,101)
Purchase of equipment	-	(6,305)	(6,305)
Proceeds from long-term debt	-	2,795,589	2,795,589
Interest payments on long-term debt	-	(112,566)	(112,566)
	<u>-</u>	<u>1,600,617</u>	<u>1,600,617</u>
Net Cash Provided by Capital and Related Financing Activities			
<b>Cash Flows from Investing Activities</b>			
Rental income	-	711,518	711,518
Sale of timber	-	53,027	53,027
Interest income	-	96,085	96,085
	<u>-</u>	<u>860,630</u>	<u>860,630</u>
Net Cash Provided by Investing Activities			
Net Increase in Cash and Cash Equivalents	-	161,314	161,314
Cash and Cash Equivalents - Beginning of Year	-	792,581	792,581
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ 953,895</u>	<u>\$ 953,895</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income (loss)	\$ 1,773,133	\$ (53,131)	\$ 1,720,002
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Depreciation	-	634,400	634,400
<b>Changes in Assets and Liabilities</b>			
Receivables	(924,412)	302,122	(622,290)
Due from City of Martinsville	(368)	-	(368)
Inventory	(1,773,133)	(3,506,196)	(5,279,329)
Unexpended grants payable	(847,617)	250,000	(597,617)
Accounts payable	99,783	573,445	673,228
	<u>99,783</u>	<u>573,445</u>	<u>673,228</u>
Net Cash Used in Operating Activities	<u>\$ (1,672,614)</u>	<u>\$ (1,799,360)</u>	<u>\$ (3,471,974)</u>

## County of Henry, Virginia

### Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2014

#### Assets

Cash	\$ 38,778
Accounts receivable, net	8,047
Due from other governments	<u>680,771</u>

Total Assets	<u><u>\$ 727,596</u></u>
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#### Liabilities and Fund Balance

##### Liabilities

Accrued liabilities	\$ 41,338
Due to County of Henry, Virginia	<u>686,258</u>

Total Liabilities	727,596
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##### Fund Balance

Total Liabilities and Fund Balance	<u><u>\$ 727,596</u></u>
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Fund Balance - per above	\$ -
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	46,144
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The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.	85,483
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Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	<u>(401,149)</u>
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Net Position (Deficit) of Governmental Activities	<u><u>\$ (269,522)</u></u>
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**County of Henry, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - Henry-Martinsville Social Services

Year Ended June 30, 2014

**Revenues**

Payments from County of Henry, Virginia	\$	524,925
Payments from City of Martinsville, Virginia		299,406
Miscellaneous refunds and revenues		25,321
<b><i>Intergovernmental</i></b>		
Revenue from the Commonwealth of Virginia		1,895,819
Revenue from the Federal Government		<u>3,210,631</u>
Total Intergovernmental		<u>5,106,450</u>
Total Revenues		5,956,102

**Expenditures**

Health and welfare		<u>5,956,102</u>
Net Change in Fund Balance		-
Fund Balance - Beginning of Year		<u>-</u>
Fund Balance - End of Year		<u><u>\$ -</u></u>
Net Change in Fund Balance - per above		\$ -
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.		4,557
Change in Compensated Absences		(25,298)
Change in Net OPEB Asset		<u>(4,646)</u>
Change in Net Position of Governmental Activities		<u><u>\$ (25,387)</u></u>

**County of Henry, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Gateway Streetscape Foundation, Inc.

Year Ended June 30, 2014

**Revenues**

Interest income	\$ 114
Donations	13,037
County of Henry contribution	19,127
City of Martinsville contribution	19,090
Local grants	24,543
Harvest grants	4,300
Federal grants	14,500
Miscellaneous	<u>1,424</u>

Total Revenues	96,135
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**Expenditures**

Salaries	53,278
Fringe benefits	4,530
Professional services	670
Harvest grant	4,300
Depreciation	1,477
Other	<u>32,694</u>

Total Expenditures	<u>96,949</u>
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Net Change in Amounts Held for Others	(814)
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Amounts Held for Others - Beginning of Year	<u>55,930</u>
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Amounts Held for Others - End of Year	<u><u>\$ 55,116</u></u>
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# OTHER INFORMATION SECTION



**County of Henry, Virginia**

General Governmental Revenues by Source<sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
2005	\$ 19,540,174	\$ 13,780,132	\$ 112,369	\$ 161,990	\$ 454,669	\$ 2,027,306	\$ 726,790	\$ 1,862,503	\$ 66,312,679	\$104,978,612
2006	21,246,088	14,408,533	112,336	202,521	899,919	2,127,892	361,981	2,615,293	65,747,399	107,721,962
2007	21,847,876	14,330,730	116,515	203,468	1,417,852	2,215,871	1,647,418	2,633,972	69,824,695	114,238,397
2008	21,256,169	11,996,247	100,628	208,384	1,045,777	2,356,744	1,528,184	3,227,325	73,789,646	115,509,104
2009	21,673,232	11,342,729	104,741	203,667	644,544	2,225,489	1,776,220	2,825,788	78,266,772	119,063,182
2010	21,654,940	11,222,729	71,864	202,580	1,369,419	2,153,388	2,050,650	3,095,842	73,978,745	115,800,157
2011	21,018,605	11,478,570	73,618	195,181	808,886	1,921,648	1,863,200	2,918,353	75,507,581	115,785,642
2012	21,323,023	11,428,075	65,347	163,957	711,338	1,895,145	2,011,196	3,744,985	73,962,487	115,305,553
2013	22,057,534	11,423,797	71,268	238,381	875,927	1,799,395	1,971,581	3,482,607	72,004,445	113,924,935
<b>2014</b>	<b>23,277,658</b>	<b>11,449,845</b>	<b>67,111</b>	<b>199,043</b>	<b>668,693</b>	<b>1,701,181</b>	<b>2,182,125</b>	<b>3,258,893</b>	<b>71,996,224</b>	<b>114,800,773</b>

<sup>(1)</sup> Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

<sup>(2)</sup> Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from intergovernmental revenues.

## County of Henry, Virginia

General Governmental Expenditures by Function<sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Gov. Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Projects<sup>(3)</sup></u>	<u>Total</u>
2005	\$ 2,638,922	\$ 2,023,616	\$ 10,820,270	\$ 3,439,122	\$ 7,286,654	\$ 65,642,278	\$ 1,646,679	\$ 6,136,677	\$ 3,151	\$ 2,401,250	\$ -	\$ 102,038,619
2006	2,759,517	2,299,953	11,551,916	3,038,015	7,036,536	70,526,351	1,652,420	3,082,520	214,601	2,374,446	-	104,536,275
2007	2,841,009	2,381,242	10,921,945	3,182,094	7,145,129	80,903,238	1,718,770	3,247,917	12,822	2,211,316	2,969,089	117,534,571
2008	2,957,629	2,595,729	11,566,312	3,550,417	7,639,331	81,419,251	1,756,762	5,008,458	20,103	2,710,262	2,225,500	121,449,754
2009	2,937,885	2,526,546	12,866,694	3,152,799	8,029,924	78,213,843	1,792,030	4,390,487	88,832	3,617,838	1,740,706	119,357,584
2010	2,887,154	2,482,649	12,241,610	3,071,751	7,967,127	76,139,038	1,752,236	2,798,099	48,338	3,474,700	2,382,271	115,244,973
2011	2,933,146	2,500,200	13,261,320	3,330,174	7,613,384	71,466,806	1,713,172	3,416,240	4,650	2,583,513	2,149,577	110,972,182
2012	2,941,801	2,491,649	13,046,844	3,121,304	7,798,792	78,781,597	1,746,487	2,910,237	74,988	2,790,336	2,649,852	118,353,887
2013	2,961,920	2,638,640	13,865,659	3,307,047	7,556,889	74,235,340	1,997,811	4,185,859	149,833	2,727,331	392,263	114,018,592
<b>2014</b>	<b>3,022,708</b>	<b>2,727,076</b>	<b>14,610,351</b>	<b>3,328,411</b>	<b>7,602,105</b>	<b>73,570,985</b>	<b>1,762,935</b>	<b>3,337,157</b>	<b>14,401</b>	<b>2,808,718</b>	<b>344,113</b>	<b>113,128,960</b>

(1) Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

(2) Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from the respective function.

(3) Capital projects included on schedule starting fiscal year 2007.

## County of Henry, Virginia

## Assessed Value of Taxable Property

## Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Total</u>
2005	\$ 2,235,438,454	\$ 313,964,759	\$ 36,110,824	\$ 307,718,340	\$ 116,518,674	\$ 3,009,751,051
2006	2,425,535,000	329,734,102	35,541,852	315,503,025	128,647,847	3,234,961,826
2007	2,474,852,700	361,648,966	36,723,110	329,586,082	127,296,205	3,330,107,063
2008	2,488,039,444	345,073,303	32,921,111	314,957,563	121,445,558	3,302,436,979
2009	2,517,050,185	364,278,309	32,545,185	314,962,269	117,198,478	3,346,034,426
2010	2,959,808,261	340,139,112	27,630,435	322,826,723	134,488,696	3,784,893,227
2011	2,960,170,435	342,974,030	27,318,696	328,036,218	149,576,812	3,808,076,191
2012	2,968,408,913	353,755,049	27,404,565	280,113,782	142,520,626	3,772,202,935
2013	2,987,070,870	358,575,743	27,320,870	262,429,189	149,525,937	3,784,922,609
<b>2014</b>	<b>2,858,290,984</b>	<b>372,927,906</b>	<b>23,448,770</b>	<b>287,966,081</b>	<b>150,385,203</b>	<b>3,693,018,944</b>

## Property Tax Rates - Last Ten Fiscal Years

## Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Equipment/ Machinery and Tools</u>
2005	\$ 0.54	\$ 1.48	\$ 0.54	\$ 1.19
2006	0.54	1.48	0.54	1.19
2007	0.54	1.48	0.54	1.19
2008	0.54	1.48	0.54	1.19
2009	0.54	1.48	0.54	1.19
2010	0.46	1.48	0.46	1.19
2011	0.46	1.48	0.46	1.19
2012	0.46	1.48	0.46	1.48
2013	0.46	1.48	0.46	1.48
<b>2014</b>	<b>0.488</b>	<b>1.48</b>	<b>0.488</b>	<b>1.48</b>



### County of Henry, Virginia

#### Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2005	\$ 20,972,830	\$ 19,948,957	95.12%	\$ 824,849	\$ 20,773,806	99.05%	\$ 4,796,499	22.87%
2006	22,399,726	21,318,128	95.17%	1,237,452	22,555,580	100.70%	3,748,689	16.74%
2007	23,288,657	22,273,650	95.64%	904,648	23,178,298	99.53%	3,468,909	14.90%
2008	22,887,615	21,986,728	96.06%	655,530	22,642,258	98.93%	3,470,897	15.16%
2009	23,299,439	22,271,371	95.59%	778,839	23,050,210	98.93%	3,623,359	15.55%
2010	22,984,112	22,025,810	95.83%	978,941	23,004,751	100.09%	3,499,486	15.23%
2011	23,165,358	21,919,693	94.62%	1,166,778	23,086,471	99.66%	3,054,362	13.19%
2012	22,739,964	21,732,919	95.57%	991,384	22,724,303	99.93%	2,956,764	13.00%
2013	23,746,769	22,741,314	95.77%	940,165	23,681,479	99.73%	3,038,563	12.80%
<b>2014</b>	<b>24,580,458</b>	<b>23,559,604</b>	<b>95.84%</b>	<b>1,019,691</b>	<b>24,579,295</b>	<b>99.99%</b>	<b>3,151,339</b>	<b>12.82%</b>

### County of Henry, Virginia

Ratio of Net General Obligation Bonded Debt  
to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u> <sup>(1)</sup>	<u>Assessed Value</u> <sup>(2)</sup>	<u>Net Bonded Debt</u> <sup>(3)</sup>	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2005	57,930	\$3,009,751,051	\$ 15,935,821	0.53%	\$ 275
2006	57,930	3,234,961,826	16,598,967	0.51%	287
2007	57,930	3,330,107,063	21,122,673	0.63%	365
2008	57,930	3,302,436,979	22,089,515	0.67%	381
2009	57,930	3,346,034,426	20,205,360	0.60%	349
2010	57,930	3,784,893,227	20,382,763	0.54%	352
2011	54,151	3,808,076,191	22,022,461	0.58%	407
2012	54,151	3,772,202,935	20,143,789	0.53%	372
2013	54,151	3,869,287,960	18,221,319	0.47%	336
<b>2014</b>	<b>54,151</b>	<b>3,693,018,944</b>	<b>16,145,808</b>	<b>0.44%</b>	<b>298</b>

<sup>(1)</sup> Weldon Cooper Center, University of Virginia, Latest Census Records.

<sup>(2)</sup> From Table 3.

<sup>(3)</sup> Includes all long-term general obligation bonded debt, bond anticipation notes, Literary Fund loans, and Recovery Zone bonds. Excludes revenue bonds, capital leases, compensated absences, OPEB obligation, and landfill closure monitoring liability.

**County of Henry, Virginia**

Ratio of Annual Debt Service Expenditures for General Bonded Debt  
to Total General Governmental Expenditures<sup>(1)(3)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures<sup>(2)</sup></u>	<u>Ratio of Debt Service to General Government Expenditures</u>
2005	\$1,750,890	\$ 650,360	\$2,401,250	\$ 102,038,619	2.35%
2006	1,777,286	597,160	2,374,446	104,536,275	2.27%
2007	1,486,022	725,294	2,211,316	117,534,571	1.88%
2008	1,744,629	965,633	2,710,262	121,449,754	2.23%
2009	1,884,155	1,022,165	2,906,320	119,357,584	2.43%
2010	1,822,155	940,585	2,762,740	115,244,973	2.40%
2011	1,760,302	823,211	2,583,513	110,972,182	2.33%
2012	1,878,672	911,664	2,790,336	118,353,887	2.36%
2013	1,922,470	804,861	2,727,331	114,018,592	2.39%
<b>2014</b>	<b>2,075,511</b>	<b>733,207</b>	<b>2,808,718</b>	<b>113,128,960</b>	<b>2.48%</b>

Amounts taken from Table 2.

- (1) Excludes debt service payments on short-term notes payable and capital leases.  
(2) Beginning in 2006, the amounts paid to Component Unit - School Board are no longer shown as transfers.  
(3) Excludes Component Unit - Industrial Development Authority debt.

# COMPLIANCE SECTION





**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors  
County of Henry, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of County of Henry, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Henry, Virginia’s basic financial statements, and have issued our report thereon dated January 6, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*Credle, Jones & Alga, P.C.*

Credle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
January 6, 2015



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

To the Board of Supervisors  
County of Henry, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited County of Henry, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Henry, Virginia's major federal programs for the year ended June 30, 2014. County of Henry, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, County of Henry, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

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

*Credle, Jones & Alga, P.C.*

Credle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
January 6, 2015





**REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS**

To the Board of Supervisors  
County of Henry, Virginia

We have audited the financial statements of the County of Henry, Virginia, as of and for the year ended June 30, 2014, and have issued our report thereon dated January 6, 2015.

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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Henry, Virginia, is the responsibility of the County of Henry, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Henry, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

*Code of Virginia*

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

*State Agency Requirements*

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Henry, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Henry, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Credle, Jones & Alga, P.C.*

Credle, Jones & Alga, P.C.  
Certified Public Accountants

South Hill, Virginia  
January 6, 2015

County of Henry, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
<b>PRIMARY GOVERNMENT</b>			
<b>U. S. Department of Interior</b>			
<b>Direct Payments</b>			
Payments in Lieu of Taxes - Public Law	15.226	N/A	\$ 3,408
<b>U. S. Department of Transportation</b>			
<b>Pass-Through Payments</b>			
<i>Department of Transportation - VDOT</i>	20.205	501	20,953
<i>Department of Motor Vehicles</i>			
Ground transportation and other law enforcement	20.607	530	16,109
Ground transportation and other law enforcement	20.600	530	5,573
National Priority Safety Programs	20.616	530	9,579
Ground transportation and other law enforcement	20.601	530	<u>6,014</u>
Subtotal - U. S. Department of Transportation			58,228
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Southern Area Agency on Aging</i>			
Transportation Grant - Special Programs for Aging Title III B	93.044	N/A	56,149
Transportation Grant - Special Programs for Aging Title III D	93.043	N/A	<u>7,844</u>
Subtotal - U. S. Department of Health and Human Services			63,993
<b>U. S. Department of Justice</b>			
<b>Direct Payments</b>			
COPS grants	16.710	N/A	12,718
Equitable Sharing Program - Asset Forfeiture Sheriff	16.922	N/A	46,592
JAG grants	16.738	N/A	45,943
Bulletproof vests	16.607	N/A	12,763
<b>Pass-Through Payments</b>			
<i>Department of Criminal Justice Services - Victim witness</i>	16.575	140	<u>53,091</u>
Subtotal - U. S. Department of Justice			171,107
<b>U. S. Department of Treasury</b>			
<b>Direct Payments</b>			
Treasury Forfeiture Fund	21.000	N/A	221,238
<b>U. S. Department of Housing and Urban Development</b>			
<b>Pass-Through Payments</b>			
<i>Department of Housing and Community Development</i>			
Community Development Block Grant - States Program	14.228	165	188,589
<b>U. S. Department of Homeland Security</b>			
<b>Direct Payments</b>			
FEMA-SAFER (Staffing for Adequate Fire & Emergency Response)	97.083	N/A	211,057
<b>Pass-Through Payments</b>			
<i>Department of Emergency Management</i>			
Emergency Preparedness	97.042	127	26,164
Emergency Response and Recovery - Hazard Mitigation	97.039	127	<u>34,262</u>
Subtotal - U. S. Department of Homeland Security			<u>271,483</u>
<b>Total - Primary Government</b>			<b>978,046</b>

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Catalog Number</b>	<b>Agency Number</b>	<b>Expenditures</b>
<b>HENRY-MARTINSVILLE SOCIAL SERVICES</b>			
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	598,395
Total Food Stamp Cluster			<u>598,395</u>
Subtotal - U. S. Department of Agriculture			598,395
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Child Care Cluster			
Child care and development fund	93.596	765	102,485
Total Child Care Cluster			<u>102,485</u>
<i>Department of Social Services</i>			
Temporary assistance for needy families	93.558	765	722,042
Family preservation and support	93.556	765	32,718
Refugee and entrant assistance	93.566	765	3,625
Low income home energy assistance	93.568	765	74,282
Child welfare services	93.645	765	4,927
ILP education and training vouchers	93.599	765	754
Foster care - Title IV-E	93.658	765	296,507
Adoption assistance	93.659	765	297,118
Independent living	93.674	765	7,827
State children's insurance program	93.767	765	22,842
Social services block grant	93.667	765	472,608
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	<u>574,501</u>
Subtotal - U. S. Department of Health and Human Services			<u>2,612,236</u>
<b>Total - Henry-Martinsville Social Services</b>			<b>3,210,631</b>

Federal Granting Agency/Recipient State Agency/ <u>Grant Program</u>	<u>Catalog Number</u>	<u>Agency Number</u>	<u>Expenditures</u>
<b>SCHOOL BOARD</b>			
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
Food distribution - donated commodities	10.559	197	2,445
Food distribution - donated commodities	10.555	197	297,483
Fresh Fruit and Vegetables	10.582	197	170,338
Child Nutrition Cluster			
School Breakfast Program	10.553	197	531,803
National School Lunch Program	10.555	197	2,430,720
Total Child Nutrition Cluster			<u>2,962,523</u>
Subtotal - U. S. Department of Agriculture			3,432,789
<b>U. S. Department of Education</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
Special Education Cluster			
IDEA 611 Flow-Through	84.027	197	2,059,976
Interpreter training	84.027	197	10,250
Preschool Handicapped Allocations	84.173	197	71,356
Total Special Education Cluster			<u>2,141,582</u>
Title I Cluster			
Title I grants to local education agencies	84.010	197	2,447,320
Adult education - state administered basic grant program	84.002	197	140,093
Vocational education (Carl Perkins) - CTE federal payments	84.048	197	181,963
Title III - Language Acquisition	84.365	197	60,557
AP Testing Fees - Comprehensive School Reform	84.330	197	19,980
Title IV Part B 21st Century	84.287	197	1,517
Title VI Part B Rural and Low Income	84.358	197	123,257
Title II, Part A - Improving Teacher Quality	84.367	197	354,914
Subtotal - U. S. Department of Education			<u>5,471,183</u>
<b>Subtotal - School Board</b>			<u><b>8,903,972</b></u>
<b>Grand Totals</b>			<u><b>\$ 13,092,649</b></u>

## Notes to Schedule of Expenditures of Federal Awards

### 1. Significant Accounting Policies

#### *Basis of Presentation and Accounting*

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County and is presented on the modified accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

*Direct Payments* – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

*Major Programs* – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County were determined using a risk-based approach in accordance with OMB Circular A-133.

*Catalog of Federal Domestic Assistance* – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs.

### 2. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$299,928 at the time received were consumed during the year ended June 30, 2014. These commodities were included in the determination of federal awards expended during the year ended June 30, 2014.

### 3. Relationship to Financial Statements

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

#### Intergovernmental Federal Revenues per the Basic Financial Statements

##### Primary Government

General Fund	\$ 743,992
Special Grant Projects Fund	<u>234,054</u>
Total Primary Government	978,046

##### Component Units

School Operating Fund	5,471,183
School Cafeteria Fund	<u>3,132,861</u>
Total Component Unit School Board	8,604,044

Henry-Martinsville Social Services	<u>3,210,631</u>
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Grand Total - Federal Expenditures	12,792,721
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Add: Amounts Reported on Schedule of Expenditures of Federal Awards  
Not in Financial Statements

School Cafeteria Fund - Food Commodities	<u>299,928</u>
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Total Federal Expenditures per Basic Financial Statements	<u>\$ 13,092,649</u>
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 13,092,649</u>
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## County of Henry, Virginia

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

#### 1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unmodified opinion** on the financial statements of the County of Henry, Virginia.
- (b) **No deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's 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*.
- (c) **No instances of noncompliance** material to the financial statements of the County of Henry, Virginia were disclosed during the audit.
- (d) **No deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Henry, Virginia expresses an **unmodified opinion** on all major federal programs.
- (f) There were **no audit findings** relative to the major federal award programs for the County of Henry, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
  - 1. CFDA #10.561, Administration for Food Stamp Program
  - 2. CFDA #93.778, Medical Assistance Program (Medicaid; Title XIX)
  - 3. CFDA #93.658, Foster Care – Title IV-E
  - 4. CFDA #84.027 and #84.173, Special Education Cluster
  - 5. CFDA #84.010, Title I Cluster
  - 6. CFDA #93.558, Temporary Assistance for Needy Families (TANF)
  - 7. CFDA #10.553 and #10.555, Child Nutrition Cluster
- (h) The **threshold** for distinguishing Types A and B programs was **\$392,779**.
- (i) The County of Henry, Virginia **was** determined to be a **low-risk auditee**.

#### 2. FINDINGS - FINANCIAL STATEMENT AUDIT

None

#### 3. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



**County of Henry, Virginia**

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

**FINANCIAL STATEMENT AUDIT**

**FINDINGS**

There were no findings in the prior year.