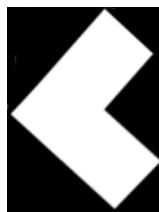


County of Henry, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2013



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

County of Henry, Virginia

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FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of 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 aggregate discretely presented component units, and each major fund of County of Henry, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We 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 aggregate discretely presented component units, and each major fund of the County of Henry, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 47–60 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, 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 2, 2014

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, 2013. We encourage readers to read this discussion and analysis in conjunction with the County's financial statements.

Financial Highlights for Fiscal Year 2013

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 \$53,154,246. Of this amount, \$28,085,384 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 \$47,663,836 and expenses amounted to \$45,981,303. The County's total net position increased \$1,682,533.

Highlights for Fund Financial Statements

- As of June 30, 2013, the County's Governmental Funds reported combined fund balances of \$29,446,752, an increase of \$549,824 in comparison with the prior year. The fund balances are 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 \$28,974,361, an increase of \$580,993 from June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The ***financial section*** has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplementary information.
- The ***compliance section*** is required under the provisions of *Governmental Auditing Standards* and, in some cases, the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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.

The first government-wide statement - the Statement of Net Position - presents information on all of the County's assets and liabilities. The difference between assets and liabilities, net position, 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.

The second statement - the 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 statements are divided into the following two categories:

Governmental Activities: Most of the County's basic services are reported here, including general government administration; judicial administration; public safety; public works; health and welfare; education; parks, recreation, and cultural; and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities.

Discretely Presented Component Units: The County has three component units: the School Board, Industrial Development Authority, and the Henry-Martinsville Social Services. While the School System and the Industrial Development Authority are legally separate entities, the County is financially accountable and provides operating and capital funding to these component units. 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 the component units are reported separately from the financial information presented for the primary government.

Fund Financial Statements

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the County's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The County has three kinds 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 additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the County and, therefore, the largest of the Governmental Funds.

The County has six major funds because they all have legally adopted budgets. These funds are the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Philpott Marina, and Special Grant Projects Fund.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The County has no proprietary funds at this time.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's Fiduciary Funds consist of Agency Funds. The funds are used to account for monies received, held, and disbursed on behalf of the Special Welfare Fund, Jail Inmate Fund, Gateway Streetscape Foundation, Inc., OPEB Trust Fund, and Fieldale Sanitary District. 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.

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.

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.

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.

Fieldale Sanitary District – This fund accounts for money held in trust for the benefit of the Fieldale Sanitary District.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Summary of Net Position	
	As of June 30, 2013 and 2012	
	Governmental Activities	
	2013	2012
Assets		
Current and other assets	\$ 32,285,006	\$ 35,805,834
Capital assets (net)	43,610,684	44,677,623
Total Assets	<u>\$ 75,895,690</u>	<u>\$ 80,483,457</u>
Liabilities		
Other liabilities	\$ 1,635,012	\$ 5,779,866
Long-term liabilities	21,106,432	23,231,878
Total Liabilities	22,741,444	29,011,744
Net Position		
Net investment in capital assets	24,905,399	24,007,402
Restricted	163,463	165,802
Unrestricted	28,085,384	27,298,509
Total Net Position	<u>53,154,246</u>	<u>51,471,713</u>
Total Liabilities and Net Position	<u>\$ 75,895,690</u>	<u>\$ 80,483,457</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2013:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues		
Charges for services	\$ 661,344	\$ 557,517
Grants and contributions	8,470,021	8,684,587
General Revenues		
General property taxes, real and personal	22,021,911	21,379,893
Other taxes	11,423,797	11,428,075
Noncategorical aid from state	4,379,884	4,387,373
Use of property	313,298	293,244
Investment earnings	325,522	323,797
Miscellaneous	68,059	100,529
Total Revenues	<u>47,663,836</u>	<u>47,155,015</u>
Expenses		
General government administration	2,894,415	2,701,864
Judicial administration	2,837,316	2,703,220
Public safety	12,843,010	12,271,085
Public works	3,188,523	3,376,526
Health and welfare	2,072,696	2,293,896
Education	16,517,987	17,077,159
Parks, recreation, and cultural	1,509,301	1,875,227
Community development	3,366,996	4,060,094
Interest on long-term debt	751,059	858,204
Total Expenses	<u>45,981,303</u>	<u>47,217,275</u>
Increase (Decrease) in Net Position	1,682,533	(62,260)
Extraordinary Item - Asset Impairment	-	(1,326,011)
Beginning Net Position	<u>51,471,713</u>	<u>52,859,984</u>
Ending Net Position	<u>\$53,154,246</u>	<u>\$51,471,713</u>

Governmental activities increased the County's net position by \$1,682,533 for fiscal year 2013. Revenues from governmental activities totaled \$47,663,836. Property taxes comprise the largest source of these revenues, totaling \$22,021,911 or 46.2 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$45,981,303. Education is the County's largest program with expenses totaling \$16,517,987. Public safety expenses, which total \$12,843,010, represent 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, 2013 and 2012

	2013		2012	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government administration	\$ 2,894,415	\$ (2,511,665)	\$ 2,701,864	\$ (2,296,433)
Judicial administration	2,837,316	(1,686,578)	2,703,220	(1,573,433)
Public safety	12,843,010	(7,496,284)	12,271,085	(7,100,939)
Public works	3,188,523	(3,011,738)	3,376,526	(3,231,387)
Health and welfare	2,072,696	(1,473,429)	2,293,896	(1,755,997)
Parks, recreation, and cultural	1,509,301	(1,452,630)	1,875,227	(1,822,692)
Community development	3,366,996	(1,948,568)	4,060,094	(2,258,927)
Education	16,517,987	(16,517,987)	17,077,159	(17,077,159)
Interest on long-term debt	751,059	(751,059)	858,204	(858,204)
Total	\$ 45,981,303	\$ (36,849,938)	\$47,217,275	\$ (37,975,171)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2013, the County's Governmental Funds reported a combined ending fund balance of \$29,446,752, an increase of \$549,824 in comparison with the prior year. The unassigned fund balance 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 \$18,459,968. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 40 percent of total fund expenditures.

- The General Fund contributed operating funds to finance the component units as follows: \$17,666,703 School Board operations; \$809,325 to finance the Industrial Development Authority; and \$519,556 to the Social Services Board.

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, 2013 and 2012

	<u>2013</u>			<u>2012</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 21,982,898	\$ 21,719,898	\$ 22,057,534	\$ 21,150,838	\$ 21,009,925	\$ 21,323,023
Other	14,513,686	14,785,948	15,047,661	14,155,805	15,337,751	15,591,828
Intergovernmental	11,983,988	13,138,511	10,481,848	9,760,994	12,263,555	11,664,531
Total	48,480,572	49,644,357	47,587,043	45,067,637	48,611,231	48,579,382
Expenditures	47,781,740	58,857,505	46,066,534	47,359,336	58,951,692	47,399,030
Excess (Deficiency) of Revenues Over Expenditures	698,832	(9,213,148)	1,520,509	(2,291,699)	(10,340,461)	1,180,352
Other Financing Sources (Uses)						
Transfers in (out)	(998,832)	(1,783,679)	(939,516)	(1,041,601)	(1,103,758)	(984,841)
Total	(998,832)	(1,783,679)	(939,516)	(1,041,601)	(1,103,758)	(984,841)
Net Change in Fund Balance Before Transfer from Surplus	(300,000)	(10,996,827)	580,993	(3,333,300)	(11,444,219)	195,511
Transfer from Surplus Funds	300,000	10,996,827	-	3,333,300	11,444,219	-
Change in Fund Balance	\$ -	\$ -	\$ 580,993	\$ -	\$ -	\$ 195,511

The final amended budget appropriations for expenditures exceeded the original appropriation by \$11,075,765. This increase is due primarily to the carry over of previous year budget items related to encumbrances, grants, and capital projects not completed at prior year end plus additional funding from grants awarded in fiscal year 2013.

Final amended budget revenues were more than the original budget by \$1,163,785 prior to transfers for a contingency reserve to finance the above projects.

Actual revenues were less than final budget amounts by \$2,057,314 prior to transfers while actual expenditures were \$12,790,971 less than final budget amounts. The revenue difference includes multi-year grants budgeted in their entirety up-front. The expenditure difference includes encumbrances, multi-year grants, and capital projects that are not complete, all of which are budgeted up-front and carried over to the following fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2013, the County's net investment in capital assets totals \$24,905,399, which are net capital assets less related debt for governmental activities.

For fiscal year 2013, the County's net capital assets activities are summarized in the following tables:

Change in Capital Assets

Primary Government

Governmental Activities

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land and land improvements	\$ 2,883,020	\$ 43,077	\$ 2,926,097
Construction in process	-	306,849	306,849
Buildings and improvements	27,431,931	(2,607,771)	24,824,160
Furniture, equipment, and vehicles	11,432,035	503,205	11,935,240
Total Capital Assets	41,746,986	(1,754,640)	39,992,346
Less: Accumulated depreciation and amortization	(21,999,372)	1,436,299	(20,563,073)
Total Capital Assets, Net before allocation of schools	<u>\$ 19,747,614</u>	<u>\$ (318,341)</u>	<u>19,429,273</u>
Allocation of net school buildings with outstanding debt			<u>24,181,411</u>
Total Capital Assets, Net			<u>\$ 43,610,684</u>

Component Units

School Board

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land and land improvements	\$ 787,516	\$ -	\$ 787,516
Construction in process	5,530,869	(4,818,008)	712,861
Buildings and improvements	68,233,897	7,193,313	75,427,210
Furniture, equipment, and vehicles	11,847,610	(56,163)	11,791,447
Total Capital Assets	86,399,892	2,319,142	88,719,034
Less: Accumulated depreciation and amortization	(39,297,276)	(1,853,679)	(41,150,955)
Total Capital Assets, Net before allocation to County	<u>\$ 47,102,616</u>	<u>\$ 465,463</u>	<u>47,568,079</u>
Allocation of net school buildings with outstanding debt			<u>(24,181,411)</u>
Total Capital Assets, Net			<u>\$ 23,386,668</u>

IDA

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Equipment	\$ 4,440,059	\$ -	\$ 4,440,059
Total Capital Assets	4,440,059	-	4,440,059
Less: Accumulated depreciation and amortization	(2,537,176)	(634,294)	(3,171,470)
Total Capital Assets, Net	<u>\$ 1,902,883</u>	<u>\$ (634,294)</u>	<u>\$ 1,268,589</u>

Henry-Martinsville Social Services

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Machinery and equipment	\$ 263,784	\$ (5,712)	\$ 258,072
Less: Accumulated depreciation and amortization	<u>(226,846)</u>	<u>10,361</u>	<u>(216,485)</u>
Total Capital Assets, Net	<u>\$ 36,938</u>	<u>\$ 4,649</u>	<u>\$ 41,587</u>

Long-Term Debt

As of June 30, 2013, the County's long-term obligations, excluding the Component Units, are summarized below:

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Activities			
General obligation bonds	\$ 14,820,524	\$ (1,296,181)	\$ 13,524,343
Literary Fund loans	3,403,265	(541,289)	2,861,976
Recovery Zone bonds	1,920,000	(85,000)	1,835,000
Landfill obligation	580,248	(249,325)	330,923
OPEB obligation (asset)	1,285	(80,574)	(79,289)
Compensated absences	1,980,124	90,100	2,070,224
LT Agreement	<u>184,000</u>	<u>(19,200)</u>	<u>164,800</u>
	22,889,446	(2,181,469)	20,707,977
Add: Premiums	<u>342,432</u>	<u>(23,266)</u>	<u>319,166</u>
Total Governmental Activities	<u>\$ 23,231,878</u>	<u>\$ (2,204,735)</u>	<u>\$ 21,027,143</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 7 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 2013 was 9.3 percent, a decrease of .5 percent from June 2012. This compares unfavorably to the state's rate of 5.9 percent and unfavorably to the national rate of 7.8 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 53,889, a decrease of .5% from 2000 U.S. census.
- The per capita income in Henry County, Virginia was \$30,097, compared to \$48,377 for the state, according to the latest available estimates from the U.S. Department of Commerce Bureau of Economic Analysis.

The fiscal year 2014 Adopted Budget anticipates General Fund revenues and expenditures to be \$47,089,657, a 3.5 percent decrease over the fiscal year 2013 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.

BASIC FINANCIAL STATEMENTS



County of Henry, Virginia

Statement of Net Position

At June 30, 2013

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
Assets				
Cash	\$ 25,079,557	\$ 3,767,625	\$ 792,581	\$ 20,226
Cash - restricted	-	25,967	-	-
Receivables, net	2,631,110	399,470	10,339	-
Due from County of Henry, Virginia - primary government	-	341,184	-	-
Due from component units	1,136,873	-	-	-
Due from other governments/agencies	3,299,474	2,101,945	-	701,013
Inventory	58,703	-	11,532,841	-
Notes receivable	-	-	1,641,360	-
Net OPEB prepaid liability	79,289	362,447	-	90,129
Capital Assets				
Land and construction in progress	3,232,946	1,500,377	-	-
Other capital assets, net of accumulated depreciation	40,377,738	21,886,291	1,268,589	41,587
Capital Assets, Net	<u>43,610,684</u>	<u>23,386,668</u>	<u>1,268,589</u>	<u>41,587</u>
Total Assets	<u>\$ 75,895,690</u>	<u>\$ 30,385,306</u>	<u>\$ 15,245,710</u>	<u>\$ 852,955</u>
Liabilities				
Accounts payable	\$ 932,525	\$ 808,668	\$ 38,503	\$ -
Accrued payroll and other liabilities	253,279	3,972,676	-	40,455
Accrued interest	265,155	-	21,196	-
Unexpended grants payable	164,092	168,467	1,347,617	-
Due to other governments/agencies	19,961	-	-	-
Due to County of Henry, Virginia - primary government	-	-	797,273	680,784
Long-Term Liabilities				
<i>Due within one year</i>				
Bonds, loans, other	2,358,091	75,641	1,076,118	37,585
<i>Due in more than one year</i>				
Landfill obligation	297,831	-	-	-
Compensated absences	1,863,202	680,777	-	338,266
Bonds, capital leases, and loans payable, net of premiums	<u>16,587,308</u>	<u>-</u>	<u>2,473,585</u>	<u>-</u>
Total Liabilities	<u>22,741,444</u>	<u>5,706,229</u>	<u>5,754,292</u>	<u>1,097,090</u>
Net Position				
Net investment in capital assets	24,905,399	23,386,668	-	41,587
Restricted	163,463	-	-	-
Unrestricted	<u>28,085,384</u>	<u>1,292,409</u>	<u>9,491,418</u>	<u>(285,722)</u>
Total Net Position (Deficit)	<u>53,154,246</u>	<u>24,679,077</u>	<u>9,491,418</u>	<u>(244,135)</u>
Total Liabilities and Net Position	<u>\$ 75,895,690</u>	<u>\$ 30,385,306</u>	<u>\$ 15,245,710</u>	<u>\$ 852,955</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, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	School Board	Industrial Development Authority	Henry-Martinsville Social Services
Primary Government								
Governmental Activities								
General government administration	\$ 2,894,415	\$ 33,704	\$ 349,046	\$ -	\$ (2,511,665)			
Judicial administration	2,837,316	103,507	1,047,231	-	(1,686,578)			
Public safety	12,843,010	319,419	5,027,307	-	(7,496,284)			
Public works	3,188,523	153,043	23,742	-	(3,011,738)			
Health and welfare	2,072,696	-	599,267	-	(1,473,429)			
Parks, recreation, and cultural	1,509,301	51,671	5,000	-	(1,452,630)			
Community development	3,366,996	-	1,418,428	-	(1,948,568)			
Education - local school	16,465,520	-	-	-	(16,465,520)			
Education - community college	52,467	-	-	-	(52,467)			
Interest on long-term debt	751,059	-	-	-	(751,059)			
Total Primary Government	<u>\$ 45,981,303</u>	<u>\$ 661,344</u>	<u>\$ 8,470,021</u>	<u>\$ -</u>	<u>(36,849,938)</u>			
Component Units								
School Board								
Instruction	\$ 42,514,727	\$ 542,180	\$ 50,170,208	\$ -		\$ 8,197,661		
Administration, attendance, and health	2,591,756	-	-	-		(2,591,756)		
Pupil transportation	5,381,296	-	-	-		(5,381,296)		
Operation and maintenance	6,226,350	-	-	-		(6,226,350)		
Cafeterias	4,263,706	905,520	3,410,675	-		52,489		
Special grants	8,360,496	-	-	-		(8,360,496)		
Facilities	1,327,032	-	-	-		(1,327,032)		
Technology	2,469,266	-	-	-		(2,469,266)		
Total School Board	<u>73,134,629</u>	<u>1,447,700</u>	<u>53,580,883</u>	<u>-</u>		<u>(18,106,046)</u>		
Industrial Development Authority								
Economic development	5,783,018	-	614,581	-		\$ (5,168,437)		
Interest	162,229	-	-	-		(162,229)		
Total Industrial Development Authority	<u>5,945,247</u>	<u>-</u>	<u>614,581</u>	<u>-</u>		<u>(5,330,666)</u>		
Henry-Martinsville Social Services								
Health and welfare	<u>5,932,494</u>	<u>-</u>	<u>5,427,312</u>	<u>-</u>				\$ (505,182)
Total - Component Units	<u>\$ 85,012,370</u>	<u>\$ 1,447,700</u>	<u>\$ 59,622,776</u>	<u>\$ -</u>				<u>(505,182)</u>
General Revenues								
Unrestricted								
General property taxes					22,021,911	-	-	-
Other local taxes					11,423,797	-	-	-
Payments - County of Henry, Virginia					-	16,465,520	809,325	519,556
Use of property					313,298	84,194	3,945,698	-
Investment income					325,522	161,146	129,605	-
Miscellaneous					68,059	1,903,522	233,913	-
Noncategorical aid from state					4,379,884	-	-	-
Total General Revenues					<u>38,532,471</u>	<u>18,614,382</u>	<u>5,118,541</u>	<u>519,556</u>
Change in Net Position					1,682,533	508,336	(212,125)	14,374
Net Position - Beginning of Year					<u>51,471,713</u>	<u>24,170,741</u>	<u>9,703,543</u>	<u>(258,509)</u>
Net Position (Deficit) - End of Year					<u>\$ 53,154,246</u>	<u>\$ 24,679,077</u>	<u>\$ 9,491,418</u>	<u>\$ (244,135)</u>

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

County of Henry, Virginia

Balance Sheet

Governmental Funds

At June 30, 2013

	<u>General Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>E-911 Central Dispatch Fund</u>	<u>Law Library Fund</u>	<u>Philpott Marina Fund</u>	<u>Special Grant Projects Fund</u>	<u>Total Governmental Funds</u>
Assets							
Cash	\$ 25,079,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,079,557
Receivables - net							
Taxes	1,349,002	-	-	-	-	-	1,349,002
Licenses	76,693	-	-	-	-	-	76,693
Accounts	1,202,585	-	-	1,496	1,334	-	1,205,415
Due from other funds	938,776	-	-	127,235	223,301	-	1,289,312
Due from component units	4,877,874	-	-	-	-	-	4,877,874
Due from other governments/agencies	1,666,074	104,218	349,196	-	-	1,179,986	3,299,474
Inventory	58,703	-	-	-	-	-	58,703
Total Assets	<u>\$ 35,249,264</u>	<u>\$ 104,218</u>	<u>\$ 349,196</u>	<u>\$ 128,731</u>	<u>\$ 224,635</u>	<u>\$ 1,179,986</u>	<u>\$ 37,236,030</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 396,690	\$ 87,585	\$ 3,154	\$ 811	\$ 198,403	\$ 245,882	\$ 932,525
Accrued liabilities	238,047	682	14,550	-	-	-	253,279
Deferred revenue	1,528,668	-	-	-	24,532	-	1,553,200
Due to other governments/agencies	19,961	-	-	-	-	-	19,961
Due to other funds	350,536	15,951	165,773	-	-	757,052	1,289,312
Due to component units	3,741,001	-	-	-	-	-	3,741,001
Total Liabilities	6,274,903	104,218	183,477	811	222,935	1,002,934	7,789,278
Fund Balances							
Restricted fund balance	163,463	-	-	127,920	-	177,052	468,435
Committed fund balance	3,322,692	-	-	-	-	-	3,322,692
Assigned fund balance	7,028,238	-	165,719	-	1,700	-	7,195,657
Unassigned fund balance	18,459,968	-	-	-	-	-	18,459,968
Total Fund Balances	<u>28,974,361</u>	<u>-</u>	<u>165,719</u>	<u>127,920</u>	<u>1,700</u>	<u>177,052</u>	<u>29,446,752</u>
Total Liabilities and Fund Balances	<u>\$ 35,249,264</u>	<u>\$ 104,218</u>	<u>\$ 349,196</u>	<u>\$ 128,731</u>	<u>\$ 224,635</u>	<u>\$ 1,179,986</u>	<u>\$ 37,236,030</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, 2013

Total Fund Balances for Governmental Funds		\$ 29,446,752
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	\$ 3,139,326	
School assets associated with debt held by County	24,181,411	
Buildings and improvements, net of accumulated depreciation	12,513,427	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,776,520</u>	
Total Capital Assets		43,610,684
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred revenue		1,389,108
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	(18,705,285)	
Accrued interest payable	(265,155)	
OPEB obligation (asset)	79,289	
Landfill closure and post closure liability	(330,923)	
Compensated absences	<u>(2,070,224)</u>	
Total		<u>(21,292,298)</u>
Total Net Position of Governmental Activities		<u>\$ 53,154,246</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, 2013

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Philpott Marina Fund	Special Grant Projects Fund	Total Governmental Funds
Revenues							
General property taxes	\$ 22,057,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,057,534
Other local taxes	11,423,797	-	-	-	-	-	11,423,797
Permits, privilege fees, and regulatory licenses	71,268	-	-	-	-	-	71,268
Fines and forfeitures	238,381	-	-	-	-	-	238,381
Use of money and property	775,232	-	-	-	1,700	-	776,932
Charges for services	344,357	-	-	7,338	-	-	351,695
Miscellaneous	68,059	-	-	-	-	-	68,059
Recovered costs	2,126,567	40,713	325,033	5,148	315,886	24,235	2,837,582
<i>Intergovernmental</i>							
Revenue from the Commonwealth of Virginia	10,043,826	509,078	442,527	-	-	176,742	11,172,173
Revenue from the Federal Government	438,022	-	-	-	-	1,239,710	1,677,732
Total Revenues	47,587,043	549,791	767,560	12,486	317,586	1,440,687	50,675,153
Expenditures							
Current							
General government administration	2,961,920	-	-	-	-	-	2,961,920
Judicial administration	2,622,759	-	-	15,881	-	-	2,638,640
Public safety	12,377,366	-	1,488,293	-	-	-	13,865,659
Public works	3,307,047	-	-	-	-	-	3,307,047
Health and welfare - social services component unit	519,556	-	-	-	-	-	519,556
Health and welfare	774,244	835,777	-	-	-	-	1,610,021
Education - community college	52,467	-	-	-	-	-	52,467
Education - school board component unit	17,666,703	-	-	-	-	-	17,666,703
Parks, recreation, and cultural	1,681,925	-	-	-	315,886	-	1,997,811
Community development - IDA component unit	809,325	-	-	-	-	-	809,325
Community development	1,973,576	-	-	-	-	1,402,958	3,376,534
Nondepartmental	149,833	-	-	-	-	-	149,833
<i>Debt service</i>							
Principal	690,000	-	-	-	-	-	690,000
Interest	87,550	-	-	-	-	-	87,550
Capital outlay	392,263	-	-	-	-	-	392,263
Total Expenditures	46,066,534	835,777	1,488,293	15,881	315,886	1,402,958	50,125,329
Excess (Deficiency) of Revenues Over Expenditures	1,520,509	(285,986)	(720,733)	(3,395)	1,700	37,729	549,824
Other Financing Sources (Uses)							
Transfers in	-	285,986	637,871	-	-	15,659	939,516
Transfers out	(939,516)	-	-	-	-	-	(939,516)
Total Other Financing Sources (Uses)	(939,516)	285,986	637,871	-	-	15,659	-
Net Change in Fund Balances	580,993	-	(82,862)	(3,395)	1,700	53,388	549,824
Fund Balances - Beginning of Year	28,393,368	-	248,581	131,315	-	123,664	28,896,928
Fund Balances - End of Year	\$ 28,974,361	\$ -	\$ 165,719	\$ 127,920	\$ 1,700	\$ 177,052	\$ 29,446,752

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, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	549,824	
<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	\$	1,287,105	
Depreciation expense		<u>(1,605,446)</u>	(318,341)
<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>			
			(35,623)
<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		1,945,736	
Change in accrued interest		<u>30,536</u>	
Net Adjustment			1,995,472
<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		249,325	
OPEB obligation		80,574	
Compensated absences		<u>(90,100)</u>	
Net Adjustment			<u>239,799</u>
Change in Net Position of Governmental Activities	\$		<u><u>1,682,533</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, 2013

	<u>Agency Funds</u>					
	<u>Special Welfare</u>	<u>Gateway Streetscape Foundation, Inc.</u>	<u>Fieldale Sanitary District</u>	<u>Jail Inmate</u>	<u>OPEB Trust</u>	<u>Total</u>
Assets						
Cash	\$ 3,678	\$ 37,668	\$ 161,643	\$ 71,403	\$ 1,699,808	\$ 1,974,200
Due from other governmental unit	-	19,878	83	-	-	19,961
Capital assets, net	<u>-</u>	<u>5,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,098</u>
Total Assets	<u>\$ 3,678</u>	<u>\$ 62,644</u>	<u>\$ 161,726</u>	<u>\$ 71,403</u>	<u>\$ 1,699,808</u>	<u>\$ 1,999,259</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable and accrued expenses	\$ -	\$ 6,714	\$ 1,448	\$ -	\$ -	\$ 8,162
Amounts held for others	<u>3,678</u>	<u>55,930</u>	<u>160,278</u>	<u>71,403</u>	<u>1,699,808</u>	<u>1,991,097</u>
Total Liabilities	<u>\$ 3,678</u>	<u>\$ 62,644</u>	<u>\$ 161,726</u>	<u>\$ 71,403</u>	<u>\$ 1,699,808</u>	<u>\$ 1,999,259</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, 2013

1 Organization and Nature of Operations

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.

Reporting Entity

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, public safety and administration of justice, education, health, welfare, housing and human service programs, transportation and environmental services, planning, community development and recreation, cultural, library, and historic activities.

2 Summary of Significant Accounting Policies

The financial statements of the County of Henry, Virginia and its component units 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 of America as specified by the Governmental Accounting Standards Board (GASB). The more significant of the County's accounting policies are described below:

A. Financial Reporting Entity

The County follows GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

- Management's Discussion and Analysis: A narrative introduction and analytical overview of the County's financial activities. This analysis is similar to the analysis the private sector provides in their annual reports.
- Government-Wide Financial Statements: These include the financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Position and the Statement of Activities.

- Statement of Net Position: The Statement of Net Position displays the financial position of the primary government (government) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net position of a government will be broken down into three categories: 1) net investment in capital assets; 2) restricted; and 3) unrestricted.
- Statement of Activities: The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the legally adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and, therefore, data from these units are combined with data of the primary government. The County has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year end.

B. Government-Wide and Fund Accounting Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund accounting financial statements. The focus is on both the County as a whole and the fund accounting financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category), and the Component Units. Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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 fund statements are presented on a current financial resource and modified accrual basis of accounting.

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The County's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in fiscal year 2013:

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Each fund is considered a major fund because each one has a legally adopted budget. The individual Governmental Funds are:

a. *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.

b. *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.

c. *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.

d. *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.

e. *Philpott Marina Fund*

The Philpott Marina Fund accounts for activities of the Marina for recreational use by the citizens of Henry County and the surrounding area.

f. *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.

2. *Proprietary Fund*

The County has no proprietary funds at this time. However, the Component Unit – IDA Fund is accounted for as a proprietary fund.

3. Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Special Welfare Fund is used to account for funds held for the benefit of children under the County's care. The Jail Inmate Fund accounts for funds received and disbursed for the benefit of the jail's inmates. The Gateway Streetscape Foundation, Inc. accounts 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. The OPEB Trust Fund holds funds for postemployment retiree benefits.

Beginning 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. 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.

C. Discretely Presented Component Units

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.

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 Activities and the governmental fund statements are shown in the Other Supplementary Information section.

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 Activities, and the governmental fund statements are shown in the Other Supplementary Information section. These entities are collectively included and referred to as the "County."

D. Related Organizations

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.

E. Basis of Accounting

The government-wide Statements of Net Position and Statement of Activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Position.

The Statement of Fiduciary Assets and Liabilities is presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet in the funds statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The fund financial statements of the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Philpott Marina, and Special Grant Projects funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenues and other local taxes, the term "available" is limited to collections within sixty days after the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Investment income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures are recorded when the fund liability is incurred.

F. 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, Philpott Marina, and Special Grant Projects funds.

G. Cash and Cash Equivalents

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

H. Allowance for Uncollectible Accounts

The County calculates its allowance based on historical data. The allowance amounted to approximately \$1,689,561 at June 30, 2013 and is comprised solely of property taxes.

The IDA calculated an allowance of \$839,939 at June 30, 2013 based on the amount determined to be collectible.

The other component units' accounts receivable are considered fully collectible, and, therefore, an allowance for uncollectible accounts is not applicable to those receivables.

I. 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.

J. Capital Assets

Capital outlays are recorded as expenditures of the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Philpott Marina, 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.

K. Compensated Absences and Other Employee Benefits

Expenditures for compensated absences, hospitalization and workers' compensation insurance in governmental funds are recorded when the obligations are paid. The current portions are not recorded as liabilities in governmental funds since these will not be liquidated with expendable available financial resources. The liability for compensated absences and other employee benefits is shown on the statement of net position as part of long-term liabilities.

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.

Group Hospitalization

All permanent employees of the County, including elected officials and their staff, are eligible to participate in the County's group insurance program. The County contributes the entire premium for active participating employees.

Other Postemployment Benefits

All permanent employees of the County, with 15 years of service, are eligible to continue their hospitalization and group life insurance after retiring until reaching age 65. The County does not contribute to the cost of this insurance.

L. Long-Term Debt

For governmental fund types, bond premiums or discounts as well as issuance costs are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

M. Fund Balance

The County follows government accounting standards for reporting fund balances as follows:

Nonspendable

Fund balances that represent amounts that cannot be spent or are legally required to remain intact.

Restricted

Fund balances that are restricted by external sources or entities or restricted by law.

Committed

Fund balances that can be used for purposes created by the decision-making authority (the Board) of the County through formal action taken by the Board. The Board is the only one that can remove or change the commitment by the same action.

Assigned

Fund balances representing the County's intent to be used for specific purposes.

Unassigned

Fund balance that is the residual funds in the general fund that has not met the previous four classifications.

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>Primary Government</u>	<u>Fiduciary Funds</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>	<u>Total</u>
Fund Statements						
Deposits and Investments						
Petty cash	\$ 1,125	\$ -	\$ -	\$ -	\$ -	\$ 1,125
Deposits	<u>25,078,432</u>	<u>1,974,200</u>	<u>3,793,592</u>	<u>792,581</u>	<u>20,226</u>	<u>31,659,031</u>
	<u>\$ 25,079,557</u>	<u>\$ 1,974,200</u>	<u>\$ 3,793,592</u>	<u>\$ 792,581</u>	<u>\$ 20,226</u>	<u>\$ 31,660,156</u>
Statement of Net Position						
Deposits and Investments						
Cash and cash equivalents	\$ 25,079,557	\$ -	\$ 3,793,592	\$ 792,581	\$ 20,226	\$ 29,685,956
Fiduciary fund cash	<u>-</u>	<u>1,974,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,974,200</u>
	<u>\$ 25,079,557</u>	<u>\$ 1,974,200</u>	<u>\$ 3,793,592</u>	<u>\$ 792,581</u>	<u>\$ 20,226</u>	<u>\$ 31,660,156</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 Property Taxes Receivable

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.

For fiscal year 2013, personal property tax assessments on tangible business property were 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 deferred 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 2013 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.

5 Capital Assets

The table below is a summary of the changes in capital assets for the fiscal year ended June 30, 2013:

Primary Government

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 2,883,020	\$ 51,800	\$ 8,723	\$ 2,926,097
Construction in progress	<u>-</u>	<u>306,849</u>	<u>-</u>	<u>306,849</u>
Total Capital Assets Not Being Depreciated	2,883,020	358,649	8,723	3,232,946
Capital Assets, Depreciable				
Buildings and improvements	27,431,931	-	2,607,771	24,824,160
Furniture, equipment, and vehicles	<u>11,432,035</u>	<u>1,066,568</u>	<u>563,363</u>	<u>11,935,240</u>
Total Capital Assets - Depreciable	38,863,966	1,066,568	3,171,134	36,759,400
Less: Accumulated depreciation for				
Land and land improvements	59,710	33,910	-	93,620
Buildings and improvements	14,066,175	726,052	2,481,494	12,310,733
Furniture, equipment, and vehicles	<u>7,873,487</u>	<u>845,484</u>	<u>560,251</u>	<u>8,158,720</u>
Total Accumulated Depreciation	<u>21,999,372</u>	<u>1,605,446</u>	<u>3,041,745</u>	<u>20,563,073</u>
Other Capital Assets, Net	<u>16,864,594</u>	<u>(538,878)</u>	<u>129,389</u>	<u>16,196,327</u>
Net Capital Assets before Allocation from School	<u>\$ 19,747,614</u>	<u>\$ (180,229)</u>	<u>\$ 138,112</u>	<u>19,429,273</u>
Add: Net school buildings allocated to County with outstanding debt				<u>24,181,411</u>
Net Capital Assets				<u>\$ 43,610,684</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 167,850			
Judicial administration	235,792			
Public safety	929,530			
Public works	90,158			
Health and welfare	42,535			
Parks, recreation, and cultural	<u>139,581</u>			
Depreciation	<u>\$ 1,605,446</u>			

Component Unit - School Board

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 787,516	\$ -	\$ -	\$ 787,516
Construction in progress - school renovations	<u>5,530,869</u>	<u>685,341</u>	<u>5,503,349</u>	<u>712,861</u>
Total Capital Assets Not Being Depreciated	6,318,385	685,341	5,503,349	1,500,377
Capital Assets, Depreciable				
Buildings and improvements	68,233,897	7,193,313	-	75,427,210
Furniture and equipment	<u>11,847,610</u>	<u>488,016</u>	<u>544,179</u>	<u>11,791,447</u>
Total Capital Assets, Depreciable	80,081,507	7,681,329	544,179	87,218,657
Less: Accumulated depreciation for				
Land and land improvements	14,733	-	-	14,733
Buildings and improvements	31,046,960	1,568,084	-	32,615,044
Furniture and equipment	<u>8,235,583</u>	<u>829,774</u>	<u>544,179</u>	<u>8,521,178</u>
Total Accumulated Depreciation	<u>39,297,276</u>	<u>2,397,858</u>	<u>544,179</u>	<u>41,150,955</u>
Other Capital Assets, Net	<u>40,784,231</u>	<u>5,283,471</u>	-	<u>46,067,702</u>
Net Capital Assets before Allocation to County	<u>\$47,102,616</u>	<u>\$ 5,968,812</u>	<u>\$ 5,503,349</u>	47,568,079
Less: Net school buildings allocated to County with outstanding debt				<u>(24,181,411)</u>
Net Capital Assets				<u>\$ 23,386,668</u>

Depreciation is allocated as follows:

Instruction	\$ 62,938
Administration, attendance, and health	28,173
Pupil transportation	544,597
Operation and maintenance	99,760
Cafeterias	68,713
Special grants	2,969
Facilities	1,543,592
Technology	<u>47,116</u>
Total Depreciation Expense	<u>\$ 2,397,858</u>

Component Unit - IDA

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital Assets - Depreciable				
Equipment	\$ 4,440,059	\$ -	\$ -	\$ 4,440,059
Total Capital Assets - Depreciable	4,440,059	-	-	4,440,059
Less: Accumulated depreciation for				
Equipment	2,537,176	634,294	-	3,171,470
Total Accumulated Depreciation	2,537,176	634,294	-	3,171,470
Net Capital Assets	<u>\$ 1,902,883</u>	<u>\$ (634,294)</u>	<u>\$ -</u>	<u>\$ 1,268,589</u>
Depreciation expense was allocated as follows:				
Community development	<u>\$ 634,294</u>			
Total Depreciation Expense	<u>\$ 634,294</u>			

Component Unit - Henry-Martinsville Social Services

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Other Capital Assets				
Machinery and equipment	\$ 263,784	\$ 17,912	\$ 23,624	\$ 258,072
Total Other Capital Assets	263,784	17,912	23,624	258,072
Less: Accumulated depreciation for				
Machinery and equipment	226,846	13,263	23,624	216,485
Total Accumulated Depreciation	226,846	13,263	23,624	216,485
Other Capital Assets, Net	36,938	4,649	-	41,587
Net Capital Assets	<u>\$ 36,938</u>	<u>\$ 4,649</u>	<u>\$ -</u>	<u>\$ 41,587</u>
Depreciation is allocated as follows:				
Health and welfare	<u>\$ 13,263</u>			
Total Depreciation Expense	<u>\$ 13,263</u>			

Capital assets are stated at cost, less an allowance for accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated lives of the assets as follows:

Buildings	15-40 years
Equipment	3-15 years

Capital outlays are reported as expenditures in the governmental funds; however, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

6 Commitments and Contingencies

A. *Litigation*

The County is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of its operations. It is the opinion of County management and the County Attorney that any losses not covered by insurance, which may ultimately be incurred as a result of the suits and claims, will not be material.

B. *Federally Assisted Grant Programs*

The County participates in a number of federally assisted grant programs. Although the County has been audited in accordance with the provisions of OMB Circular A-133, these programs remain subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, County management believes such disallowances, if any, will not be significant.

C. *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, 2013, 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 2014.

D. *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. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss creating a 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 insurance for all other risks of loss, including employee health, dishonesty, and surety bond insurance coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

E. *Surety Bonds*

The following Constitutional Officers and County employees are covered by surety bonds issued in the amounts shown as of June 30, 2013:

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

7 Long-Term Debt

A. Bonds Payable

The schedule below represents long-term debt payable at June 30, 2013:

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, 2013</u>
General Obligation Bonds - 2002	\$ 6,040,000	\$ 720,000	3.00-5.00	2014	\$ 1,475,000
Va. Public School Authority Bonds - 2007B	2,711,471	120,122	5.10	2028	2,153,186
Va. Public School Authority Bonds - 2006	6,009,728	276,052	4.60-5.10	2027	4,490,377
Va. Public School Authority Bonds - 2005	2,342,487	108,323	4.60-5.10	2026	1,647,318
Va. Public School Authority Bonds - 1995	1,916,194	115,925	5.10-6.10	2016	358,462
VML/ VACO Recovery Zone Bonds - 2010	2,000,000	85,000	2.00-6.57	2030	1,835,000
VPSA QSCB Recovery Act Bonds - 2011	3,400,000	108,800	0.00	2027	3,400,000
Sanville Elementary Literary Loan - 1998	2,080,772	104,039	2.00	2018	520,187
Laurel Park Literary Loan - 1998	1,387,370	69,500	2.00	2018	344,870
Rich Acres Literary Loan - 1998	2,462,218	122,750	2.00	2018	620,968
Stanleytown Literary Loan - 1998	2,425,951	120,000	2.00	2018	625,951
Fieldale-Collinsville Literary Loan - 1998	2,500,000	125,000	2.00	2019	750,000
					<u>\$ 18,221,319</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, 2013</u>
Public Improvement Bond - Series 2007	\$ 4,000,000	\$ 405,193	3.79	2018	\$ 2,185,463
Public Improvement Equipment Lease Revenue Bond - Series 2008	4,400,000	670,925	3.39	2015	<u>1,364,240</u>
					<u>\$ 3,549,703</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, 2013:

Primary Government

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
General obligations bonds - County	\$ 2,165,000	\$ -	\$ 690,000	\$ 1,475,000	\$ 720,000
General obligations bonds - public schools	12,655,524	-	606,181	12,049,343	729,222
Literary Fund loans	3,403,265	-	541,289	2,861,976	541,289
Recovery Zone bonds	1,920,000	-	85,000	1,835,000	85,000
Subtotal - School-related debt	<u>17,978,789</u>	<u>-</u>	<u>1,232,470</u>	<u>16,746,319</u>	<u>1,355,511</u>
Subtotal - County and school	20,143,789	-	1,922,470	18,221,319	2,075,511
Add: Bond premiums	342,432	-	23,266	319,166	23,266
Subtotal after premiums	20,486,221	-	1,945,736	18,540,485	2,098,777
 Note payable to Verizon (Tower)	 184,000	 -	 19,200	 164,800	 19,200
 Landfill closure monitoring	 580,248	 -	 249,325	 330,923	 33,092
OPEB obligation (asset)	1,285	-	80,574	(79,289)	-
Compensated absences	<u>1,980,124</u>	<u>90,100</u>	<u>-</u>	<u>2,070,224</u>	<u>207,022</u>
	<u>\$23,231,878</u>	<u>\$ 90,100</u>	<u>\$2,294,835</u>	<u>\$ 21,027,143</u>	<u>\$2,358,091</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 Bonds		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
2014	\$ 720,000	\$ 55,750	\$ 729,222	\$ 400,328	\$ 626,289	\$ 118,108	\$ 2,075,511	\$ 574,186	\$ 19,200	\$ -
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	-
2019-2023	-	-	4,651,884	986,350	635,000	213,579	5,286,884	1,199,929	68,800	-
2024-2028	-	-	3,790,448	269,269	605,000	118,745	4,395,448	388,014	-	-
2029-2033	-	-	-	-	275,000	15,404	275,000	15,404	-	-
	<u>\$ 1,475,000</u>	<u>\$ 74,625</u>	<u>\$ 12,049,343</u>	<u>\$ 2,944,158</u>	<u>\$ 4,696,976</u>	<u>\$ 806,059</u>	<u>\$ 18,221,319</u>	<u>\$ 3,824,842</u>	<u>\$ 164,800</u>	<u>\$ -</u>

C. General Obligation Debt Limit

The Commonwealth of Virginia imposes a legal limit of 10 percent of the assessed valuation of taxable real property on the amount of general obligation borrowing which a County may issue.

The legal debt margin of the County at June 30, 2013 is computed as follows:

Total assessed value of taxed real property	<u>\$ 2,987,070,870</u>
Debt limits per Constitution of Virginia - 10% assessed value	\$ 298,707,087
Amount of debt applicable to debt limit:	
Gross debt	<u>18,221,319</u>
Legal debt margin - June 30, 2013	<u>\$ 280,485,768</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.

D. 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.

E. 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, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
School Board					
Compensated absences	<u>\$ 623,280</u>	<u>\$ 133,138</u>	<u>\$ -</u>	<u>\$ 756,418</u>	<u>\$ 75,641</u>
Industrial Development Authority					
Series 2008 Lease Revenue Bonds ⁽¹⁾	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -	\$ -
Series 2009 Lease Revenue Bonds ⁽¹⁾	1,857,593	-	1,857,593	-	-
Public Improvement Bond - Series 2007	2,575,859	-	390,396	2,185,463	405,193
Public Improvement Equipment Lease Revenue Bond - Series 2008	<u>2,012,970</u>	<u>-</u>	<u>648,730</u>	1,364,240	<u>670,925</u>
Total	<u>\$ 7,946,422</u>	<u>\$ -</u>	<u>\$ 4,396,719</u>	\$ 3,549,703	<u>\$ 1,076,118</u>
Henry-Martinsville Social Services					
Compensated absences	<u>\$ 387,210</u>	<u>\$ -</u>	<u>\$ 11,359</u>	\$ 375,851	<u>\$ 37,585</u>

⁽¹⁾In September 2012, the asset related to these bonds was sold and these bonds were paid off.

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>
2014	\$ 1,076,118	\$ 115,744
2015	1,113,865	77,159
2016	436,488	43,262
2017	453,031	26,405
2018	<u>470,201</u>	<u>8,910</u>
	<u>\$ 3,549,703</u>	<u>\$ 271,480</u>

8 Interfund Receivables/Payables

	<u>Due From</u>	<u>Due To</u>
County of Henry, Virginia - Due to/from's		
General Fund from/to Other Funds	\$ 938,776	\$ 350,536
Comprehensive Services Act Fund to General Fund	-	15,951
E-911 Central Dispatch Fund to General Fund	-	165,773
Philpott Marina from General Fund	223,301	-
Law Library Fund from General Fund	127,235	-
Special Grant Projects Fund to General Fund	-	<u>757,052</u>
Due from Other Funds - Governmental Funds	<u>\$ 1,289,312</u>	<u>\$ 1,289,312</u>

Primary Government and Component Unit Interfund Accounts

Primary Government

Due from Industrial Development Authority to County	\$ 2,157,656	\$ -
Due to Regional Industrial Site Project from County	-	1,360,383
Due from Social Services to County	680,784	-
Due to School from County	-	2,380,618
Due to School Cafeteria from County	<u>2,039,434</u>	<u>-</u>
Total	<u>\$ 4,877,874</u>	<u>\$ 3,741,001</u>
Net Due from Component Units to Primary Government	<u>\$ 1,136,873</u>	

Component Unit - Industrial Development Authority

Due from Industrial Development Authority to County	\$ -	\$ 2,157,656
Due to Regional Industrial Site Project from County	<u>1,360,383</u>	<u>-</u>
Total	<u>\$ 1,360,383</u>	<u>\$ 2,157,656</u>
Net Due to Primary Government from Component Unit		<u>\$ 797,273</u>

Component Unit - Social Services

Due from Social Services to County	\$ -	\$ 680,784
Total	<u>\$ -</u>	<u>\$ 680,784</u>
Net Due to Primary Government from Component Unit		<u>\$ 680,784</u>

	<u>Due From</u>	<u>Due To</u>
Component Unit - School Board		
Due from School Cafeteria Fund to County	\$ -	\$ 2,039,434
Due to School Fund from County	<u>2,380,618</u>	-
Total	\$ 2,380,618	\$ 2,039,434
Net Due to Primary Government from Component Unit	<u>\$ 341,184</u>	
Net Due to/from's between Primary Government and Component Units	<u>\$ 1,478,057</u>	<u>\$ 1,478,057</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
County of Henry, Virginia		
General Fund		
From General Fund to Central Dispatch Fund	\$ -	\$ 637,871
From General Fund to Special Grant Projects Fund	-	15,659
From General Fund to Comprehensive Services Fund	-	285,986
Comprehensive Services Act Fund		
From General Fund to Comprehensive Services Fund	285,986	-
Special Grant Projects Fund		
From General Fund to Special Grant Projects Fund	15,659	-
Central Dispatch Fund		
From General Fund to Central Dispatch Fund	<u>637,871</u>	-
	<u>\$ 939,516</u>	<u>\$ 939,516</u>
County of Henry, Virginia to Component Units		
Primary Government - County of Henry, Virginia		
To Component Unit - Social Services	\$ -	\$ 519,556
To Component Unit - Industrial Development Authority	-	809,325
To Component Unit - School Board	-	17,666,703
Component Unit - Social Services		
From Primary Government - County of Henry, Virginia	519,556	-
Component Unit - Industrial Development Authority		
From Primary Government - County of Henry, Virginia	809,325	-
Component Unit - School Board		
From Primary Government - County of Henry, Virginia	<u>17,666,703</u>	-
	<u>\$ 18,995,584</u>	<u>\$ 18,995,584</u>
Component Unit - School Board - Transfers		
School Fund		
From School to School Textbook Fund	\$ -	\$ 475,153
School Textbook Fund		
From School to School Textbook Fund	<u>475,153</u>	-
	<u>\$ 475,153</u>	<u>\$ 475,153</u>

	<u>Due From</u>	<u>Due To</u>
Component Unit - School Board - Due to/from's		
School Fund		
From School Textbook Fund to School Fund	\$ 20,075	\$ -
School Textbook Fund		
To School from School Textbook Fund	<u>-</u>	<u>20,075</u>
Due to/from Other Funds - School Board	<u>\$ 20,075</u>	<u>\$ 20,075</u>

9 Due from Other Governments

	<u>County of Henry, Virginia</u>	<u>School Board</u>	<u>Henry-Martinsville Social Services</u>
Commonwealth of Virginia			
State and local sales taxes	\$ 653,178	\$ 1,225,098	\$ -
Communications tax	375,677	-	-
Auto rental tax	12,052	-	-
Mobile home tax	19,111	-	-
Compensation Board	464,234	-	-
Recordation tax	10,917	-	-
Motor vehicle carrier tax	1,079	-	-
Comprehensive services	104,218	-	-
State fire program	23,830	-	-
911 funds	24,398	-	-
Development grants - special projects	95,202	-	-
Other reimbursements	11,295	5,803	-
Public assistance	<u>-</u>	<u>-</u>	<u>176,016</u>
	1,795,191	1,230,901	176,016
Federal Government			
Title VIB	-	337,779	-
Title VI Rural and Low Income	-	13,606	-
Preschool Handicapped	-	13,347	-
Title I	-	332,489	-
School food program	-	100,516	-
CTE federal payments - Carl Perkins	-	42,980	-
Law enforcement	70,219	-	-
Development grants - special projects	1,084,784	-	-
Transportation grants	11,112	-	-
Public assistance	-	-	260,738
Other reimbursements	<u>13,370</u>	<u>30,327</u>	<u>-</u>
	1,179,485	871,044	260,738
Other Governmental Entities			
911 operations - City of Martinsville, Virginia	324,798	-	-
Social services operations - City of Martinsville, VA	<u>-</u>	<u>-</u>	<u>264,259</u>
	<u>\$ 3,299,474</u>	<u>\$ 2,101,945</u>	<u>\$ 701,013</u>

10 Defined Benefit Pension Plan

A. *Plan Description*

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced

retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 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 2013 was 12.97% of annual covered payroll. The Component Unit – School Board's contribution rate for non-professional employees for the fiscal year ended 2013 was 11.34% of annual covered payroll. The Component Unit – School Board contributed \$4,015,954 to the teacher cost-sharing pool at a rate of 11.66%.

C. Annual Pension Cost

For fiscal year 2013, the County and the School Board's non-professionals' annual employer pension cost of \$1,780,468 and \$372,650, respectively, was equal to the County and School Board non-professional's 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>
County	June 30, 2011	\$ 1,287,877	100%	\$ -
	June 30, 2012	1,301,637	100%	-
	June 30, 2013	1,780,468	100%	-
School Board Non-Professional	June 30, 2011	\$ 288,740	100%	\$ -
	June 30, 2012	262,931	100%	-
	June 30, 2013	372,650	100%	-

*Required employer cost only.

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of **7.00%**, (b) projected salary increases ranging from **3.75% to 5.60%** 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. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 76.57% funded. The actuarial accrued liability for benefits was \$67,414,704, and the actuarial value of assets was \$51,620,189, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,794,515. The covered payroll (annual payroll of active employees covered by the plan) was \$13,841,495, and ratio of the UAAL to the covered payroll was 114.11%.

For the nonprofessional School Board, as of June 30, 2012, the most recent actuarial valuation date, the plan was 80.06% funded. The actuarial accrued liability for benefits was \$17,823,596, and the actuarial value of assets was \$14,270,258, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,553,338. The covered payroll (annual payroll of active employees covered by the plan) was \$3,136,252, and ratio of the UAAL to the covered payroll was 113.30%.

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
County of Henry, Virginia						
June 30, 2010	\$50,621,762	\$ 62,778,967	\$ 12,157,205	80.63%	\$13,531,720	89.84%
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%
Component Unit - School Board						
June 30, 2010	\$15,223,482	\$ 18,229,490	\$ 3,006,008	83.51%	\$ 4,865,593	61.78%
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%

Notes to Required Supplementary Information

This information presented in the required supplementary 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, 2012	June 30, 2012
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Open	Level Percent of Pay, Open
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period	29 Years (decreasing by one each year in subsequent valuations until reaching 20 years)	29 Years (decreasing by one each year in subsequent valuations until reaching 20 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	3.75% to 5.60%	3.75% to 5.60%
2) LEO Members	3.50% to 4.75%	3.50% to 4.75%
c. Cost-of-living adjustments		
1) Prior Plan Members	2.50%	2.50%
2) New Plan Members	2.25%	2.25%

*Includes inflation of 2.50%

11 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 \$330,923 reported as landfill post closure care liability at June 30, 2013 represents what it would cost to perform all post closure care in 2013. 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.

12 Notes Receivable – Component Unit

The Component Unit – Industrial Development Authority had a note receivable from a Company in the amount of \$2,481,299 as of June 30, 2013. 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 in fiscal year 2013. 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.

13 Budgets and Budgetary Accounting

Prior to April 18, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30, the budget is legally adopted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board and Henry-Martinsville Social Services are authorized to transfer budgeted amounts within each of their respective budget categories. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

14 Deferred Revenues

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Governmental funds			
Taxes	\$ 1,208,864	\$ -	\$ 1,208,864
Business licenses	76,693	-	76,693
Meals tax	86,978	-	86,978
Deposits and prepayments on miscellaneous accounts	16,573	-	16,573
Grant drawdowns prior to meeting all eligibility requirements	<u>-</u>	<u>164,092</u>	<u>164,092</u>
Total	<u>\$ 1,389,108</u>	<u>\$ 164,092</u>	<u>\$ 1,553,200</u>
Component Unit - School Board			
Grant drawdowns prior to meeting all eligibility requirements	<u>\$ -</u>	<u>\$ 168,467</u>	<u>\$ 168,467</u>
Component Unit - Industrial Development Authority			
Grant drawdowns prior to meeting all eligibility requirements	<u>\$ -</u>	<u>\$ 1,347,617</u>	<u>\$ 1,347,617</u>

15 Appropriations from General Fund

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

	<u>School Board</u>
Appropriation from General Fund	\$ 17,666,703
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>(1,949,781)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 16,465,520</u>

16 Postemployment Healthcare Plan

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>
County			
06/30/11	\$ 78,394	48.6%	\$ 28,009
06/30/12	81,650	132.7%	1,285
06/30/13	83,571	196.4%	(79,289)
School Board			
06/30/11	\$ 432,007	129.3%	\$ (255,271)
06/30/12	425,471	108.5%	(291,553)
06/30/13	371,607	119.1%	(362,447)
Henry-Martinsville Social Services			
06/30/11	\$ 11,621	401.2%	\$ (73,081)
06/30/12	8,697	314.8%	(91,763)
06/30/13	15,742	89.6%	(90,129)

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

Schedule of Contributions

<u>FYE</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>% Contributed</u>
County			
June 30, 2011	\$ 78,394	\$ 38,116	48.6%
June 30, 2012	81,650	108,374	132.7%
June 30, 2013	83,571	164,145	196.4%
School Board			
June 30, 2011	\$ 432,007	\$ 558,376	129.3%
June 30, 2012	425,471	461,753	108.5%
June 30, 2013	371,607	442,501	119.1%
Henry-Martinsville Social Services			
June 30, 2011	\$ 11,621	\$ 46,626	401.2%
June 30, 2012	8,697	27,379	314.8%
June 30, 2013	15,742	14,108	89.6%

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>
County									
2010-11	\$ (12,269)	\$ 78,507	\$ (920)	\$ 807	\$ 78,394	\$ 38,116	\$ 28,009	7.50%	30
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
School Board									
2010-11	\$ (128,902)	\$ 433,200	\$ (9,668)	\$ 8,475	\$ 432,007	\$ 558,376	\$ (255,271)	7.50%	30
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
Henry-Martinsville Social Services									
2010-11	\$ (38,076)	\$ 11,973	\$ (2,856)	\$ 2,504	\$ 11,621	\$ 46,626	\$ (73,081)	7.50%	30
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

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)
		Actuarial Accrued				
Actuarial Valuation Date	Actuarial Value of Assets	Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 235,035	\$ 206,188	\$ (28,847)	113.99%	\$13,531,720	-0.21%
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%

Valuation Date June 30, 2012

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Pay, Open

Remaining Amortization Period 29 Years

Asset Valuation Method Market Value of Assets

Actuarial Assumptions

Investment rate of return ¹	7.00%
Payroll growth rate	3.00%

¹Includes inflation at 2.50%

17 Legal Compliance

Expenditures in Excess of Appropriations

Overall, the County had no expenditures that exceeded appropriations this fiscal year.

Fund Deficits

There is a net position deficit in the Component Unit – Henry-Martinsville Social Services this fiscal year of \$244,135 for GASB 34 reporting purposes.

18 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.

REQUIRED SUPPLEMENTARY INFORMATION



County of Henry, Virginia
Budgetary Comparison Schedule
Year Ended June 30, 2013
General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
General Property Taxes				
Property taxes - all years	\$ 21,577,898	\$ 21,354,049	\$ 21,685,803	\$ 331,754
Penalties - all tax years	235,000	235,000	240,106	5,106
Interest - all tax years	170,000	130,849	131,625	776
Total General Property Taxes	21,982,898	21,719,898	22,057,534	337,636
Other Local Taxes				
Local sales and use taxes	3,810,000	3,810,000	3,898,355	88,355
Consumer utility tax	2,640,531	2,640,531	2,642,341	1,810
Business license taxes	1,455,000	1,455,000	1,566,918	111,918
Motor vehicle licenses	930,000	930,000	897,784	(32,216)
Bank franchise taxes	172,000	172,000	158,414	(13,586)
Transient occupancy taxes	97,750	97,750	106,195	8,445
Taxes on recordation and wills	186,000	186,000	201,407	15,407
Restaurant food taxes	1,845,000	1,845,000	1,952,383	107,383
Total Other Local Taxes	11,136,281	11,136,281	11,423,797	287,516
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	10,000	10,000	13,289	3,289
Building and related permits	65,000	65,000	53,150	(11,850)
Other permits, licenses, and fees	5,000	5,000	4,829	(171)
Total Permits, Privilege Fees, and Regulatory Licenses	80,000	80,000	71,268	(8,732)
Fines and Forfeitures				
Court fines and forfeitures	152,600	152,600	238,381	85,781
Revenue from Use of Money and Property				
Revenue from use of money	270,000	270,000	325,522	55,522
Revenue from use of property	259,277	399,029	449,710	50,681
Total Revenue from Use of Money and Property	529,277	669,029	775,232	106,203
Charges for Services				
Sheriff fees	17,854	17,854	28,072	10,218
Commonwealth's attorney	3,400	3,400	4,503	1,103
County and hired attorneys	75,000	75,000	91,666	16,666
Law enforcement and traffic control	5,700	36,603	52,966	16,363
Charges for sanitation and waste removal	61,762	61,762	65,539	3,777
Treasurer's administrative collection fees	-	-	23,137	23,137
Parks and recreation	53,000	53,000	51,671	(1,329)
Utility bill collection	14,500	14,500	16,236	1,736
Miscellaneous other charges for services	3,250	6,599	10,567	3,968
Total Charges for Services	234,466	268,718	344,357	75,639

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Recovered Costs				
Jail costs - Commonwealth of Virginia	285,000	285,000	340,136	55,136
Inmate housing fees	-	41,381	41,381	-
Salary - court secretary	20,000	20,000	23,222	3,222
City of Martinsville, Virginia	-	336	336	-
City share of extension services	6,925	6,925	6,925	-
School share of school resource officer	159,049	159,049	157,156	(1,893)
EMS fees for service	585,000	585,000	440,759	(144,241)
M/HC Economic Development Corporation	948,269	948,269	787,703	(160,566)
Harvest Foundation Grant	-	20,988	11,428	(9,560)
Local and special grants	-	12,978	13,243	265
Transportation Grants	57,360	73,708	58,703	(15,005)
Other recovered costs	-	-	23,802	23,802
Insurance recoveries	-	6,227	20,407	14,180
Miscellaneous refunds	<u>233,459</u>	<u>233,459</u>	<u>201,366</u>	<u>(32,093)</u>
Total Recovered Costs	2,295,062	2,393,320	2,126,567	(266,753)
Miscellaneous	86,000	86,000	68,059	(17,941)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	40,000	40,000	45,218	5,218
Mobile home titling tax	56,000	56,000	44,447	(11,553)
Tax on deeds	59,000	59,000	45,587	(13,413)
Auto rental sales tax	33,000	33,000	65,014	32,014
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
PARA mutual tax	30,000	30,000	31,580	1,580
Communication tax	<u>2,326,181</u>	<u>2,326,181</u>	<u>2,376,210</u>	<u>50,029</u>
Total Noncategorical Aid	4,316,009	4,316,009	4,379,884	63,875
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	485,958	485,958	526,528	40,570
Sheriff	3,791,520	3,795,271	3,892,581	97,310
Commissioner of the Revenue	154,613	154,613	155,858	1,245
Treasurer	146,093	146,093	147,572	1,479
Electoral Board and General Registrar	45,190	45,190	42,432	(2,758)
Clerk of Circuit Court	<u>401,527</u>	<u>407,477</u>	<u>414,431</u>	<u>6,954</u>
Total Categorical Aid	5,024,901	5,034,602	5,179,402	144,800
<i>Other Categorical Aid</i>				
Emergency services grant	-	137,972	137,971	(1)
Fire programs fund	-	148,671	152,326	3,655
Victim witness program	26,618	26,618	26,568	(50)
Transportation grant funds	35,302	35,553	35,553	-
Litter control program	16,618	16,618	23,742	7,124
State EMS Two for Life funds	-	53,148	53,147	(1)
Law enforcement grants	-	16,040	16,040	-
Tobacco Indemnification money	2,400,000	2,738,253	1,976	(2,736,277)
Asset forfeiture funds	<u>-</u>	<u>7,602</u>	<u>37,217</u>	<u>29,615</u>
Total Other Categorical Aid	<u>2,478,538</u>	<u>3,180,475</u>	<u>484,540</u>	<u>(2,695,935)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Total Revenue from the Commonwealth of Virginia	11,819,448	12,531,086	10,043,826	(2,487,260)
Revenue from the Federal Government				
Payments in lieu of taxes	3,000	3,000	3,184	184
Forfeited property	-	56,953	1,073	(55,880)
Emergency services	24,874	24,874	24,874	-
Law enforcement grants	-	341,834	269,551	(72,283)
Victim Witness Program	79,852	79,852	79,704	(148)
Transportation grants	56,814	95,912	54,636	(41,276)
Department of Forestry federal grant	-	5,000	5,000	-
Total Revenue from the Federal Government	<u>164,540</u>	<u>607,425</u>	<u>438,022</u>	<u>(169,403)</u>
Total Intergovernmental Revenue	<u>11,983,988</u>	<u>13,138,511</u>	<u>10,481,848</u>	<u>(2,656,663)</u>
Total Revenues	48,480,572	49,644,357	47,587,043	(2,057,314)
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	123,867	126,367	104,159	22,208
County Administrator	334,237	334,237	342,792	(8,555)
Independent auditor	67,000	55,274	35,200	20,074
Human resources/training	53,301	53,301	48,282	5,019
County Attorney	154,368	154,368	162,681	(8,313)
Commissioner of Revenue	539,558	539,558	522,766	16,792
Assessors	143,933	143,933	121,048	22,885
Treasurer	540,294	540,294	541,254	(960)
Finance	352,644	354,551	343,983	10,568
Information services	333,704	333,704	318,200	15,504
Central purchasing	199,837	200,838	194,363	6,475
Board of Elections - registrar	<u>250,223</u>	<u>250,223</u>	<u>227,192</u>	<u>23,031</u>
Total General Government Administration	3,092,966	3,086,648	2,961,920	124,728
<i>Judicial Administration</i>				
Circuit Court	89,126	89,126	78,360	10,766
General District Court	17,086	17,086	15,231	1,855
Magistrates	1,860	1,860	1,912	(52)
Juvenile and Domestic Relations	9,124	9,124	8,136	988
Clerk of the Circuit Court	658,333	671,368	651,375	19,993
Sheriff Civil and Court Security	942,745	942,745	952,349	(9,604)
Victim/Witness Assist	139,492	139,492	138,116	1,376
Commonwealth's Attorney	<u>746,550</u>	<u>746,550</u>	<u>777,280</u>	<u>(30,730)</u>
Total Judicial Administration	2,604,316	2,617,351	2,622,759	(5,408)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Law enforcement and traffic control	5,331,278	5,584,343	5,462,839	121,504
Law enforcement and traffic control - grants	-	157,637	101,974	55,663
COPS hiring grant	-	364,197	167,811	196,386
School resource officer	159,049	159,049	157,156	1,893
Fire and rescue services	964,790	1,379,676	1,116,867	262,809
Emergency medical services	185,263	192,954	188,445	4,509
EMS supplemental services	829,954	1,005,926	913,131	92,795
Fire marshal	282,463	282,463	261,809	20,654
Correction and detention	2,319,841	2,344,057	2,290,194	53,863
Correction and detention - SCAAP grant	-	40,009	23,568	16,441
Probation	387,652	387,652	256,425	131,227
Code enforcement	262,657	390,477	330,003	60,474
Public safety	123,817	123,817	108,198	15,619
Public safety - grants	-	26,040	26,014	26
Payments to IDA for equipment lease	711,518	711,518	711,518	-
Electronic monitoring	12,955	12,955	4,922	8,033
Animal control	198,579	202,330	197,736	4,594
Asset forfeiture	-	64,555	41,629	22,926
SPCA	7,267	21,527	17,127	4,400
Total Public Safety	11,777,083	13,451,182	12,377,366	1,073,816
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	9,000	10,168	7,267	2,901
Refuse collection	1,619,360	1,660,476	1,597,888	62,588
Refuse disposal - closure maintenance	31,800	31,800	21,648	10,152
<i>Maintenance of buildings and grounds</i>				
General engineering	263,660	263,660	256,245	7,415
Communication equipment	62,893	62,893	58,303	4,590
Administrative building	382,730	418,410	390,810	27,600
Courthouse	302,313	299,618	276,154	23,464
Sheriff's office	51,050	53,425	42,283	11,142
Jail	245,550	250,425	241,192	9,233
Other	267,127	268,403	242,722	25,681
Social services and health department	56,869	57,393	54,937	2,456
Dupont property	158,435	158,435	117,598	40,837
Total Maintenance of Buildings and Grounds	1,790,627	1,832,662	1,680,244	152,418
Total Public Works	3,450,787	3,535,106	3,307,047	228,059
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	598,670	598,934	519,556	79,378
Health Department	293,429	293,429	293,429	-
Mental health and retardation	117,567	117,567	117,567	-
Transportation grants	149,475	205,173	148,921	56,252
Property tax relief for the elderly	70,000	70,000	78,493	(8,493)
Group home services	66,192	66,192	66,192	-
Other welfare and social services	70,165	70,165	69,642	523
Total Health and Welfare	1,365,498	1,421,460	1,293,800	127,660

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
<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>21,439,728</u>	<u>17,666,703</u>	<u>3,773,025</u>
Total Education	16,630,362	21,492,195	17,719,170	3,773,025
<i>Parks, Recreation, and Cultural</i>				
Parks, recreation, and cultural	929,079	955,017	923,315	31,702
Cultural enrichment	52,346	52,346	52,346	-
Library	<u>786,574</u>	<u>711,264</u>	<u>706,264</u>	<u>5,000</u>
Total Parks, Recreation, and Cultural	1,767,999	1,718,627	1,681,925	36,702
<i>Community Development</i>				
Planning and community development	279,639	279,639	274,410	5,229
Engineering and mapping	263,249	265,139	259,888	5,251
M/HC Economic Development Corporation	818,269	818,269	787,703	30,566
Cooperative extension program	47,496	47,496	44,457	3,039
Henry County Industrial Development Authority	1,118,068	4,429,563	809,325	3,620,238
Other community and economic development	<u>604,384</u>	<u>624,020</u>	<u>607,118</u>	<u>16,902</u>
Total Community Development	3,131,105	6,464,126	2,782,901	3,681,225
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	122,074	222,342	149,833	72,509
Contingency reserve	<u>150,000</u>	<u>180,310</u>	<u>-</u>	<u>180,310</u>
Total Nondepartmental	272,074	402,652	149,833	252,819
<i>Capital Projects</i>				
Henry County PSA for water/sewer line and tank	2,830,000	3,170,229	3,952	3,166,277
Other miscellaneous capital projects	<u>82,000</u>	<u>720,379</u>	<u>388,311</u>	<u>332,068</u>
Total Capital Projects	2,912,000	3,890,608	392,263	3,498,345
<i>Debt Service</i>				
Principal	690,000	690,000	690,000	-
Interest and other costs	<u>87,550</u>	<u>87,550</u>	<u>87,550</u>	<u>-</u>
Total Debt Service	<u>777,550</u>	<u>777,550</u>	<u>777,550</u>	<u>-</u>
Total Expenditures	<u>47,781,740</u>	<u>58,857,505</u>	<u>46,066,534</u>	<u>12,790,971</u>
Excess (Deficiency) of Revenues Over Expenditures	698,832	(9,213,148)	1,520,509	10,733,657
Other Financing Sources (Uses)				
Transfers to other funds	<u>(998,832)</u>	<u>(1,783,679)</u>	<u>(939,516)</u>	<u>844,163</u>
Total Other Financing Sources (Uses)	<u>(998,832)</u>	<u>(1,783,679)</u>	<u>(939,516)</u>	<u>844,163</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Net Change in Fund Balance Before Transfer from Surplus	(300,000)	(10,996,827)	580,993	11,577,820
Transfer from Surplus Funds	<u>300,000</u>	<u>10,996,827</u>	<u>-</u>	<u>(10,996,827)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	580,993	<u>\$ 580,993</u>
Fund Balance - Beginning of Year			<u>28,393,368</u>	
Fund Balance - End of Year			<u>\$ 28,974,361</u>	

Comprehensive Services Act Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Recovered costs	\$ 40,713	\$ 40,713	\$ 40,713	\$ -
Intergovernmental				
Revenue from the Commonwealth of Virginia	<u>652,295</u>	<u>652,295</u>	<u>509,078</u>	<u>(143,217)</u>
Total Intergovernmental Revenue	<u>652,295</u>	<u>652,295</u>	<u>509,078</u>	<u>(143,217)</u>
Total Revenues	693,008	693,008	549,791	(143,217)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and social services	<u>1,026,412</u>	<u>1,026,412</u>	<u>835,777</u>	<u>190,635</u>
Total Expenditures	<u>1,026,412</u>	<u>1,026,412</u>	<u>835,777</u>	<u>190,635</u>
Excess (Deficiency) of Revenues Over Expenditures	(333,404)	(333,404)	(285,986)	47,418
Other Financing Sources (Uses)				
Transfers in	<u>333,404</u>	<u>333,404</u>	<u>285,986</u>	<u>(47,418)</u>
Total Other Financing Sources (Uses)	<u>333,404</u>	<u>333,404</u>	<u>285,986</u>	<u>(47,418)</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>	Variance With Final Budget Positive (Negative)
Revenues				
Local Revenues				
Recovered costs	\$ 334,265	\$ 329,360	\$ 325,033	\$ (4,327)
Total Local Revenues	334,265	329,360	325,033	(4,327)
Intergovernmental				
Revenue from the Commonwealth of Virginia	416,288	461,118	442,527	(18,591)
Total Intergovernmental Revenues	416,288	461,118	442,527	(18,591)
Reserve from Surplus				
	82,862	115,426	-	(115,426)
Total Revenues	833,415	905,904	767,560	(138,344)
Expenditures				
Current				
Public safety	1,498,843	1,527,323	1,488,293	39,030
Total Expenditures	1,498,843	1,527,323	1,488,293	39,030
Excess (Deficiency) of Revenues Over Expenditures	(665,428)	(621,419)	(720,733)	(99,314)
Other Financing Sources (Uses)				
Transfers in	665,428	621,419	637,871	16,452
Total Other Financing Sources (Uses)	665,428	621,419	637,871	16,452
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(82,862)	<u>\$ (82,862)</u>
Fund Balance - Beginning of Year			<u>248,581</u>	
Fund Balance - End of Year			<u>\$ 165,719</u>	

Law Library Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Charges for services	\$ 7,900	\$ 7,900	\$ 7,338	\$ (562)
Recovered costs	4,600	4,600	5,148	548
Reserve to balance budget	<u>19,000</u>	<u>19,000</u>	<u>-</u>	<u>(19,000)</u>
 Total Revenues	 31,500	 31,500	 12,486	 (19,014)
Expenditures				
Current				
Judicial administration	<u>31,500</u>	<u>31,500</u>	<u>15,881</u>	<u>15,619</u>
 Total Expenditures	 <u>31,500</u>	 <u>31,500</u>	 <u>15,881</u>	 <u>15,619</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 (3,395)	 <u>\$ (3,395)</u>
 Fund Balance - Beginning of Year			 <u>131,315</u>	
 Fund Balance - End of Year			 <u>\$ 127,920</u>	

Philpott Marina Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Use of property	\$ -	\$ -	\$ 1,700	\$ 1,700
Recovered Costs				
Recovered costs - Harvest Foundation	-	418,138	293,138	(125,000)
Recovered costs - EDC	-	118,000	22,748	(95,252)
Total Recovered Costs	<u>-</u>	<u>536,138</u>	<u>315,886</u>	<u>(220,252)</u>
Total Revenues	-	536,138	317,586	(218,552)
Expenditures				
Current				
Parks, recreation, and cultural	<u>-</u>	<u>1,322,109</u>	<u>315,886</u>	<u>1,006,223</u>
Total Expenditures	<u>-</u>	<u>1,322,109</u>	<u>315,886</u>	<u>1,006,223</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(785,971)	1,700	787,671
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>785,971</u>	<u>-</u>	<u>(785,971)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>785,971</u>	<u>-</u>	<u>(785,971)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,700	<u>\$ 1,700</u>
Fund Balance - Beginning of Year			<u>-</u>	
Fund Balance - End of Year			<u>\$ 1,700</u>	

Special Grant Projects Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ -	\$ 301,238	\$ 24,235	\$ (277,003)
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	107,493	176,742	69,249
Revenue from the Federal Government	-	2,075,761	1,239,710	(836,051)
Total Revenues	-	2,484,492	1,440,687	(1,043,805)
Expenditures				
Current				
Community development	-	2,559,256	1,402,958	1,156,298
Total Expenditures	-	2,559,256	1,402,958	1,156,298
Net Change in Fund Balance Before Transfers	-	(74,764)	37,729	112,493
Transfer from Other Funds	-	42,885	15,659	(27,226)
Net Change in Fund Balance Before Transfer from Surplus	-	(31,879)	53,388	85,267
Transfer from Surplus Funds	-	31,879	-	(31,879)
Net Change in Fund Balance Before Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	53,388	<u>\$ 53,388</u>
Fund Balance - Beginning of Year			<u>123,664</u>	
Fund Balance - End of Year			<u>\$ 177,052</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>
Revenues				
Revenue from the use of money and property	\$ 40,000	\$ 85,817	\$ 84,357	\$ (1,460)
Charges for services	48,000	606,345	542,180	(64,165)
Recovered costs	345,000	479,998	645,025	165,027
Miscellaneous				
Harvest Foundation	-	539,505	481,621	(57,884)
Educational Technology	492,000	492,000	466,000	(26,000)
Other miscellaneous	601,000	753,889	955,901	202,012
Payment from Primary Government - Henry County	16,577,895	21,439,728	17,666,703	(3,773,025)
Intergovernmental				
Revenue from the Commonwealth of Virginia	42,475,916	44,947,065	44,542,271	(404,794)
Revenue from the Federal Government	9,653,000	6,631,830	5,627,937	(1,003,893)
QSCB federal interest loan subsidy	-	-	146,345	146,345
Total Intergovernmental Revenues	<u>52,128,916</u>	<u>51,578,895</u>	<u>50,316,553</u>	<u>(1,262,342)</u>
Total Revenues	70,232,811	75,976,177	71,158,340	(4,817,837)
Expenditures				
Instruction	41,769,530	43,023,924	42,167,467	856,457
Administration, attendance, and health	2,602,394	2,718,117	2,604,130	113,987
Pupil transportation	5,067,930	5,358,973	5,010,262	348,711
Operation and maintenance	6,127,346	6,655,527	6,225,970	429,557
Facilities	310,000	3,675,689	2,158,745	1,516,944
Special grants	9,800,000	9,800,000	8,357,527	1,442,473
Technology	2,020,199	2,528,605	2,429,232	99,373
Contingency reserve	100,000	-	-	-
Debt Service				
Principal	1,232,470	1,232,470	1,232,470	-
Interest and other charges	727,789	727,644	717,311	10,333
Total Expenditures	<u>69,757,658</u>	<u>75,720,949</u>	<u>70,903,114</u>	<u>4,817,835</u>
Excess (Deficiency) of Revenues Over Expenditures	475,153	255,228	255,226	(2)
Other Financing Sources (Uses)				
Transfers in (out)	<u>(475,153)</u>	<u>(475,153)</u>	<u>(475,153)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(475,153)</u>	<u>(475,153)</u>	<u>(475,153)</u>	<u>-</u>
Net Change in Fund Balance	-	(219,925)	(219,927)	(2)
Reserve from Surplus	-	219,925	-	(219,925)
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(219,927)	<u>\$ (219,927)</u>
Fund Balance - Beginning of Year			<u>219,927</u>	
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>	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from the use of money and property	\$ -	\$ -	\$ 14,638	\$ 14,638
Total Revenues	-	-	14,638	14,638
Expenditures				
Textbooks	<u>1,315,906</u>	<u>1,315,906</u>	<u>876,155</u>	<u>439,751</u>
Total Expenditures	<u>1,315,906</u>	<u>1,315,906</u>	<u>876,155</u>	<u>439,751</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,315,906)	(1,315,906)	(861,517)	454,389
Other Financing Sources (Uses)				
Transfers in (out)	<u>475,153</u>	<u>475,153</u>	<u>475,153</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>475,153</u>	<u>475,153</u>	<u>475,153</u>	<u>-</u>
Net Change in Fund Balance	(840,753)	(840,753)	(386,364)	454,389
Reserve from Surplus	<u>840,753</u>	<u>840,753</u>	<u>-</u>	<u>(840,753)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(386,364)	<u>\$ (386,364)</u>
Fund Balance - Beginning of Year			<u>1,376,410</u>	
Fund Balance - End of Year			<u>\$ 990,046</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>
Revenues				
Charges for services	\$ 1,070,567	\$ 1,246,003	\$ 905,520	\$ (340,483)
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	-	124,769	124,769
Revenue from the Federal Government	<u>3,368,925</u>	<u>3,368,925</u>	<u>3,285,906</u>	<u>(83,019)</u>
Total Intergovernmental Revenues	<u>3,368,925</u>	<u>3,368,925</u>	<u>3,410,675</u>	<u>41,750</u>
Total Revenues	4,439,492	4,614,928	4,316,195	(298,733)
Expenditures				
Cafeteria	<u>4,439,492</u>	<u>4,641,469</u>	<u>4,353,385</u>	<u>288,084</u>
Total Expenditures	<u>4,439,492</u>	<u>4,641,469</u>	<u>4,353,385</u>	<u>288,084</u>
Net Change in Fund Balance	-	(26,541)	(37,190)	(10,649)
Reserve from Surplus	<u>-</u>	<u>26,541</u>	<u>-</u>	<u>(26,541)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(37,190)	<u>\$ (37,190)</u>
Fund Balance - Beginning of Year			<u>733,524</u>	
Fund Balance - End of Year			<u>\$ 696,334</u>	

OTHER SUPPLEMENTARY INFORMATION



County of Henry, Virginia

Combining Balance Sheet

Component Unit - School Board

Year Ended June 30, 2013

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
Assets				
Cash	\$ 21,024	\$ 1,010,121	\$ 2,736,480	\$ 3,767,625
Cash - restricted	25,967	-	-	25,967
Receivables - net	390,266	-	9,204	399,470
Due from other funds	20,075	-	-	20,075
Due from primary government	2,380,618	-	-	2,380,618
Due from other governments	<u>2,001,429</u>	<u>-</u>	<u>100,516</u>	<u>2,101,945</u>
Total Assets	<u>\$ 4,839,379</u>	<u>\$ 1,010,121</u>	<u>\$ 2,846,200</u>	<u>\$ 8,695,700</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 802,210	\$ -	\$ 6,458	\$ 808,668
Accrued salaries and benefits	3,868,702	-	103,974	3,972,676
Due to other funds	-	20,075	-	20,075
Deferred revenue	168,467	-	-	168,467
Due to primary government	<u>-</u>	<u>-</u>	<u>2,039,434</u>	<u>2,039,434</u>
Total Liabilities	4,839,379	20,075	2,149,866	7,009,320
Fund Balances				
Restricted	-	-	696,334	696,334
Assigned	<u>-</u>	<u>990,046</u>	<u>-</u>	<u>990,046</u>
Total Fund Balances	<u>-</u>	<u>990,046</u>	<u>696,334</u>	<u>1,686,380</u>
Total Liabilities and Fund Balances	<u>\$ 4,839,379</u>	<u>\$ 1,010,121</u>	<u>\$ 2,846,200</u>	<u>\$ 8,695,700</u>
Fund Balances - per above				\$ 1,686,380
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				23,386,668
The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.				362,447
Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.				<u>(756,418)</u>
Net Position of Governmental Activities				<u>\$ 24,679,077</u>

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - School Board

Year Ended June 30, 2013

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
Revenues				
Revenue from use of money and property	\$ 84,357	\$ 14,638	\$ -	\$ 98,995
Charges for services	542,180	-	905,520	1,447,700
Recovered costs	645,025	-	-	645,025
Miscellaneous	1,903,522	-	-	1,903,522
Intergovernmental				
County of Henry, Virginia	17,666,703	-	-	17,666,703
Commonwealth of Virginia	44,542,271	-	124,769	44,667,040
Federal	5,627,937	-	3,285,906	8,913,843
QSCB federal loan interest subsidy	146,345	-	-	146,345
Total Revenues	<u>71,158,340</u>	<u>14,638</u>	<u>4,316,195</u>	<u>75,489,173</u>
Expenditures				
Current				
Instruction	42,167,467	876,155	-	43,043,622
Administration, attendance, and health	2,604,130	-	-	2,604,130
Pupil transportation	5,010,262	-	-	5,010,262
Operation and maintenance	6,225,970	-	-	6,225,970
Cafeteria - school food service	-	-	4,353,385	4,353,385
Facilities	2,158,745	-	-	2,158,745
Special grants	8,357,527	-	-	8,357,527
Technology	2,429,232	-	-	2,429,232
Debt Service				
Principal	1,232,470	-	-	1,232,470
Interest and other charges	717,311	-	-	717,311
Total Expenditures	<u>70,903,114</u>	<u>876,155</u>	<u>4,353,385</u>	<u>76,132,654</u>
Excess (Deficiency) of Expenditures Over Revenues	255,226	(861,517)	(37,190)	(643,481)
Other Financing Sources (Uses)				
Transfers in	-	475,153	-	475,153
Transfers out	(475,153)	-	-	(475,153)
Total Other Financing Sources (Uses)	<u>(475,153)</u>	<u>475,153</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(219,927)	(386,364)	(37,190)	(643,481)
Fund Balances - Beginning of Year	219,927	1,376,410	733,524	2,329,861
Fund Balances - End of Year	<u>\$ -</u>	<u>\$ 990,046</u>	<u>\$ 696,334</u>	<u>\$ 1,686,380</u>
Net Change in Fund Balances - per above				\$ (643,481)

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.

465,463

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	(133,138)
Change in Net OPEB Asset	70,894
Change in Net Position of Governmental Activities	<u>\$ 508,336</u>

County of Henry, Virginia

Statement of Net Position

Component Unit - Industrial Development Authority

At June 30, 2013

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Assets			
Current Assets			
Cash	\$ -	\$ 792,581	\$ 792,581
Due from primary government - Henry County, VA	1,360,383	-	1,360,383
Receivables - net	-	10,339	10,339
Inventory	<u>2,073,390</u>	<u>9,459,451</u>	<u>11,532,841</u>
Total Current Assets	3,433,773	10,262,371	13,696,144
Noncurrent Assets			
Fixed assets, net of accumulated depreciation	-	1,268,589	1,268,589
Notes receivables - net	<u>-</u>	<u>1,641,360</u>	<u>1,641,360</u>
Total Noncurrent Assets	-	2,909,949	2,909,949
Total Assets	<u>\$ 3,433,773</u>	<u>\$ 13,172,320</u>	<u>\$ 16,606,093</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 12,766	\$ 25,737	\$ 38,503
Accrued interest payable	-	21,196	21,196
Unexpended grants payable	1,347,617	-	1,347,617
Current portion of long-term debt	<u>-</u>	<u>1,076,118</u>	<u>1,076,118</u>
Total Current Liabilities	1,360,383	1,123,051	2,483,434
Long-Term Liabilities			
Long-term debt - due in more than one year	-	2,473,585	2,473,585
Due to primary government - Henry County, VA	<u>-</u>	<u>2,157,656</u>	<u>2,157,656</u>
Total Long-Term Liabilities	-	4,631,241	4,631,241
Total Liabilities	1,360,383	5,754,292	7,114,675
Net Position			
Unrestricted	<u>2,073,390</u>	<u>7,418,028</u>	<u>9,491,418</u>
Total Net Position	<u>2,073,390</u>	<u>7,418,028</u>	<u>9,491,418</u>
Total Liabilities and Net Position	<u>\$ 3,433,773</u>	<u>\$ 13,172,320</u>	<u>\$ 16,606,093</u>

County of Henry, Virginia

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

Component Unit - Industrial Development Authority

Year Ended June 30, 2013

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Operating Revenues			
Payment from primary government	\$ -	\$ 809,325	\$ 809,325
Tobacco Indemnification revenues	-	325,000	325,000
Governor's Opportunity Fund	-	175,000	175,000
Sale of land and building held for resale	-	3,150,000	3,150,000
Other state grants	114,581	-	114,581
EDC share of costs	-	223,900	223,900
City of Martinsville share of costs	-	10,013	10,013
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	114,581	4,693,238	4,807,819
Operating Expenses			
Economic development	542,478	947,505	1,489,983
Cost of land and building sold	-	3,658,741	3,658,741
Depreciation	-	634,294	634,294
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	542,478	5,240,540	5,783,018
Operating Loss	(427,897)	(547,302)	(975,199)
Nonoperating Revenues (Expenses)			
Interest income	-	129,605	129,605
Sale of timber	-	84,180	84,180
Rental of property	-	711,518	711,518
Interest expense	-	(162,229)	(162,229)
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	-	763,074	763,074
Change in Net Position	(427,897)	215,772	(212,125)
Total Net Position - Beginning of Year	<hr/> 2,501,287	<hr/> 7,202,256	<hr/> 9,703,543
Total Net Position - End of Year	<u>\$ 2,073,390</u>	<u>\$ 7,418,028</u>	<u>\$ 9,491,418</u>

County of Henry, Virginia

Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2013

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Cash Flows from Operating Activities			
Receipts from primary government	\$ -	\$ 809,325	\$ 809,325
Other miscellaneous receipts	-	1,210,288	1,210,288
State grants	-	500,000	500,000
Sale of inventory for resale	-	3,150,000	3,150,000
Purchase of inventory for resale	(108,965)	(77,043)	(186,008)
Cash paid for economic development	-	(989,305)	(989,305)
Net Cash Provided by (Used in) Operating Activities	(108,965)	4,603,265	4,494,300
Cash Flows from Noncapital Financing Activities			
Payments on Due to / Due from accounts from primary government	108,965	(872,885)	(763,920)
Net Cash Provided by (Used in) Noncapital Financing Activities	108,965	(872,885)	(763,920)
Cash Flows from Capital and Related Financing Activities			
Payments of principal on long-term debt	-	(1,039,126)	(1,039,126)
Payments of principal on long-term debt from sale	-	(3,357,593)	(3,357,593)
Interest payments on long-term debt	-	(224,632)	(224,632)
Net Cash Used in Capital and Related Financing Activities	-	(4,621,351)	(4,621,351)
Cash Flows from Investing Activities			
Rental income	-	711,518	711,518
Sale of timber	-	84,180	84,180
Interest income	-	129,605	129,605
Net Cash Provided by Investing Activities	-	925,303	925,303
Net Increase in Cash and Cash Equivalents	-	34,332	34,332
Cash and Cash Equivalents - Beginning of Year	-	758,249	758,249
Cash and Cash Equivalents - End of Year	\$ -	\$ 792,581	\$ 792,581
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating loss	\$ (427,897)	\$ (547,302)	\$ (975,199)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Depreciation	-	634,294	634,294
Changes in Assets and Liabilities			
Receivables	-	976,375	976,375
Inventory	427,898	3,581,698	4,009,596
Unexpended grants payable	(114,581)	-	(114,581)
Accounts payable	5,615	(41,800)	(36,185)
Net Cash Provided by (Used in) Operating Activities	\$ (108,965)	\$ 4,603,265	\$ 4,494,300

County of Henry, Virginia

Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2013

Assets

Cash	\$ 20,226
Due from other governments	<u>701,013</u>

Total Assets	<u><u>\$ 721,239</u></u>
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Liabilities and Fund Balance

Liabilities

Accrued liabilities	\$ 40,455
Due to County of Henry, Virginia	<u>680,784</u>

Total Liabilities	721,239
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Fund Balance

Total Liabilities and Fund Balance	<u><u>\$ 721,239</u></u>
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Fund Balance - per above	\$ -
--------------------------	------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,587
---	--------

The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.	90,129
---	--------

Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	<u>(375,851)</u>
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Net Position (Deficit) of Governmental Activities	<u><u>\$ (244,135)</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, 2013

Revenues

Payments from County of Henry, Virginia	\$	519,556
Payments from City of Martinsville, Virginia		285,074
<i>Intergovernmental</i>		
Revenue from the Commonwealth of Virginia		2,095,117
Revenue from the Federal Government		<u>3,047,121</u>
Total Intergovernmental		<u>5,142,238</u>
Total Revenues		5,946,868

Expenditures

Health and welfare		<u>5,946,868</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.		4,649
Change in Compensated Absences		11,359
Change in Net OPEB Asset		<u>(1,634)</u>
Change in Net Position of Governmental Activities		<u><u>\$ 14,374</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, 2013

Revenues

Interest income	\$	208
Donations		13,340
County of Henry contribution		19,127
City of Martinsville contribution		19,090
Local grants		28,742
Harvest grants		5,700
Federal grants		12,000
Memberships		1,275
Miscellaneous		<u>10,343</u>
 Total Revenues		 109,825

Expenditures

Salaries		51,596
Fringe benefits		5,299
Professional services		400
Harvest grant		5,700
Depreciation		1,760
Other		<u>28,631</u>
 Total Expenditures		 <u>93,386</u>

Net Change in Amounts Held for Others		16,439
Amounts Held for Others - Beginning of Year		<u>39,491</u>
Amounts Held for Others - End of Year		<u><u>\$ 55,930</u></u>

County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Fieldale Sanitary District

Year Ended June 30, 2013

Revenues

Interest income	\$	1,307
Miscellaneous		<u>868</u>
Total Revenues		2,175

Expenditures

Professional services		1,200
Grounds maintenance		1,600
Electric service		<u>15,670</u>
Total Expenditures		<u>18,470</u>

Net Change in Amounts Held for Others		(16,295)
---------------------------------------	--	----------

Amounts Held for Others - Beginning of Year		<u>176,573</u>
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Amounts Held for Others - End of Year	\$	<u><u>160,278</u></u>
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OTHER INFORMATION SECTION



County of Henry, Virginia

General Governmental Revenues by Source⁽¹⁾⁽²⁾

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>
2004	\$ 19,208,175	\$ 13,357,655	\$ 119,802	\$ 155,089	\$ 297,645	\$ 2,051,700	\$ 966,811	\$ 1,531,942	\$ 58,602,306	\$ 96,291,125
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

⁽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 intergovernmental revenues.

County of Henry, Virginia

General Governmental Expenditures by Function⁽¹⁾⁽²⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General 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⁽³⁾</u>	<u>Total</u>
2004	\$ 2,585,657	\$ 1,983,940	\$ 9,731,901	\$ 3,181,529	\$ 6,951,063	\$ 62,750,519	\$ 1,528,821	\$ 4,211,590	\$ -	\$ 2,483,037	\$ -	\$ 95,408,057
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

⁽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>
2004	\$ 2,202,989,259	\$ 337,420,821	\$ 36,322,407	\$ 331,930,756	\$ 117,441,586	\$ 3,026,104,829
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	378,987,762	27,320,870	326,382,521	149,525,937	3,869,287,960

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>
2004	\$ 0.54	\$ 1.48	\$ 0.54	\$ 1.19
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	1.19
2013	0.46	1.48	0.46	1.19

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>
2004	\$ 21,430,662	\$ 19,751,363	92.16%	\$ 892,537	\$ 20,643,900	96.33%	\$ 4,381,656	20.45%
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%

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> ⁽¹⁾	<u>Assessed Value</u> ⁽²⁾	<u>Net Bonded Debt</u> ⁽³⁾	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2004	57,930	\$3,026,104,829	\$ 17,592,080	0.58%	\$ 304
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

(1) Weldon Cooper Center, University of Virginia, Latest Census Records.

(2) From Table 3.

(3) 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 ⁽¹⁾⁽³⁾

Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures⁽²⁾	Ratio of Debt Service to General Government Expenditures
2004	\$1,732,070	\$ 750,967	\$2,483,037	\$ 95,408,057	2.60%
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%

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 Honorable Members of 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 aggregate discretely presented component units, and each major fund of County of Henry, Virginia, as of and for the year ended June 30, 2013, 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 2, 2014.

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.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 2, 2014



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

To the Honorable Members of the
Board of Supervisors
County of 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, 2013. 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, 2013.

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 2, 2014



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

To the Honorable Members of 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, 2013, and have issued our report thereon dated January 2, 2014.

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 2, 2014

County of Henry, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
PRIMARY GOVERNMENT			
U. S. Department of Transportation			
Pass-Through Payments			
Department of Transportation - VDOT	20.205	501	\$ 61,691
<i>Department of Motor Vehicles</i>			
Ground transportation and other law enforcement	20.607	530	18,088
Ground transportation and other law enforcement	20.600	530	9,377
Ground transportation and other law enforcement	20.601	530	2,476
Ground transportation and other law enforcement	20.602	530	<u>9,865</u>
Subtotal - U. S. Department of Transportation			101,497
U. S. Department of Agriculture			
Direct Payments			
<i>Forest Service</i>			
Payments in Lieu of Taxes - Public Law (National Forest Acreage in the Localities)	10.664	N/A	3,184
Other forestry grant	10.664	N/A	<u>5,000</u>
Subtotal - U. S. Department of Agriculture			8,184
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Southern Area Agency on Aging</i>			
Transportation Grant - Special Programs for Aging Title III B	93.044	N/A	46,583
Transportation Grant - Special Programs for Aging Title III D	93.043	N/A	<u>8,053</u>
Subtotal - U. S. Department of Health and Human Services			54,636
U. S. Department of Justice			
Direct Payments			
COPS grants	16.738	N/A	167,811
JAG grants	16.738	N/A	41,575
Bulletproof vests	16.607	N/A	20,359
Pass-Through Payments			
<i>Department of Criminal Justice Services - Victim witness</i>	16.575	140	<u>79,704</u>
Subtotal - U. S. Department of Justice			309,449
U. S. Department of Treasury			
Direct Payments			
Treasury Forfeiture Fund	21.000	N/A	1,073
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Community Development Block Grant - States Program	14.228*	165	702,187
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Management</i>			
Emergency Preparedness	97.042	127	24,874
Emergency Response and Recovery - Hazard Mitigation	97.039*	127	<u>475,832</u>
Subtotal - U. S. Department of Homeland Security			<u>500,706</u>
Total - Primary Government			1,677,732

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
HENRY-MARTINSVILLE SOCIAL SERVICES			
U. S. Department of Agriculture			
Pass-Through Payments			
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561*	765	642,804
Total Food Stamp Cluster			<u>642,804</u>
Subtotal - U. S. Department of Agriculture			642,804
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Payments to states for child care assistance	93.575	765	(639)
Child care and development fund	93.596	765	105,642
Total Child Care Cluster			<u>105,003</u>
<i>Department of Social Services</i>			
Temporary assistance for needy families	93.558*	765	702,579
Family preservation and support	93.556	765	32,820
Refugee and entrant assistance	93.566	765	2,070
Low income home energy assistance	93.568	765	69,171
Child welfare services	93.645	765	3,657
ILP education and training vouchers	93.599	765	4,451
Foster care - Title IV-E	93.658	765	386,232
Adoption assistance	93.659	765	253,760
Independent living	93.674	765	7,640
State children's insurance program	93.767	765	16,093
Social services block grant	93.667*	765	447,369
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	373,472
Subtotal - U. S. Department of Health and Human Services			<u>2,404,317</u>
Total - Henry-Martinsville Social Services			3,047,121

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
SCHOOL BOARD			
U. S. Department of Agriculture			
Pass-Through Payments			
<i>Department of Education</i>			
Food distribution - donated commodities	10.559	197	876
Food distribution - donated commodities	10.555	197	241,651
Fresh Fruit and Vegetables	10.582	197	172,146
Child Nutrition Cluster			
School Breakfast Program	10.553*	197	909,371
National School Lunch Program	10.555*	197	<u>2,204,389</u>
Total Child Nutrition Cluster			<u>3,113,760</u>
Subtotal - U. S. Department of Agriculture			3,528,433
U. S. Department of Education			
Direct Payments			
Readiness and Emergency Management	84.184	197	27,162
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster			
IDEA 611 Flow-Through	84.027*	197	1,977,233
Interpreter training	84.027*	197	17,897
Preschool Handicapped Allocations	84.173*	197	<u>99,042</u>
Total Special Education Cluster			2,094,172
Title I Cluster			
Title I grants to local education agencies	84.010*	197	2,557,458
Adult education - state administered basic grant program	84.002	197	119,241
Vocational education (Carl Perkins) - CTE federal payments	84.048	197	168,130
Title III - Language Acquisition	84.365	197	35,265
Title IV Part B 21st Century	84.287	197	85,112
Title VI Part B Rural and Low Income	84.358	197	180,706
Title II, Part A - Improving Teacher Quality	84.367	197	<u>360,691</u>
Subtotal - U. S. Department of Education			<u>5,627,937</u>
Subtotal - School Board			<u>9,156,370</u>
Grand Totals			<u>\$ 13,881,223</u>

*Denotes Major Program

Notes to Schedule of Expenditures of Federal Awards

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County and is presented on GAAP. 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 financial statements. Benefit payments are paid directly to recipients and are not included in the County's financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

2. *Commodities – Food Distribution*

Nonmonetary assistance in the form of food distribution amounting to \$242,527 for the schools is reported in the schedule as being received and disbursed.

County of Henry, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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 #97.039, Hazard Mitigation Grant
 - 2. CFDA #10.561, Food Stamp Administration
 - 3. CFDA #93.558, Temporary Assistance to Needy Families
 - 4. CFDA #93.667, Social Services Block Grant
 - 5. CFDA #10.553 and #10.555, Child Nutrition Cluster
 - 6. CFDA #84.027 and #84.173, Special Education Cluster
 - 7. CFDA #84.010, Title I Cluster
 - 8. CFDA #14.228, Community Development Block Grant
- (h) The **threshold** for distinguishing Types A and B programs was **\$416,437**.
- (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, 2013

FINANCIAL STATEMENT AUDIT

FINDINGS

There were no findings in the prior year.