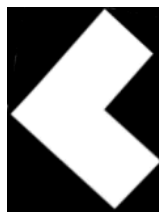


*County of Henry, Virginia*  
*Comprehensive Annual Financial Report*  
*Year Ended June 30, 2012*



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

## County of Henry, Virginia

### Table of Contents

Year Ended June 30, 2012

	Pages
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-9

### Basic Financial Statements

#### Exhibits

#### Government-Wide Financial Statements

1	Statement of Net Assets	10
2	Statement of Activities	11

#### Fund Financial Statements

3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	12-13
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14-15
5	Statement of Fiduciary Assets and Liabilities	16
	Notes to Financial Statements	17-45

### Required Supplementary Information

#### Exhibit

6	Budgetary Comparison Schedule – General Fund, Comprehensive Services Act Fund, E-911 Central Dispatch Fund, Law Library Fund, Capital Projects Fund, Henry County School Board – School Fund, Henry County School Board – School Textbook Fund, Henry County School Board – School Cafeteria Fund	46-58
---	---	-------

<b>Other Supplementary Information</b>		Pages
Schedules		
1	Combining Balance Sheet – Component Unit - School Board	59
2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit – School Board	60
3	Statement of Net Assets – Component Unit – Industrial Development Authority	61
4	Statement of Revenues, Expenses, and Changes in Fund Net Assets – Component Unit – Industrial Development Authority	62
5	Statement of Cash Flows – Component Unit – Industrial Development Authority	63
6	Balance Sheet – Component Unit – Henry-Martinsville Social Services	64
7	Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit – Henry-Martinsville Social Services	65
8	Statement of Revenues, Expenditures, and Changes in Fund Balances – Agency Fund – Gateway Streetscape Foundation, Inc.	66
9	Statement of Revenues, Expenditures, and Changes in Fund Balances – Agency Fund – Fieldale Sanitary District	67

#### **OTHER INFORMATION SECTION**

Tables		
1	General Governmental Revenues by Source – Last Ten Fiscal Years	68
2	General Governmental Expenditures by Function – Last Ten Fiscal Years	69
3	Assessed Value of Taxable Property – Last Ten Fiscal Years and Property Tax Rates – Last Ten Fiscal Years	70
4	Property Tax Levies and Collections – Last Ten Fiscal Years	71
5	Ratio of Net General Obligation Bonded Debt to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita – Last Ten Fiscal Years	72
6	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years	73

#### **COMPLIANCE (SINGLE AUDIT) SECTION**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74-75
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	76-77
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants	78-79
Schedule of Expenditures of Federal Awards	80-83
Schedule of Findings and Questioned Costs	84
Summary Schedule of Prior Audit Findings	85

# FINANCIAL SECTION





**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Sherwood H. Creedle, CPA  
Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Nadia A. Rogers, CPA  
Scott A. Thompson, CPA  
Kimberly N. Walker, CPA*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Henry, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Henry, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Henry, Virginia, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 46 through 58 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Henry, Virginia's financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Henry, Virginia's financial statements. The statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

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

South Hill, Virginia  
December 18, 2012

## 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, 2012. We encourage readers to read this discussion and analysis in conjunction with the County's financial statements.

### Financial Highlights for Fiscal Year 2012

#### 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 \$51,471,713. Of this amount, \$27,298,509 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 \$47,155,015 and expenses amounted to \$47,217,275. The County's total net assets decreased \$62,260 prior to an impairment loss of \$1,326,011 giving a total loss of \$1,388,271.

#### Highlights for Fund Financial Statements

- As of June 30, 2012, the County's Governmental Funds reported combined fund balances of \$28,896,928, an increase of \$210,136 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 \$28,393,368, an increase of \$195,511 from June 30, 2011.

## 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 assets and how they have changed during the fiscal year.

The first government-wide statement - the Statement of Net Assets - presents information on all of the County's assets and liabilities. The difference between assets and liabilities, net assets, can be used as one way to measure the County's financial health, or financial condition. Over time, increases or decreases in the net assets 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 assets 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 five major funds because they all have legally adopted budgets. These funds are the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, and Capital Projects.

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 Assets

The following table reflects the condensed Statement of Net Assets:

<b>Summary of Net Assets</b>		
As of June 30, 2012 and 2011		
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
Current and other assets	\$ 35,805,834	\$ 35,288,395
Capital assets (net)	<u>44,677,623</u>	<u>48,144,987</u>
Total Assets	<u>\$ 80,483,457</u>	<u>\$ 83,433,382</u>
<b>Liabilities</b>		
Other liabilities	\$ 5,779,866	\$ 5,559,627
Long-term liabilities	<u>23,231,878</u>	<u>25,013,771</u>
Total Liabilities	<u>29,011,744</u>	30,573,398
<b>Net Assets</b>		
Invested in capital assets, net of related debt	<u>24,007,402</u>	25,553,628
Restricted	<u>165,802</u>	132,475
Unrestricted	<u>27,298,509</u>	<u>27,173,881</u>
Total Net Assets	<u>51,471,713</u>	<u>52,859,984</u>
Total Liabilities and Net Assets	<u>\$ 80,483,457</u>	<u>\$ 83,433,382</u>

## Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2012:

### Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 557,517	\$ 575,290
Grants and contributions	8,684,587	9,938,465
<b>General Revenues</b>		
General property taxes, real and personal	21,379,893	21,178,113
Other taxes	11,428,075	11,478,570
Noncategorical aid from state	4,387,373	4,387,275
Use of property	293,244	278,521
Investment earnings	323,797	329,259
Miscellaneous	100,529	106,081
Total Revenues	<u>47,155,015</u>	<u>48,271,574</u>
<b>Expenses</b>		
General government administration	2,701,864	2,359,054
Judicial administration	2,703,220	2,710,177
Public safety	12,271,085	11,839,991
Public works	3,376,526	3,366,592
Health and welfare	2,293,896	1,854,021
Education	17,077,159	13,925,184
Parks, recreation, and cultural	1,875,227	1,837,347
Community development	4,060,094	3,436,700
Interest on long-term debt	858,204	758,581
Total Expenses	<u>47,217,275</u>	<u>42,087,647</u>
Increase (Decrease) in Net Assets	(62,260)	6,183,927
Extraordinary Item - Asset Impairment	(1,326,011)	-
Beginning Net Assets	<u>52,859,984</u>	<u>46,676,057</u>
Ending Net Assets	<u>\$ 51,471,713</u>	<u>\$ 52,859,984</u>

Governmental activities decreased the County's net assets by \$62,260 prior to an extraordinary loss of \$1,326,011 for fiscal year 2012. Revenues from governmental activities totaled \$47,155,015. Property taxes comprise the largest source of these revenues, totaling \$21,379,893 or 45.3 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$47,217,275. Education is the County's largest program with expenses totaling \$17,077,159. Public safety expenses, which total \$12,271,085, 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, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,701,864	\$ (2,296,433)	\$ 2,359,054	\$ (1,979,889)
Judicial administration	2,703,220	(1,573,433)	2,710,177	(1,584,718)
Public safety	12,271,085	(7,100,939)	11,839,991	(6,419,083)
Public works	3,376,526	(3,231,387)	3,366,592	(2,416,485)
Health and welfare	2,293,896	(1,755,997)	1,854,021	(1,359,713)
Parks, recreation, and cultural	1,875,227	(1,822,692)	1,837,347	(1,783,858)
Community development	4,060,094	(2,258,927)	3,436,700	(1,346,381)
Education	17,077,159	(17,077,159)	13,925,184	(13,925,184)
Interest on long-term debt	<u>858,204</u>	<u>(858,204)</u>	<u>758,581</u>	<u>(758,581)</u>
Total	<u>\$ 47,217,275</u>	<u>\$ (37,975,171)</u>	<u>\$ 42,087,647</u>	<u>\$ (31,573,892)</u>

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2012, the County's Governmental Funds reported a combined ending fund balance of \$28,896,928, an increase of \$210,136 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 \$17,599,659. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 37.1 percent of total fund expenditures.

- The General Fund contributed operating funds to finance the component units as follows: \$18,286,781 School Board operations; \$424,754 to finance the Industrial Development Authority; and \$528,021 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, 2012 and 2011

	<u>2012</u>			<u>2011</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 21,150,838	\$ 21,009,925	\$ 21,323,023	\$ 21,429,029	\$ 20,331,288	\$ 21,018,605
Other	14,155,805	15,337,751	15,591,828	13,761,909	15,107,703	14,938,976
Intergovernmental	<u>9,760,994</u>	<u>12,263,555</u>	<u>11,664,531</u>	<u>9,664,065</u>	<u>13,890,843</u>	<u>11,909,665</u>
Total	<u>45,067,637</u>	<u>48,611,231</u>	<u>48,579,382</u>	44,855,003	49,329,834	47,867,246
<b>Expenditures</b>	<u>47,359,336</u>	<u>58,951,692</u>	<u>47,399,030</u>	<u>43,824,920</u>	<u>54,041,688</u>	<u>41,322,864</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,291,699)	(10,340,461)	1,180,352	1,030,083	(4,711,854)	6,544,382
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	<u>(1,041,601)</u>	<u>(1,103,758)</u>	<u>(984,841)</u>	<u>(1,030,083)</u>	<u>(1,089,160)</u>	<u>(867,449)</u>
Total	<u>(1,041,601)</u>	<u>(1,103,758)</u>	<u>(984,841)</u>	<u>(1,030,083)</u>	<u>(1,089,160)</u>	<u>(867,449)</u>
Net Change in Fund Balance Before Transfer from Surplus	(3,333,300)	(11,444,219)	195,511	-	(5,801,014)	5,676,933
Transfer from Surplus Funds	<u>3,333,300</u>	<u>11,444,219</u>	-	-	5,801,014	-
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,511</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,676,933</u>

The final amended budget appropriations for expenditures exceeded the original appropriation by \$11,592,356. This increase is due primarily to additional funding for education, public safety, and capital outlay for the water/sewer line to the Henry County Public Service Authority.

Final amended budget revenues were more than the original budget by \$3,543,594 prior to transfers for a contingency reserve to finance the above projects.

Actual revenues were less than final budget amounts by \$31,849 prior to transfers while actual expenditures were \$11,552,662 less than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2012, the County's investment in capital assets totals \$24,007,402, which are net capital assets less related debt for governmental activities.

For fiscal year 2012, 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, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land and land improvements	\$ 2,915,866	\$ (32,846)	\$ 2,883,020
Buildings and improvements	27,861,085	(429,154)	27,431,931
Furniture, equipment, and vehicles	11,535,032	(102,997)	11,432,035
Total Capital Assets	42,311,983	(564,997)	41,746,986
Less: Accumulated depreciation and amortization	(19,845,602)	(2,153,770)	(21,999,372)
Total Capital Assets, Net before allocation of schools	\$ 22,466,381	\$ (2,718,767)	19,747,614
Allocation of net school buildings with outstanding debt			24,930,009
Total Capital Assets, Net			<u>\$ 44,677,623</u>

#### Component Units

#### School Board

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land and land improvements	\$ 790,516	\$ 1,434,895	\$ 2,225,411
Construction in process	1,566,796	3,961,073	5,527,869
Buildings and improvements	66,799,002	-	66,799,002
Furniture, equipment, and vehicles	11,224,432	623,178	11,847,610
Total Capital Assets	80,380,746	6,019,146	86,399,892
Less: Accumulated depreciation and amortization	(37,604,283)	(1,692,993)	(39,297,276)
Total Capital Assets, Net before allocation to County	\$ 42,776,463	\$ 4,326,153	47,102,616
Allocation of net school buildings with outstanding debt			(24,930,009)
Total Capital Assets, Net			<u>\$ 22,172,607</u>

#### IDA

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Equipment	\$ 4,440,059	\$ -	\$ 4,440,059
Total Capital Assets	4,440,059	-	4,440,059
Less: Accumulated depreciation and amortization	(1,902,882)	(634,294)	(2,537,176)
Total Capital Assets, Net	<u>\$ 2,537,177</u>	<u>\$ (634,294)</u>	<u>\$ 1,902,883</u>

## Henry-Martinsville Social Services

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Machinery and equipment	\$ 257,422	\$ 6,362	\$ 263,784
Less: Accumulated depreciation and amortization	<u>(213,226)</u>	<u>(13,620)</u>	<u>(226,846)</u>
Total Capital Assets, Net	<u>\$ 44,196</u>	<u>\$ (7,258)</u>	<u>\$ 36,938</u>

### Long-Term Debt

As of June 30, 2012, the County's long-term obligations, excluding the Component Units, are summarized below:

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
<b>Governmental Activities</b>			
General obligation bonds	\$ 16,077,907	\$ (1,257,383)	\$ 14,820,524
Literary Fund loans	3,944,554	(541,289)	3,403,265
Recovery Zone bonds	2,000,000	(80,000)	1,920,000
Landfill obligation	486,618	93,630	580,248
OPEB obligation	28,009	(26,724)	1,285
Compensated absences	1,907,785	72,339	1,980,124
LT Agreement	<u>203,200</u>	<u>(19,200)</u>	<u>184,000</u>
	24,648,073	(1,758,627)	22,889,446
Add: Premiums	<u>365,698</u>	<u>(23,266)</u>	<u>342,432</u>
 Total Governmental Activities	 <u>\$ 25,013,771</u>	 <u>\$ (1,781,893)</u>	 <u>\$ 23,231,878</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 2012 was 9.8 percent, a decrease of .9 percent from June 2011. This compares unfavorably to the state's rate of 6.0 percent and unfavorably to the national rate of 8.4 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 53,867, a decrease of .5% from 2010 U.S. census.
- The per capita income in Henry County, Virginia was \$29,628, compared to \$45,920 for the state, according to the latest available estimates from the U.S. Department of Commerce Bureau of Economic Analysis.

The fiscal year 2013 Adopted Budget anticipates General Fund revenues and expenditures to be \$48,780,572, a .78 percent increase over the fiscal year 2012 budget.

## REQUESTS FOR INFORMATION

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

# BASIC FINANCIAL STATEMENTS





## County of Henry, Virginia

## Statement of Net Assets

At June 30, 2012

	<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>
<b>Assets</b>				
Cash	\$ 25,020,631	\$ 2,264,602	\$ 758,249	\$ 14,887
Cash - restricted	-	241,207	-	-
Receivables, net	2,792,635	468,138	761,714	-
Due from County of Henry, Virginia	-	3,340,771	1,469,347	-
Due from component units	3,715,785	-	-	-
Due from other governments/agencies	4,232,213	3,260,180	-	670,357
Inventory	44,570	-	15,542,436	-
Notes receivable	-	-	1,866,360	-
Net OPEB prepaid liability	-	291,553	-	91,763
<b>Capital Assets</b>				
Land and construction in progress	2,883,020	6,318,385	-	-
Other capital assets, net of accumulated depreciation	41,794,603	15,854,222	1,902,883	36,938
Capital Assets, Net	44,677,623	22,172,607	1,902,883	36,938
Total Assets	\$ 80,483,457	\$ 32,039,058	\$ 22,300,989	\$ 813,945
<b>Liabilities</b>				
Accounts payable	\$ 411,677	\$ 1,033,450	\$ 74,686	\$ -
Accrued payroll and other liabilities	57,025	6,094,881	-	-
Accrued interest	295,691	-	83,599	-
Deferred revenue	201,957	116,706	1,462,198	-
Due to other governments/agencies	3,398	-	-	-
Due to component units	4,810,118	-	-	-
Due to County of Henry, Virginia	-	-	3,030,541	685,244
<b>Long-Term Liabilities</b>				
<i>Due within one year</i>				
Bonds, loans, other	2,220,972	62,328	1,039,143	35,969
<i>Due in more than one year</i>				
Landfill obligation	522,223	-	-	-
Net OPEB obligation	1,285	-	-	-
Compensated absences	1,782,112	560,952	-	351,241
Bonds, capital leases, and loans payable, net of premiums	18,705,286	-	6,907,279	-
Total Liabilities	29,011,744	7,868,317	12,597,446	1,072,454
<b>Net Assets</b>				
Invested in capital assets, net of related debt	24,007,402	22,172,607	(110,087)	36,938
Restricted	165,802	219,927	-	-
Unrestricted	27,298,509	1,778,207	9,813,630	(295,447)
Total Net Assets	51,471,713	24,170,741	9,703,543	(258,509)
Total Liabilities and Net Assets	\$ 80,483,457	\$ 32,039,058	\$ 22,300,989	\$ 813,945

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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
<b>Primary Government</b>								
<b>Governmental Activities</b>								
General government administration	\$ 2,701,864	\$ 44,188	\$ 361,243	\$ -	\$ (2,296,433)			
Judicial administration	2,703,220	99,199	1,030,588	-	(1,573,433)			
Public safety	12,271,085	233,074	4,937,072	-	(7,100,939)			
Public works	3,376,526	128,521	16,618	-	(3,231,387)			
Health and welfare	2,293,896	-	537,899	-	(1,755,997)			
Parks, recreation, and cultural	1,875,227	52,535	-	-	(1,822,692)			
Community development	4,060,094	-	1,801,167	-	(2,258,927)			
Education - local school	17,024,692	-	-	-	(17,024,692)			
Education - community college	52,467	-	-	-	(52,467)			
Interest on long-term debt	858,204	-	-	-	(858,204)			
Total Primary Government	<u>\$ 47,217,275</u>	<u>\$ 557,517</u>	<u>\$ 8,684,587</u>	<u>\$ -</u>	<u>(37,975,171)</u>			
<b>Component Units</b>								
<b>School Board</b>								
Instruction	\$ 43,426,789	\$ 514,203	\$ 51,966,037	\$ -		\$ 9,053,451		
Administration, attendance, and health	2,443,673	-	-	-		(2,443,673)		
Pupil transportation	5,280,116	-	-	-		(5,280,116)		
Operation and maintenance	6,040,533	-	-	-		(6,040,533)		
Cafeterias	4,071,709	1,052,729	3,202,964	-		183,984		
Special grants	8,789,039	-	-	-		(8,789,039)		
Facilities	1,437,061	-	-	-		(1,437,061)		
Technology	2,218,172	-	-	-		(2,218,172)		
Total School Board	<u>73,707,092</u>	<u>1,566,932</u>	<u>55,169,001</u>	<u>-</u>		<u>(16,971,159)</u>		
<b>Industrial Development Authority</b>								
Economic development	2,248,720	-	329,574	2,280,000			\$ 360,854	
Interest	289,834	-	-	-			(289,834)	
Total Industrial Development Authority	<u>2,538,554</u>	<u>-</u>	<u>329,574</u>	<u>2,280,000</u>			<u>71,020</u>	
<b>Henry-Martinsville Social Services</b>								
Health and welfare	6,205,990	-	5,721,526	-				\$ (484,464)
Total - Component Units	<u>\$ 82,451,636</u>	<u>\$ 1,566,932</u>	<u>\$ 61,220,101</u>	<u>\$ 2,280,000</u>				<u>(484,464)</u>
<b>General Revenues</b>								
<b>Unrestricted</b>								
General property taxes					21,379,893	-	-	-
Other local taxes					11,428,075	-	-	-
Payments - County of Henry, Virginia					-	17,024,692	424,754	528,021
Use of property					293,244	29,277	771,154	-
Investment income					323,797	26,296	144,413	-
Miscellaneous					100,529	1,733,132	41,054	-
Noncategorical aid from state					4,387,373	-	-	-
Total General Revenues					<u>37,912,911</u>	<u>18,813,397</u>	<u>1,381,375</u>	<u>528,021</u>
Change in Net Assets before extraordinary item					(62,260)	1,842,238	1,452,395	43,557
Extraordinary Item - Asset Impairment					<u>(1,326,011)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets After Extraordinary Item					<u>(1,388,271)</u>	<u>1,842,238</u>	<u>1,452,395</u>	<u>43,557</u>
Net Assets - Beginning of Year					<u>52,859,984</u>	<u>22,328,503</u>	<u>8,251,148</u>	<u>(302,066)</u>
Net Assets - End of Year					<u>\$ 51,471,713</u>	<u>\$ 24,170,741</u>	<u>\$ 9,703,543</u>	<u>\$ (258,509)</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, 2012

	<u>General Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>E-911 Central Dispatch Fund</u>	<u>Law Library Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash	\$ 25,020,631	\$ -	\$ -	\$ -	\$ -	\$ 25,020,631
Receivables - net						
Taxes	1,381,227	-	-	-	-	1,381,227
Licenses	76,806	-	-	-	-	76,806
Accounts	1,329,676	2,808	-	2,118	-	1,334,602
Due from other funds	559,382	-	-	130,654	-	690,036
Due from component units	3,715,785	-	-	-	-	3,715,785
Due from other governments/agencies	3,149,368	165,050	324,445	-	593,350	4,232,213
Inventory	44,570	-	-	-	-	44,570
Total Assets	<u>\$ 35,277,445</u>	<u>\$ 167,858</u>	<u>\$ 324,445</u>	<u>\$ 132,772</u>	<u>\$ 593,350</u>	<u>\$ 36,495,870</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 292,162	\$ 65,359	\$ 1,193	\$ 1,457	\$ 51,506	\$ 411,677
Accrued liabilities	53,511	-	3,514	-	-	57,025
Deferred revenue	1,594,234	-	-	-	32,454	1,626,688
Due to other governments/agencies	3,398	-	-	-	-	3,398
Due to other funds	130,654	102,499	71,157	-	385,726	690,036
Due to component units	4,810,118	-	-	-	-	4,810,118
Total Liabilities	<u>6,884,077</u>	<u>167,858</u>	<u>75,864</u>	<u>1,457</u>	<u>469,686</u>	<u>7,598,942</u>
<b>Fund Balances</b>						
Restricted fund balance	165,802	-	-	131,315	123,664	420,781
Committed fund balance	3,736,105	-	-	-	-	3,736,105
Assigned fund balance	6,891,802	-	248,581	-	-	7,140,383
Unassigned fund balance	17,599,659	-	-	-	-	17,599,659
Total Fund Balances	<u>28,393,368</u>	<u>-</u>	<u>248,581</u>	<u>131,315</u>	<u>123,664</u>	<u>28,896,928</u>
Total Liabilities and Fund Balances	<u>\$ 35,277,445</u>	<u>\$ 167,858</u>	<u>\$ 324,445</u>	<u>\$ 132,772</u>	<u>\$ 593,350</u>	<u>\$ 36,495,870</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 Assets

At June 30, 2012

Total Fund Balances for Governmental Funds		\$ 28,896,928
Total net assets reported for governmental activities in the Statement of Net Assets 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	\$ 2,823,310	
School assets associated with debt held by County	24,930,009	
Buildings and improvements, net of accumulated depreciation	13,365,756	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,558,548</u>	
Total Capital Assets		44,677,623
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred revenue		1,424,731
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 assets are as follows:		
Bonds, capital leases, and notes payable with related premiums	(20,670,221)	
Accrued interest payable	(295,691)	
OPEB obligation	(1,285)	
Landfill closure and post closure liability	(580,248)	
Compensated absences	<u>(1,980,124)</u>	
Total		<u>(23,527,569)</u>
Total Net Assets of Governmental Activities		<u>\$ 51,471,713</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, 2012

	<u>General Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>E-911 Central Dispatch Fund</u>	<u>Law Library Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
General property taxes	\$ 21,323,023	\$ -	\$ -	\$ -	\$ -	\$ 21,323,023
Other local taxes	11,428,075	-	-	-	-	11,428,075
Permits, privilege fees, and regulatory licenses	65,347	-	-	-	-	65,347
Fines and forfeitures	163,957	-	-	-	-	163,957
Use of money and property	655,765	-	-	-	-	655,765
Charges for services	320,456	-	-	7,757	-	328,213
Miscellaneous	82,078	-	-	-	18,451	100,529
Recovered costs	2,876,150	39,088	293,831	4,799	38,725	3,252,593
<i>Intergovernmental</i>						
Revenue from the Commonwealth of Virginia	11,174,532	446,609	383,810	-	5,346	12,010,297
Revenue from the Federal Government	489,999	-	-	-	571,664	1,061,663
<b>Total Revenues</b>	<b>48,579,382</b>	<b>485,697</b>	<b>677,641</b>	<b>12,556</b>	<b>634,186</b>	<b>50,389,462</b>
<b>Expenditures</b>						
<b>Current</b>						
General government administration	2,941,801	-	-	-	-	2,941,801
Judicial administration	2,472,867	-	-	18,782	-	2,491,649
Public safety	11,681,754	-	1,365,090	-	-	13,046,844
Public works	3,121,304	-	-	-	-	3,121,304
Health and welfare	1,294,177	783,089	-	-	-	2,077,266
Education	18,339,248	-	-	-	-	18,339,248
Parks, recreation, and cultural	1,746,487	-	-	-	-	1,746,487
Community development	2,296,902	-	-	-	613,335	2,910,237
Nondepartmental	74,988	-	-	-	-	74,988
<i>Debt service</i>						
Principal	665,000	-	-	-	-	665,000
Interest	114,650	-	-	-	-	114,650
Capital outlay	2,649,852	-	-	-	-	2,649,852
<b>Total Expenditures</b>	<b>47,399,030</b>	<b>783,089</b>	<b>1,365,090</b>	<b>18,782</b>	<b>613,335</b>	<b>50,179,326</b>
Excess (Deficiency) of Revenues Over Expenditures	1,180,352	(297,392)	(687,449)	(6,226)	20,851	210,136
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	297,392	687,449	-	-	984,841
Transfers out	(984,841)	-	-	-	-	(984,841)
<b>Total Other Financing Sources (Uses)</b>	<b>(984,841)</b>	<b>297,392</b>	<b>687,449</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	195,511	-	-	(6,226)	20,851	210,136
Fund Balances - Beginning of Year	28,197,857	-	248,581	137,541	102,813	28,686,792
Fund Balances - End of Year	<u>\$ 28,393,368</u>	<u>\$ -</u>	<u>\$ 248,581</u>	<u>\$ 131,315</u>	<u>\$ 123,664</u>	<u>\$ 28,896,928</u>

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, 2012

Net Change in Fund Balances - Total Governmental Funds		\$ 210,136
<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	\$ 357,849	
Depreciation expense	<u>(3,076,616)</u>	(2,718,767)
<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>		
		56,870
<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 Assets, 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 Assets.</p>		
Tower lease	19,200	
Repayment of principal	1,901,938	
Change in accrued interest	<u>30,194</u>	
Net Adjustment		1,951,332
<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>(748,597)</u>	(748,597)
<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	(93,630)	
OPEB obligation	26,724	
Compensated absences	<u>(72,339)</u>	
Net Adjustment		<u>(139,245)</u>
Change in Net Assets of Governmental Activities		<u>\$ (1,388,271)</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, 2012

	<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>
<b>Assets</b>						
Cash	\$ 4,820	\$ 37,060	\$ 176,336	\$ 67,325	\$ 1,204,907	\$ 1,490,448
Accounts receivable	-	1,800	-	-	-	1,800
Due from other governmental unit	-	2,066	1,471	-	-	3,537
Capital assets, net	-	1,685	-	-	-	1,685
	<u>-</u>	<u>1,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,685</u>
Total Assets	<u>\$ 4,820</u>	<u>\$ 42,611</u>	<u>\$ 177,807</u>	<u>\$ 67,325</u>	<u>\$ 1,204,907</u>	<u>\$ 1,497,470</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ -	\$ 3,120	\$ 1,234	\$ -	\$ -	\$ 4,354
Amounts held for others	4,820	39,491	176,573	67,325	1,204,907	1,493,116
	<u>4,820</u>	<u>39,491</u>	<u>176,573</u>	<u>67,325</u>	<u>1,204,907</u>	<u>1,493,116</u>
Total Liabilities	<u>\$ 4,820</u>	<u>\$ 42,611</u>	<u>\$ 177,807</u>	<u>\$ 67,325</u>	<u>\$ 1,204,907</u>	<u>\$ 1,497,470</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, 2012

## 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 Assets and the Statement of Activities.



- Statement of Net Assets: The Statement of Net Assets 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 Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.
- 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. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or major individual funds (within the fund 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 Assets, 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 2012:

**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. *Capital Projects Fund*

The Capital 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.

### **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 Assets 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 Assets 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 Assets 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 Assets 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 Assets.

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 assets.

The fund financial statements of the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, and Capital 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, and Capital 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 \$1,575,537 at June 30, 2012 and is comprised solely of property taxes.

The IDA calculated an allowance of \$839,939 at June 30, 2012 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, and Capital 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 assets 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>
<b>Fund Statements</b>						
<b>Deposits and Investments</b>						
Petty cash	\$ 1,125	\$ -	\$ -	\$ -	\$ -	\$ 1,125
Deposits	<u>25,019,506</u>	<u>1,490,448</u>	<u>2,505,809</u>	<u>758,249</u>	<u>14,887</u>	<u>29,788,899</u>
	<u>\$ 25,020,631</u>	<u>\$ 1,490,448</u>	<u>\$ 2,505,809</u>	<u>\$ 758,249</u>	<u>\$ 14,887</u>	<u>\$ 29,790,024</u>
<b>Statement of Net Assets</b>						
<b>Deposits and Investments</b>						
Cash and cash equivalents	\$ 25,020,631	\$ -	\$ 2,505,809	\$ 758,249	\$ 14,887	\$ 28,299,576
Fiduciary fund cash	<u>-</u>	<u>1,490,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,490,448</u>
	<u>\$ 25,020,631</u>	<u>\$ 1,490,448</u>	<u>\$ 2,505,809</u>	<u>\$ 758,249</u>	<u>\$ 14,887</u>	<u>\$ 29,790,024</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 asset 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 2012, 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 2012 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, 2012:

### Primary Government

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 2,915,866	\$ -	\$ 32,846	<u>\$ 2,883,020</u>
Total Capital Assets Not Being Depreciated	2,915,866	-	32,846	<u>2,883,020</u>
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	27,861,085	-	429,154	<u>27,431,931</u>
Furniture, equipment, and vehicles	<u>11,535,032</u>	<u>396,573</u>	<u>499,570</u>	<u>11,432,035</u>
Total Capital Assets - Depreciable	39,396,117	396,573	928,724	<u>38,863,966</u>
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	25,800	33,910	-	<u>59,710</u>
Buildings and improvements	12,175,045	2,320,284	429,154	<u>14,066,175</u>
Furniture, equipment, and vehicles	<u>7,644,757</u>	<u>722,422</u>	<u>493,692</u>	<u>7,873,487</u>
Total Accumulated Depreciation	<u>19,845,602</u>	<u>3,076,616</u>	<u>922,846</u>	<u>21,999,372</u>
Other Capital Assets, Net	<u>19,550,515</u>	<u>(2,680,043)</u>	<u>5,878</u>	<u>16,864,594</u>
Net Capital Assets before Allocation from School	<u>\$ 22,466,381</u>	<u>\$ (2,680,043)</u>	<u>\$ 38,724</u>	<u>19,747,614</u>
Add: Net school buildings allocated to County with outstanding debt				<u>24,930,009</u>
Net Capital Assets				<u>\$ 44,677,623</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 165,026			
Judicial administration	235,567			
Public safety	824,821			
Public works	66,794			
Health and welfare	310,757			
Parks, recreation, and cultural	<u>147,640</u>			
Depreciation before Impairment Write Off	1,750,605			
Impairment Loss on Irisburg School Building	<u>1,326,011</u>			
Total Depreciation Expense and Impairment Loss	<u>\$ 3,076,616</u>			

**Component Unit - School Board**

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 787,516	\$ -	\$ -	\$ 787,516
Construction in progress - school renovations	<u>1,569,796</u>	<u>4,137,932</u>	<u>176,859</u>	<u>5,530,869</u>
Total Capital Assets Not Being Depreciated	2,357,312	4,137,932	176,859	<b>6,318,385</b>
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	66,799,002	1,434,895	-	<b>68,233,897</b>
Furniture and equipment	<u>11,224,432</u>	<u>1,255,525</u>	<u>632,347</u>	<u>11,847,610</u>
Total Capital Assets, Depreciable	78,023,434	2,690,420	632,347	<b>80,081,507</b>
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	14,733	-	-	<b>14,733</b>
Buildings and improvements	29,542,039	1,504,921	-	<b>31,046,960</b>
Furniture and equipment	<u>8,047,511</u>	<u>819,743</u>	<u>631,671</u>	<u>8,235,583</u>
Total Accumulated Depreciation	<u>37,604,283</u>	<u>2,324,664</u>	<u>631,671</u>	<u>39,297,276</u>
Other Capital Assets, Net	<u>40,419,151</u>	<u>365,756</u>	<u>676</u>	<u>40,784,231</u>
Net Capital Assets before Allocation to County	<u>\$ 42,776,463</u>	<u>\$ 4,503,688</u>	<u>\$ 177,535</u>	<b>47,102,616</b>
Less: Net school buildings allocated to County with outstanding debt				<u>(24,930,009)</u>
Net Capital Assets				<b><u>\$ 22,172,607</u></b>
 Depreciation is allocated as follows:				
Instruction	\$ 62,197			
Administration, attendance, and health	31,058			
Pupil transportation	518,174			
Operation and maintenance	97,740			
Cafeterias	60,167			
Special grants	2,969			
Facilities	1,480,429			
Technology	<u>71,930</u>			
Total Depreciation Expense	<u>\$ 2,324,664</u>			

**Component Unit - IDA**

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
<b>Capital Assets - Depreciable</b>				
Equipment	\$ 4,440,059	\$ -	\$ -	\$ 4,440,059
Total Capital Assets - Depreciable	4,440,059	-	-	4,440,059
<b>Less: Accumulated depreciation for</b>				
Equipment	<u>1,902,882</u>	<u>634,294</u>	<u>-</u>	<u>2,537,176</u>
Total Accumulated Depreciation	<u>1,902,882</u>	<u>634,294</u>	<u>-</u>	<u>2,537,176</u>
Net Capital Assets	<u>\$ 2,537,177</u>	<u>\$ (634,294)</u>	<u>\$ -</u>	<u>\$ 1,902,883</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**

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
<b>Other Capital Assets</b>				
Machinery and equipment	\$ 257,422	\$ 6,362	\$ -	\$ 263,784
Total Other Capital Assets	257,422	6,362	-	263,784
<b>Less: Accumulated depreciation for</b>				
Machinery and equipment	<u>213,226</u>	<u>12,666</u>	<u>(954)</u>	<u>226,846</u>
Total Accumulated Depreciation	<u>213,226</u>	<u>12,666</u>	<u>(954)</u>	<u>226,846</u>
Other Capital Assets, Net	<u>44,196</u>	<u>(6,304)</u>	<u>954</u>	<u>36,938</u>
Net Capital Assets	<u>\$ 44,196</u>	<u>\$ (6,304)</u>	<u>\$ 954</u>	<u>\$ 36,938</u>

Depreciation is allocated as follows:

Health and welfare	<u>\$ 12,666</u>
Total Depreciation Expense	<u>\$ 12,666</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, except as noted in Item E below.

### **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, 2012, 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 2013.

### **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. *Tax Assessment Lawsuits***

The County has several outstanding legal actions against it involving tax assessments. If the County loses the lawsuits, refunds of taxes could approximate \$579,735 at a maximum.

**F. Surety Bonds**

The following Constitutional Officers and County employees are covered by surety bonds issued in the amounts shown as of June 30, 2012:

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, 2012:

**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, 2012</u>
General Obligation Bonds - 2002	\$ 6,040,000	\$ 690,000	3.00-5.00	2014	\$ 2,165,000
Va. Public School Authority Bonds - 2007B	2,711,471	117,561	5.10	2028	2,270,747
Va. Public School Authority Bonds - 2006	6,009,728	269,638	4.60-5.10	2027	4,760,015
Va. Public School Authority Bonds - 2005	2,342,487	106,385	4.60-5.10	2026	1,753,703
Va. Public School Authority Bonds - 1995	1,916,194	112,597	5.10-6.10	2016	471,059
VML/ VACO Recovery Zone Bonds - 2010	2,000,000	85,000	2.00-6.57	2030	1,920,000
VPSA QSCB Recovery Act Bonds - 2011	3,400,000	-	0.00	2027	3,400,000
Sanville Elementary Literary Loan - 1998	2,080,772	104,039	2.00	2018	624,226
Laurel Park Literary Loan - 1998	1,387,370	69,500	2.00	2018	414,370
Rich Acres Literary Loan - 1998	2,462,218	122,750	2.00	2018	743,718
Stanleytown Literary Loan - 1998	2,425,951	120,000	2.00	2018	745,951
Fieldale-Collinsville Literary Loan - 1998	2,500,000	125,000	2.00	2019	875,000
					<u>\$ 20,143,789</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, 2012</u>
Public Improvement Bond - Series 2007	\$ 4,000,000	\$ 390,397	3.79	2018	\$ 2,575,859
Public Improvement Equipment Lease Revenue Bond - Series 2008	4,400,000	648,746	3.39	2015	2,012,970
Series 2008 Lease Revenue Bond	1,500,000	N/A	3.40	2014	1,500,000
Series 2009 Lease Revenue Bond	2,000,000	N/A	3.40	2014	1,857,593
					<u>\$ 7,946,422</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 Assets for the year ended June 30, 2012:

**Primary Government**

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
General obligations bonds - County	\$ 2,830,000	\$ -	\$ 665,000	\$ 2,165,000	\$ 690,000
General obligations bonds - public schools	13,247,907	-	592,383	12,655,524	606,181
Literary Fund loans	3,944,554	-	541,289	3,403,265	541,289
Recovery Zone bonds	2,000,000	-	80,000	1,920,000	85,000
Subtotal - School-related debt	<u>19,192,461</u>	<u>-</u>	<u>1,213,672</u>	<u>17,978,789</u>	<u>1,232,470</u>
Subtotal - County and school	22,022,461	-	1,878,672	20,143,789	1,922,470
Add: Bond premiums	365,698	-	23,266	342,432	23,265
Subtotal after premiums	22,388,159	-	1,901,938	20,486,221	1,945,735
Note payable to Verizon (Tower)	203,200	-	19,200	184,000	19,200
Landfill closure monitoring	486,618	93,630	-	580,248	58,025
OPEB obligation - County	28,009	-	26,724	1,285	-
Compensated absences	<u>1,907,785</u>	<u>72,339</u>	<u>-</u>	<u>1,980,124</u>	<u>198,012</u>
	<u>\$ 25,013,771</u>	<u>\$ 165,969</u>	<u>\$ 1,947,862</u>	<u>\$ 23,231,878</u>	<u>\$ 2,220,972</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
2013	\$ 690,000	\$ 87,550	\$ 606,181	\$ 431,070	\$ 626,289	\$ 130,719	\$ 1,922,470	\$ 649,339	\$ 19,200	\$ -
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	-
2018-2022	-	-	4,423,539	1,124,329	1,191,820	242,970	5,615,359	1,367,299	88,000	-
2023-2027	-	-	4,520,305	405,527	585,000	139,328	5,105,305	544,855	-	-
2028-2032	-	-	172,355	4,395	405,000	30,437	577,355	34,832	-	-
	<u>\$ 2,165,000</u>	<u>\$ 162,175</u>	<u>\$ 12,655,524</u>	<u>\$ 3,375,228</u>	<u>\$ 5,323,265</u>	<u>\$ 936,779</u>	<u>\$ 20,143,789</u>	<u>\$ 4,474,182</u>	<u>\$ 184,000</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, 2012 is computed as follows:

Total assessed value of taxed real property	<u>\$ 2,968,408,913</u>
Debt limits per Constitution of Virginia - 10% assessed value	\$ 296,840,891
Amount of debt applicable to debt limit:	
Gross debt	<u>20,143,789</u>
Legal debt margin - June 30, 2012	<u>\$ 276,697,102</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, 2012:

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
<b>School Board</b>					
Compensated absences	\$ 612,956	\$ 10,324	\$ -	<u>\$ 623,280</u>	<u>\$ 62,328</u>
<b>Industrial Development Authority</b>					
Series 2008 Lease Revenue Bonds <sup>(1)</sup>	\$ 1,500,000	\$ -	\$ -	<u>\$ 1,500,000</u>	\$ -
Series 2009 Lease Revenue Bonds <sup>(1)</sup>	1,857,593	-	-	<u>1,857,593</u>	-
Public Improvement Bond - Series 2007	2,952,000	-	376,141	<u>2,575,859</u>	390,397
Public Improvement Equipment Lease Revenue Bond - Series 2008	<u>2,640,254</u>	<u>-</u>	<u>627,284</u>	<u>2,012,970</u>	<u>648,746</u>
Total	<u>\$ 8,949,847</u>	<u>\$ -</u>	<u>\$ 1,003,425</u>	<u>\$ 7,946,422</u>	<u>\$ 1,039,143</u>
<b>Henry-Martinsville Social Services</b>					
Compensated absences	<u>\$ 419,343</u>	<u>\$ -</u>	<u>\$ 32,133</u>	<u>\$ 387,210</u>	<u>\$ 35,969</u>

<sup>(1)</sup>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>
2013	\$ 1,039,143	\$ 271,999
2014	1,076,117	234,743
2015	4,471,442	77,159
2016	436,488	43,262
2017	453,031	26,406
2018-2022	<u>470,201</u>	<u>8,910</u>
	<u>\$ 7,946,422</u>	<u>\$ 662,479</u>

## 8 Interfund Receivables/Payables

	<u>Interfund</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>
<b>County of Henry, Virginia - Due to/from's</b>		
General Fund from Other Funds	\$ 559,382	\$ -
Comprehensive Services Act Fund to General Fund	-	102,499
E-911 Central Dispatch Fund to General Fund	-	71,157
Law Library Fund from General Fund	130,654	130,654
Capital Projects Fund to General Fund	-	385,726
Due from Other Funds - Governmental Funds	<u>\$ 690,036</u>	<u>\$ 690,036</u>
	<u>Due</u> <u>From</u>	<u>Due</u> <u>To</u>
<b>Component Unit Interfund Accounts</b>		
Due from Industrial Development Authority to County	\$ 3,030,541	\$ 3,030,541
Due to Regional Industrial Site Project from County	1,469,347	1,469,347
Due from Social Services to County	685,244	685,244
Due to School from County	3,323,010	3,323,010
Due to School Cafeteria from County	17,761	17,761
Total	<u>\$ 8,525,903</u>	<u>\$ 8,525,903</u>
	<u>Transfers</u> <u>In</u>	<u>Transfers</u> <u>Out</u>
<b>County of Henry, Virginia</b>		
<b>General Fund</b>		
From General Fund to Central Dispatch Fund	\$ -	\$ 687,449
From General Fund to Comprehensive Services Fund	-	297,392
<b>Comprehensive Services Act Fund</b>		
From General Fund to Comprehensive Services Fund	297,392	-
<b>Central Dispatch Fund</b>		
From General Fund to Central Dispatch Fund	<u>687,449</u>	<u>-</u>
	<u>\$ 984,841</u>	<u>\$ 984,841</u>

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>County of Henry, Virginia to Component Units</b>		
<b>Primary Government - County of Henry, Virginia</b>		
To Component Unit - Social Services	\$ -	\$ 528,021
To Component Unit - Industrial Development Authority	-	424,754
To Component Unit - School Board	-	18,286,781
<b>Component Unit - Social Services</b>		
From Primary Government - County of Henry, Virginia	528,021	-
<b>Component Unit - Industrial Development Authority</b>		
From Primary Government - County of Henry, Virginia	424,754	-
<b>Component Unit - School Board</b>		
From Primary Government - County of Henry, Virginia	<u>18,286,781</u>	<u>-</u>
	<u>\$ 19,239,556</u>	<u>\$ 19,239,556</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Component Unit - School Board</b>		
<b>School Fund</b>		
From School to School Textbook Fund	\$ -	\$ 218,192
<b>School Textbook Fund</b>		
From School to School Textbook Fund	<u>218,192</u>	<u>-</u>
	<u>\$ 218,192</u>	<u>\$ 218,192</u>

## 9 Due from Other Governments

	<u>County of Henry, Virginia</u>	<u>School Board</u>	<u>Henry-Martinsville Social Services</u>
<b>Commonwealth of Virginia</b>			
Local sales taxes	\$ 653,526	\$ 1,215,219	\$ -
Communications tax	404,733	-	-
Auto rental tax	17,109	-	-
Mobile home tax	12,568	-	-
Compensation Board	462,511	-	-
Recordation tax	14,873	-	-
Motor vehicle carrier tax	1,178	-	-
Comprehensive services	165,050	-	-
Tobacco Indemnification	1,224,158	-	-
Education Technology	-	466,000	-
Other reimbursements	28,342	31,361	-
Public assistance	-	-	180,658
	<u>2,984,048</u>	<u>1,712,580</u>	<u>180,658</u>
<b>Federal Government</b>			
Title VIB	-	417,056	-
Title VI Rural and Low Income	-	21,190	-
Preschool Handicapped	-	12,470	-
Title I and ARRA Title I	-	437,941	-
Title II	-	75,664	-
ARRA Education Jobs	-	401,546	-
Solar Grant - ARRA	-	113,773	-
Law enforcement	82,419	-	-
Development grants - special projects	593,350	-	-
Public assistance	-	-	245,760
Other reimbursements	<u>13,054</u>	<u>67,960</u>	<u>-</u>
	688,823	1,547,600	245,760
<b>Other Governmental Entities</b>			
911 operations - City of Martinsville, Virginia	324,445	-	-
City of Martinsville, Virginia	234,897	-	-
Social services operations - City of Martinsville, VA	-	-	243,939
	<u>\$ 4,232,213</u>	<u>\$ 3,260,180</u>	<u>\$ 670,357</u>

## 10 Defined Benefit Pension Plan

### A. Plan Description

**Name of Plan:**

Virginia Retirement System (VRS)

**Identification of Plan:**

Agent and Cost-Sharing Multiple-Employer  
Defined Benefit Pension Plan

**Administering Entity:**

Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their

employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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

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 Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, 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. 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 2012 was 9.51% of annual covered payroll. The Component Unit – School Board's contribution rate for non-professional employees for the fiscal year ended 2012 was 8.40% of annual covered payroll. The Component Unit – School Board contributed \$2,149,095 to the teacher cost-sharing pool at a rate of 6.33%.

**C. Annual Pension Cost**

For fiscal year 2012, the County and the School Board's non-professionals' annual employer pension cost of \$1,301,637 and \$262,931, 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 Ended</u>	<u>*Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<b>County</b>	June 30, 2010	\$ 1,054,459	100%	\$ -
	June 30, 2011	1,287,877	100%	-
	<b>June 30, 2012</b>	<b>1,301,637</b>	<b>100%</b>	-
<b>School Board Non-Professional</b>	June 30, 2010	\$ 401,356	100%	\$ -
	June 30, 2011	288,740	100%	-
	<b>June 30, 2012</b>	<b>262,931</b>	<b>100%</b>	-

**\*Required employer cost only.**

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees and **3.50% to 4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability

is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

**D. Funded Status and Funding Progress**

As of June 30, 2011, the most recent actuarial valuation date, the plan was 78.85% funded. The actuarial accrued liability for benefits was \$65,539,682, and the actuarial value of assets was \$51,679,507, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,860,175. The covered payroll (annual payroll of active employees covered by the plan) was \$13,615,377, and ratio of the UAAL to the covered payroll was 101.80%.

For the nonprofessional School Board, as of June 30, 2011, the most recent actuarial valuation date, the plan was 83.97% funded. The actuarial accrued liability for benefits was \$17,736,285, and the actuarial value of assets was \$14,893,635, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,842,650. The covered payroll (annual payroll of active employees covered by the plan) was \$3,386,793, and ratio of the UAAL to the covered payroll was 83.93%.

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 Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<b>County of Henry, Virginia</b>						
June 30, 2009	\$ 50,860,620	\$ 57,302,200	\$ 6,441,580	88.76%	\$ 14,020,696	45.94%
June 30, 2010	50,621,762	62,778,967	12,157,205	80.63%	13,531,720	89.84%
<b>June 30, 2011</b>	<b>51,679,507</b>	<b>65,539,682</b>	<b>13,860,175</b>	<b>78.85%</b>	<b>13,615,377</b>	<b>101.80%</b>
<b>Component Unit - School Board</b>						
June 30, 2009	\$ 15,408,828	\$ 17,016,445	\$ 1,607,617	90.55%	\$ 5,041,000	31.89%
June 30, 2010	15,223,482	18,229,490	3,006,008	83.51%	4,865,593	61.78%
<b>June 30, 2011</b>	<b>14,893,635</b>	<b>17,736,285</b>	<b>2,842,650</b>	<b>83.97%</b>	<b>3,386,793</b>	<b>83.93%</b>

**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, 2011	June 30, 2011
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	30 Years (decreasing by one each year in subsequent valuations until reaching 20 years)	30 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) Plan 1 Members	2.50%	2.50%
2) Plan 2 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 \$580,248 reported as landfill post closure care liability at June 30, 2012 represents what it would cost to perform all post closure care in 2012. 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 \$2,706,299 as of June 30, 2012. 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 2012. 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>
<b>Governmental funds</b>			
Taxes	\$ 1,240,270	\$ -	\$ 1,240,270
Business licenses	76,806	-	76,806
Meals tax	88,102	-	88,102
Deposits and prepayments on miscellaneous accounts	19,553	-	19,553
Grant draw downs prior to meeting all eligibility requirements	<u>-</u>	<u>201,957</u>	<u>201,957</u>
Total	<u>\$ 1,424,731</u>	<u>\$ 201,957</u>	<u>\$ 1,626,688</u>
<b>Component Unit - School Board</b>			
Grant draw downs prior to meeting all eligibility requirements	<u>\$ -</u>	<u>\$ 116,706</u>	<u>\$ 116,706</u>
<b>Component Unit - Industrial Development Authority</b>			
Grant draw downs prior to meeting all eligibility requirements	<u>\$ -</u>	<u>\$ 1,462,198</u>	<u>\$ 1,462,198</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	\$ 18,286,781
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	748,597
Adjustment for long-term debt paid by School on buildings owned by the County until the debt is paid off	<u>(2,010,686)</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 17,024,692</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>
<b>County</b>			
06/30/10	\$ 93,923	74.2%	\$ (12,269)
06/30/11	78,394	48.6%	28,009
<b>06/30/12</b>	<b>81,650</b>	<b>132.7%</b>	<b>1,285</b>
<b>School Board</b>			
06/30/10	\$ 375,289	74.1%	\$ (128,902)
06/30/11	432,007	129.3%	(255,271)
<b>06/30/12</b>	<b>425,471</b>	<b>108.5%</b>	<b>(291,553)</b>
<b>Henry-Martinsville Social Services</b>			
06/30/10	\$ 17,556	216.7%	\$ (38,076)
06/30/11	11,621	401.2%	(73,081)
<b>06/30/12</b>	<b>8,697</b>	<b>314.8%</b>	<b>(91,763)</b>

Following are disclosures for the County's postemployment benefits:

**Schedule of Funding Progress**

<u>FY</u>	<u>Actuarial Valuation Date</u>	<u>Plan Assets</u> (a)	<u>Accrued Liability</u> (b)	<u>Unfunded Liability</u> (b-a)	<u>Normal Cost</u> (c)	<u>Funded Ratio</u> (a)/(b)	<u>Covered Payroll</u> (d)	<u>Unfunded % of Payroll</u> (b-a)/(d)
<b>County</b>								
FY 10	07/01/2008 Roll forward	\$ 67,868	\$ 1,173,652	\$ 1,105,784	\$ 23,276	5.8%	\$ 11,127,384	9.9%
FY 11	07/01/2009 Roll forward	111,112	1,007,951	896,839	20,863	11.0%	10,023,578	8.9%
<b>FY 12</b>	<b>07/01/2009 Roll forward</b>	<b>133,701</b>	<b>1,066,456</b>	<b>932,755</b>	<b>21,385</b>	<b>12.5%</b>	<b>10,274,167</b>	<b>9.1%</b>
<b>School Board</b>								
FY 10	07/01/2008 Roll forward	\$ 295,359	\$ 4,893,540	\$ 4,598,181	\$ 82,725	6.0%	\$ 36,988,094	12.4%
FY 11	07/01/2009 Roll forward	330,009	5,640,560	5,310,551	92,988	5.9%	32,942,499	16.1%
<b>FY 12</b>	<b>07/01/2009 Roll forward</b>	<b>692,667</b>	<b>5,890,000</b>	<b>5,197,333</b>	<b>95,312</b>	<b>11.8%</b>	<b>33,766,061</b>	<b>15.4%</b>
<b>Henry-Martinsville Social Services</b>								
FY 10	07/01/2008 Roll forward	\$ 34,531	\$ 197,610	\$ 163,079	\$ 7,114	17.5%	\$ 2,885,425	5.7%
FY 11	07/01/2009 Roll forward	56,218	150,745	94,527	5,766	37.3%	2,588,432	3.7%
<b>FY 12</b>	<b>07/01/2009 Roll forward</b>	<b>103,383</b>	<b>157,232</b>	<b>53,849</b>	<b>5,910</b>	<b>65.8%</b>	<b>2,653,143</b>	<b>2.0%</b>

**Schedule of Contributions**

<u>FYE</u>	<u>Annual OPEB Cost</u>	<u>Estimated Contribution</u>	<u>% Contributed</u>
<b>County</b>			
June 30, 2010	\$ 93,923	\$ 69,700	74.2%
June 30, 2011	78,394	38,116	48.6%
<b>June 30, 2012</b>	<b>81,650</b>	<b>108,374</b>	<b>132.7%</b>
<b>School Board</b>			
June 30, 2010	\$ 375,289	\$ 278,000	74.1%
June 30, 2011	432,007	558,376	129.3%
<b>June 30, 2012</b>	<b>425,471</b>	<b>461,753</b>	<b>108.5%</b>
<b>Henry-Martinsville Social Services</b>			
June 30, 2010	\$ 17,556	\$ 38,040	216.7%
June 30, 2011	11,621	46,626	401.2%
<b>June 30, 2012</b>	<b>8,697</b>	<b>27,379</b>	<b>314.8%</b>

### Annual Pension OPEB Cost Summary

<u>Plan Year</u>	<u>BOY NOPEBO</u>	<u>ARC</u>	<u>Annual OPEB Int.</u>	<u>Cost Adj.</u>	<u>Total</u>	<u>Est. Cont.</u>	<u>EOY NOPEBO</u>	<u>Interest Rate</u>	<u>Amort. Period</u>
<b>County</b>									
2009-10	\$ (36,492)	\$ 94,261	\$ (2,737)	\$ 2,399	\$ 93,923	\$ 69,700	\$ (12,269)	7.50%	30
2010-11	(12,269)	78,507	(920)	807	78,394	38,116	28,009	7.50%	30
<b>2011-12</b>	<b>28,009</b>	<b>81,326</b>	<b>2,101</b>	<b>(1,777)</b>	<b>81,650</b>	<b>108,374</b>	<b>1,285</b>	<b>7.50%</b>	<b>30</b>
<b>School Board</b>									
2009-10	\$(226,191)	\$ 377,380	\$(16,964)	\$ 14,873	\$375,289	\$ 278,000	\$(128,902)	7.50%	30
2010-11	(128,902)	433,200	(9,668)	8,475	432,007	558,376	(255,271)	7.50%	30
<b>2011-12</b>	<b>(255,271)</b>	<b>428,428</b>	<b>(19,146)</b>	<b>16,189</b>	<b>425,471</b>	<b>461,753</b>	<b>(291,553)</b>	<b>7.50%</b>	<b>30</b>
<b>Henry-Martinsville Social Services</b>									
2009-10	\$ (17,592)	\$ 17,718	\$ (1,319)	\$ 1,157	\$ 17,556	\$ 38,040	\$ (38,076)	7.50%	30
2010-11	(38,076)	11,973	(2,856)	2,504	11,621	46,626	(73,081)	7.50%	30
<b>2011-12</b>	<b>(73,081)</b>	<b>9,543</b>	<b>(5,481)</b>	<b>4,635</b>	<b>8,697</b>	<b>27,379</b>	<b>(91,763)</b>	<b>7.50%</b>	<b>30</b>

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

##### **Plan Description**

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

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**Health Insurance Credit Program**

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
		<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL</b>	<b>Funded</b>	<b>Covered</b>	<b>UAAL as a Percentage of Covered</b>
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Projected Unit Credit</b>	<b>(UAAL)</b>	<b>Ratio</b>	<b>Payroll</b>	<b>Payroll</b>
June 30, 2009	\$ 204,093	\$ 187,304	\$ (16,789)	108.96%	\$ 14,020,696	-0.12%
June 30, 2010	235,035	206,188	(28,847)	113.99%	13,531,720	-0.21%
<b>June 30, 2011</b>	<b>269,820</b>	<b>216,812</b>	<b>(53,008)</b>	<b>124.45%</b>	<b>4,263,231</b>	<b>-1.24%</b>

Valuation Date June 30, 2011

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Pay, Open

Remaining Amortization Period 30 Years

Asset Valuation Method Market Value of Assets

Actuarial Assumptions

Investment rate of return<sup>1</sup> 7.00%

Payroll growth rate 3.00%

<sup>1</sup>Includes inflation at 2.50%

## 17 Legal Compliance

### Expenditures in Excess of Appropriations

The County had no expenditures that exceeded appropriations this fiscal year.

### Fund Deficits

There is a net assets deficit in the Component Unit – Henry-Martinsville Social Services this fiscal year of \$258,509 for GASB 34 reporting purposes.

## 18 Asset Impairment

The Irisburg Elementary School Building was last used as a School in June 2010. After exploring other uses for the building, the County decided to dispose of it. The building was marketed and eventually sold in July 2012 to the highest bidder for \$135,000. The book value of this facility was reduced to \$135,000 at June 30, 2012 to reflect this, resulting in an impairment loss of \$1,326,011.

# REQUIRED SUPPLEMENTARY INFORMATION



**County of Henry, Virginia**  
Budgetary Comparison Schedule  
**General Fund**  
Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Current year property taxes	\$ 20,780,838	\$ 20,645,423	\$ 20,898,829	\$ 253,406
Penalties - all tax years	220,000	220,000	248,379	28,379
Interest - all tax years	150,000	144,502	175,815	31,313
Total General Property Taxes	<u>21,150,838</u>	<u>21,009,925</u>	<u>21,323,023</u>	<u>313,098</u>
<b>Other Local Taxes</b>				
Local sales and use taxes	3,711,252	3,711,252	3,882,485	171,233
Consumer utility tax	2,750,000	2,750,000	2,629,000	(121,000)
Business license taxes	1,440,000	1,440,000	1,592,786	152,786
Motor vehicle licenses	948,000	948,000	916,080	(31,920)
Bank franchise taxes	155,000	155,000	184,274	29,274
Transient occupancy taxes	100,000	100,000	103,042	3,042
Taxes on recordation and wills	214,000	214,000	198,630	(15,370)
Restaurant food taxes	1,800,000	1,800,000	1,921,778	121,778
Total Other Local Taxes	<u>11,118,252</u>	<u>11,118,252</u>	<u>11,428,075</u>	<u>309,823</u>
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	11,000	11,000	9,973	(1,027)
Building and related permits	65,000	65,000	49,661	(15,339)
Other permits, licenses, and fees	4,700	4,700	5,713	1,013
Total Permits, Privilege Fees, and Regulatory Licenses	<u>80,700</u>	<u>80,700</u>	<u>65,347</u>	<u>(15,353)</u>
<b>Fines and Forfeitures</b>				
Court fines and forfeitures	198,800	198,800	163,957	(34,843)
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	240,000	240,000	323,797	83,797
Revenue from use of property	250,050	250,050	331,968	81,918
Total Revenue from Use of Money and Property	<u>490,050</u>	<u>490,050</u>	<u>655,765</u>	<u>165,715</u>
<b>Charges for Services</b>				
Sheriff fees	18,454	18,454	19,837	1,383
Commonwealth's attorney	2,900	2,900	5,911	3,011
County and hired attorneys	75,000	75,000	85,531	10,531
Law enforcement and traffic control	22,000	22,000	48,487	26,487
Charges for sanitation and waste removal	60,132	60,132	63,174	3,042
Animal warden	500	500	793	293
Parks and recreation	49,000	49,000	52,535	3,535
Utility bill collection	14,000	14,000	14,862	862
Miscellaneous other charges for services	3,250	5,682	29,326	23,644
Total Charges for Services	<u>245,236</u>	<u>247,668</u>	<u>320,456</u>	<u>72,788</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Recovered Costs</b>				
Jail costs - Commonwealth of Virginia	329,094	329,094	296,605	(32,489)
Inmate housing fees	-	33,920	33,920	-
Salary - court secretary	21,000	21,000	23,875	2,875
City of Martinsville, Virginia	-	265,610	208,107	(57,503)
City share of extension services	7,695	6,925	6,925	-
School share of school resource officer	152,049	152,049	151,397	(652)
EMS fees for service	396,000	452,386	518,691	66,305
M/HC Economic Development Corporation	774,319	774,319	743,597	(30,722)
Harvest Foundation Grant	-	784,205	615,079	(169,126)
Local and special grants	-	8,432	10,838	2,406
Transportation Grants	55,212	70,925	55,039	(15,886)
Other recovered costs	-	10,018	16,661	6,643
Insurance recoveries	-	6,000	30,521	24,521
Miscellaneous refunds	<u>227,398</u>	<u>227,398</u>	<u>164,895</u>	<u>(62,503)</u>
Total Recovered Costs	1,962,767	3,142,281	2,876,150	(266,131)
<b>Miscellaneous</b>	60,000	60,000	82,078	22,078
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	42,000	42,000	39,887	(2,113)
Mobile home titling tax	60,000	60,000	76,827	16,827
Tax on deeds	59,000	59,000	53,136	(5,864)
Auto rental sales tax	56,000	56,000	42,853	(13,147)
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
PARA mutual tax	28,000	28,000	32,991	4,991
Communication tax	<u>2,475,000</u>	<u>2,475,000</u>	<u>2,369,851</u>	<u>(105,149)</u>
Total Noncategorical Aid	4,491,828	4,491,828	4,387,373	(104,455)
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	485,958	485,958	513,747	27,789
Sheriff	3,791,520	3,791,520	3,840,003	48,483
Commissioner of the Revenue	154,613	154,613	154,024	(589)
Treasurer	146,093	146,093	145,818	(275)
Electoral Board and General Registrar	45,190	45,190	58,139	12,949
Clerk of Circuit Court	<u>401,527</u>	<u>401,527</u>	<u>410,560</u>	<u>9,033</u>
Total Categorical Aid	5,024,901	5,024,901	5,122,291	97,390
<i>Other Categorical Aid</i>				
Emergency services grant	-	127,227	127,227	-
Fire programs fund	-	141,405	161,580	20,175
Victim witness program	26,096	26,096	26,570	474
Transportation grant funds	35,302	35,302	35,302	-
Litter control program	19,528	19,528	16,618	(2,910)
State EMS Two for Life funds	-	51,995	51,995	-
Other state grants	-	110,422	3,703	(106,719)
Tobacco Indemnification money	-	1,562,411	1,224,157	(338,254)
Asset forfeiture funds	<u>-</u>	<u>3,738</u>	<u>17,716</u>	<u>13,978</u>
Total Other Categorical Aid	80,926	2,078,124	1,664,868	(413,256)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	9,597,655	11,594,853	11,174,532	(420,321)
<b>Revenue from the Federal Government</b>				
Payments in lieu of taxes	3,000	3,000	3,262	262
Forfeited property	-	-	19,143	19,143
Emergency services	24,874	24,874	24,874	-
Law enforcement grants	-	413,949	246,805	(167,144)
Victim Witness Program	78,286	78,286	79,711	1,425
Transportation grants	57,179	88,377	55,988	(32,389)
Other federal fund grants	-	60,216	60,216	-
Total Revenue from the Federal Government	<u>163,339</u>	<u>668,702</u>	<u>489,999</u>	<u>(178,703)</u>
Total Intergovernmental Revenue	<u>9,760,994</u>	<u>12,263,555</u>	<u>11,664,531</u>	<u>(599,024)</u>
Total Revenues	45,067,637	48,611,231	48,579,382	(31,849)
<b>Expenditures</b>				
<b>Current</b>				
<i>General Government Administration</i>				
Board of Supervisors	123,079	141,929	130,886	11,043
County Administrator	321,596	321,596	316,668	4,928
Independent auditor	67,000	67,000	42,880	24,120
Human resources/training	51,170	51,264	47,404	3,860
County Attorney	148,968	148,968	153,690	(4,722)
Commissioner of Revenue	517,155	517,155	522,994	(5,839)
Assessors	125,778	125,778	110,470	15,308
Treasurer	520,036	522,711	517,251	5,460
Finance	335,551	336,115	325,367	10,748
Information services	350,137	366,166	345,954	20,212
Central purchasing	191,505	192,599	188,890	3,709
Board of Elections - registrar	<u>251,833</u>	<u>264,813</u>	<u>239,347</u>	<u>25,466</u>
Total General Government Administration	3,003,808	3,056,094	2,941,801	114,293
<i>Judicial Administration</i>				
Circuit Court	85,580	85,580	77,183	8,397
General District Court	18,936	20,936	18,193	2,743
Magistrates	3,430	3,430	3,567	(137)
Juvenile and Domestic Relations	9,124	12,276	10,593	1,683
Clerk of the Circuit Court	637,695	638,396	627,098	11,298
Sheriff Civil and Court Security	891,851	900,681	888,490	12,191
Victim/Witness Assist	132,801	132,801	132,871	(70)
Commonwealth's Attorney	<u>714,865</u>	<u>714,865</u>	<u>714,872</u>	<u>(7)</u>
Total Judicial Administration	2,494,282	2,508,965	2,472,867	36,098



	<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	4,958,026	5,134,121	5,027,642	106,479
Law enforcement and traffic control - grants	-	159,976	86,645	73,331
COPS hiring grant	-	344,357	160,160	184,197
School resource officer	152,049	152,049	151,397	652
Fire and rescue services	1,023,153	1,441,371	1,226,062	215,309
Emergency medical services	179,045	186,138	177,797	8,341
EMS supplemental services	597,786	821,043	766,421	54,622
Fire marshal	271,197	272,727	271,419	1,308
Correction and detention	2,267,064	2,288,254	2,155,128	133,126
Correction and detention - SCAAP grant	-	40,904	895	40,009
Probation	387,652	387,652	354,058	33,594
Code enforcement	249,121	322,289	264,662	57,627
Public safety	118,492	119,377	117,124	2,253
Public safety - grants	-	21,076	4,741	16,335
Payments to IDA for equipment lease	711,518	711,518	711,518	-
Electronic monitoring	12,955	12,955	12,416	539
Animal control	181,232	188,052	183,871	4,181
Asset forfeiture	-	3,738	2,531	1,207
SPCA	7,267	17,127	7,267	9,860
<b>Total Public Safety</b>	<b>11,116,557</b>	<b>12,624,724</b>	<b>11,681,754</b>	<b>942,970</b>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	8,000	12,000	7,404	4,596
Refuse collection	1,629,961	1,648,404	1,541,181	107,223
Refuse disposal - closure maintenance	34,000	34,000	27,418	6,582
<i>Maintenance of buildings and grounds</i>				
General engineering	251,725	252,925	248,607	4,318
Communication equipment	57,523	65,248	66,812	(1,564)
Administrative building	387,138	392,938	344,023	48,915
Courthouse	304,362	304,611	288,865	15,746
Sheriff's office	54,050	54,050	36,676	17,374
Jail	255,450	280,716	227,627	53,089
Other	173,707	191,404	159,041	32,363
Social services and health department	54,490	56,679	54,871	1,808
Dupont property	152,017	152,017	118,779	33,238
<b>Total Maintenance of Buildings and Grounds</b>	<b>1,690,462</b>	<b>1,750,588</b>	<b>1,545,301</b>	<b>205,287</b>
<b>Total Public Works</b>	<b>3,362,423</b>	<b>3,444,992</b>	<b>3,121,304</b>	<b>323,688</b>
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	595,654	595,703	528,021	67,682
Health Department	293,429	293,429	293,429	-
Mental health and retardation	117,567	117,567	117,567	-
Transportation grants	147,693	194,610	146,354	48,256
Property tax relief for the elderly	80,000	80,000	74,290	5,710
Group home services	66,192	66,192	66,192	-
Other welfare and social services	70,165	70,165	68,324	1,841
<b>Total Health and Welfare</b>	<b>1,370,700</b>	<b>1,417,666</b>	<b>1,294,177</b>	<b>123,489</b>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<i>Education</i>				
Contributions to community colleges	52,467	52,467	52,467	-
Contributions to component unit - school board	<u>16,577,895</u>	<u>23,235,372</u>	<u>18,286,781</u>	<u>4,948,591</u>
Total Education	16,630,362	23,287,839	18,339,248	4,948,591
<i>Parks, Recreation, and Cultural</i>				
Parks, recreation, and cultural	888,730	921,645	907,567	14,078
Cultural enrichment	52,346	52,346	52,346	-
Library	<u>786,574</u>	<u>786,574</u>	<u>786,574</u>	<u>-</u>
Total Parks, Recreation, and Cultural	1,727,650	1,760,565	1,746,487	14,078
<i>Community Development</i>				
Planning and community development	267,783	267,783	263,123	4,660
Engineering and mapping	251,975	253,866	241,734	12,132
M/HC Economic Development Corporation	774,319	774,319	743,597	30,722
Cooperative extension program	45,785	45,015	42,383	2,632
Henry County Industrial Development Authority	4,578,273	4,137,571	424,754	3,712,817
Other community and economic development	<u>588,269</u>	<u>613,353</u>	<u>581,311</u>	<u>32,042</u>
Total Community Development	6,506,404	6,091,907	2,296,902	3,795,005
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	167,500	149,547	74,988	74,559
Contingency reserve	<u>150,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Nondepartmental	317,500	199,547	74,988	124,559
<i>Capital Projects</i>				
Henry County PSA for water/sewer line	-	3,185,038	2,508,533	676,505
Other miscellaneous capital projects	<u>50,000</u>	<u>594,705</u>	<u>141,319</u>	<u>453,386</u>
Total Capital Projects	50,000	3,779,743	2,649,852	1,129,891
<i>Debt Service</i>				
Principal	665,000	665,000	665,000	-
Interest and other costs	<u>114,650</u>	<u>114,650</u>	<u>114,650</u>	<u>-</u>
Total Debt Service	<u>779,650</u>	<u>779,650</u>	<u>779,650</u>	<u>-</u>
 Total Expenditures	 <u>47,359,336</u>	 <u>58,951,692</u>	 <u>47,399,030</u>	 <u>11,552,662</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,291,699)	(10,340,461)	1,180,352	11,520,813
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	<u>(1,041,601)</u>	<u>(1,103,758)</u>	<u>(984,841)</u>	<u>118,917</u>
Total Other Financing Sources (Uses)	<u>(1,041,601)</u>	<u>(1,103,758)</u>	<u>(984,841)</u>	<u>118,917</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
Net Change in Fund Balance Before Transfer from Surplus	(3,333,300)	(11,444,219)	195,511	11,639,730
Transfer from Surplus Funds	<u>3,333,300</u>	<u>11,444,219</u>	<u>-</u>	<u>(11,444,219)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	195,511	<u>\$ 195,511</u>
Fund Balance - Beginning of Year			<u>28,197,857</u>	
Fund Balance - End of Year			<u>\$ 28,393,368</u>	

**Comprehensive Services Act Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Recovered costs	\$ 39,088	\$ 39,088	\$ 39,088	\$ -
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	<u>652,295</u>	<u>652,295</u>	<u>446,609</u>	<u>(205,686)</u>
Total Intergovernmental Revenue	<u>652,295</u>	<u>652,295</u>	<u>446,609</u>	<u>(205,686)</u>
Total Revenues	691,383	691,383	485,697	(205,686)
<b>Expenditures</b>				
<b>Current</b>				
<i>Health and Welfare</i>				
Welfare and social services	<u>1,023,829</u>	<u>1,023,829</u>	<u>783,089</u>	<u>240,740</u>
Total Expenditures	<u>1,023,829</u>	<u>1,023,829</u>	<u>783,089</u>	<u>240,740</u>
Excess (Deficiency) of Revenues Over Expenditures	(332,446)	(332,446)	(297,392)	35,054
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>332,446</u>	<u>332,446</u>	<u>297,392</u>	<u>(35,054)</u>
Total Other Financing Sources (Uses)	<u>332,446</u>	<u>332,446</u>	<u>297,392</u>	<u>(35,054)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

**E-911 Central Dispatch Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Local Revenues</b>				
Recovered costs	\$ 317,493	\$ 325,678	\$ 293,831	\$ (31,847)
Total Local Revenues	317,493	325,678	293,831	(31,847)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	492,632	612,479	383,810	(228,669)
Total Intergovernmental Revenues	492,632	612,479	383,810	(228,669)
<b>Reserve from Surplus</b>				
Total Revenues	810,125	938,157	677,641	(260,516)
<b>Expenditures</b>				
<b>Current</b>				
Public Safety	1,519,280	1,667,351	1,365,090	302,261
Total Expenditures	1,519,280	1,667,351	1,365,090	302,261
Excess (Deficiency) of Revenues Over Expenditures	(709,155)	(729,194)	(687,449)	(562,777)
<b>Other Financing Sources (Uses)</b>				
Transfers in	709,155	729,194	687,449	(41,745)
Total Other Financing Sources (Uses)	709,155	729,194	687,449	(41,745)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ (604,522)</u>
Fund Balance - Beginning of Year			<u>248,581</u>	
Fund Balance - End of Year			<u>\$ 248,581</u>	

Law Library Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 11,000	\$ 11,000	\$ 7,757	\$ (3,243)
Recovered costs	5,600	5,600	4,799	(801)
Reserve to balance budget	<u>14,900</u>	<u>14,900</u>	<u>-</u>	<u>(14,900)</u>
Total Revenues	31,500	31,500	12,556	(18,944)
<b>Expenditures</b>				
<b>Current</b>				
Judicial administration	<u>31,500</u>	<u>31,500</u>	<u>18,782</u>	<u>12,718</u>
Total Expenditures	<u>31,500</u>	<u>31,500</u>	<u>18,782</u>	<u>12,718</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(6,226)	<u>\$ (6,226)</u>
Fund Balance - Beginning of Year			<u>137,541</u>	
Fund Balance - End of Year			<u>\$ 131,315</u>	

**Capital Projects Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 18,451	\$ 18,451
Recovered costs	-	346,577	38,725	(307,852)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	-	137,620	5,346	(132,274)
Revenue from the Federal Government	-	2,647,499	571,664	(2,075,835)
<b>Total Revenues</b>	<b>-</b>	<b>3,131,696</b>	<b>634,186</b>	<b>(2,497,510)</b>
<b>Expenditures</b>				
<b>Current</b>				
Community Development	-	3,173,814	613,335	2,560,479
<b>Total Expenditures</b>	<b>-</b>	<b>3,173,814</b>	<b>613,335</b>	<b>2,560,479</b>
Net Change in Fund Balance Before Transfers	-	(42,118)	20,851	62,969
Transfer from Other Funds	-	42,118	-	(42,118)
Net Change in Fund Balance Before Transfers	<u>\$ -</u>	<u>\$ -</u>	20,851	<u>\$ 20,851</u>
Fund Balance - Beginning of Year			<u>102,813</u>	
Fund Balance - End of Year			<u>\$ 123,664</u>	

Henry County School Board  
School Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from the use of money and property	\$ 22,000	\$ 22,002	\$ 31,734	\$ 9,732
Charges for services	33,500	526,811	514,203	(12,608)
Recovered costs	320,000	363,697	492,392	128,695
Miscellaneous				
Harvest Foundation	-	583,437	553,932	(29,505)
Educational Technology	492,000	492,000	466,000	(26,000)
Other miscellaneous	445,750	614,024	890,735	276,711
Contribution - County of Henry, Virginia	16,577,895	23,235,372	18,286,781	(4,948,591)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	41,790,881	43,471,663	43,423,720	(47,943)
Revenue from the Federal Government	9,500,000	9,826,802	8,400,792	(1,426,010)
QSCB federal interest loan subsidy	-	141,525	141,525	-
Total Intergovernmental Revenues	<u>51,290,881</u>	<u>53,439,990</u>	<u>51,966,037</u>	<u>(1,473,953)</u>
Total Revenues	69,182,026	79,277,333	73,201,814	(6,075,519)
<b>Expenditures</b>				
Instruction	40,214,817	43,719,151	42,996,164	722,987
Administration, attendance, and health	2,467,379	2,577,519	2,433,994	143,525
Pupil transportation	5,304,799	6,169,229	5,880,262	288,967
Operation and maintenance	6,674,848	7,015,499	5,952,293	1,063,206
Facilities	610,000	7,115,657	5,529,459	1,586,198
Special grants	9,800,000	11,006,076	8,786,070	2,220,006
Technology	1,960,725	2,290,552	2,146,242	144,310
Contingency reserve	100,000	-	-	-
Debt service				
Principal	1,213,672	1,213,672	1,213,672	-
Interest and other charges	617,594	923,261	797,014	126,247
Total Expenditures	<u>68,963,834</u>	<u>82,030,616</u>	<u>75,735,170</u>	<u>6,295,446</u>
Excess (Deficiency) of Revenues Over Expenditures	218,192	(2,753,283)	(2,533,356)	219,927
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>(218,192)</u>	<u>(218,192)</u>	<u>(218,192)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(218,192)</u>	<u>(218,192)</u>	<u>(218,192)</u>	<u>-</u>
Net Change in Fund Balance	-	(2,971,475)	(2,751,548)	219,927
Reserve from Surplus	<u>-</u>	<u>2,971,475</u>	<u>-</u>	<u>(2,971,475)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	<u>(2,751,548)</u>	<u>\$ (2,751,548)</u>
Fund Balance - Beginning of Year			<u>2,971,475</u>	
Fund Balance - End of Year			<u>\$ 219,927</u>	



Henry County School Board  
School Textbook Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 23,839	\$ 23,839
Total Revenues	-	-	23,839	23,839
<b>Expenditures</b>				
Textbooks	350,000	935,000	873,799	61,201
Total Expenditures	350,000	935,000	873,799	61,201
Excess (Deficiency) of Revenues Over Expenditures	(350,000)	(935,000)	(849,960)	85,040
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	218,192	218,192	218,192	-
Total Other Financing Sources (Uses)	218,192	218,192	218,192	-
Net Change in Fund Balance	(131,808)	(716,808)	(631,768)	85,040
Reserve from Surplus	131,808	716,808	-	(716,808)
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	(631,768)	<u>\$ (631,768)</u>
Fund Balance - Beginning of Year			<u>2,008,178</u>	
Fund Balance - End of Year			<u>\$ 1,376,410</u>	

Henry County School Board  
School Cafeteria Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 1,160,659	\$ 1,292,242	\$ 1,052,729	\$ (239,513)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	115,000	115,000	113,825	(1,175)
Revenue from the Federal Government	<u>3,235,033</u>	<u>3,240,453</u>	<u>3,089,139</u>	<u>(151,314)</u>
Total Intergovernmental Revenues	<u>3,350,033</u>	<u>3,355,453</u>	<u>3,202,964</u>	<u>(152,489)</u>
Total Revenues	4,510,692	4,647,695	4,255,693	(392,002)
<b>Expenditures</b>				
Cafeteria	<u>4,510,692</u>	<u>4,777,311</u>	<u>4,130,847</u>	<u>646,464</u>
Total Expenditures	<u>4,510,692</u>	<u>4,777,311</u>	<u>4,130,847</u>	<u>646,464</u>
Net Change in Fund Balance	-	(129,616)	124,846	254,462
Reserve from Surplus	-	<u>129,616</u>	-	<u>(129,616)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	124,846	<u>\$ 124,846</u>
Fund Balance - Beginning of Year			<u>608,678</u>	
Fund Balance - End of Year			<u>\$ 733,524</u>	

# OTHER SUPPLEMENTARY INFORMATION



## County of Henry, Virginia

## Combining Balance Sheet

Component Unit - School Board

Year Ended June 30, 2012

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
<b>Assets</b>				
Cash	\$ 19,407	\$ 1,376,410	\$ 868,785	\$ 2,264,602
Cash - restricted	241,207	-	-	241,207
Receivables - net	422,474	-	45,664	468,138
Due from primary government	3,323,010	-	17,761	3,340,771
Due from other governments	<u>3,260,180</u>	<u>-</u>	<u>-</u>	<u>3,260,180</u>
Total Assets	<u>\$ 7,266,278</u>	<u>\$ 1,376,410</u>	<u>\$ 932,210</u>	<u>\$ 9,574,898</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,032,969	\$ -	\$ 481	\$ 1,033,450
Deferred revenue	116,706	-	-	116,706
Accrued salaries and benefits	<u>5,896,676</u>	<u>-</u>	<u>198,205</u>	<u>6,094,881</u>
Total Liabilities	7,046,351	-	198,686	7,245,037
<b>Fund Balances</b>				
Restricted	219,927	-	733,524	953,451
Assigned	<u>-</u>	<u>1,376,410</u>	<u>-</u>	<u>1,376,410</u>
Total Fund Balances	<u>219,927</u>	<u>1,376,410</u>	<u>733,524</u>	<u>2,329,861</u>
Total Liabilities and Fund Balances	<u>\$ 7,266,278</u>	<u>\$ 1,376,410</u>	<u>\$ 932,210</u>	<u>\$ 9,574,898</u>
				Fund Balances - per above \$ 2,329,861
				Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 22,172,607
				The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds. 291,553
				Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds. <u>(623,280)</u>
				Net Assets of Governmental Activities <u>\$ 24,170,741</u>

## County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Component Unit - School Board

Year Ended June 30, 2012

	School Fund	School Textbook Fund	School Cafeteria Fund	Total Public Schools
<b>Revenues</b>				
Revenue from use of money and property	\$ 31,734	\$ 23,839	\$ -	\$ 55,573
Charges for services	514,203	-	1,052,729	1,566,932
Recovered costs	492,392	-	-	492,392
Miscellaneous	1,910,667	-	-	1,910,667
<b>Intergovernmental</b>				
County of Henry, Virginia	18,286,781	-	-	18,286,781
Commonwealth of Virginia	43,423,720	-	113,825	43,537,545
Federal	8,400,792	-	3,089,139	11,489,931
QSCB federal loan interest subsidy	141,525	-	-	141,525
Total Revenues	<u>73,201,814</u>	<u>23,839</u>	<u>4,255,693</u>	<u>77,481,346</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	42,996,164	873,799	-	43,869,963
Administration, attendance, and health	2,433,994	-	-	2,433,994
Pupil transportation	5,880,262	-	-	5,880,262
Operation and maintenance	5,952,293	-	-	5,952,293
Cafeteria - school food service	-	-	4,130,847	4,130,847
Facilities	5,529,459	-	-	5,529,459
Special grants	8,786,070	-	-	8,786,070
Technology	2,146,242	-	-	2,146,242
<b>Debt service</b>				
Principal	1,213,672	-	-	1,213,672
Interest and other charges	797,014	-	-	797,014
Total Expenditures	<u>75,735,170</u>	<u>873,799</u>	<u>4,130,847</u>	<u>80,739,816</u>
Excess (Deficiency) of Expenditures Over Revenues	(2,533,356)	(849,960)	124,846	(3,258,470)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	218,192	-	218,192
Transfers out	(218,192)	-	-	(218,192)
Total Other Financing Sources (Uses)	<u>(218,192)</u>	<u>218,192</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,751,548)	(631,768)	124,846	(3,258,470)
Fund Balances - Beginning of Year	2,971,475	2,008,178	608,678	5,588,331
Fund Balances - End of Year	<u>\$ 219,927</u>	<u>\$ 1,376,410</u>	<u>\$ 733,524</u>	<u>\$ 2,329,861</u>
Net Change in Fund Balances - per above				\$ (3,258,470)
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.				4,326,153
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. The construction activity has to be transferred to the County. This consists of the restricted cash as well as the fixed assets.				748,597
Change in Compensated Absences				(10,324)
Change in Net OPEB Asset				<u>36,282</u>
Change in Net Assets of Governmental Activities				<u>\$ 1,842,238</u>

## County of Henry, Virginia

## Statement of Net Assets

## Component Unit - Industrial Development Authority

At June 30, 2012

	<u>Industrial Site Project Fund #37</u>	<u>Main Operating Fund Fund #45</u>	<u>Total Industrial Development Authority</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ -	\$ 758,249	\$ 758,249
Due from primary government - Henry County, VA	1,469,347	-	1,469,347
Receivables - net	-	761,714	761,714
Inventory	<u>2,501,288</u>	<u>13,041,148</u>	<u>15,542,436</u>
Total Current Assets	3,970,635	14,561,111	18,531,746
<b>Noncurrent Assets</b>			
Fixed assets, net of accumulated depreciation	-	1,902,883	1,902,883
Notes receivables - net	<u>-</u>	<u>1,866,360</u>	<u>1,866,360</u>
Total Noncurrent Assets	<u>-</u>	<u>3,769,243</u>	<u>3,769,243</u>
Total Assets	<u>\$ 3,970,635</u>	<u>\$ 18,330,354</u>	<u>\$ 22,300,989</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 7,150	\$ 67,536	\$ 74,686
Accrued interest payable	-	83,599	83,599
Deferred revenue	1,462,198	-	1,462,198
Current portion of long-term debt	<u>-</u>	<u>1,039,143</u>	<u>1,039,143</u>
Total Current Liabilities	1,469,348	1,190,278	2,659,626
<b>Long-Term Liabilities</b>			
Long-term debt - due in more than one year	-	6,907,279	6,907,279
Due to primary government - Henry County, VA	<u>-</u>	<u>3,030,541</u>	<u>3,030,541</u>
Total Long-Term Liabilities	<u>-</u>	<u>9,937,820</u>	<u>9,937,820</u>
Total Liabilities	1,469,348	11,128,098	12,597,446
<b>Net Assets</b>			
Invested in capital assets, net of related debt	-	(110,087)	(110,087)
Unrestricted	<u>2,501,287</u>	<u>7,312,343</u>	<u>9,813,630</u>
Total Net Assets	<u>2,501,287</u>	<u>7,202,256</u>	<u>9,703,543</u>
Total Liabilities and Net Assets	<u>\$ 3,970,635</u>	<u>\$ 18,330,354</u>	<u>\$ 22,300,989</u>

**County of Henry, Virginia**

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

Component Unit - Industrial Development Authority

Year Ended June 30, 2012

	<b>Industrial Site Project Fund #37</b>	<b>Main Operating Fund Fund #45</b>	<b>Total Industrial Development Authority</b>
<b>Operating Revenues</b>			
Payment from primary government	\$ -	\$ 424,754	\$ 424,754
Tobacco Indemnification revenues	-	430,000	430,000
Governor's Opportunity Fund	-	825,000	825,000
Other state grants	329,574	-	329,574
EDC share of costs	-	1,025,000	1,025,000
City of Martinsville share of costs	-	41,054	41,054
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	329,574	2,745,808	3,075,382
<b>Operating Expenses</b>			
Economic development	-	1,614,426	1,614,426
Depreciation expense	-	634,294	634,294
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	-	2,248,720	2,248,720
Operating Income	329,574	497,088	826,662
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	-	144,413	144,413
Sale of timber	-	59,636	59,636
Rental of property	-	711,518	711,518
Interest expense	-	(289,834)	(289,834)
	<hr/>	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	-	625,733	625,733
Change in Net Assets	329,574	1,122,821	1,452,395
Total Net Assets - Beginning of Year	<u>2,171,713</u>	<u>6,079,435</u>	<u>8,251,148</u>
Total Net Assets - End of Year	<u>\$ 2,501,287</u>	<u>\$ 7,202,256</u>	<u>\$ 9,703,543</u>

**County of Henry, Virginia**

Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2012

	<b>Industrial Site Project Fund #37</b>	<b>Main Operating Fund Fund #45</b>	<b>Total Industrial Development Authority</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from primary government	\$ -	\$ 424,754	\$ 424,754
Other miscellaneous receipts	-	562,473	562,473
State grants	-	1,255,000	1,255,000
Purchase of inventory for resale	(329,574)	(753,691)	(1,083,265)
Cash paid for economic development	<u>(52,060)</u>	<u>(1,551,095)</u>	<u>(1,603,155)</u>
Net Cash Used in Operating Activities	(381,634)	(62,559)	(444,193)
<b>Cash Flows from Noncapital Financing Activities</b>			
Payments on Due to / Due from accounts from primary government	<u>381,634</u>	<u>317,170</u>	<u>698,804</u>
Net Cash Provided by Noncapital Financing Activities	381,634	317,170	698,804
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments of principal on long-term debt	-	(1,003,425)	(1,003,425)
Interest payments on long-term debt	<u>-</u>	<u>(299,580)</u>	<u>(299,580)</u>
Net Cash Used in Capital and Related Financing Activities	-	(1,303,005)	(1,303,005)
<b>Cash Flows from Investing Activities</b>			
Rental income	-	711,518	711,518
Sale of timber	-	59,636	59,636
Interest income	<u>-</u>	<u>144,413</u>	<u>144,413</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>915,567</u>	<u>915,567</u>
Net Decrease in Cash and Cash Equivalents	-	(132,827)	(132,827)
Cash and Cash Equivalents - Beginning of Year	<u>-</u>	<u>891,076</u>	<u>891,076</u>
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ 758,249</u>	<u>\$ 758,249</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income	\$ 329,574	\$ 497,088	\$ 826,662
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	-	634,294	634,294
Changes in assets and liabilities			
Receivables	-	(503,580)	(503,580)
Inventory	(329,574)	(753,691)	(1,083,265)
Deferred revenue	(329,574)	-	(329,574)
Accounts payable	<u>(52,060)</u>	<u>63,330</u>	<u>11,270</u>
Net Cash Used in Operating Activities	<u>\$ (381,634)</u>	<u>\$ (62,559)</u>	<u>\$ (444,193)</u>



**County of Henry, Virginia**

Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2012

**Assets**

Cash	\$ 14,887
Due from other governments	<u>670,357</u>

Total Assets	<u><u>\$ 685,244</u></u>
--------------	--------------------------

**Liabilities and Fund Balance**

**Liabilities**

Due to County of Henry, Virginia	\$ <u>685,244</u>
----------------------------------	-------------------

Total Liabilities	685,244
-------------------	---------

**Fund Balance**

Total Liabilities and Fund Balance	<u><u>\$ 685,244</u></u>
------------------------------------	--------------------------

Fund Balance - per above	\$ -
--------------------------	------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,938
---	--------

The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.	91,763
---	--------

Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	<u>(387,210)</u>
---	------------------

Net Assets (Deficit) of Governmental Activities	<u><u>\$ (258,509)</u></u>
---	----------------------------

**County of Henry, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - Henry-Martinsville Social Services

Year Ended June 30, 2012

**Revenues**

Payments from County of Henry, Virginia	\$ 528,021
Payments from City of Martinsville, Virginia	293,156
<b><i>Intergovernmental</i></b>	
Revenue from the Commonwealth of Virginia	2,198,021
Revenue from the Federal Government	<u>3,230,349</u>
Total Intergovernmental	<u>5,428,370</u>
Total Revenues	6,249,547

**Expenditures**

Health and welfare	<u>6,249,547</u>
Net Change in Fund Balance	-
Fund Balance - Beginning of Year	<u>-</u>
Fund Balance - End of Year	<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 depreciation exceeded capital outlays.	(7,258)
Change in Compensated Absences	32,133
Change in Net OPEB Asset	<u>18,682</u>
Change in Net Assets of Governmental Activities	<u>\$ 43,557</u>

**County of Henry, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Gateway Streetscape Foundation, Inc.

Year Ended June 30, 2012

**Revenues**

Interest income	\$ 638
Donations	1,300
County of Henry contribution	19,127
City of Martinsville contribution	19,090
Local grants	18,418
Federal grants	10,000
Memberships	2,925
Miscellaneous	<u>78</u>

Total Revenues	71,576
----------------	--------

**Expenditures**

Salaries	50,625
Fringe benefits	11,955
Professional services	400
Depreciation	1,243
Other	<u>17,147</u>

Total Expenditures	<u>81,370</u>
--------------------	---------------

Net Change in Fund Balance	(9,794)
----------------------------	---------

Amounts Held for Others - Beginning of Year	<u>49,285</u>
---	---------------

Amounts Held for Others - End of Year	<u><u>\$ 39,491</u></u>
---------------------------------------	-------------------------

**County of Henry, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Fieldale Sanitary District

Year Ended June 30, 2012

**Revenues**

Interest income	\$	2,109
Miscellaneous		388
		388

Total Revenues		2,497
----------------	--	-------

**Expenditures**

Professional services		1,800
Grounds maintenance		1,780
Electric service		14,487
Other		50
		50

Total Expenditures		18,117
--------------------	--	--------

Net Change in Fund Balance		(15,620)
----------------------------	--	----------

Amounts Held for Others - Beginning of Year		192,193
---	--	---------

Amounts Held for Others - End of Year	\$	176,573
---------------------------------------	----	---------

# OTHER INFORMATION SECTION



## County of Henry, Virginia

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

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
2003	\$ 20,180,396	\$ 13,123,865	\$ 103,648	\$ 166,977	\$ 326,701	\$ 1,909,088	\$ 754,844	\$ 1,364,305	\$ 57,793,692	\$ 95,723,516
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
<b>2012</b>	<b>21,323,023</b>	<b>11,428,075</b>	<b>65,347</b>	<b>163,957</b>	<b>711,338</b>	<b>1,895,145</b>	<b>2,011,196</b>	<b>3,744,985</b>	<b>73,962,487</b>	<b>115,305,553</b>

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

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

## County of Henry, Virginia

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

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Projects<sup>(3)</sup></u>	<u>Total</u>
2003	\$ 2,345,445	\$ 1,907,224	\$ 8,625,089	\$ 2,113,430	\$ 6,708,774	\$ 63,066,071	\$ 1,463,726	\$ 4,747,090	\$ -	\$ 8,683,020	\$ -	\$ 99,659,869
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
<b>2012</b>	<b>2,941,801</b>	<b>2,491,649</b>	<b>13,046,844</b>	<b>3,121,304</b>	<b>7,798,792</b>	<b>78,781,597</b>	<b>1,746,487</b>	<b>2,910,237</b>	<b>74,988</b>	<b>2,790,336</b>	<b>2,649,852</b>	<b>118,353,887</b>

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

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

<sup>(3)</sup> 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>
2003	\$ 2,181,426,481	\$ 343,747,437	\$ 38,040,185	\$ 373,580,756	\$ 115,504,630	\$ 3,052,299,489
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
<b>2012</b>	<b>2,968,408,913</b>	<b>353,755,049</b>	<b>27,404,565</b>	<b>280,113,782</b>	<b>142,520,626</b>	<b>3,772,202,935</b>

#### Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Equipment/Machinery and Tools</u>
2003	\$ 0.54	\$ 1.48	\$ 0.54	\$ 1.19
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
<b>2012</b>	<b>0.46</b>	<b>1.48</b>	<b>0.46</b>	<b>1.19</b>



### County of Henry, Virginia

#### Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2003	\$ 21,905,203	\$ 20,738,250	94.67%	\$1,145,252	\$ 21,883,502	99.90%	\$ 3,863,612	17.64%
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%
<b>2012</b>	<b>22,739,964</b>	<b>21,732,919</b>	<b>95.57%</b>	<b>991,384</b>	<b>22,724,303</b>	<b>99.93%</b>	<b>2,956,764</b>	<b>13.00%</b>

### County of Henry, Virginia

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

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population<sup>(1)</sup></u>	<u>Assessed Value<sup>(2)</sup></u>	<u>Net Bonded Debt<sup>(3)</sup></u>	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2003	57,930	\$ 3,052,299,489	\$ 19,235,439	0.63%	\$ 332
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
<b>2012</b>	<b>54,151</b>	<b>3,772,202,935</b>	<b>20,143,789</b>	<b>0.53%</b>	<b>372</b>

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

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

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

### County of Henry, Virginia

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

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures<sup>(2)</sup></u>	<u>Ratio of Debt Service to General Government Expenditures</u>
2003	\$7,280,058	\$1,402,962	\$8,683,020	\$ 99,659,869	8.71%
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%
<b>2012</b>	<b>1,878,672</b>	<b>911,664</b>	<b>2,790,336</b>	<b>118,353,887</b>	<b>2.36%</b>

Amounts taken from Table 2.

<sup>(1)</sup> Excludes debt service payments on short-term notes payable and capital leases.

<sup>(2)</sup> Beginning in 2006, the amounts paid to Component Unit - School Board are no longer shown as transfers.

<sup>(3)</sup> Excludes Component Unit - Industrial Development Authority debt.

# COMPLIANCE SECTION





**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 the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Henry, Virginia, as of and for the year ended June 30, 2012, which collectively comprise County of Henry, Virginia's basic financial statements and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

### Compliance and Other Matters

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

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

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

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

South Hill, Virginia  
December 18, 2012



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Sherwood H. Creedle, CPA  
Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Nadia A. Rogers, CPA  
Scott A. Thompson, CPA  
Kimberly N. Walker, CPA*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of County of Henry, Virginia’s management. Our responsibility is to express an opinion on County of Henry, Virginia’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *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. Our audit does not provide a legal determination of County of Henry, Virginia’s compliance with those requirements.

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

**Internal Control Over Compliance**

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

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

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

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

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

South Hill, Virginia  
December 18, 2012





**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, 2012, and have issued our report thereon dated December 18, 2012.

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  
December 18, 2012

County of Henry, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Granting Agency/Recipient State Agency/ Grant Program</u>	<u>Federal Catalog Number</u>	<u>State Agency Number</u>	<u>Expenditures</u>
<b>PRIMARY GOVERNMENT</b>			
<b>U. S. Department of Transportation</b>			
<b>Pass-Through Payments</b>			
<i>Department of Motor Vehicles</i>			
Ground transportation and other law enforcement	20.607	154	\$ 34,233
Subtotal - U. S. Department of Transportation			<u>34,233</u>
<b>Direct Payments</b>			
<i>Forest Service</i>			
Payments in Lieu of Taxes - Public Law (National Forest Acreage in the Localities)	10.664	N/A	3,262
Subtotal - U. S. Department of Agriculture			<u>3,262</u>
<b>U. S. Small Business Administration</b>			
<b>Direct Payments</b>			
Water System Development	59.000	N/A	60,216
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Southern Area Agency on Aging</i>			
Transportation Grant - Special Programs for Aging Title III B	93.044	N/A	51,574
Transportation Grant - Special Programs for Aging Title III D	93.043	N/A	4,414
Subtotal - U. S. Department of Health and Human Services			<u>55,988</u>
<b>U. S. Department of Justice</b>			
<b>Direct Payments</b>			
Local law enforcement grants	16.000	N/A	212,572
U.S. Marshals Service	16.000	N/A	19,143
<b>Pass-Through Payments</b>			
<i>Department of Criminal Justice Services</i>			
Victim witness	16.575	140	79,711
Subtotal - U. S. Department of Justice			<u>311,426</u>
<b>U. S. Department of Housing and Urban Development</b>			
<b>Pass-Through Payments</b>			
<i>Department of Housing and Community Development</i>			
Community Development Block Grant - States Program	14.228*	165	548,362
<b>U. S. Department of Homeland Security</b>			
<b>Pass-Through Payments</b>			
<i>Department of Emergency Services</i>			
Emergency Preparedness	97.042	127	24,874
Emergency Response and Recovery - Hazard Mitigation	97.039	127	23,302
Subtotal - U. S. Department of Homeland Security			<u>48,176</u>
Total - Primary Government			<u>1,061,663</u>

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>HENRY-MARTINSVILLE SOCIAL SERVICES</b>			
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561*	765	640,144
Total Food Stamp Cluster			<u>640,144</u>
Subtotal - U. S. Department of Agriculture			640,144
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Child Care Cluster			
Payments to states for child care assistance	93.575	765	234,619
Child care and development fund	93.596	765	230,928
Total Child Care Cluster			<u>465,547</u>
<i>Department of Social Services</i>			
Temporary assistance for needy families	93.558*	765	671,996
Family preservation and support	93.556	765	33,296
Refugee and entrant assistance	93.566	765	1,192
Low income home energy assistance	93.568	765	55,572
Child welfare services	93.645	765	2,543
ILP education and training vouchers	93.599	765	2,032
Foster care - Title IV-E	93.658	765	372,131
Adoption assistance	93.659	765	168,646
Independent living	93.674	765	11,969
State children's insurance program	93.767	765	19,715
Social services block grant	93.667	765	414,973
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	<u>370,593</u>
Subtotal - U. S. Department of Health and Human Services			<u>2,590,205</u>
Total - Henry-Martinsville Social Services			3,230,349

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
<b>SCHOOL BOARD</b>			
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
Food distribution - donated commodities	10.559	197	1,064
Food distribution - donated commodities	10.555	197	214,287
Fresh Fruit and Vegetables	10.582	197	110,693
Child Nutrition Discretionary Grants Limited Availability	10.579	197	5,240
Child Nutrition Cluster			
School Breakfast Program	10.553*	197	895,001
USDA Summer Feed	10.559*	197	62,656
National School Lunch Program	10.555*	197	2,015,549
Total Child Nutrition Cluster			<u>2,973,206</u>
Subtotal - U. S. Department of Agriculture			3,304,490
<b>U. S. Department of Education</b>			
<b>Direct Payments</b>			
Readiness and Emergency Management	84.184	197	62,684
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
Special Education Cluster			
IDEA 611 Flow-Through	84.027*	197	2,003,138
Interpreter training	84.027*	197	5,126
ARRA - VIB IDEA	84.391*	197	86,309
ARRA - Preschool	84.392*	197	25
Preschool Handicapped Allocations	84.173*	197	75,092
Total Special Education Cluster			<u>2,169,690</u>
Title I Cluster			
Title I grants to local education agencies	84.010*	197	2,700,716
ARRA - Title I	84.389*	197	147,042
Total Title I Cluster			<u>2,847,758</u>
Adult education - state administered basic grant program	84.002	197	136,072
Vocational education (Carl Perkins) - CTE federal payments	84.048	197	182,545
Title III - Language Acquisition	84.365	197	44,503
ARRA - Jobs Education	84.410*	197	1,936,766
Title IV Part B 21st Century	84.287	197	191,265
Title VI Part B Rural and Low Income	84.358	197	179,278
Safe and drug-free schools - State grants	84.186	197	43,067
Solar Grant	84.unknown	197	113,773
Title II, Part D - Education Technology	84.318	197	20
ARRA - State Fiscal Stabilization Fund	84.394	197	109,761
Title II, Part A - Improving Teacher Quality	84.367	197	383,610
Subtotal - U. S. Department of Education			<u>8,400,792</u>
Subtotal - School Board			<u>11,705,282</u>
Grand Totals			<u>\$ 15,997,294</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 \$215,351 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, 2012

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

- (a) The auditor's report expresses an **unqualified 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 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 With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Henry, Virginia expresses an **unqualified 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 #14.228, Community Development Block Grant
  - 2. CFDA #10.561, Administration for Food Stamp Program
  - 3. CFDA #93.558, Temporary Assistance for Needy Families
  - 4. CFDA #10.553, 10.559, 10.555, Child Nutrition Cluster
  - 5. CFDA #84.027, 84.391, 84.392, and 84.173, Special Education Cluster
  - 6. CFDA #84.010 and 84.389, Title I Cluster
  - 7. CFDA #84.410, ARRA – Jobs Education
- (h) The **threshold** for distinguishing Types A and B programs was **\$481,645**.
- (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, 2012

**FINANCIAL STATEMENT AUDIT**

**FINDINGS**

There were no findings in the prior year.