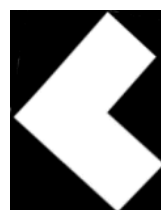


***County of Mecklenburg, Virginia***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2014***



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

## County of Mecklenburg, Virginia

### Table of Contents

Year Ended June 30, 2014

	Pages
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-8

### Basic Financial Statements

#### Exhibits

#### Government-Wide Financial Statements

1	Statement of Net Position	9
2	Statement of Activities	10

#### Fund Financial Statements

3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11-12
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	13-14
5	Statement of Fiduciary Assets and Liabilities	15
6	Combining Statement of Net Position – Component Units	16
7	Combining Statement of Activities – Component Units	17
Notes to Financial Statements		18-54

### Required Supplementary Information

#### Exhibit

8	Budgetary Comparison Schedule – General Fund, Capital Outlay Fund, DEQ and Landfill Funds, Public Assistance Fund, Comprehensive Services Fund, Economic Development Fund, Microsoft Project, and New School Facility Fund	55-66
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### Other Supplementary Information

#### Schedules

1	Combining Balance Sheet – Other Governmental Funds	67
2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds	68
3	Combining Statement of Fiduciary Assets and Liabilities – Agency Funds	69
4	Component Unit School Board – Combining Balance Sheet and Component Unit School Board – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	70-71
5	Component Unit School Board – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances and Component Unit School Board – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	72-73
6	Budgetary Comparison Schedule – Component Unit School Board – School Operating Fund	74-75
7	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Net Position	76
8	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Revenues, Expenses, and Changes in Net Position	77
9	Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Cash Flows	78

### COMPLIANCE (SINGLE AUDIT) SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	79-80
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	81-82
Schedule of Expenditures of Federal Awards	83-84
Notes to Schedule of Expenditures of Federal Awards	85-86
Schedule of Findings and Questioned Costs	87
Summary Schedule of Prior Audit Findings	88

# FINANCIAL SECTION





**Creedle  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
County of Mecklenburg, Virginia

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 55 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015, on our consideration of the County of Mecklenburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Mecklenburg, Virginia's internal control over financial reporting and compliance.

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

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

South Hill, Virginia  
January 26, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Financial Highlights

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the County, excluding its Component Unit, exceeded its liabilities by \$62,849,320. Of this amount, \$28,877,356 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 \$50,363,416 and expenses amounted to \$46,433,054. The County's total net position increased \$3,930,362.

#### Highlights for Fund Financial Statements

- As of June 30, 2014, the County's Governmental Funds reported combined fund balances of \$29,495,119, an increase of \$2,116,523 in comparison with the prior year. Approximately 29.6 percent of the combined fund balances, \$8,739,082, is available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$8,756,776, an increase of \$1,477,601 from June 30, 2013.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

### Government-Wide Financial Statements

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

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

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

The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development.

Furthermore, the government-wide financial statements include the Mecklenburg County Public Schools in its annual financial report. Although legally separate, this component unit is important because the County is financially accountable for it. It also includes the Industrial Development Authority of Mecklenburg County, Virginia because it appoints its Board of Directors.

### **Fund Financial Statements**

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

The County has two types of funds:

*Governmental Funds* - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Outlay Fund, DEQ and Landfill Funds, Comprehensive Services Fund, Economic Development Fund, Public Assistance Fund, Microsoft Capital Project, and New School Facility, all of which are considered to be major funds. Data from the other County non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

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

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

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

### **Other**

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

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



## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

#### Summary of Net Position

As of June 30, 2014 and 2013

	<u>Primary Government</u> <u>Governmental Activities</u>		<u>Component Units</u>		<u>Total Reporting Entity</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>						
Current and other assets	\$ 36,656,205	\$ 30,903,505	\$ 7,028,873	\$ 4,905,610	\$ 43,685,078	\$ 35,809,115
Capital assets (net)	41,345,223	40,446,609	24,505,115	21,034,520	65,850,338	61,481,129
Other noncurrent assets	346,161	338,361	6,338,026	4,094,273	6,684,187	4,432,634
Total Assets	<u>\$ 78,347,589</u>	<u>\$ 71,688,475</u>	<u>\$ 37,872,014</u>	<u>\$ 30,034,403</u>	<u>\$ 116,219,603</u>	<u>\$ 101,722,878</u>
<b>Liabilities</b>						
Other liabilities	\$ 8,653,340	\$ 5,374,837	\$ 4,011,118	\$ 544,681	\$ 12,664,458	\$ 5,919,518
Long-term liabilities	6,844,929	7,394,680	1,306,212	966,531	8,151,141	8,361,211
Total Liabilities	<u>15,498,269</u>	<u>12,769,517</u>	<u>5,317,330</u>	<u>1,511,212</u>	<u>20,815,599</u>	<u>14,280,729</u>
<b>Net Position</b>						
Net investment in capital assets	33,971,964	32,538,460	29,594,055	24,243,680	63,566,019	56,782,140
Unrestricted	28,877,356	26,380,498	2,960,629	4,279,511	31,837,985	30,660,009
Total Net Position	<u>62,849,320</u>	<u>58,918,958</u>	<u>32,554,684</u>	<u>28,523,191</u>	<u>95,404,004</u>	<u>87,442,149</u>
Total Liabilities and Net Position	<u>\$ 78,347,589</u>	<u>\$ 71,688,475</u>	<u>\$ 37,872,014</u>	<u>\$ 30,034,403</u>	<u>\$ 116,219,603</u>	<u>\$ 101,722,878</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion thereof) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's reporting entity, assets exceeded liabilities by \$62,849,320 at June 30, 2014. The portion of the reporting entity's net position, \$33,971,964, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

## Statement of Activities

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

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Primary Government</u> <u>Governmental Activities</u>		<u>Component Units</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 759,327	\$ 675,074	\$ 1,844,635	\$ 1,666,765	\$ 2,603,962	\$ 2,341,839
Operating and capital grants	10,078,646	7,450,544	30,173,310	29,640,505	40,251,956	37,091,049
<b>General Revenues</b>						
General property taxes, real and personal	32,401,006	27,428,451	-	-	32,401,006	27,428,451
Other taxes	4,672,567	4,934,162	-	-	4,672,567	4,934,162
<b>Payment from County of Mecklenburg, Virginia</b>						
Education	-	-	14,861,825	12,282,347	14,861,825	12,282,347
IDA of Mecklenburg County, Virginia	-	-	6,535,751	2,419,605	6,535,751	2,419,605
Noncategorical aid from state	2,197,463	2,203,255	-	-	2,197,463	2,203,255
Use of property	57,986	56,690	1,155	18,811	59,141	75,501
Investment earnings	76,218	132,960	34,096	38,232	110,314	171,192
Miscellaneous	120,203	498,217	550,777	81,461	670,980	579,678
Total Revenues	50,363,416	43,379,353	54,001,549	46,147,726	104,364,965	89,527,079
<b>Expenses</b>						
General government administration	2,306,996	3,239,981	-	-	2,306,996	3,239,981
Judicial administration	2,379,385	2,238,633	-	-	2,379,385	2,238,633
Public safety	9,571,346	10,171,097	-	-	9,571,346	10,171,097
Public works	2,223,806	2,824,810	-	-	2,223,806	2,824,810
Health and welfare	4,759,263	4,538,984	-	-	4,759,263	4,538,984
Education - community college	11,092	11,079	-	-	11,092	11,079
Education	14,861,825	12,282,347	43,810,360	42,878,690	58,672,185	55,161,037
Parks, recreation, and cultural	444,692	622,719	-	-	444,692	622,719
Community development - IDA of Mecklenburg County, Virginia	6,535,751	2,419,605	-	-	6,535,751	2,419,605
Community development	3,006,570	1,771,999	7,802,848	2,736,276	10,809,418	4,508,275
Interest on long-term debt	332,328	358,141	25,883	30,179	358,211	388,320
Total Expenses	46,433,054	40,479,395	51,639,091	45,645,145	98,072,145	86,124,540
Increase in Net Position	3,930,362	2,899,958	2,362,458	502,581	6,292,820	3,402,539
Beginning Net Position	58,918,958	54,645,345	28,523,191	28,020,610	87,442,149	82,665,955
Prior Period Adjustments	-	1,373,655	1,669,035	-	1,669,035	1,373,655
Ending Net Position	\$ 62,849,320	\$ 58,918,958	\$ 32,554,684	\$ 28,523,191	\$ 95,404,004	\$ 87,442,149

Governmental activities, exclusive of the Component Unit School Board, increased the County's net position by \$3,930,362 for fiscal year 2014. Revenues from governmental activities totaled \$50,363,416. Property taxes comprise the largest source of these revenues, totaling \$32,401,006 or 64.3 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$46,433,054. Education was the County's largest program with expenses totaling \$14,861,825. Public safety, which totals \$9,571,346, represents the second largest expense.

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

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,306,996	\$ (1,897,220)	\$ 3,239,981	\$ (2,865,214)
Judicial administration	2,379,385	(1,004,276)	2,238,633	(1,023,230)
Public safety	9,571,346	(7,538,911)	10,171,097	(7,982,032)
Public works	2,223,806	(1,761,079)	2,824,810	(2,451,504)
Health and welfare	4,759,263	(1,688,537)	4,538,984	(1,568,565)
Education	14,872,917	(14,872,917)	12,293,426	(12,293,426)
Parks, recreation, and cultural	444,692	(439,402)	622,719	(617,719)
Community development	9,542,321	(6,060,411)	4,191,604	(3,193,946)
Interest on long-term debt	<u>332,328</u>	<u>(332,328)</u>	<u>358,141</u>	<u>(358,141)</u>
Total	<u>\$ 46,433,054</u>	<u>\$ (35,595,081)</u>	<u>\$ 40,479,395</u>	<u>\$ (32,353,777)</u>

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2014, the County's Governmental Funds reported a combined ending fund balance of \$29,495,119. Approximately 29.6 percent, or \$8,739,082, is available for spending at the government's discretion (unassigned fund balance).

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 \$4,476,749. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 11.9 percent of total fund expenditures.

- The General Fund contributed \$16,417,284 in operating funds to finance the Schools' operations and \$6,535,751 to the Industrial Development Authority of Mecklenburg County, Virginia.

The Capital Outlay Fund which has a total fund balance of \$10,637,781, all of which is restricted and assigned for ongoing and future capital projects.

### BUDGETARY HIGHLIGHTS

#### General Fund

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

## Budgetary Comparison

### General Fund

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Original Budget</u>	<u>2014 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2013 Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 28,068,369	\$ 30,083,329	\$ 32,243,352	\$ 22,592,252	\$ 22,592,252	\$ 27,353,776
Other	5,826,025	5,830,118	5,744,507	5,364,089	5,405,257	6,053,018
Intergovernmental	<u>5,564,130</u>	<u>5,578,360</u>	<u>5,732,136</u>	<u>5,446,372</u>	<u>5,521,656</u>	<u>5,699,451</u>
Total	39,458,524	41,491,807	43,719,995	33,402,713	33,519,165	39,106,245
<b>Expenditures</b>	<u>36,205,686</u>	<u>38,349,081</u>	<u>37,606,748</u>	<u>31,750,851</u>	<u>33,765,379</u>	<u>32,973,018</u>
Excess (Deficiency) of Revenues Over Expenditures	3,252,838	3,142,726	6,113,247	1,651,862	(246,214)	6,133,227
<b>Other Financing Sources (Uses)</b>						
Net Transfers	(3,069,769)	(3,024,089)	(4,635,646)	(1,651,862)	(1,540,017)	(5,622,497)
<b>From Surplus</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,786,231</u>	<u>-</u>
Change in Fund Balance	<u>\$ 183,069</u>	<u>\$ 118,637</u>	<u>\$ 1,477,601</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,730</u>

Final amended budget revenues were more than the original budget by \$2,033,283.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$2,143,395.

Actual revenues were more than final budget amounts by \$2,228,188, or 5.4 percent, while actual expenditures were \$742,333, or 1.9 percent less than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2014, the County's net investment in capital assets, exclusive of component units, totals \$33,971,964, which is net capital assets less related debt for governmental activities.

During fiscal year 2014, the County's net capital assets (including additions, decreases, and depreciation) increased \$248,051, or .6 percent, for governmental activities, as summarized in the following table:

## Change in Capital Assets

### Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 495,537	\$ 703,274	\$ 1,198,811
South Hill Elementary School	11,674,384	-	11,674,384
Infrastructure - water and sewer	11,077,876	-	11,077,876
Buildings and improvements	22,472,267	40,000	22,512,267
Furniture, equipment, and vehicles	<u>9,166,826</u>	<u>1,090,107</u>	<u>10,256,933</u>
Total Capital Assets	54,886,890	1,833,381	56,720,271
Less: Accumulated depreciation and amortization	<u>(13,789,718)</u>	<u>(1,585,330)</u>	<u>(15,375,048)</u>
Total Capital Assets, Net	<u>\$ 41,097,172</u>	<u>\$ 248,051</u>	<u>\$ 41,345,223</u>

### Component Unit School Board

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 1,719,642	\$ 21,000	\$ 1,740,642
Buildings and systems	34,044,369	3,796,627	37,840,996
Furniture, equipment, and vehicles	<u>19,694,160</u>	<u>1,712,705</u>	<u>21,406,865</u>
Total Capital Assets	55,458,171	5,530,332	60,988,503
Less: Accumulated depreciation	<u>(35,074,214)</u>	<u>(1,409,174)</u>	<u>(36,483,388)</u>
Total Capital Assets, Net	<u>\$ 20,383,957</u>	<u>\$ 4,121,158</u>	<u>\$ 24,505,115</u>

### Component Unit IDA of Mecklenburg County, Virginia

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and buildings held for resale	\$ 4,094,273	\$ 2,243,753	\$ 6,338,026
Total Capital Assets, Net	<u>\$ 4,094,273</u>	<u>\$ 2,243,753</u>	<u>\$ 6,338,026</u>

**Note:** School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off. As long as the debt remains unpaid, the South Hill Elementary School will be owned by the County as well as the debt being the responsibility of the County.

## Long-Term Debt

As of June 30, 2014, the County's long-term obligations, excluding the component units, total \$9,597,006, which includes the landfill obligation and compensated absences.

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities</b>			
Long-term debt, plus premiums	\$ 7,908,149	\$ (534,890)	\$ <b>7,373,259</b>
Landfill obligation	1,637,601	(266,715)	<b>1,370,886</b>
OPEB obligation	(338,361)	(7,800)	<b>(346,161)</b>
Compensated absences	<u>1,147,188</u>	<u>51,834</u>	<u><b>1,199,022</b></u>
Total Governmental Activities	<u>\$ 10,354,577</u>	<u>\$ (757,571)</u>	<u><b>\$ 9,597,006</b></u>
<b>Component Unit School Board</b>			
Compensated absences	\$ 170,417	\$ 16,715	\$ <b>187,132</b>
Capital lease	404,124	418,367	<b>822,491</b>
OPEB obligation	<u>165,062</u>	<u>169,909</u>	<u><b>334,971</b></u>
Total Component Unit School Board	<u>\$ 739,603</u>	<u>\$ 604,991</u>	<u><b>\$ 1,344,594</b></u>
<b>Component Unit IDA of Mecklenburg County, Virginia</b>			
Long-term debt	\$ <u>480,989</u>	\$ <u>(54,394)</u>	\$ <u><b>426,595</b></u>
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ 480,989</u>	<u>\$ (54,394)</u>	<u><b>\$ 426,595</b></u>

More detailed information on the County's long-term obligations is presented in Note 10 to the financial statements.

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

- The average unemployment rate for the County of Mecklenburg, Virginia in June 2014 was 9.0 percent, a decrease of 1.5 percent from June 2013. This compares unfavorably to the state's rate of 5.4 percent and the national rate of 6.3 percent.
- According to the 2010 U.S. Census, the population in Mecklenburg County, Virginia was 32,737, an increase of 1.07 percent since the 2000 U.S. Census.
- The per capita income in Mecklenburg County, Virginia was \$19,727, compared to \$27,705 for the State, according to the 2010 U.S. Census data.

The fiscal year 2015 adopted budget anticipates the general fund revenues and expenditures to be \$42,751,269.

## 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 Wayne Carter, County Administrator, or Sandra P. Langford, Treasurer, County of Mecklenburg, Virginia, P. O. Box 250, Boydton, Virginia 23917, telephone 434-738-6191, or visit the County's website at [www.mecklenburgva.com](http://www.mecklenburgva.com).

# Basic Financial Statements



## County of Mecklenburg, Virginia

## Statement of Net Position

At June 30, 2014

	Primary Government Governmental Activities	Component Units
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 33,143,426	\$ 1,539,098
Receivables, net	2,265,971	3,500
Due from primary government	-	3,361,258
Due from other governments	1,246,808	898,767
Total Current Assets	36,656,205	5,802,623
<b>Noncurrent Assets</b>		
Lease receivable	-	659,039
Note receivable	-	567,211
Net OPEB asset	346,161	-
<b>Capital Assets</b>		
Land and construction in progress	1,198,811	1,740,642
Other capital assets, net of accumulated depreciation	40,146,412	22,764,473
Land and buildings held for resale	-	6,338,026
Total Noncurrent Assets	41,691,384	32,069,391
Total Assets	<u>\$ 78,347,589</u>	<u>\$37,872,014</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,277,172	\$ 3,546,141
Due to component units	3,361,258	-
Due to other governments	916,672	-
<i>Due within one year</i>		
Bonds, loans, and capital leases payable	528,330	464,977
Total Current Liabilities	6,083,432	4,011,118
<b>Noncurrent Liabilities</b>		
Compensated absences	1,199,022	187,132
Net OPEB obligation	-	334,971
Landfill obligation	1,370,886	-
<i>Due in more than one year</i>		
Bonds, loans, and capital leases payable	6,844,929	784,109
Total Noncurrent Liabilities	9,414,837	1,306,212
Total Liabilities	15,498,269	5,317,330
<b>Net Position</b>		
Net investment in capital assets	33,971,964	29,594,055
Unrestricted	28,877,356	2,960,629
Total Net Position	62,849,320	32,554,684
Total Liabilities and Net Position	<u>\$ 78,347,589</u>	<u>\$37,872,014</u>

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



## County of Mecklenburg, Virginia

## Statement of Activities

For the Year Ended June 30, 2014

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Units
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General government administration	\$ 2,306,996	\$ -	\$ 409,776	\$ -	\$ (1,897,220)	
Judicial administration	2,379,385	48,317	1,326,792	-	(1,004,276)	
Public safety	9,571,346	262,271	1,770,164	-	(7,538,911)	
Public works	2,223,806	439,291	23,436	-	(1,761,079)	
Health and welfare	4,759,263	-	3,070,726	-	(1,688,537)	
Education - community college	11,092	-	-	-	(11,092)	
Education - public school system	14,861,825	-	-	-	(14,861,825)	
Parks, recreation, and cultural	444,692	-	5,290	-	(439,402)	
Community development - IDA of Mecklenburg County, Virginia	6,535,751	-	-	-	(6,535,751)	
Community development	3,006,570	9,448	3,472,462	-	475,340	
Interest on long-term debt	332,328	-	-	-	(332,328)	
Total Governmental Activities	46,433,054	759,327	10,078,646	-	(35,595,081)	
Total Primary Government	\$ 46,433,054	\$ 759,327	\$ 10,078,646	\$ -	(35,595,081)	
<b>Component Units</b>						
School Board	\$ 43,810,360	\$ 1,844,635	\$ 29,412,175	\$ -		\$ (12,553,550)
IDA of Mecklenburg County, Virginia	7,828,731	-	761,135	-		(7,067,596)
Total Component Units	\$ 51,639,091	\$ 1,844,635	\$ 30,173,310	\$ -		(19,621,146)
<b>General Revenues</b>						
<b>Taxes</b>						
General property taxes, real and personal					32,401,006	-
Other local taxes					4,672,567	-
<b>Payment from County of Mecklenburg, Virginia</b>						
Education					-	14,861,825
Community development - IDA of Mecklenburg County, VA					-	6,535,751
Noncategorical aid from state					2,197,463	-
Use of property					57,986	1,155
Investment earnings					76,218	34,096
Miscellaneous					120,203	550,777
Total General Revenues					39,525,443	21,983,604
Change in Net Position					3,930,362	2,362,458
Net Position - Beginning of Year					58,918,958	28,523,191
Prior Period Adjustment					-	1,669,035
Net Position - End of Year					\$ 62,849,320	\$ 32,554,684

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

County of Mecklenburg, Virginia

Balance Sheet

Governmental Funds

At June 30, 2014

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Comprehensive Services Fund	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	New School Facility	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>										
Cash and investments	\$ 12,424,900	\$ 10,645,631	\$ 621,079	\$ 866,955	\$ 1,764,648	\$ 1,182,417	\$ 1,899,520	\$ 3,598,183	\$ 140,093	\$ 33,143,426
Receivables, net	1,977,206	-	-	1,991	-	788	285,986	-	-	2,265,971
Due from other governments	983,843	-	-	-	34,456	185,782	-	-	42,727	1,246,808
Total Assets	<u>\$ 15,385,949</u>	<u>\$ 10,645,631</u>	<u>\$ 621,079</u>	<u>\$ 868,946</u>	<u>\$ 1,799,104</u>	<u>\$ 1,368,987</u>	<u>\$ 2,185,506</u>	<u>\$ 3,598,183</u>	<u>\$ 182,820</u>	<u>\$ 36,656,205</u>
<b>Liabilities</b>										
Accounts payable and accrued liabilities	\$ 745,259	\$ 7,850	\$ -	\$ 90,599	\$ 18,275	\$ 9,621	\$ 343,088	\$ -	\$ 62,480	\$ 1,277,172
Due to other governments	916,672	-	-	-	-	-	-	-	-	916,672
Due to Component Unit IDA	3,361,258	-	-	-	-	-	-	-	-	3,361,258
Total Liabilities	5,023,189	7,850	-	90,599	18,275	9,621	343,088	-	62,480	5,555,102
<b>Deferred Inflows of Resources</b>										
Unavailable revenue - taxes and other	1,605,984	-	-	-	-	-	-	-	-	1,605,984
Total Deferred Inflows of Resources	1,605,984	-	-	-	-	-	-	-	-	1,605,984
<b>Fund Balance</b>										
Restricted	-	-	120,000	778,347	-	1,359,366	1,842,418	-	87,330	4,187,461
Committed	3,487,923	-	-	-	-	-	-	3,598,183	-	7,086,106
Assigned	792,104	10,637,781	501,079	-	1,780,829	-	-	-	50,704	13,762,497
Unassigned	4,476,749	-	-	-	-	-	-	-	(17,694)	4,459,055
Total Fund Balance	<u>8,756,776</u>	<u>10,637,781</u>	<u>621,079</u>	<u>778,347</u>	<u>1,780,829</u>	<u>1,359,366</u>	<u>1,842,418</u>	<u>3,598,183</u>	<u>120,340</u>	<u>29,495,119</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 15,385,949</u>	<u>\$ 10,645,631</u>	<u>\$ 621,079</u>	<u>\$ 868,946</u>	<u>\$ 1,799,104</u>	<u>\$ 1,368,987</u>	<u>\$ 2,185,506</u>	<u>\$ 3,598,183</u>	<u>\$ 182,820</u>	<u>\$ 36,656,205</u>

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

**County of Mecklenburg, Virginia**

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

At June 30, 2014

Total Fund Balances for Governmental Funds	\$ 29,495,119
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,198,811
Infrastructure - water and sewer	10,277,995
South Hill Elementary School, net of accumulated depreciation	9,598,628
Buildings and improvements, net of accumulated depreciation	16,836,922
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,432,867</u>

Total Capital Assets	41,345,223
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes and other	1,605,984
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Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds and notes payable	(7,373,259)
Net OPEB asset	346,161
Landfill obligation	(1,370,886)
Compensated absences	<u>(1,199,022)</u>

Total	<u>(9,597,006)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 62,849,320</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

County of Mecklenburg, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Comprehensive Services Fund	Economic Development Fund	Public Assistance Fund	Microsoft Project	New School Facility	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>										
Property taxes	\$ 32,243,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,243,352
Other local taxes	4,672,567	-	-	-	-	-	-	-	-	4,672,567
Permits, privilege fees, and regulatory licenses	385,648	-	-	-	-	-	-	-	-	385,648
Fines and forfeitures	251,126	-	-	-	-	-	-	-	-	251,126
Use of money and property	123,845	-	-	-	-	-	9,107	-	1,252	134,204
Charges for services	112,211	-	-	-	-	-	-	-	10,342	122,553
Recovered costs	101,402	-	-	24,573	-	9,106	-	-	-	135,081
Miscellaneous	97,708	-	-	-	137	-	-	-	22,358	120,203
Payment from Component Unit School Board	-	-	-	-	-	-	-	271,166	-	271,166
<i>Intergovernmental</i>										
Revenue from the Commonwealth of Virginia	5,507,051	-	-	836,419	-	815,760	3,087,857	-	2,297	10,249,384
Revenue from the Federal Government	225,085	-	-	-	61,569	1,418,547	-	-	321,524	2,026,725
Total Revenues	43,719,995	-	-	860,992	61,706	2,243,413	3,096,964	271,166	357,773	50,612,009
<b>Expenditures</b>										
<b>Current</b>										
General government administration	3,170,995	-	-	-	-	-	-	-	-	3,170,995
Judicial administration	2,042,605	-	-	-	-	-	-	-	16,982	2,059,587
Public safety	9,229,347	332,713	-	-	-	-	-	-	13,141	9,575,201
Public works	2,344,390	48,977	-	-	70,852	-	-	-	-	2,464,219
Health and welfare	428,908	-	-	1,389,373	-	2,902,028	-	-	-	4,720,309
Education - community college	11,092	-	-	-	-	-	-	-	-	11,092
Education - public school system	12,204,556	-	-	-	-	-	-	-	-	12,204,556
Education - capital outlay - elementary additions	-	-	-	-	-	-	-	4,212,728	-	4,212,728
Parks, recreation, and cultural	444,692	-	-	-	-	-	-	-	-	444,692
Community development - IDA of Meck. Cty., VA	6,535,751	-	-	-	-	-	-	-	-	6,535,751
Community development	1,194,412	-	-	-	28,047	-	1,547,283	-	326,614	3,096,356
Total Expenditures	37,606,748	381,690	-	1,389,373	98,899	2,902,028	1,547,283	4,212,728	356,737	48,495,486
Excess (Deficiency) of Revenues Over Expenditures	6,113,247	(381,690)	-	(528,381)	(37,193)	(658,615)	1,549,681	(3,941,562)	1,036	2,116,523
<b>Other Financing Sources (Uses)</b>										
Transfers in	-	2,554,789	-	98,000	500,000	882,857	-	2,000,000	-	6,035,646
Transfers out	(4,635,646)	(1,400,000)	-	-	-	-	-	-	-	(6,035,646)
Total Other Financing Sources (Uses)	(4,635,646)	1,154,789	-	98,000	500,000	882,857	-	2,000,000	-	-
Net Change in Fund Balance	1,477,601	773,099	-	(430,381)	462,807	224,242	1,549,681	(1,941,562)	1,036	2,116,523
Fund Balance - Beginning of Year	7,279,175	9,864,682	621,079	1,208,728	1,318,022	1,135,124	292,737	5,539,745	119,304	27,378,596
Fund Balance - End of Year	\$ 8,756,776	\$ 10,637,781	\$ 621,079	\$ 778,347	\$ 1,780,829	\$ 1,359,366	\$ 1,842,418	\$ 3,598,183	\$ 120,340	\$ 29,495,119

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

County of Mecklenburg, Virginia

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

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 2,116,523

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 capital outlays exceeded annual depreciation expense and gains (losses) on disposition of capital assets in the current period. 898,614

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities. 157,654

Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.

Payments on debt paid for by the School Board 534,890  
Net Adjustment

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:

Landfill obligation	\$ 266,715	
Net OPEB obligation	7,800	
Compensated absences	(51,834)	
Net Adjustment		222,681

Change in Net Position of Governmental Activities \$ 3,930,362

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

**County of Mecklenburg, Virginia**

Statement of Fiduciary Assets and Liabilities

At June 30, 2014

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and investments	\$ 1,297,341
Due from other governments	<u>50,305</u>
Total Assets	<u><u>\$ 1,347,646</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 33,715
Amounts held for others	<u>1,313,931</u>
Total Liabilities	<u><u>\$ 1,347,646</u></u>

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

## County of Mecklenburg, Virginia

## Combining Statement of Net Position - Component Units

At June 30, 2014

	Component Unit School Board	Component Unit IDA of Mecklenburg County, Virginia	Total Component Units
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 920,579	\$ 618,519	\$ 1,539,098
Receivables, net	3,500	-	3,500
Due from primary government	-	3,361,258	3,361,258
Due from other governments	898,767	-	898,767
<b>Capital Assets</b>			
Land and construction in progress	1,740,642	-	1,740,642
Other capital assets, net of accumulated depreciation	<u>22,764,473</u>	<u>-</u>	<u>22,764,473</u>
Capital Assets, Net	24,505,115	-	24,505,115
<b>Other Assets</b>			
Lease receivable	-	659,039	659,039
Note receivable	-	567,211	567,211
Land and buildings held for resale	<u>-</u>	<u>6,338,026</u>	<u>6,338,026</u>
Total Assets	<u>\$ 26,327,961</u>	<u>\$ 11,544,053</u>	<u>\$ 37,872,014</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$ 165,802	\$ 3,380,339	\$ 3,546,141
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	407,630	57,347	464,977
<b>Noncurrent Liabilities</b>			
Compensated absences	187,132	-	187,132
OPEB obligation	334,971	-	334,971
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	<u>414,861</u>	<u>369,248</u>	<u>784,109</u>
Total Liabilities	1,510,396	3,806,934	5,317,330
<b>Net Position</b>			
Net investment in capital assets	23,682,624	5,911,431	29,594,055
Unrestricted	<u>1,134,941</u>	<u>1,825,688</u>	<u>2,960,629</u>
Total Net Position	<u>24,817,565</u>	<u>7,737,119</u>	<u>32,554,684</u>
Total Liabilities and Net Position	<u>\$ 26,327,961</u>	<u>\$ 11,544,053</u>	<u>\$ 37,872,014</u>

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

**County of Mecklenburg, Virginia**  
Combining Statement of Activities - Component Units  
Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>School Board</u> <u>Net (Expense)</u> <u>Revenues and Changes in Net Position</u>	<u>IDA of Mecklenburg</u> <u>County, Virginia</u> <u>Net (Expense)</u> <u>Revenues and Changes in Net Position</u>	<u>Total Component Units</u>
<b>School Board</b>						
Education	\$ 41,809,889	\$ 1,844,635	\$ 29,412,175	\$(10,553,079)		\$(10,553,079)
Depreciation	<u>2,000,471</u>	<u>-</u>	<u>-</u>	<u>(2,000,471)</u>		<u>(2,000,471)</u>
Total School Board	43,810,360	1,844,635	29,412,175	(12,553,550)		(12,553,550)
<b>IDA of Mecklenburg County, Virginia</b>						
Interest expense	25,883	-	-		\$ (25,883)	(25,883)
Community development	<u>7,802,848</u>	<u>-</u>	<u>761,135</u>		<u>(7,041,713)</u>	<u>(7,041,713)</u>
Total IDA of Mecklenburg County, Virginia	<u>7,828,731</u>	<u>-</u>	<u>761,135</u>		(7,067,596)	<u>(7,067,596)</u>
<b>Total Component Units</b>	<u>\$ 51,639,091</u>	<u>\$ 1,844,635</u>	<u>\$ 30,173,310</u>			(19,621,146)
<b>General Revenues</b>						
Payment from County of Mecklenburg, VA				14,861,825	6,535,751	21,397,576
Use of property				1,155	-	1,155
Interest and investment earnings				3,436	30,660	34,096
Miscellaneous				<u>548,949</u>	<u>1,828</u>	<u>550,777</u>
Total General Revenues				<u>15,415,365</u>	<u>6,568,239</u>	<u>21,983,604</u>
Change in Net Position				2,861,815	(499,357)	2,362,458
Net Position - Beginning of Year				21,955,750	6,567,441	28,523,191
Prior Period Adjustment				<u>-</u>	<u>1,669,035</u>	<u>1,669,035</u>
Net Position - End of Year				<u>\$ 24,817,565</u>	<u>\$ 7,737,119</u>	<u>\$ 32,554,684</u>

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



## County of Mecklenburg, Virginia

### Notes to Financial Statements

Year Ended June 30, 2014

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The County of Mecklenburg, Virginia (the "County") was formed from part of Lunenburg County in 1764 and was legally established in 1765. There are five incorporated towns within the County: Boynton, the county seat, Chase City, Clarksville, LaCrosse, and South Hill. The County has a population of approximately 32,737 and is governed by an appointed County Administrator and a nine-member Board of Supervisors.

The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation, and cultural, and community development.

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

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

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

### **Individual Component Unit Disclosures**

#### **Discretely Presented Component Units**

##### *Mecklenburg County School Board*

The Mecklenburg County School Board is elected to four-year terms by the County voters. The School Board may hold property and issue debt subject to approval by the Board of Supervisors. The School Board provides public primary and secondary education services to the County residents. The primary funding sources of the School Board are State and Federal grants and appropriations from the County, which are significant since the School Board does not have separate taxing authority. The County also approves the School Board budget.

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

The Industrial Development Authority (the "Authority") of Mecklenburg County, Virginia was created in 1980. The Authority is authorized to acquire, own, lease, and dispose of local properties, which will potentially promote industry and develop trade in Virginia through locating and remaining in the area. The Authority assists new and expanding businesses in securing low interest, tax-exempt industrial development revenue bonds. Bonds are issued when financing these facilities, covering the cost of land, buildings, machinery, or equipment. A mortgage or lien on the financed property is then secured and repaid from the revenue of the project. The Authority is governed by a seven-member Board. The County of Mecklenburg, Virginia has no financial responsibility for the debt issued by the Authority.

## **Exclusions from the Reporting Entity**

### **Jointly Governed Organizations**

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

#### *Southside Regional Library*

The Southside Regional Library provides library services to the County of Mecklenburg, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50 percent of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$357,092 in operating funds in fiscal year 2014. The County has no equity interest in the Library.

#### *Southside Community Services Board*

The County of Mecklenburg, Virginia jointly participates in the Southside Community Services Board (the "Board") with other surrounding localities. The Board provides input to state and local agencies on service needs and priorities of persons with physical and sensory disabilities.

#### *Southside Regional Public Service Authority*

The Southside Regional Public Service Authority (the "Authority") was created under the authority of the Virginia State Corporation Commission on September 21, 2004.

The Authority consists of a six-member Board made up of two members from each locality for a term of four years. The Board operates independently of the localities.

#### *Mecklenburg-Brunswick Airport Commission*

The Commission consists of a ten-member Board with the counties of Mecklenburg and Brunswick and the towns of South Hill, LaCrosse, and Brodnax participating in the governance of the airport. The Commission was formed in 1975 and serves all of its localities.

## 1-B. Financial Reporting Model

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

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

**Government-wide Financial Statements** – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government; as such, individual funds are not displayed. The fiduciary funds of the primary government are not included in the government-wide financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

Comprehensive Services Funds – These funds account for activity pertaining to children eligible to receive funds under Virginia's Comprehensive Services Act.

Economic Development Fund – This fund accounts for activities involving promoting economic development in the County for major funding.

Public Assistance Fund – This fund accounts for County revenues collected and disbursed for welfare recipients of the County.

Law Library Fund – This fund accounts for the operation and maintenance of the County's law library.

Sheriff's Funds – These funds are used for various projects and revenue specifically handled by the Sheriff's Department, such as inmates, jail phones, etc.

Drug Forfeiture Funds – These funds are specifically earmarked for handling drug forfeiture operations.

CDBG Funds – The County has two CDBG projects in process that account for funds used to upgrade housing for low income citizens. These funds are Tiny Road Project and Scattered Site Project.

**Capital Projects Funds** – The Capital Projects Funds consists of the DEQ and Landfill Funds, the Microsoft Project, and New School Facility Funds which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

**Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has no Proprietary Funds at this time.

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

Private Purpose Trust Funds

The County has no Private Purpose Trust Funds at this time.

Agency Funds

Special Welfare Fund – This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.

Southside Regional Library Fund – This fund accounts for the operation and maintenance of the regional library of the County. The County acts as fiscal agent for the Library.

Thyne Project Memorial – This fund accounts for the operation and maintenance of this project. The County acts as fiscal agent for the Memorial.

OPEB Fund – This fund accounts for the money held for postemployment benefits of the County.

Virginia's Retreat Fund – This fund accounts for money held by the County for the Virginia's Retreat, an entity of eleven counties and one city (Mecklenburg, Lunenburg, Charlotte, Brunswick, Nottoway, Amelia, Appomattox, Buckingham, Dinwiddie, Halifax, Prince Edward, and City of Petersburg) for the purpose of regional marketing of the Civil Rights and Education Heritage Trail, Wilson-Kautz Raid Trail, Lee's Retreat Civil War Trail, and other trails and tourist related opportunities within the region.

Virginia's Growth Alliance (dba TransTech Marketing Alliance) – This fund accounts for money held by the County for the Virginia's Growth Alliance (dba TransTech Marketing Alliance), an entity of six counties and one city (Mecklenburg, Brunswick, Greenville, Lunenburg, Charlotte, Nottoway, and City of Emporia) for the purpose of increasing business and other opportunities within the region pursuant to Section 15.2-1300 et. Seq. of the Code of Virginia, which authorizes the joint exercise of powers by political subdivisions.

### ***Component Units***

#### ***Mecklenburg County School Board***

The Mecklenburg County School Board has the following funds:

School Operating Fund – This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the County of Mecklenburg, Virginia, and State and Federal grants. The School Operating Fund is considered a major fund of the School Board for financial reporting purposes.

School Food Services Fund – This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and State and Federal grants.

School Textbook Fund – This fund consists of monies used to buy textbooks for the schools.

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

The Industrial Development Authority of Mecklenburg County, Virginia has only one fund which is its operating fund. It accounts for all activities of the Authority.

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

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

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



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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. The County has no enterprise funds at this time. However, the Component Unit IDA of Mecklenburg County, Virginia is accounted for as a proprietary fund.

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

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

The County operates a cash and investment pool which all funds utilize with the exception of the landfill capital projects fund and agency funds, each of which has separate bank accounts and investments. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The County allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

**1-E-2 Investments**

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

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

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$273,594 at June 30 for property taxes.

General Fund - taxes receivable	<u>\$ 273,594</u>
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### *Real and Personal Property Tax Data*

The tax calendars for real and personal property taxes are summarized below:

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	July 1
Due Date	December 5	December 5
Due Date	June 5	June 5

The County bills and collects its own property taxes.

A ten percent penalty is levied on all taxes not collected the day following the due date. Interest at the rate of 10 percent per year is also added the day following the due date.

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

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County's infrastructure consists primarily of water and sewer lines. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 75 years
Furniture and other equipment	3 to 25 years

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

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

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue, representing taxes and other receivables, is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, second half installments levied during the fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, second half installments levied during the fiscal year but due after June 30 and amounts prepaid on the second half installments are reported as deferred inflows of resources.

#### **1-E-7 *Compensated Absences***

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

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

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

The Component Unit School Board accrues compensated absences (annual and sick leave benefits) when vested. The current portion of the compensated absences is recorded in the School Board Governmental Funds as accrued liabilities. The current and noncurrent portions are recorded in the School Board component unit government-wide financial statements.

#### **1-E-8 *Retirement Plan***

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

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

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

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

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

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

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

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

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

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

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

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

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

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets. The County has no proprietary funds although the Component Unit IDA of Mecklenburg County, Virginia does account for its activities in business development in this manner.

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

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

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

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

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

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

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

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

The Board of Supervisors annually adopts budgets for the various funds of the primary government and Component Unit School Board. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

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

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures exceeded appropriations in the following funds at June 30, 2014:

No expenditures exceeded appropriations.

#### **Fund Deficits**

There were no fund deficits.

### **3 Deposits and Investments**

#### *Deposits*

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

#### *Investments*

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

The County does not have a formal investment policy addressing the various types of risks associated with investments.

#### *Concentration of Credit Risk/Interest Rate Risk*

The County of Mecklenburg, Virginia only invests in Certificates of Deposit at local banks. Therefore, there is no custodial risk, credit risk of debt securities, concentration of credit risk, or foreign currency risk. The only risk of interest rates is that associated with short-term rates at the local banks which are generally invested in Certificates of Deposit held less than one year.

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2014</u>
Petty cash	\$ 3,000
Deposit accounts	<u>35,976,865</u>
Total Cash and Investments	<u>\$ 35,979,865</u>

	<u>Governmental Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
<b>Primary Government</b>			
Cash and cash equivalents	\$ 33,143,426	\$ -	\$ 33,143,426
Cash and investments with fiscal agents	<u>-</u>	<u>1,297,341</u>	<u>1,297,341</u>
Total Primary Government	33,143,426	1,297,341	34,440,767
<b>Component Unit School Board</b>			
Cash and cash equivalents	920,579	-	920,579
<b>Component Unit IDA of Mecklenburg County, Virginia</b>			
Cash and cash equivalents	<u>618,519</u>	<u>-</u>	<u>618,519</u>
Grand Total	<u>\$ 34,682,524</u>	<u>\$ 1,297,341</u>	<u>\$ 35,979,865</u>

## 4 Receivables

Receivables at June 30, 2014 consist of the following:

	<u>Primary Government</u>					<u>Component Unit School Board</u>
	<u>Governmental Activities</u>					
	<u>General Fund</u>	<u>Comprehensive Services Fund</u>	<u>Public Assistance Fund</u>	<u>Microsoft Capital Project</u>	<u>Total Primary Government</u>	
Property taxes	\$2,177,648	\$ -	\$ -	\$ -	\$ 2,177,648	\$ -
Other	<u>73,152</u>	<u>1,991</u>	<u>788</u>	<u>285,986</u>	<u>361,917</u>	<u>3,500</u>
Total	2,250,800	1,991	788	285,986	2,539,565	3,500
Allowance for uncollectibles	<u>(273,594)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(273,594)</u>	<u>-</u>
Net Receivables	<u>\$1,977,206</u>	<u>\$ 1,991</u>	<u>\$ 788</u>	<u>\$285,986</u>	<u>\$ 2,265,971</u>	<u>\$ 3,500</u>

## 5 Interfund Transfers

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

	<u>Transfer to</u>	<u>Transfer from</u>
<b>Primary Government</b>		
<b>General Fund</b>		
To Public Assistance - Welfare Fund	\$ 882,857	\$ -
To Comprehensive Services Fund	98,000	-
To New School Facility Fund	600,000	-
To Economic Development Fund	500,000	-
To Capital Outlay Fund	<u>2,554,789</u>	<u>-</u>
Total General Fund	4,635,646	-
<b>Public Assistance - Welfare Fund</b>		
From General Fund	-	882,857
<b>Comprehensive Services Funds</b>		
From General Fund for operations	-	98,000
<b>New School Facility Fund</b>		
From Capital Outlay Fund	-	1,400,000
From General Fund	-	600,000
<b>Economic Development Fund</b>		
From General Fund	-	500,000
<b>Capital Outlay Fund</b>		
To New School Facility Fund	1,400,000	-
From General Fund	<u>-</u>	<u>2,554,789</u>
Total Transfers Within Primary Government	<u>\$ 6,035,646</u>	<u>\$ 6,035,646</u>

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

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

	<u>Transfer to</u>	<u>Transfer from</u>
<b><i>School Board</i></b>		
<b>General Fund</b>		
To School Fund for local appropriation	\$ 12,057,994	\$ -
To School Textbook Fund for local appropriation	146,562	-
<b>New School Facility</b>		
To School Board Component Unit	9,500	4,203,228
<b>School Board Component Unit</b>		
From General Fund for local appropriation	-	12,057,994
From New School Facility Fund	4,203,228	9,500
<b>School Textbook Fund</b>		
From General Fund for local appropriation	-	146,562
Total Transfers Within Primary Government	<u>\$ 16,417,284</u>	<u>\$ 16,417,284</u>
 <b><i>IDA of Mecklenburg County, Virginia</i></b>		
<b>General Fund</b>		
To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	\$ 6,535,751	\$ -
<b>Industrial Development Authority</b>		
From Economic Development Fund	-	6,535,751
Total Transfers Within Primary Government	<u>\$ 6,535,751</u>	<u>\$ 6,535,751</u>
 Total Transfers	<u>\$ 28,988,681</u>	<u>\$ 28,988,681</u>



## 7 Due from Other Governmental Units

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

	<b>Governmental Funds</b>	<b>Component Unit School Board</b>
<b>Commonwealth of Virginia</b>		
Local and State sales taxes	\$ 480,473	\$ 767,361
Compensation Board - constitutional officers	333,859	-
Communications tax	97,776	-
E-911	20,748	-
Grantor's tax	14,779	-
Public assistance	185,782	-
Fire program grant	11,184	-
Economic development funds	34,456	-
Other state funds	25,024	-
<b>Federal Government</b>		
Community Development Block Grant (CDBG) funds	42,727	-
Other federal funds	-	14,103
Title I	-	94,921
Title II	-	22,382
Total	<u>\$ 1,246,808</u>	<u>\$ 898,767</u>

## 8 Capital Assets

The following is a summary of changes in capital assets:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 495,537	\$ 703,274	\$ -	\$ 1,198,811
Total Capital Assets Not Being Depreciated	495,537	703,274	-	1,198,811
<b>Other Capital Assets</b>				
Buildings and improvements	22,472,267	40,000		22,512,267
Infrastructure	11,077,876	-	-	11,077,876
School buildings and improvements	11,674,384	-	-	11,674,384
Furniture, equipment, and vehicles	9,166,826	1,090,107	-	10,256,933
Total Other Capital Assets	54,391,353	1,130,107	-	55,521,460
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	5,203,335	472,010	-	5,675,345
Infrastructure	585,550	214,331	-	799,881
South Hill Elementary School	1,842,268	233,488	-	2,075,756
Furniture, equipment, and vehicles	6,158,565	665,501	-	6,824,066
Total Accumulated Depreciation	13,789,718	1,585,330	-	15,375,048
Other Capital Assets, Net	40,601,635	(455,223)	-	40,146,412
Net Capital Assets	\$41,097,172	\$ 248,051	\$ -	\$41,345,223

Depreciation expense was allocated as follows:

General government administration	\$ 201,089
Judicial administration	363,041
Public safety	410,659
Public works	266,402
Education - public school system	233,488
Health and welfare	110,651
Total Depreciation Expense	\$ 1,585,330

**NOTE:** The Buckhorn Elementary School and Boydton Elementary on Jefferson reverted back to the County from the School Board Component Unit. Additions to the beginning balances are as follows:

Land	\$ 46,065
Buildings and improvements	1,971,212
Accumulated depreciation - buildings and improvements	(1,366,714)
Net Fixed Assets from County to School	\$ 650,563

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Component Unit School Board</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,719,642	\$ 21,000	\$ -	\$ 1,740,642
Total Capital Assets Not Being Depreciated	1,719,642	21,000	-	1,740,642
<b>Other Capital Assets</b>				
Buildings and improvements	34,044,369	4,203,228	406,601	37,840,996
Furniture, equipment, and vehicles	19,694,160	1,712,705	-	21,406,865
Total Other Capital Assets	53,738,529	5,915,933	406,601	59,247,861
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	-	963	-	963
Buildings and improvements	21,146,060	560,567	357,809	21,348,818
Furniture, equipment, and vehicles	13,928,154	1,205,453	-	15,133,607
Total Accumulated Depreciation	35,074,214	1,766,983	357,809	36,483,388
Other Capital Assets, Net	18,664,315	4,148,950	48,792	22,764,473
Net Capital Assets	\$20,383,957	\$ 4,169,950	\$ 48,792	\$24,505,115
<b>Component Unit IDA of Mecklenburg County, Virginia</b>				
<b>Capital Assets Not Being Depreciated</b>				
Buildings and land held for resale	\$ 4,094,273	\$ 2,243,753	\$ -	\$ 6,338,026
Net Capital Assets	\$ 4,094,273	\$ 2,243,753	\$ -	\$ 6,338,026

**NOTE:** The Buckhorn Elementary School and Boydton Elementary on Jefferson reverted back to the County from the School Board Component Unit. Reductions to the beginning balances are as follows:

Land	\$ 46,065
Buildings and improvements	1,971,212
Accumulated depreciation - buildings and improvements	(1,366,714)
Net Fixed Assets from County to School	\$ 650,563

## 9 Compensated Absences

Each County employee earns sick leave at the rate of one day per month. Vacation pay begins with one day per month and increases with length of service. No benefits or pay are received for unused sick leave upon termination unless the employee has been with the County over five years and the employee receives only up to 30 days of unused sick leave. Accumulated vacation up to a maximum of 54 days with 25+ years of service is paid upon termination. The County has outstanding accrued compensated absences totaling \$1,199,022 in the Governmental Activities. The Component Unit School Board has \$187,132 of compensated absences.

# 10 Long-Term Debt

## PRIMARY GOVERNMENT

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

<u>Year(s) Ended June 30.</u>	<u>Primary Government General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 528,330	\$ 353,747
2016	543,446	327,182
2017	558,829	299,852
2018	577,998	271,457
2019	591,093	243,331
2020-2024	3,233,108	793,276
2025-2029	<u>1,099,480</u>	<u>142,655</u>
Total	7,132,284	2,431,500
Landfill obligation	1,370,886	-
OPEB obligation (asset)	(346,161)	-
Compensated absences	<u>1,199,022</u>	<u>-</u>
Total	9,356,031	<u>\$ 2,431,500</u>
Add: Unamortized Premium on Bond	<u>240,975</u>	
	<u>\$ 9,597,006</u>	

<u>Year Ending June 30.</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
<b>Component Unit School Board</b>		
<b>SunTrust Equipment Lease</b>		
2015	\$ 407,630	\$ 13,493
2016	205,999	5,767
2017	<u>208,862</u>	<u>2,903</u>
Total	822,491	22,163
OPEB obligation	334,971	-
Compensated absences	<u>187,132</u>	<u>-</u>
Total	<u>\$ 1,344,594</u>	<u>\$ 22,163</u>

### Component Unit IDA of Mecklenburg County, Virginia

2015	\$ 57,346	\$ 22,930
2016	60,465	19,812
2017	63,759	16,518
2018	46,554	13,381
2019	47,469	10,617
2020-2024	<u>151,002</u>	<u>13,574</u>
Total	<u>\$ 426,595</u>	<u>\$ 96,832</u>

## Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the County:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
<b>General Fund</b>					
<i>Details of Long-Term Indebtedness</i>					
U.S. Bank, Virginia Public School Authority (VPSA) General Obligation School Bond, Series 2006, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$280,361 and \$372,067 with interest rates between 4.60% and 5.10% through January 2027.	\$ 4,790,753	\$ -	\$ 313,469	\$ 4,477,284	\$ 318,330
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2003C, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$378,000 and \$338,415 with interest rates between 3.10% and 5.10% through January 2024. This bond had an original premium of \$250,000.	2,855,000	-	200,000	2,655,000	210,000
Landfill obligation	1,637,601	-	266,715	1,370,886	-
OPEB obligation (asset)	(338,361)	(7,800)	-	(346,161)	-
Compensated absences	1,147,188	51,834	-	1,199,022	-
	10,092,181	44,034	780,184	9,356,031	528,330
<i>Add</i>					
Unamortized Premium on Bond Series 2003 Bond	137,500	-	12,500	125,000	12,500
Unamortized Premium on Bond Series 2006 Bond	124,896	-	8,921	115,975	8,921
Total Long-Term Indebtedness - Primary Government	<u>\$ 10,354,577</u>	<u>\$ 44,034</u>	<u>\$ 801,605</u>	<u>\$ 9,597,006</u>	<u>\$ 549,751</u>
<b>Component Unit School Board</b>					
SunTrust Equipment Finance & Leasing Corp. Master Lease Agreement dated August 2, 2011, proceeds used to purchase buses for the schools. Annual payments due August of each year with interest at 2.3977% until August 2014.	\$ 404,124	\$ -	\$ 199,668	\$ 204,456	\$ 204,456
SunTrust Equipment Finance & Leasing Corp. Master Lease Agreement dated February 6, 2014, proceeds used to purchase buses for the schools. Annual payments due February of each year with interest at 1.39% until February 2017.	-	829,800	211,765	618,035	203,174
Compensated absences	170,417	16,715	-	187,132	-
OPEB obligation	165,062	169,909	-	334,971	-
Total Component Unit School Board	<u>\$ 739,603</u>	<u>\$ 1,016,424</u>	<u>\$ 411,433</u>	<u>\$ 1,344,594</u>	<u>\$ 407,630</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Component Unit IDA of Mecklenburg County, Virginia</b>					
<b><i>Riley B. Lowe</i></b>					
The Authority originally borrowed \$650,000 to purchase a building in Chase City, Virginia jointly with the Industrial Development Authority of the Town of Chase City, Virginia to be leased for twenty years to a local business with the option to purchase at any time. The original loan terms were modified effective April 1, 2012, reducing the interest rate from 7.00% to 6.00% and extending the term of payments. The loan is payable in monthly installments of \$4,840 through April 2022.					
	\$ 397,518	\$ -	\$ 35,192	\$ 362,326	\$ 37,363
<b><i>Lake Country Development Corporation</i></b>					
The Authority originally borrowed \$250,000 to purchase a building (Riley B. Lowe Building). The original loan terms were modified effective June 1, 2012, removing a balloon due date of July 2012 and extending the existing payment and interest terms through July 2017. The loan continues to be payable in monthly installments of \$1,849 at 4.00% interest.					
	<u>83,471</u>	<u>-</u>	<u>19,202</u>	<u>64,269</u>	<u>19,984</u>
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ 480,989</u>	<u>\$ -</u>	<u>\$ 54,394</u>	<u>\$ 426,595</u>	<u>\$ 57,347</u>

## 11 Net Investment in Capital Assets

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

	<u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> <u>School</u> <u>Board</u>	<u>Component</u> <u>Unit</u> <u>IDA</u>
<b>Net Investment in Capital Assets</b>			
Cost of capital assets	\$ 56,720,271	\$ 60,988,503	\$ 6,338,026
Less: Accumulated depreciation	<u>(15,375,048)</u>	<u>(36,483,388)</u>	<u>-</u>
Book value	41,345,223	24,505,115	6,338,026
Less: Capital related debt	<u>(7,132,284)</u>	<u>(822,491)</u>	<u>(426,595)</u>
Less: Unamortized debt issuance premium	<u>(240,975)</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 33,971,964</u>	<u>\$ 23,682,624</u>	<u>\$ 5,911,431</u>

## 12 Deferred Inflows of Resources

Deferred inflows of resources from unavailable revenue – taxes and other are comprised of the following:

### Primary Government - Deferred Inflows of Resources

#### General Fund

Delinquent taxes not collected within 60 days	\$ 1,529,610
Prepaid property taxes - property taxes paid in advance	67,571
Other deferred credits	<u>8,803</u>

Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 1,605,984</u>
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## 13 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, a public entity risk pool 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 deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

## 14 Commitments and Contingencies

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

## 15 Litigation

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

## 16 Legal Compliance

### *Computation of Legal Debt Margin*

Total Assessed Value of Taxed Real Estate	<u>\$ 3,794,374,600</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 379,437,460
Amount of Debt Applicable to Debt Limit	
General obligation debt	<u>8,195,750</u>
Legal Debt Margin	<u>\$ 371,241,710</u>

## 17 Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2014:

<u>Name</u>	<u>Title</u>	<u>Surety</u>	<u>Amount</u>
E. E. Coleman, Jr.	Clerk of the Circuit Court	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	\$2,210,000
Joseph E. "Ed" Taylor	Commissioner of Revenue	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	3,000
Sandra P. Langford	Treasurer	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	400,000
R. W. "Bobby" Hawkins, Jr.	Sheriff	Commonwealth of Virginia Faithful Performance of Duty Bond Plan	30,000
<b>Other Employees</b>			
School Board Employees		Utica Insurance Company	2,500
All County Employees		VACo Insurance Programs	250,000
Department of Social Services Employees		VACo Insurance Programs	250,000

## 18 Landfill Closure and Post-Closure Costs

State and Federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The County will recognize the remaining estimated cost of closure and post-closure care of \$1,370,886 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.



The County has cash of \$501,079 held for these purposes. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

## 19 Appropriation to School from General Fund

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

School Board Appropriation in the Fund Financial Statements:	
From the General Fund	\$ 12,204,556
From the New School Facility Fund	4,212,728
To School Facility Fund from School	<u>(271,166)</u>
Net School Board Appropriation for the	
Fund Financial Statements	16,146,118
Adjustments for:	
Payment of principal and interest on construction loans	(867,218)
Transfer of Buckhorn Elementary property back to County	(650,563)
Depreciation on school building and other fixed assets	<u>233,488</u>
Adjusted School Board Appropriation	
in the Government-Wide Financial Statements	<u><u>\$ 14,861,825</u></u>

## 20 Pension Plan

### A. Plan Description

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

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

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

## **VRS PLAN 1**

### ***About VRS Plan 1***

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

### ***Eligible Members***

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

### ***Hybrid Opt-In Election***

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

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

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

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

## **VRS PLAN 2**

### ***About VRS Plan 2***

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

### ***Eligible Members***

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

### ***Hybrid Opt-In Election***

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

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

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

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

## **HYBRID RETIREMENT PLAN**

### ***About the Hybrid Retirement Plan***

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

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

### ***Eligible Members***

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

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

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

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

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

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

**VRS  
PLAN 1**

**Retirement Contributions**

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

**Creditable Service**

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

**Vesting**

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

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

**VRS  
PLAN 2**

**Retirement Contributions**

Same as VRS Plan 1.

**Creditable Service**

Same as VRS Plan 1.

**Vesting**

Same as VRS Plan 1.

**HYBRID  
RETIREMENT PLAN**

**Retirement Contributions**

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

**Creditable Service**

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

**Vesting**

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

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

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

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

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

**VRS  
PLAN 1**

**Calculating the Benefit**

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

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

**Average Final Compensation**

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

**Service Retirement Multiplier**

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

**Normal Retirement Age**

Age 65.

**Earliest Unreduced Retirement Eligibility**

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

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

**Earliest Reduced Retirement Eligibility**

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

**VRS  
PLAN 2**

**Calculating the Benefit**

See definition under VRS Plan 1.

**Average Final Compensation**

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

**Service Retirement Multiplier**

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

**Normal Retirement Age**

Normal Social Security retirement age.

**Earliest Unreduced Retirement Eligibility**

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

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

**Earliest Reduced Retirement Eligibility**

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

**HYBRID  
RETIREMENT PLAN**

**Calculating the Benefit**

**Defined Benefit Component:**

See definition under VRS Plan 1.

**Defined Contribution Component:**

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

**Average Final Compensation**

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

**Service Retirement Multiplier**

The retirement multiplier is 1.0%.

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

**Normal Retirement Age**

**Defined Benefit Component:**

Same as VRS Plan 2.

**Defined Contribution Component:**

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

**Earliest Unreduced Retirement Eligibility**

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

**Earliest Reduced Retirement Eligibility**

**Defined Benefit Component:**

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

**Defined Contribution Component:**

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

**VRS  
PLAN 1**

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

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

**Eligibility:**

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

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

**Exceptions to COLA Effective Dates:**

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

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

**Disability Coverage**

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

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

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

**VRS  
PLAN 2**

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

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

**Eligibility:**

Same as VRS Plan 1

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1

**Disability Coverage**

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

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

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

**HYBRID  
RETIREMENT PLAN**

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

**Defined Benefit Component:**

Same as VRS Plan 2

**Defined Contribution Component:**

Not applicable

**Eligibility:**

Same as VRS Plan 1 and VRS Plan 2

**Exceptions to COLA Effective Dates:**

Same as VRS Plan 1 and VRS Plan 2

**Disability Coverage**

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

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

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

**VRS  
PLAN 1**

***Purchase of Prior Service***

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

**VRS  
PLAN 2**

***Purchase of Prior Service***

Same as VRS Plan 1

**HYBRID  
RETIREMENT PLAN**

***Purchase of Prior Service***

**Defined Benefit Component:**

Same as VRS Plan 1

**Defined Contribution Component:**

Not applicable

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

## B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2014 was **13.64%** of annual covered payroll. The Component Unit School Board's contribution rate for nonprofessional employees for the fiscal year ended 2014 was **10.93%** of annual covered payroll. The Component Unit School Board contributed **\$2,720,042** to the teacher cost-sharing pool at a rate of **14.5%**.

## C. Annual Pension Cost

For fiscal year 2014, the County and School Board's annual pension cost of **\$1,012,343** and **\$82,825** for the County and the County School Board nonprofessionals, respectively, was equal to the County and School Board's required and actual contributions.

### Three-Year Trend Information for County and Component Unit School Board

Fiscal Year Ending	County			Component Unit School Board		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$ 896,922	100.00%	\$ -	\$ 86,565	100.00%	\$ -
June 30, 2013	974,657	100.00%	-	85,392	100.00%	-
<b>June 30, 2014</b>	<b>1,012,343</b>	<b>100.00%</b>	<b>-</b>	<b>82,825</b>	<b>100.00%</b>	<b>-</b>

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



#### D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was **76.47%** funded. The actuarial accrued liability for benefits was **\$38,645,929**, and the actuarial value of assets was **\$29,553,016**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$9,092,913**. The covered payroll (annual payroll of active employees covered by the plan) was **\$7,354,818**, and ratio of the UAAL to the covered payroll was **123.63%**.

For the nonprofessional School Board, as of June 30, 2013, the most recent actuarial valuation date, the plan was **83.00%** funded. The actuarial accrued liability for benefits was **\$5,849,581**, and the actuarial value of assets was **\$4,855,112**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$994,469**. The covered payroll (annual payroll of active employees covered by the plan) was **\$843,941**, and ratio of the UAAL to the covered payroll was **117.84%**.

The schedule of funding progress presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

#### REQUIRED SUPPLEMENTARY INFORMATION

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<b>County of Mecklenburg, Virginia</b>						
June 30, 2011	\$28,318,141	\$ 38,032,407	\$ 9,714,266	74.46%	\$8,186,770	118.66%
June 30, 2012	28,610,938	39,692,672	11,081,734	72.08%	8,177,519	135.51%
<b>June 30, 2013</b>	<b>29,553,016</b>	<b>38,645,929</b>	<b>9,092,913</b>	<b>76.47%</b>	<b>7,354,818</b>	<b>123.63%</b>
<b>Mecklenburg County School Board</b>						
June 30, 2011	5,077,425	6,101,408	1,023,983	83.22%	1,294,166	79.12%
June 30, 2012	4,946,004	6,238,122	1,292,118	79.29%	1,296,324	99.68%
<b>June 30, 2013</b>	<b>4,855,112</b>	<b>5,849,581</b>	<b>994,469</b>	<b>83.00%</b>	<b>843,941</b>	<b>117.84%</b>



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

	<u>County</u>	<u>Component Unit School Board</u>
Valuation Date	June 30, 2013	June 30, 2013
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed	Level Percent of Pay, Closed
Payroll Growth Rate	3.00%	3.00%
	30 years (decreasing by one each year in subsequent valuations until reaching 0 years)	30 years (decreasing by one each year in subsequent valuations until reaching 0 years)
Remaining Amortization Period		
Asset Valuation Method	5-Year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial Assumptions		
a. Investment Rate of Return*	7.00%	7.00%
b. Projected Salary Increases*		
1) Non-LEO Members	3.50% to 5.35%	3.50% to 5.35%
2) LEO Members	3.50% to 4.75%	3.50% to 4.75%
c. Cost-of-Living Adjustments		
1) Plan 1 Members	2.50%	2.50%
2) Plan 2 Members	2.25%	2.25%

\*Includes inflation of 2.5%

## 21 Other Postemployment Benefits

### *Plan Description*

In addition to pension benefits offered by Virginia Retirement Services, the County and School Board provides postemployment healthcare benefits. These benefits are governed by the County and School Board and can be amended by the County and School Board. The County and School Board provide healthcare insurance to retirees and their dependents. Very strict criteria have to be met to qualify for the benefits and the retirees come off the plan once they start receiving Medicare benefits at age 65.

### *Cash and Cash Equivalents*

The School Board has not yet established an OPEB Fund for funding a portion of the costs for its OPEB plans. The estimated costs are minimal and can still be handled with current funds. The County and School Board will continue to monitor these costs.

### *Funding Policy*

The County and School Board use an unfunded approach with a discount rate of 4.00 percent. Amortization of the Unfunded Actuarial Accrued Liability is a level of percentage of payroll over 30 years.

## Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at January 1, 2014 and costs for the fiscal years through June 30, 2014 reflecting the unfunded approach, utilizing a discount rate of 4.00 percent, and amortizing the Unfunded Actuarial Accrued Liability as a level of percentage of payroll for 30 years. A summary of the net OPEB obligation (asset) is as follows:

	<u>County</u>	<u>School Board</u>
<b>Annual OPEB Cost (Expense)</b>		
Annual required contribution	\$ 155,800	\$ 344,026
Interest on OPEB obligation (asset)	(23,700)	6,602
Adjustment to ARC	<u>20,600</u>	<u>(9,360)</u>
Annual OPEB Cost (Expense)	152,700	341,268
<b>Contributions Made</b>		
Contributions for fiscal year	<u>160,500</u>	<u>171,359</u>
Increase (Decrease) in Net OPEB Obligation (Asset)	(7,800)	169,909
Net OPEB Obligation (Asset) - Beginning of Year	<u>(338,361)</u>	<u>165,062</u>
Net OPEB Obligation (Asset) - End of Year	<u><u>\$ (346,161)</u></u>	<u><u>\$ 334,971</u></u>

Three-year trend information is as follows:

### Primary Government - County

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
6/30/2012	\$ 154,837	\$ 274,040	176.99%
6/30/2013	143,600	161,000	112.12%
6/30/2014	152,700	160,500	105.11%

### Component Unit - School Board

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
12/31/2012	\$ 252,462	\$ 175,400	69.48%
12/31/2013	341,268	171,359	50.21%
12/31/2012 (estimate)	347,202	168,046	48.40%

Valuation information is as follows:

**Primary Government - County**

<u>Valuation Date</u>	<u>Actuarial</u>		<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
	<u>Value of Assets</u> (a)	<u>Liability (AAL) - Projected Unit Credit</u> (b)				
1/1/2009	\$ -	\$ 2,682,600	\$ 2,682,600	0.00%	\$ 6,990,800	38.37%
1/1/2011	-	1,906,900	1,906,900	0.00%	8,119,800	23.48%
1/1/2013	534,000	2,039,100	1,505,100	26.00%	5,810,900	25.90%

**Component Unit - School Board**

<u>Valuation Date</u>	<u>Actuarial</u>		<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll (estimate)</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
	<u>Value of Assets</u> (a)	<u>Liability (AAL) - Projected Unit Credit</u> (b)				
1/1/2012	\$ -	\$ 2,534,100	\$ 2,534,100	0.00%	\$ 24,495,200	10.35%
1/1/2013	-	3,256,408	3,256,408	0.00%	25,000,000	13.03%
1/1/2014	-	3,358,062	3,358,062	0.00%	25,500,000	13.17%

	<u>County</u>	<u>Component Unit School Board</u>
OPEB Valuation Date	January 1, 2013	January 1, 2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Dollar Amortization
Amortization Period	30 years (28 years remaining as of January 1, 2013)	30 years
Asset Valuation Method	Market Value	N/A since this plan is totally unfunded
Actuarial Assumptions		
a. Investment Rate of Return	7% annual returns net of both investment and non-actuarial administrative expenses	No investment rate of return was used since there are no funded assets.
b. Payroll Growth Rate	3% per year	Projected salary increases were not used in amortizing these amounts.
c. Medical Cost Trend Assumption	Getzen Trend Model - 7.70% graded to 4.80% over 70 years	Long Term Medical Cost Trend Rate is .064% and the Ultimate Medical Cost Trend Rate is .051% in year 2044

## 22 Fund Balances – Governmental Funds

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

<u>Fund</u>	<u>Committed</u>	<u>Amount</u>
General Fund	PPTRA	\$ 77,207
	Roof replacement	3,131,341
	911 program	267,738
	Rochichi fund	9,600
	Treasurer's fund	2,037
	Subtotal - General Fund - Committed	3,487,923
New School Facility Fund	New school facilities	3,598,183
	Total Committed Funds	<u>\$ 7,086,106</u>

<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
General Fund	Equipment replacement	\$ 792,104
Sheriff's Funds	Dare Fund	18
	Project Life Saver	5,210
	SRO Picnic Fund	14,853
	Sheriff's abandoned property	2,078
	Subtotal - Sheriff's Funds - Assigned	22,159
DEQ and Landfill Funds	Landfill reserve	501,079
	Subtotal - DEQ and Landfill Funds - Assigned	501,079
Economic Development Fund	Economic development	1,780,829
Capital Outlay Fund	Capital projects	10,637,781
Law Library Fund	Law library	28,545
	Total Assigned Funds	<u>\$ 13,762,497</u>

<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
Public Assistance Funds	Public assistance	\$ 1,359,366
DEQ and Landfill Funds	School fuel tanks	20,000
	County fuel tanks	100,000
		120,000
Microsoft Project	Microsoft project	1,842,418
Comprehensive Services	Comprehensive services	778,347
Forfeiture Funds	Commonwealth's Attorney	13,112
	Sheriff's drug forfeitures	6,510
	State unwarranted	40,792
	Federal forfeiture funds	11,913
	MCSO seizure money funds	1,451
	Equitable Sharing funds	13,552
	Subtotal - Forfeiture Funds	87,330
	Total Restricted Funds	<u>\$ 4,187,461</u>

## 23 Implementation of GASB Statement No. 65

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

# Required Supplementary Information



## County of Mecklenburg, Virginia

## Budgetary Comparison Schedule

Year Ended June 30, 2014

## General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Real property taxes	\$ 13,179,593	\$ 13,179,593	\$ 13,791,048	\$ 611,455
Mobile home taxes	66,774	66,774	70,077	3,303
Personal property taxes	12,798,418	14,665,378	14,718,480	53,102
Public service corporations	827,524	827,524	1,192,806	365,282
Machinery and tools taxes	491,040	639,040	585,493	(53,547)
Merchants' capital	385,020	385,020	391,506	6,486
Delinquent taxes - real estate	-	-	581,718	581,718
Delinquent taxes - personal property	-	-	505,711	505,711
Interest on taxes	120,000	120,000	154,029	34,029
Penalties on taxes	200,000	200,000	252,484	52,484
Total General Property Taxes	28,068,369	30,083,329	32,243,352	2,160,023
<b>Other Local Taxes</b>				
Local sales and use taxes	3,500,000	3,500,000	3,040,346	(459,654)
Utility taxes	430,000	430,000	468,829	38,829
Consumption tax	72,000	72,000	130,401	58,401
Business licenses	1,500	1,500	1,850	350
911 local revenues	120,377	120,377	122,102	1,725
Bank stock tax	-	-	3,919	3,919
Franchise license tax	10,000	10,000	20,189	10,189
Transient occupancy tax	17,000	17,000	35,253	18,253
Motor vehicle licenses	610,500	610,500	617,819	7,319
Tax on recordation and wills	216,000	216,000	231,859	15,859
Total Other Local Taxes	4,977,377	4,977,377	4,672,567	(304,810)
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	28,800	28,800	33,977	5,177
Other permits and licenses	57,075	57,075	63,804	6,729
Building permits	102,000	102,000	287,867	185,867
Total Permits, Privilege Fees, and Regulatory Licenses	187,875	187,875	385,648	197,773
<b>Fines and Forfeitures</b>				
	204,200	204,200	251,126	46,926
<b>Revenue from Use of Money and Property</b>				
Interest income	115,000	115,000	65,859	(49,141)
Rental income	50,000	50,000	57,986	7,986
Total Revenue from Use of Money and Property	165,000	165,000	123,845	(41,155)
<b>Charges for Services</b>				
Sheriff's revenues	7,900	7,900	11,145	3,245
Courthouse maintenance fees and clerk	29,800	29,800	31,596	1,796
Commonwealth Attorney's fees	3,000	3,000	6,379	3,379
Sanitation, waste removal, and landfill charges	47,000	47,000	53,643	6,643
Other miscellaneous charges	200	200	-	(200)
Planning fees	6,200	6,200	9,448	3,248
Total Charges for Services	94,100	94,100	112,211	18,111

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Miscellaneous</b>				
Delinquent tax administrative fees	70,000	70,000	86,081	16,081
Other miscellaneous	19,600	23,693	11,627	(12,066)
Total Miscellaneous	89,600	93,693	97,708	4,015
<b>Recovered Costs</b>	107,873	107,873	101,402	(6,471)
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Non-Categorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	18,000	18,000	22,731	4,731
Auto rental tax	30,000	30,000	3,842	(26,158)
Personal Property Tax Relief Act	1,454,006	1,454,006	1,454,006	-
Receipt from state - Occoneechee Park	5,000	5,000	7,423	2,423
Communications tax from State	499,000	499,000	580,250	81,250
Mobile home titling tax	55,000	55,000	58,177	3,177
Recordation and grantors' tax - State	50,000	50,000	71,034	21,034
Total Non-Categorical Aid	2,111,006	2,111,006	2,197,463	86,457
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	455,037	455,037	445,951	(9,086)
Sheriff and Sheriff's auto	1,534,073	1,534,073	1,538,431	4,358
Commissioner of the Revenue	106,052	106,052	106,577	525
Treasurer	117,634	117,634	117,435	(199)
Electoral Board and General Registrar	41,425	41,425	41,503	78
Clerk of the Court	308,899	308,899	314,705	5,806
School security grant	13,427	13,427	12,733	(694)
Deputies Lake Patrol	45,048	45,048	55,390	10,342
Piedmont Court Services	388,262	388,262	396,820	8,558
Victim Witness Grant	49,487	49,487	47,705	(1,782)
Virginia Domestic Violence (VDVVF)	40,000	40,000	40,000	-
VJCCCA	32,700	32,700	40,515	7,815
Fire Program Grant	65,000	65,000	70,734	5,734
Emergency Services Grant	7,500	7,500	7,500	-
Emergency 911 Grant	-	-	13,513	13,513
Four for Life Grant	31,000	31,000	30,240	(760)
Plastic Pesticide Grant	1,875	1,875	1,617	(258)
Animal Friendly Plates Grant	350	350	290	(60)
Grant - Colonial Center for Performing Arts	5,000	5,000	5,000	-
Stormwater Management Grant	8,412	8,412	8,740	328
Litter Grant	11,500	11,500	13,079	1,579
Jury Witness Reimbursement	5,000	5,000	1,110	(3,890)
Total Categorical Aid	3,267,681	3,267,681	3,309,588	41,907
Total Revenue from the Commonwealth of Virginia	5,378,687	5,378,687	5,507,051	128,364



**Variance  
With  
Final Budget  
Positive  
(Negative)**

	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	
<i>Revenue from the Federal Government</i>				
Highway Safety Grant	22,919	22,919	25,756	2,837
Byrne Grant	2,259	16,489	14,230	(2,259)
CDBG Housing Grant	-	-	15,044	15,044
Stormwater Management Grant	5,000	5,000	-	(5,000)
Violence Against Women	55,265	55,265	25,794	(29,471)
Payment in lieu of taxes	100,000	100,000	144,261	44,261
Total Revenue from the Federal Government	<u>185,443</u>	<u>199,673</u>	<u>225,085</u>	<u>25,412</u>
 Total Intergovernmental Revenue	 <u>5,564,130</u>	 <u>5,578,360</u>	 <u>5,732,136</u>	 <u>153,776</u>
 Total Revenues	 39,458,524	 41,491,807	 43,719,995	 2,228,188

**Expenditures**

**Current**

*General Government Administration*

Board of Supervisors	212,785	204,916	199,024	5,892
County Administrator	429,875	427,824	380,428	47,396
Commissioner of Revenue	608,101	614,975	727,118	(112,143)
Treasurer	638,065	639,343	616,680	22,663
County Attorney and other legal	125,000	109,583	107,676	1,907
Data processing	189,845	122,702	98,664	24,038
Multipurpose	70,000	35,178	35,178	-
Equalization Board	1,400	1,400	808	592
Shared office expenses	348,000	415,143	377,358	37,785
Retirees hospitalization	74,000	75,316	75,316	-
Line of duty	47,365	47,365	47,005	360
Unemployment compensation	28,000	28,000	11,704	16,296
Health Savings Account reimbursement	-	3,938	3,938	-
Annual OPEB contribution	155,800	155,800	155,800	-
Workman's compensation	189,536	176,415	173,903	2,512
Electoral Board	67,522	67,522	35,173	32,349
Registrar	138,640	139,825	125,222	14,603
Total General Government Administration	<u>3,323,934</u>	<u>3,265,245</u>	<u>3,170,995</u>	<u>94,250</u>

*Judicial Administration*

Circuit Court	59,780	60,289	53,814	6,475
General District Court	3,586	3,659	1,742	1,917
Magistrate	2,000	2,000	462	1,538
Juvenile and Domestic Relations Court	208,370	232,111	229,818	2,293
Pretrial Court	122,600	112,835	108,798	4,037
VJCCA	33,100	56,689	56,289	400
Victim Witness Program	50,619	60,741	59,132	1,609
Center for Violence	7,000	7,000	7,000	-
Piedmont Court Services - Corrections Act	265,702	299,369	298,769	600
Clerk of the Circuit Court	586,850	586,171	534,072	52,099
Commonwealth's Attorney	684,146	706,860	692,709	14,151
Total Judicial Administration	<u>2,023,753</u>	<u>2,127,724</u>	<u>2,042,605</u>	<u>85,119</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Sheriff's Department	4,711,184	4,776,904	4,409,187	367,717
Jail	2,867,674	2,836,769	2,686,574	150,195
Fire departments	508,334	447,616	436,910	10,706
Rescue squads	336,528	336,528	335,768	760
911 Department	957,160	982,469	909,344	73,125
Emergency services	92,615	95,578	90,141	5,437
Inspections	188,838	191,173	181,054	10,119
Animal control	176,384	181,726	176,189	5,537
Medical Examiner	500	500	180	320
American Red Cross	4,000	4,000	4,000	-
Total Public Safety	9,843,217	9,853,263	9,229,347	623,916
<i>Public Works</i>				
Refuse disposal	1,600,670	1,483,629	1,689,143	(205,514)
Roanoke River Service Authority	10,000	10,000	10,000	-
Maintenance of buildings and grounds	715,552	695,452	645,247	50,205
Total Public Works	2,326,222	2,189,081	2,344,390	(155,309)
<i>Health and Welfare</i>				
Health department	212,506	212,506	212,506	-
Mental health	128,169	128,169	128,169	-
Comprehensive services	59,215	59,601	58,626	975
Lake Country Area Agency on Aging	14,000	14,000	14,000	-
Welfare and social services	6,655	15,829	15,607	222
Total Health and Welfare	420,545	430,105	428,908	1,197
<i>Education</i>				
Community college	11,092	11,092	11,092	-
Appropriation to public school system	12,204,556	12,204,556	12,204,556	-
Total Education	12,215,648	12,215,648	12,215,648	-
<i>Parks, Recreation, and Cultural</i>				
Regional library	357,092	357,092	357,092	-
Library hospitalization	42,280	42,271	4,800	37,471
Parks and recreation	52,500	52,500	52,300	200
Cultural contributions	30,500	30,500	30,500	-
Total Parks, Recreation, and Cultural	482,372	482,363	444,692	37,671

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Community Development</i>				
Miscellaneous community development	121,134	121,134	118,934	2,200
Town of Boynton	50,000	50,000	50,000	-
Lake Gaston Weed Control	116,000	116,000	116,000	-
Airports	64,943	110,623	110,623	-
Tourism	62,800	58,726	51,126	7,600
Economic development	480,767	436,278	419,090	17,188
Zoning	138,204	137,839	114,742	23,097
Other tax refunds	-	18	9	9
Industrial tax refunds - to Meck. IDA	4,334,025	6,535,751	6,535,751	-
Soil and Water Conservation District	124,865	140,667	140,647	20
Cooperative extension program	77,257	78,616	73,241	5,375
Total Community Development	<u>5,569,995</u>	<u>7,785,652</u>	<u>7,730,163</u>	<u>55,489</u>
Total Expenditures	<u>36,205,686</u>	<u>38,349,081</u>	<u>37,606,748</u>	<u>742,333</u>
Excess (Deficiency) of Revenues Over Expenditures	3,252,838	3,142,726	6,113,247	2,970,521
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	330,524	-	(330,524)
Transfers (out)	<u>(3,069,769)</u>	<u>(3,354,613)</u>	<u>(4,635,646)</u>	<u>(1,281,033)</u>
Total Other Financing Sources (Uses)	<u>(3,069,769)</u>	<u>(3,024,089)</u>	<u>(4,635,646)</u>	<u>(1,611,557)</u>
Net Change in Fund Balance	183,069	118,637	1,477,601	1,358,964
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ 183,069</u>	<u>\$ 118,637</u>	1,477,601	<u>\$ 1,358,964</u>
Fund Balance - Beginning of Year			<u>7,279,175</u>	
Fund Balance - End of Year			<u>\$ 8,756,776</u>	

**Capital Outlay Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>				
<b>Current</b>				
Public safety - 911 equipment expenses	350,000	350,000	332,713	17,287
Public works - convenience center	200,000	200,000	-	200,000
Public works - other	50,000	50,000	48,977	1,023
Total Expenditures	<u>600,000</u>	<u>600,000</u>	<u>381,690</u>	<u>218,310</u>
Excess (Deficiency) of Revenues Over Expenditures	(600,000)	(600,000)	(381,690)	218,310
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,488,912	1,488,912	2,554,789	1,065,877
Transfers (out)	<u>(1,400,000)</u>	<u>(1,445,680)</u>	<u>(1,400,000)</u>	<u>45,680</u>
Total Other Financing Sources (Uses)	<u>88,912</u>	<u>43,232</u>	<u>1,154,789</u>	<u>1,111,557</u>
Net Change in Fund Balance	(511,088)	(556,768)	773,099	1,329,867
From Surplus	<u>511,088</u>	<u>556,768</u>	-	<u>(556,768)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	773,099	<u>\$ 773,099</u>
Fund Balance - Beginning of Year			<u>9,864,682</u>	
Fund Balance - End of Year			<u>\$ 10,637,781</u>	

## DEQ and Landfill Funds

	<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	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	-	-	-	-
Total Revenues	-	-	-	-
<b>Expenditures</b>				
<b>Current</b>				
Public works - expenses	-	-	-	-
Total Expenditures	-	-	-	-
Net Change in Fund Balance	-	-	-	-
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>621,079</u>	
Fund Balance - End of Year			<u>\$ 621,079</u>	

**Public Assistance Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Recovered costs	\$ 149,993	\$ 149,993	\$ 9,106	\$ (140,887)
<b>Intergovernmental Revenues</b>				
Revenue from the Commonwealth of Virginia	1,100,535	1,100,535	815,760	(284,775)
Revenue from the Federal Government	<u>1,509,217</u>	<u>1,509,217</u>	<u>1,418,547</u>	<u>(90,670)</u>
Total Intergovernmental Revenues	<u>2,609,752</u>	<u>2,609,752</u>	<u>2,234,307</u>	<u>(375,445)</u>
Total Revenues	2,759,745	2,759,745	2,243,413	(516,332)
<b>Expenditures</b>				
<b>Current</b>				
Health and welfare	<u>3,499,762</u>	<u>3,499,762</u>	<u>2,902,028</u>	<u>597,734</u>
Total Expenditures	<u>3,499,762</u>	<u>3,499,762</u>	<u>2,902,028</u>	<u>597,734</u>
Excess (Deficiency) of Revenues Over Expenditures	(740,017)	(740,017)	(658,615)	81,402
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>882,857</u>	<u>882,857</u>	<u>882,857</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>882,857</u>	<u>882,857</u>	<u>882,857</u>	<u>-</u>
Net Change in Fund Balance	142,840	142,840	224,242	81,402
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ 142,840</u>	<u>\$ 142,840</u>	224,242	<u>\$ 81,402</u>
Fund Balance - Beginning of Year			<u>1,135,124</u>	
Fund Balance - End of Year			<u>\$ 1,359,366</u>	

**Comprehensive Services Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Recovered costs	\$ -	\$ -	\$ 24,573	\$ 24,573
<b>Intergovernmental Revenues</b>				
Revenue from the Commonwealth of Virginia	<u>1,000,000</u>	<u>1,000,000</u>	<u>836,419</u>	<u>(163,581)</u>
Total Intergovernmental Revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>836,419</u>	<u>(163,581)</u>
Total Revenues	1,000,000	1,000,000	860,992	(139,008)
<b>Expenditures</b>				
<b>Current</b>				
Health and welfare	<u>1,198,000</u>	<u>1,381,738</u>	<u>1,389,373</u>	<u>(7,635)</u>
Total Expenditures	<u>1,198,000</u>	<u>1,381,738</u>	<u>1,389,373</u>	<u>(7,635)</u>
Excess (Deficiency) of Revenues Over Expenditures	(198,000)	(381,738)	(528,381)	(146,643)
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	<u>-</u>
Net Change in Fund Balance	(100,000)	(283,738)	(430,381)	(146,643)
From Surplus	<u>100,000</u>	<u>283,738</u>	<u>-</u>	<u>(283,738)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(430,381)	<u>\$ (430,381)</u>
Fund Balance - Beginning of Year			<u>1,208,728</u>	
Fund Balance - End of Year			<u>\$ 778,347</u>	

**Economic Development Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Miscellaneous local revenues	\$ 75,000	\$ 75,000	\$ 137	\$ (74,863)
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government - EDA				
EDA funds	<u>675,000</u>	<u>675,000</u>	<u>61,569</u>	<u>(613,431)</u>
Total Revenue from the Federal Government	<u>675,000</u>	<u>675,000</u>	<u>61,569</u>	<u>(613,431)</u>
Total Intergovernmental Revenues	<u>675,000</u>	<u>675,000</u>	<u>61,569</u>	<u>(613,431)</u>
Total Revenues	750,000	750,000	61,706	(688,294)
<b>Expenditures</b>				
<b>Current</b>				
Industrial site readiness and shell building	70,062	70,062	70,852	(790)
Miscellaneous	954,463	954,463	-	954,463
Kinderton Technology Campus	<u>926,307</u>	<u>926,307</u>	<u>28,047</u>	<u>898,260</u>
Total Expenditures	<u>1,950,832</u>	<u>1,950,832</u>	<u>98,899</u>	<u>1,851,933</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,200,832)	(1,200,832)	(37,193)	1,163,639
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Net Change in Fund Balance	(1,200,832)	(1,200,832)	462,807	1,663,639
From Surplus	<u>1,200,832</u>	<u>1,200,832</u>	<u>-</u>	<u>(1,200,832)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	462,807	<u>\$ 462,807</u>
Fund Balance - Beginning of Year			<u>1,318,022</u>	
Fund Balance - End of Year			<u>\$ 1,780,829</u>	



**Microsoft Project**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from use of money and property	\$ -	\$ -	\$ 9,107	\$ 9,107
<b>Intergovernmental Revenues</b>				
Revenue from the Commonwealth of Virginia				
VTIF Funds	900,000	900,000	1,087,857	187,857
Tobacco Region Opportunity Funds (TROF)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total Revenue from the Commonwealth of Virginia	<u>2,900,000</u>	<u>2,900,000</u>	<u>3,087,857</u>	<u>187,857</u>
Total Intergovernmental Revenues	<u>2,900,000</u>	<u>2,900,000</u>	<u>3,087,857</u>	<u>187,857</u>
Total Revenues	2,900,000	2,900,000	3,096,964	196,964
<b>Expenditures</b>				
<b>Current</b>				
Community Development - Microsoft	<u>3,200,000</u>	<u>3,200,000</u>	<u>1,547,283</u>	<u>1,652,717</u>
Total Expenditures	<u>3,200,000</u>	<u>3,200,000</u>	<u>1,547,283</u>	<u>1,652,717</u>
Excess (Deficiency) of Revenues Over Expenditures	(300,000)	(300,000)	1,549,681	1,849,681
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(300,000)	(300,000)	1,549,681	1,849,681
From Surplus	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	1,549,681	<u>\$ 1,549,681</u>
Fund Balance - Beginning of Year			<u>292,737</u>	
Fund Balance - End of Year			<u>\$ 1,842,418</u>	

**New School Facility Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
From School Board Component Unit	\$ -	\$ -	\$ 271,166	\$ 271,166
Total Revenues	-	-	271,166	271,166
<b>Expenditures</b>				
<b>Current - To School Board Component Unit</b>				
Education - Chase City Elementary additions	2,023,000	2,038,069	1,474,034	564,035
Education - Clarksville Elementary additions	2,097,000	1,993,948	1,157,432	836,516
Education - LaCrosse Elementary additions	2,008,000	2,095,983	1,551,262	544,721
School paving and other	30,000	20,500	30,000	(9,500)
Total Expenditures	6,158,000	6,148,500	4,212,728	1,935,772
Excess (Deficiency) of Revenues Over Expenditures	(6,158,000)	(6,148,500)	(3,941,562)	2,206,938
<b>Other Financing Sources (Uses)</b>				
Transfer from other funds	2,000,000	1,990,500	2,000,000	9,500
Transfer (to) other funds	-	-	-	-
Total Other Financing Sources (Uses)	2,000,000	1,990,500	2,000,000	9,500
Net Change in Fund Balance	(4,158,000)	(4,158,000)	(1,941,562)	2,216,438
From Surplus	4,158,000	4,158,000	-	(4,158,000)
Net Change in Fund Balance After Surplus	\$ -	\$ -	(1,941,562)	\$ (1,941,562)
Fund Balance - Beginning of Year			5,539,745	
Fund Balance - End of Year			<u>\$ 3,598,183</u>	

# Other Supplementary Information



## County of Mecklenburg, Virginia

## Combining Balance Sheet

## Other Governmental Funds

At June 30, 2014

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Tiny Road Project</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>					
Cash and investments	\$ 28,545	\$ 22,159	\$ 87,330	\$ 2,059	\$ 140,093
Due from other governments	-	-	-	42,727	42,727
Total Assets	<u>\$ 28,545</u>	<u>\$ 22,159</u>	<u>\$ 87,330</u>	<u>\$ 44,786</u>	<u>\$ 182,820</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 62,480	\$ 62,480
Total Liabilities	-	-	-	62,480	62,480
<b>Fund Balance</b>					
Restricted	-	-	87,330	-	87,330
Assigned	28,545	22,159	-	-	50,704
Unassigned	-	-	-	(17,694)	(17,694)
Total Fund Balance	<u>28,545</u>	<u>22,159</u>	<u>87,330</u>	<u>(17,694)</u>	<u>120,340</u>
Total Liabilities and Fund Balance	<u>\$ 28,545</u>	<u>\$ 22,159</u>	<u>\$ 87,330</u>	<u>\$ 44,786</u>	<u>\$ 182,820</u>

## County of Mecklenburg, Virginia

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

## Other Governmental Funds

At June 30, 2014

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>CDBG Funds Scattered Site Project</u>	<u>Tiny Road Project</u>	<u>Total Other Governmental Funds</u>
<b>Revenues</b>						
Use of money and property	\$ -	\$ 870	\$ 382	\$ -	\$ -	\$ 1,252
Charges for services	10,342	-	-	-	-	10,342
Miscellaneous	-	22,358	-	-	-	22,358
Intergovernmental						
From the Commonwealth of VA	-	-	2,297	-	-	2,297
From the Federal Government	-	-	13,532	10,277	297,715	321,524
<b>Total Revenues</b>	<b>10,342</b>	<b>23,228</b>	<b>16,211</b>	<b>10,277</b>	<b>297,715</b>	<b>357,773</b>
<b>Expenditures</b>						
<b>Current</b>						
Judicial administration	5,299	-	11,683	-	-	16,982
Public safety	-	13,141	-	-	-	13,141
Community development	-	-	-	10,277	316,337	326,614
<b>Total Expenditures</b>	<b>5,299</b>	<b>13,141</b>	<b>11,683</b>	<b>10,277</b>	<b>316,337</b>	<b>356,737</b>
Excess (Deficiency) of Revenues Over Expenditures	5,043	10,087	4,528	-	(18,622)	1,036
<b>Other Financing Sources (Uses)</b>						
Transfers (out)	-	-	-	(1)	1	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>1</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>5,043</b>	<b>10,087</b>	<b>4,528</b>	<b>(1)</b>	<b>(18,621)</b>	<b>1,036</b>
Fund Balance - Beginning of Year	23,502	12,072	82,802	1	927	119,304
Fund Balance - End of Year	<u>\$28,545</u>	<u>\$ 22,159</u>	<u>\$ 87,330</u>	<u>\$ -</u>	<u>\$(17,694)</u>	<u>\$ 120,340</u>

**County of Mecklenburg, Virginia**

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2014

	<u>Special Welfare</u>	<u>Southside Regional Library</u>	<u>TransTech Marketing Alliance</u>	<u>Virginia's Retreat Fund</u>	<u>Thyne Project Memorial</u>	<u>County OPEB Fund</u>	<u>Totals</u>
<b>Assets</b>							
Cash	\$ 76,401	\$ 75,819	\$ 127,138	\$ 13,674	\$ 27,857	\$ 976,452	\$ 1,297,341
Due from other governments	<u>-</u>	<u>-</u>	<u>50,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,305</u>
Total Assets	<u>\$ 76,401</u>	<u>\$ 75,819</u>	<u>\$ 177,443</u>	<u>\$ 13,674</u>	<u>\$ 27,857</u>	<u>\$ 976,452</u>	<u>\$ 1,347,646</u>
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ 25,840	\$ 7,875	\$ -	\$ -	\$ 33,715
Amounts held for others	<u>76,401</u>	<u>75,819</u>	<u>151,603</u>	<u>5,799</u>	<u>27,857</u>	<u>976,452</u>	<u>1,313,931</u>
Total Liabilities	<u>\$ 76,401</u>	<u>\$ 75,819</u>	<u>\$ 177,443</u>	<u>\$ 13,674</u>	<u>\$ 27,857</u>	<u>\$ 976,452</u>	<u>\$ 1,347,646</u>

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2014

	<b>School Operating Fund</b>	<b>School Food Services Fund</b>	<b>School Textbook Fund</b>	<b>Total Component Unit School Board</b>
<b>Assets</b>				
Cash and investments	\$ -	\$ 520,180	\$ 400,399	\$ 920,579
Accounts receivable	3,500	-	-	3,500
Due from other governments	898,767	-	-	898,767
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 902,267</u>	<u>\$ 520,180</u>	<u>\$ 400,399</u>	<u>\$ 1,822,846</u>
<b>Liabilities</b>				
Accounts payable	\$ 155,125	\$ 10,677	\$ -	\$ 165,802
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	155,125	10,677	-	165,802
<b>Fund Balance</b>				
Assigned	<u>747,142</u>	<u>509,503</u>	<u>400,399</u>	<u>1,657,044</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	<u>747,142</u>	<u>509,503</u>	<u>400,399</u>	<u>1,657,044</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	<u>\$ 902,267</u>	<u>\$ 520,180</u>	<u>\$ 400,399</u>	<u>\$ 1,822,846</u>

County of Mecklenburg, Virginia

Component Unit School Board

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

At June 30, 2014

Total Fund Balances for Governmental Funds	\$ 1,657,044
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 1,739,679
Buildings and improvements, net of depreciation	16,492,178
Furniture, equipment, and vehicles, net of depreciation	<u>6,273,258</u>

Total Capital Assets	24,505,115
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Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	(187,132)
Capital lease	(822,491)
OPEB obligation	<u>(334,971)</u>

Total	<u>(1,344,594)</u>
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Total Net Position of Governmental Activities	<u><u>\$24,817,565</u></u>
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County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2014

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>Total Component Unit School Board</u>
<b>Revenues</b>				
Use of money and property	\$ 653	\$ 2,783	\$ 1,155	\$ 4,591
Charges for services	1,330,384	512,666	1,585	1,844,635
Rebates and refunds	518,716	-	-	518,716
Miscellaneous	30,233	-	-	30,233
Payments from Primary Government - Meck. County	16,270,722	-	146,562	16,417,284
Intergovernmental				
From the Commonwealth of Virginia	24,821,050	28,624	251,796	25,101,470
From the Federal Government	<u>2,852,560</u>	<u>1,458,145</u>	<u>-</u>	<u>4,310,705</u>
Total Revenues	45,824,318	2,002,218	401,098	48,227,634
<b>Expenditures</b>				
<b>Education</b>				
Instruction	31,437,294	-	329,522	31,766,816
Technology	1,370,124	-	-	1,370,124
Administration, attendance, and health	1,518,646	-	-	1,518,646
Transportation	3,721,432	-	-	3,721,432
Operation and maintenance	2,859,369	-	-	2,859,369
School food service	-	2,052,352	-	2,052,352
To Primary Govt. - Mecklenburg County for				
New School Facility	271,166	-	-	271,166
Capital outlay - elementary school additions	4,212,728	-	-	4,212,728
Debt service	<u>1,288,590</u>	<u>-</u>	<u>-</u>	<u>1,288,590</u>
Total Expenditures	<u>46,679,349</u>	<u>2,052,352</u>	<u>329,522</u>	<u>49,061,223</u>
Excess (Deficiency) of Revenues				
Over Expenditures before Other Financing Sources (Uses)	(855,031)	(50,134)	71,576	(833,589)
<b>Other Financing Sources (Uses)</b>				
Proceeds of long-term capital leases	<u>829,800</u>	<u>-</u>	<u>-</u>	<u>829,800</u>
Total Other Financing Sources (Uses)	<u>829,800</u>	<u>-</u>	<u>-</u>	<u>829,800</u>
Net Change in Fund Balances	(25,231)	(50,134)	71,576	(3,789)
Fund Balances - Beginning of Year	<u>772,373</u>	<u>559,637</u>	<u>328,823</u>	<u>1,660,833</u>
Fund Balances - End of Year	<u>\$ 747,142</u>	<u>\$ 509,503</u>	<u>\$ 400,399</u>	<u>\$ 1,657,044</u>

County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2014

Net Change in Fund Balances	\$ (3,789)
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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 capital outlays exceeded depreciation and dispositions in the current period.

3,470,595

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:

Compensated absences	\$ (16,715)	
Proceeds from new bus lease	(829,800)	
Payment on capital lease	411,433	
OPEB obligation	<u>(169,909)</u>	
Net Adjustment		<u>(604,991)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 2,861,815</u></u>
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## County of Mecklenburg, Virginia

## Budgetary Comparison Schedule

Year Ended June 30, 2014

## Component Unit School Board

## School Operating Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>School Fund</b>				
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 653	\$ 653
Charges for services	986,800	1,031,241	1,330,384	299,143
Rebates and refunds	285,200	285,200	518,716	233,516
Miscellaneous	49,219	49,219	30,233	(18,986)
Payment from Primary Govt. - Mecklenburg County	12,057,994	12,067,494	16,270,722	4,203,228
Intergovernmental				
From the Commonwealth of Virginia	25,083,478	25,180,241	24,821,050	(359,191)
From the Federal Government	<u>3,527,978</u>	<u>3,527,978</u>	<u>2,852,560</u>	<u>(675,418)</u>
Total Revenues	41,990,669	42,141,373	45,824,318	3,682,945
<b>Expenditures</b>				
<b>Current</b>				
<i>Education</i>				
Instruction	32,197,490	32,153,049	31,437,294	715,755
Technology	1,406,585	1,406,585	1,370,124	36,461
Administration, attendance, and health	1,555,557	1,555,557	1,518,646	36,911
Transportation	2,855,219	2,855,219	3,721,432	(866,213)
Operation and maintenance	2,649,731	2,844,876	2,859,369	(14,493)
Payment to Primary Govt. - Mecklenburg County	-	-	271,166	(271,166)
Capital outlay-elementary school additions	-	-	4,212,728	(4,212,728)
Debt service	<u>1,326,087</u>	<u>1,326,087</u>	<u>1,288,590</u>	<u>37,497</u>
Total Expenditures	41,990,669	42,141,373	46,679,349	(4,537,976)
Excess (Deficiency) of Revenues Over				
Expenditures before Other Financing Sources (Uses)	-	-	(855,031)	(855,031)
<b>Other Financing Sources (Uses)</b>				
Proceeds of long-term capital leases	-	-	829,800	829,800
Total Other Financing Sources (Uses)	-	-	829,800	829,800
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(25,231)	<u>\$ (25,231)</u>
Fund Balance - Beginning of Year			772,373	
Fund Balance - End of Year			<u>\$ 747,142</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>School Food Services Fund</b>				
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 2,783	\$ 2,783
Charges for services	980,748	980,748	512,666	(468,082)
Intergovernmental				
From the Commonwealth of Virginia	37,854	37,854	28,624	(9,230)
From the Federal Government	<u>1,342,098</u>	<u>1,342,098</u>	<u>1,458,145</u>	<u>116,047</u>
Total Revenues	2,360,700	2,360,700	2,002,218	(358,482)
<b>Expenditures</b>				
<b>Current</b>				
<i>Education</i>				
School Food Service	<u>2,360,700</u>	<u>2,360,700</u>	<u>2,052,352</u>	<u>308,348</u>
Total Expenditures	<u>2,360,700</u>	<u>2,360,700</u>	<u>2,052,352</u>	<u>308,348</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(50,134)	<u>\$ (50,134)</u>
Fund Balance - Beginning of Year			<u>559,637</u>	
Fund Balance - End of Year			<u>\$ 509,503</u>	
<b>School Textbook Fund</b>				
<b>Revenues</b>				
Use of money and property	\$ -	\$ -	\$ 1,155	\$ 1,155
Charges for services	-	-	1,585	1,585
Payment from Primary Govt. - Mecklenburg County	146,562	146,562	146,562	-
Intergovernmental				
From the Commonwealth of Virginia	<u>254,979</u>	<u>254,979</u>	<u>251,796</u>	<u>(3,183)</u>
Total Revenues	401,541	401,541	401,098	(443)
<b>Expenditures</b>				
<b>Current</b>				
<i>Education</i>				
School textbook purchases	<u>401,541</u>	<u>401,541</u>	<u>329,522</u>	<u>72,019</u>
Total Expenditures	<u>401,541</u>	<u>401,541</u>	<u>329,522</u>	<u>72,019</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	71,576	<u>\$ 71,576</u>
Fund Balance - Beginning of Year			<u>328,823</u>	
Fund Balance - End of Year			<u>\$ 400,399</u>	

# County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

## Statement of Net Position

June 30, 2014

### Assets

#### Current Assets

Cash	\$ 618,519
Due from County of Mecklenburg - Primary Government	3,361,258

#### Noncurrent Assets

##### Capital Assets

Land and buildings held for resale (net)	6,338,026
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##### Other Noncurrent Assets

Lease receivable	659,039
Note receivable	567,211

Total Assets	<u>\$ 11,544,053</u>
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### Liabilities and Net Position

#### Liabilities

##### Current Liabilities

Accounts payable	\$ 3,380,339
Notes payable - current portion	<u>57,347</u>
Total Current Liabilities	3,437,686

##### Long-Term Liabilities

Note payable - less current portion	<u>369,248</u>
Total Long-Term Liabilities	<u>369,248</u>

Total Liabilities	3,806,934
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#### Net Position

Net investment in capital assets	5,911,431
Unrestricted	<u>1,825,688</u>

Total Net Position	<u>7,737,119</u>
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Total Liabilities and Net Position	<u>\$ 11,544,053</u>
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**County of Mecklenburg, Virginia**

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

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

Year Ended June 30, 2014

**Operating Revenues**

Contributions from Mecklenburg County, Virginia for	
Economic Stimulus Grant - industrial tax refund	\$ 6,535,751
Reimbursement from Brunswick County, Virginia	1,499
Contribution from the Town of Clarksville, Virginia	75,000
Miscellaneous	329
Tobacco indemnification funds	<u>686,135</u>
Total Operating Revenues	7,298,714

**Operating Expenses**

Insurance	2,308
Legal and professional fees	29,314
Administrative	863
Utility companies	4,999
Donation to Longwood University	10,000
Payments to IDA of Brunswick County, Virginia	3,503
Reimbursement to Tobacco Indemnification	1,198,500
Repairs and maintenance	28,379
Miscellaneous	2,045
Payouts to businesses and stimulus grants	<u>6,522,937</u>
Total Operating Expenses	<u>7,802,848</u>

Operating Loss (504,134)

**Non-Operating Revenues (Expenses)**

Interest income	30,660
Interest expense and loan closing fees	<u>(25,883)</u>
Net Non-Operating Revenues (Expenses)	<u>4,777</u>

Change in Net Position (499,357)

Total Net Position - Beginning of Year 6,567,441

Prior Period Adjustment 1,669,035Total Net Position - End of Year \$ 7,737,119

**County of Mecklenburg, Virginia**

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

## Statement of Cash Flows

Year Ended June 30, 2014

**Cash Flows from Operating Activities**

Contributions from Mecklenburg County, Virginia	\$ 3,174,493
Contributions from Brunswick County, Virginia	1,499
Contributions from Town of Clarksville, Virginia	75,000
Payments received on leases receivable	84,133
Payments received on notes receivable	56,884
Miscellaneous	329
Tobacco Indemnification funds	686,135
Payments to businesses and vendors	<u>(4,560,845)</u>

Net Cash Used in Operating Activities (482,372)

**Cash Flows from Capital and Related Financing Activities**

Payments on notes payable	(54,394)
Money spent on capital improvements for land and buildings for resale	(574,717)
Interest expense	<u>(25,883)</u>

Net Cash Used in Capital and Related Financing Activities (654,994)

**Cash Flows from Investing Activities**

Interest income	<u>30,660</u>
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Net Cash Provided by Investing Activities 30,660

Net Decrease in Cash and Cash Equivalents (1,106,706)

Cash and Cash Equivalents - Beginning of Year 1,725,225

Cash and Cash Equivalents - End of Year \$ 618,519

**Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities**

Operating loss	\$ (504,134)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Changes in assets and liabilities	
Due from Mecklenburg County, Virginia	(3,361,258)
Leases receivable	84,133
Notes receivable	56,884
Accounts payable	<u>3,242,003</u>

Net Cash Used in Operating Activities \$ (482,372)

# COMPLIANCE SECTION







**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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

To the Board of Supervisors  
County of Mecklenburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Mecklenburg, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise County of Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated January 26, 2015.

**Internal Control Over Financial Reporting**

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

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

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

South Hill, Virginia  
January 26, 2015



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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*Sherwood H. Creedle, Emeritus*

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Virginia Society of Certified Public Accountants*

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

To the Board of Supervisors  
County of Mecklenburg, Virginia

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

We have audited County of Mecklenburg, 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 Mecklenburg, Virginia's major federal programs for the year ended June 30, 2014. County of Mecklenburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

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

### **Report on Internal Control Over Compliance**

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

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

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

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

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

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

South Hill, Virginia  
January 26, 2015

**County of Mecklenburg, Virginia**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>U. S. Department of Commerce</b>			
<b>Direct Payments</b>			
EDA - Economic Development Grant	11.300	N/A	\$ 61,569
Subtotal - U. S. Department of Commerce			61,569
<b>U. S. Department of Agriculture</b>			
<b>Direct Payments</b>			
Bureau of Land Management			
Payments in Lieu of Taxes - Public Law			
(National Forest Acreage in the Localities)	10.664	N/A	144,261
<b>Pass-Through Payments</b>			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	149,640
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	317,324
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	1,228,385
School Breakfast Program	10.553	197	204,677
Child Nutrition Cluster Total			1,433,062
Fresh Fruit and Vegetables	10.582	197	25,083
Subtotal - U. S. Department of Agriculture			2,069,370
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Child Care Cluster			
Child Care and Development Fund	93.596	765	39,814
Child Care Cluster Total			39,814
Family Preservation and Support Services	93.556	765	18,156
Temporary Assistance to Needy Families	93.558	765	300,531
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	1,747
Low Income Home Energy Assistance	93.568	765	28,065
Child Welfare Services	93.645	765	1,916
Foster Care - Title IV-E	93.658	765	166,429
Adoption Assistance	93.659	765	88,242
Social Services Block Grant	93.667	765	176,766
Chafee Foster Care Independence Program	93.674	765	1,927
State Children's Insurance Program	93.767	765	8,456
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	269,174
Subtotal - U. S. Department of Health and Human Services			1,101,223

<b>Federal Granting Agency/Recipient State Agency/ Grant Program</b>	<b>Federal Catalog Number</b>	<b>State Agency Number</b>	<b>Expenditures</b>
<b>U. S. Department of Treasury</b>			
<b>Direct Payments</b>			
Treasury Forfeiture Fund	21.000	N/A	<u>13,532</u>
Subtotal - U. S. Department of Treasury			13,532
<b>U. S. Department of Justice</b>			
<b>Pass-Through Payments</b>			
<i>Department of Criminal Justice Services</i>			
Byrne Grant	16.738	140	14,230
Violence Against Women Formula Grants	16.588	140	<u>25,794</u>
Subtotal - U. S. Department of Justice			40,024
<b>U. S. Department of Education</b>			
<b>Direct Payments</b>			
State Assessment Program	84.369	N/A	60
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
<i>Special Education Cluster</i>			
IDEA 611 Flow-Through	84.027	197	<u>941,446</u>
Special Education Cluster Total			941,446
<i>Title I Cluster</i>			
Title I	84.010	197	<u>1,281,913</u>
Title I Cluster Total			1,281,913
Title VI - Rural and Low Income Schools	84.358	197	32,698
Vocational Education/Federal Payments	84.048	197	161,183
Title IV Part B 21st Century	84.287	197	170,726
Title II Part A	84.367	197	<u>264,534</u>
Subtotal - U. S. Department of Education			2,852,560
<b>U. S. Department of Transportation</b>			
<b>Pass-Through Payments</b>			
<i>Department of Motor Vehicles</i>			
Alcohol Open Container	20.607	510	<u>25,756</u>
Subtotal - U. S. Department of Transportation			25,756
<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 Grants/State's Programs	14.228	165	<u>323,036</u>
Subtotal - U. S. Department of Housing and Urban Development			<u>323,036</u>
Grand Totals			<u><u>\$ 6,487,070</u></u>

## Notes to Schedule of Expenditures of Federal Awards

### 1. Significant Accounting Policies

#### *Basis of Presentation and Accounting*

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

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

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

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

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

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

### 2. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$149,640 at the time received were consumed during the year ended June 30, 2014. These commodities were included in the determination of federal awards expended during the year ended June 30, 2014.

### 3. Relationship to Financial Statements

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

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

##### Primary Government

General Fund	\$ 225,085
Economic Development Fund	61,569
Public Assistance Fund	1,418,547
Federal Forfeiture Funds	13,532
Community Development Block Grant Funds	<u>307,992</u>
Total Primary Government	2,026,725

##### Component Unit School Board

School Operating Fund	2,852,560
School Cafeteria Fund	<u>1,458,145</u>
Total Component Unit School Board	<u>4,310,705</u>

Total Federal Expenditures per Basic Financial Statements	6,337,430
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Add: Amounts Not Reported on the Basic Financial Statements	
USDA Food Commodities - Food Distribution - Schools	<u>149,640</u>

Adjusted Total	<u><u>\$ 6,487,070</u></u>
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Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 6,487,070</u></u>
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## County of Mecklenburg, Virginia

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

- (a) The auditor's report expresses an **unmodified opinion** on the financial statements of the County of Mecklenburg, Virginia.
- (b) **No significant deficiencies** relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (c) **No instances of noncompliance** material to the financial statements of the County of Mecklenburg, Virginia were disclosed during the audit.
- (d) **No significant deficiencies** relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Mecklenburg, Virginia expresses an **unmodified opinion** on all major federal programs.
- (f) There were no findings relative to the major federal award programs for the County of Mecklenburg, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
  - 1. **CFDA #10.561, Food Stamp Cluster**
  - 2. **CFDA #'s 10.553 and 10.555, Child Nutrition Cluster**
  - 3. **CFDA #93.558, Temporary Assistance to Needy Families**
  - 4. **CFDA #84.027, Special Education Cluster**
  - 5. **CFDA #84.010, Title I Cluster**
  - 6. **CFDA #14.228, Community Development Block Grant**
- (h) The **threshold** for distinguishing Types A and B programs was **\$300,000**.
- (i) The County of Mecklenburg, Virginia was determined **not** 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 Mecklenburg, Virginia**

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2014**

**FINANCIAL STATEMENTS**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None