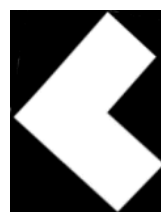


County of Mecklenburg, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2012



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

County of Mecklenburg, Virginia

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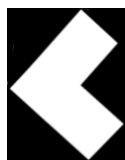
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FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Mecklenburg, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Mecklenburg, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2013, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 47 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 22, 2013

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 ended June 30, 2012. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the County's financial statements.

Financial Highlights for Fiscal Year 2012

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the County, excluding its Component Units, exceeded its liabilities by \$54,645,345. Of this amount, \$21,950,270 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, excluding its Component Units, were \$42,177,711 and expenses amounted to \$34,413,336. The County's total net assets increased \$7,764,375 before adjustments.

Highlights for Fund Financial Statements

- As of June 30, 2012, the County's Governmental Funds reported combined fund balances of \$24,021,717, an increase of \$5,808,292 in comparison with the prior year. Approximately 12.1 percent of the combined fund balances, \$2,912,355, is unassigned.
- The General Fund reported a fund balance of \$11,106,734, an increase of \$3,715,600.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

The first government-wide statement - the Statement of Net Assets - presents information on all of the County's assets and liabilities. The difference between assets and liabilities, net assets, can be used as one way to measure the County's financial health, or financial condition. Over time, increases or decreases in the net assets can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

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

The government-wide statements are divided into the following three categories:

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

Business-Type Activities: The County has no business-type activities at this time. However, the IDA discretely presented component unit is treated as a business-type activity.

Discretely Presented Component Units: The County includes 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

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the County's most significant funds. Funds are used to ensure compliance with finance-related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. There are three kinds of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the County and, therefore, the largest of the Governmental Funds. The Landfill Construction Fund, which is a Capital Projects Fund, is also a major fund of the County. All other Governmental Funds, which include Special Revenue Funds, are collectively referred to as nonmajor Governmental Funds.

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

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the County's programs. The County's Fiduciary Funds consist of Agency Funds. The funds are used to account for monies received, held, and disbursed on behalf of the other third parties.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

Summary of Net Assets

As of June 30, 2012 and 2011

	<u>Primary Government Governmental Activities</u>		<u>Component Units</u>		<u>Total Reporting Entity</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and other assets	\$ 26,085,630	\$ 20,584,255	\$ 4,143,650	\$ 4,429,343	\$ 30,229,280	\$ 25,013,598
Capital assets (net)	41,093,836	40,713,410	21,427,898	20,549,432	62,521,734	61,262,842
Other noncurrent assets	320,961	201,758	4,094,273	5,194,273	4,415,234	5,396,031
Total Assets	<u>\$ 67,500,427</u>	<u>\$ 61,499,423</u>	<u>\$ 29,665,821</u>	<u>\$ 30,173,048</u>	<u>\$ 97,166,248</u>	<u>\$ 91,672,471</u>
Liabilities						
Other liabilities	\$ 4,925,512	\$ 6,168,612	\$ 500,301	\$ 519,128	\$ 5,425,813	\$ 6,687,740
Long-term liabilities	7,929,570	8,449,841	1,144,910	821,980	9,074,480	9,271,821
Total Liabilities	<u>12,855,082</u>	<u>14,618,453</u>	<u>1,645,211</u>	<u>1,341,108</u>	<u>14,500,293</u>	<u>15,959,561</u>
Net Assets						
Invested in capital assets, net of related debt	32,695,075	31,779,108	24,390,467	25,334,322	57,085,542	57,113,430
Unrestricted	21,950,270	15,101,862	3,630,143	3,497,618	25,580,413	18,599,480
Total Net Assets	<u>54,645,345</u>	<u>46,880,970</u>	<u>28,020,610</u>	<u>28,831,940</u>	<u>82,665,955</u>	<u>75,712,910</u>
Total Liabilities and Net Assets	<u>\$ 67,500,427</u>	<u>\$ 61,499,423</u>	<u>\$ 29,665,821</u>	<u>\$ 30,173,048</u>	<u>\$ 97,166,248</u>	<u>\$ 91,672,471</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government, if applicable. 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 assets of the total financial reporting entity best represent the entity's financial position. In the case of the County's reporting entity, assets exceeded liabilities by \$82,665,955 at June 30, 2012.

Statement of Activities

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

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>Primary Government</u> <u>Governmental Activities</u>		<u>Component Units</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program Revenues						
Charges for services	\$ 1,192,925	\$ 766,101	\$ 1,322,386	\$ 999,452	\$ 2,515,311	\$ 1,765,553
Operating and capital grants	8,913,920	19,154,243	31,782,483	32,523,193	40,696,403	51,677,436
General Revenues						
General property taxes, real and personal	23,975,034	21,980,024	-	-	23,975,034	21,980,024
Other taxes	5,413,543	4,579,836	-	-	5,413,543	4,579,836
Payment from County of Mecklenburg, Virginia						
Education	-	-	10,158,142	9,991,841	10,158,142	9,991,841
IDA of Mecklenburg County, Virginia	-	-	1,002,132	8,045,020	1,002,132	8,045,020
Noncategorical aid from state	2,196,280	2,251,039	-	-	2,196,280	2,251,039
Use of property	57,986	57,590	-	4,227	57,986	61,817
Investment earnings	122,845	126,746	28,979	25,082	151,824	151,828
Miscellaneous	305,178	262,109	531,172	779,965	836,350	1,042,074
Total Revenues	42,177,711	49,177,688	44,825,294	52,368,780	87,003,005	101,546,468
Expenses						
General government administration	3,113,258	2,764,567	-	-	3,113,258	2,764,567
Judicial administration	2,136,145	1,990,788	-	-	2,136,145	1,990,788
Public safety	9,495,330	9,804,596	-	-	9,495,330	9,804,596
Public works	1,808,443	3,166,867	-	-	1,808,443	3,166,867
Health and welfare	4,426,488	5,237,183	-	-	4,426,488	5,237,183
Education - community college	10,400	10,172	-	-	10,400	10,172
Education	10,158,142	9,991,841	43,047,447	43,724,225	53,205,589	53,716,066
Parks, recreation, and cultural	437,207	481,373	-	-	437,207	481,373
Community development - IDA of Mecklenburg County, Virginia	1,002,132	8,045,020	-	-	1,002,132	8,045,020
Community development	1,442,350	1,896,265	2,555,471	8,627,347	3,997,821	10,523,612
Interest on long-term debt	383,441	408,011	33,706	38,287	417,147	446,298
Total Expenses	34,413,336	43,796,683	45,636,624	52,389,859	80,049,960	96,186,542
Increase (Decrease) in Net Assets	7,764,375	5,381,005	(811,330)	(21,079)	6,953,045	5,359,926
Beginning Net Assets	46,880,970	41,499,965	28,831,940	28,871,019	75,712,910	70,370,984
Prior Period Adjustments	-	-	-	(18,000)	-	(18,000)
Ending Net Assets	\$ 54,645,345	\$ 46,880,970	\$ 28,020,610	\$ 28,831,940	\$ 82,665,955	\$ 75,712,910

Governmental activities, exclusive of the Component Unit School Board, increased the County's net assets by \$7,764,375. Revenues from governmental activities totaled \$42,177,711. Property taxes comprise the largest source of these revenues, totaling \$23,975,034 of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$34,413,336. Education continues to be the County's largest program with expenses totaling \$10,158,142. Public safety, which totals \$9,495,330, 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, 2012 and 2011

	<u>2012</u>		<u>2011</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 3,113,258	\$ (2,707,137)	\$ 2,764,567	\$ (2,366,794)
Judicial administration	2,136,145	(841,924)	1,990,788	(732,795)
Public safety	9,495,330	(5,837,280)	9,804,596	(5,819,274)
Public works	1,808,443	(997,951)	3,166,867	(3,052,615)
Health and welfare	4,426,488	(1,593,500)	5,237,183	(1,763,727)
Education	10,168,542	(10,168,542)	10,002,013	(10,002,013)
Parks, recreation, and cultural	437,207	(437,207)	481,373	(481,373)
Community development	2,444,482	(1,339,509)	9,941,285	8,795,283
Interest on long-term debt	<u>383,441</u>	<u>(383,441)</u>	<u>408,011</u>	<u>(408,011)</u>
Total	<u>\$ 34,413,336</u>	<u>\$ (24,306,491)</u>	<u>\$ 43,796,683</u>	<u>\$ (15,831,319)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2012, the County's Governmental Funds reported a combined ending fund balance of \$24,021,717, a net increase of \$5,808,292. Approximately 12.1 percent, or \$2,912,355, 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 \$2,912,355. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 9.5 percent of total fund expenditures, while total fund balance represents 36.2 percent of that same amount. The General Fund contributed \$10,813,978 in operating funds to finance the School's operations and \$1,002,132 to the Industrial Development Authority of Mecklenburg County, Virginia.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2012 and 2011

	<u>Original Budget</u>	<u>2012 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2011 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 20,664,543	\$ 20,664,543	\$ 23,975,034	\$ 19,016,189	\$ 19,016,189	\$ 21,980,024
Other	5,385,137	5,413,903	6,657,070	5,638,140	5,685,624	5,728,860
Intergovernmental	<u>7,164,001</u>	<u>7,173,995</u>	<u>7,181,140</u>	<u>7,030,107</u>	<u>7,041,107</u>	<u>7,218,540</u>
Total	33,213,681	33,252,441	37,813,244	31,684,436	31,742,920	34,927,424
Expenditures	<u>30,992,820</u>	<u>31,031,580</u>	<u>30,672,919</u>	<u>30,259,419</u>	<u>30,386,012</u>	<u>30,417,348</u>
Excess (Deficiency) of Revenues Over Expenditures	2,220,861	2,220,861	7,140,325	1,425,017	1,356,908	4,510,076
Other Financing Sources (Uses)						
Net Transfers	(2,470,861)	(2,470,861)	(3,424,725)	(1,425,017)	(4,102,822)	(4,102,822)
From Surplus	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	\$ -	\$ -	\$ 3,715,600	\$ -	\$ (2,745,914)	\$ 407,254

Actual revenues exceeded final budget amounts by \$4,544,224, or 13.7 percent, while actual expenditures were less than final budgeted amounts by \$358,661, or 1.2 percent.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2012, the County's investment in capital assets, exclusive of Component Units, totals \$32,695,075, which is net capital assets less related debt.

During fiscal year 2012, the County's net capital assets (including additions, decreases, and depreciation) increased \$380,426, or .9 percent, as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land and land improvements	\$ 449,472	\$ -	\$ 449,472
South Hill Elementary School	11,674,384	-	11,674,384
Infrastructure - water and sewer	9,051,265	1,425,757	10,477,022
Buildings and improvements	20,308,481	162,042	20,470,523
Furniture, equipment, and vehicles	<u>8,586,843</u>	<u>316,606</u>	<u>8,903,449</u>
Total Capital Assets	50,070,445	1,904,405	51,974,850
Less: Accumulated depreciation and amortization	<u>(9,357,035)</u>	<u>(1,523,979)</u>	<u>(10,881,014)</u>
Total Capital Assets, Net	<u>\$ 40,713,410</u>	<u>\$ 380,426</u>	<u>\$ 41,093,836</u>

Component Unit School Board

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land and land improvements	\$ 1,725,707	\$ 357,020	\$ 2,082,727
Buildings and systems	34,078,473	-	34,078,473
Furniture, equipment, and vehicles	<u>17,820,696</u>	<u>1,237,027</u>	<u>19,057,723</u>
Total Capital Assets	53,624,876	1,594,047	55,218,923
Less: Accumulated depreciation	<u>(33,075,444)</u>	<u>(1,935,269)</u>	<u>(35,010,713)</u>
Total Capital Assets, Net	<u>\$ 20,549,432</u>	<u>\$ (341,222)</u>	<u>\$ 20,208,210</u>

Component Unit IDA of Mecklenburg County, Virginia

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Land and buildings held for resale	\$ 4,094,273	\$ -	\$ 4,094,273
Buildings and improvements	<u>1,100,000</u>	<u>150,000</u>	<u>1,250,000</u>
Total Capital Assets	5,194,273	150,000	5,344,273
Less: Accumulated depreciation	<u>-</u>	<u>(30,312)</u>	<u>(30,312)</u>
Total Capital Assets, Net	<u>\$ 5,194,273</u>	<u>\$ 119,688</u>	<u>\$ 5,313,961</u>

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, 2012, the County's long-term obligations, exclusive of Component Units, total \$10,470,208, which includes the landfill obligation and compensated absences.

	<u>Balance July 1, 2011</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2012</u>
Governmental Activities			
Long-term debt, plus premiums	\$ 8,934,302	\$ (505,882)	\$ 8,428,420
Landfill obligation	2,065,930	(974,417)	1,091,513
OPEB obligation	(201,758)	(119,203)	(320,961)
Compensated absences	<u>1,247,391</u>	<u>23,845</u>	<u>1,271,236</u>
Total Governmental Activities	<u>\$ 12,045,865</u>	<u>\$ (1,575,657)</u>	<u>\$ 10,470,208</u>
Component Unit School Board			
Compensated absences	\$ 203,060	\$ (31,262)	\$ 171,798
Capital lease	-	599,117	599,117
OPEB obligation	<u>88,000</u>	<u>-</u>	<u>88,000</u>
Total Component Unit School Board	<u>\$ 291,060</u>	<u>\$ 567,855</u>	<u>\$ 858,915</u>
Component Unit IDA of Mecklenburg County, Virginia			
Long-term debt	<u>\$ 577,967</u>	<u>\$ (45,381)</u>	<u>\$ 532,586</u>
Total Component Unit IDA of Mecklenburg County, Virginia	<u><u>\$ 577,967</u></u>	<u><u>\$ (45,381)</u></u>	<u><u>\$ 532,586</u></u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Development

- The average unemployment rate for Mecklenburg County, Virginia in June 2012 was 9.9 percent, an increase of .1 percent from June 2011. This compares unfavorably to the State's rate of 6.0 percent and the national rate of 8.4 percent.
- According to the 2000 U.S. Census, the population in Mecklenburg County, Virginia was 32,380, an increase of 11 percent since the 1990 U.S. Census.
- The per capita income in Mecklenburg County, Virginia was \$30,824, compared to \$23,975 for the State, according to the 2000 U.S. Census data.

The fiscal year 2013 adopted budget anticipates the general fund revenues and expenditures to be \$33,402,713.

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 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.

Basic Financial Statements



County of Mecklenburg, Virginia

Statement of Net Assets

At June 30, 2012

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,920,520	\$ 1,426,811
Receivables, net	1,872,479	117,662
Due from other governments	<u>1,292,631</u>	<u>1,093,662</u>
Total Current Assets	26,085,630	2,638,135
Noncurrent Assets		
Lease receivable	-	827,304
Note receivable	-	678,211
Net OPEB asset	320,961	-
Capital Assets		
Land and construction in progress	449,472	2,082,727
Other capital assets, net of accumulated depreciation	40,644,364	19,345,171
Land and buildings held for resale	<u>-</u>	<u>4,094,273</u>
Total Noncurrent Assets	<u>41,414,797</u>	<u>27,027,686</u>
Total Assets	<u>\$ 67,500,427</u>	<u>\$ 29,665,821</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 636,864	\$ 253,710
Deferred revenue	1,427,049	-
<i>Due within one year</i>		
Bonds, loans, and capital leases payable	<u>498,850</u>	<u>246,591</u>
Total Current Liabilities	2,562,763	500,301
Noncurrent Liabilities		
Compensated absences	1,271,236	171,798
Net OPEB obligation	-	88,000
Landfill obligation	1,091,513	-
<i>Due in more than one year</i>		
Bonds, loans, and capital leases payable	<u>7,929,570</u>	<u>885,112</u>
Total Noncurrent Liabilities	<u>10,292,319</u>	<u>1,144,910</u>
Total Liabilities	12,855,082	1,645,211
Net Assets		
Invested in capital assets, net of related debt	32,695,075	24,390,467
Unrestricted	<u>21,950,270</u>	<u>3,630,143</u>
Total Net Assets	<u>54,645,345</u>	<u>28,020,610</u>
Total Liabilities and Net Assets	<u>\$ 67,500,427</u>	<u>\$ 29,665,821</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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Units</u>
Primary Government						
Governmental Activities						
General government administration	\$ 3,113,258	\$ -	\$ 406,121	\$ -	\$ (2,707,137)	
Judicial administration	2,136,145	49,164	1,245,057	-	(841,924)	
Public safety	9,495,330	334,642	3,323,408	-	(5,837,280)	
Public works	1,808,443	800,218	10,274	-	(997,951)	
Health and welfare	4,426,488	-	2,832,988	-	(1,593,500)	
Education - community college	10,400	-	-	-	(10,400)	
Education - public school system	10,158,142	-	-	-	(10,158,142)	
Parks, recreation, and cultural	437,207	-	-	-	(437,207)	
Community development - IDA of Mecklenburg County, Virginia	1,002,132	-	-	-	(1,002,132)	
Community development	1,442,350	8,901	1,096,072	-	(337,377)	
Interest on long-term debt	383,441	-	-	-	(383,441)	
Total Governmental Activities	34,413,336	1,192,925	8,913,920	-	(24,306,491)	
Total Primary Government	<u>\$ 34,413,336</u>	<u>\$ 1,192,925</u>	<u>\$ 8,913,920</u>	<u>\$ -</u>	<u>(24,306,491)</u>	
Component Units						
School Board	\$ 43,047,447	\$ 1,322,386	\$ 30,215,719	\$ -		\$ (11,509,342)
IDA of Mecklenburg County, Virginia	2,589,177	-	1,566,764	-		(1,022,413)
Total Component Units	<u>\$ 45,636,624</u>	<u>\$ 1,322,386</u>	<u>\$ 31,782,483</u>	<u>\$ -</u>		<u>(12,531,755)</u>
General Revenues						
Taxes						
General property taxes, real and personal					23,975,034	-
Other local taxes					5,413,543	-
Payment from County of Mecklenburg, Virginia						
Education					-	10,158,142
Community development - IDA of Mecklenburg County, VA					-	1,002,132
Noncategorical aid from state					2,196,280	-
Use of property					57,986	-
Investment earnings					122,845	28,979
Miscellaneous					305,178	531,172
Total General Revenues					<u>32,070,866</u>	<u>11,720,425</u>
Change in Net Assets					7,764,375	(811,330)
Net Assets - Beginning of Year					46,880,970	28,831,940
Net Assets - End of Year					<u>\$ 54,645,345</u>	<u>\$ 28,020,610</u>

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

County of Mecklenburg, Virginia

Balance Sheet

Governmental Funds

At June 30, 2012

	<u>General Fund</u>	<u>Capital Outlay Fund</u>	<u>DEQ and Landfill Funds</u>	<u>Comprehensive Services Fund</u>	<u>Economic Development Fund</u>	<u>Public Assistance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets								
Cash and investments	\$ 10,093,445	\$ 8,212,679	\$ 621,079	\$ 1,294,474	\$ 1,665,037	\$ 860,536	\$ 173,270	\$ 22,920,520
Receivables, net	1,846,068	-	-	4,317	12,117	-	9,977	1,872,479
Due from other governments	1,086,608	-	-	-	34,836	171,187	-	1,292,631
Total Assets	<u>\$ 13,026,121</u>	<u>\$ 8,212,679</u>	<u>\$ 621,079</u>	<u>\$ 1,298,791</u>	<u>\$ 1,711,990</u>	<u>\$ 1,031,723</u>	<u>\$ 183,247</u>	<u>\$ 26,085,630</u>
Liabilities								
Accounts payable and accrued liabilities	\$ 492,338	\$ -	\$ -	\$ 70,817	\$ 62,114	\$ 4,959	\$ 6,636	\$ 636,864
Prepaid taxes	44,591	-	-	-	-	-	-	44,591
Other deferred revenues	8,803	-	-	-	-	-	-	8,803
Deferred revenue - property taxes	1,373,655	-	-	-	-	-	-	1,373,655
Total Liabilities	1,919,387	-	-	70,817	62,114	4,959	6,636	2,063,913
Fund Balance								
Restricted	-	-	120,000	1,227,974	-	1,026,764	136,783	2,511,521
Committed	3,009,986	-	-	-	-	-	-	3,009,986
Assigned	5,184,393	8,212,679	501,079	-	1,649,876	-	39,828	15,587,855
Unassigned	2,912,355	-	-	-	-	-	-	2,912,355
Total Fund Balance	<u>11,106,734</u>	<u>8,212,679</u>	<u>621,079</u>	<u>1,227,974</u>	<u>1,649,876</u>	<u>1,026,764</u>	<u>176,611</u>	<u>24,021,717</u>
Total Liabilities and Fund Balance	<u>\$ 13,026,121</u>	<u>\$ 8,212,679</u>	<u>\$ 621,079</u>	<u>\$ 1,298,791</u>	<u>\$ 1,711,990</u>	<u>\$ 1,031,723</u>	<u>\$ 183,247</u>	<u>\$ 26,085,630</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 Assets

At June 30, 2012

Total Fund Balances for Governmental Funds \$ 24,021,717

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

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

Land	\$ 449,472
Infrastructure - water and sewer	10,100,908
South Hill Elementary School, net of accumulated depreciation	10,065,604
Buildings and improvements, net of accumulated depreciation	17,077,951
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,399,901</u>

Total Capital Assets 41,093,836

School bond proceeds for which capital assets have not been constructed or acquired. This adjustment is required to properly report actual debt used to construct or acquire new school construction assets. -

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

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

Bonds and notes payable	(8,428,420)
Net OPEB asset	320,961
Landfill obligation	(1,091,513)
Compensated absences	<u>(1,271,236)</u>

Total (10,470,208)

Total Net Assets of Governmental Activities \$ 54,645,345

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, 2012

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Comprehensive Services Fund	Economic Development Fund	Public Assistance Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Property taxes	\$ 23,975,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,975,034
Other local taxes	5,413,543	-	-	-	-	-	-	5,413,543
Permits, privilege fees, and regulatory licenses	338,100	-	-	-	-	-	-	338,100
Fines and forfeitures	210,184	-	-	-	-	-	8,727	218,911
Use of money and property	180,051	-	-	-	-	-	780	180,831
Charges for services	161,970	-	387,091	-	-	-	86,853	635,914
Recovered costs	87,259	-	-	79,309	-	-	-	166,568
Miscellaneous	265,963	-	-	-	12,526	20,344	6,345	305,178
<i>Intergovernmental</i>								
Revenue from the Commonwealth of Virginia	6,962,860	-	-	634,355	400,482	831,272	-	8,828,969
Revenue from the Federal Government	218,280	-	-	-	572,316	1,367,361	123,274	2,281,231
Total Revenues	37,813,244	-	387,091	713,664	985,324	2,218,977	225,979	42,344,279
Expenditures								
Current								
General government administration	3,087,208	-	-	-	-	-	-	3,087,208
Judicial administration	1,953,600	-	-	-	-	-	8,072	1,961,672
Public safety	9,104,237	-	-	-	-	-	75,499	9,179,736
Public works	2,414,970	256,327	308,809	-	1,170,717	-	-	4,150,823
Health and welfare	620,385	-	-	1,037,007	-	2,793,089	-	4,450,481
Education - community college	10,400	-	-	-	-	-	-	10,400
Education - public school system	10,813,978	-	-	-	-	-	-	10,813,978
Parks, recreation, and cultural	437,207	-	-	-	-	-	-	437,207
Community development - IDA of Meck. Cty., VA	1,002,132	-	-	-	-	-	-	1,002,132
Community development	1,228,802	-	-	-	98,985	-	114,563	1,442,350
Total Expenditures	30,672,919	256,327	308,809	1,037,007	1,269,702	2,793,089	198,134	36,535,987
Excess (Deficiency) of Revenues Over Expenditures	7,140,325	(256,327)	78,282	(323,343)	(284,378)	(574,112)	27,845	5,808,292
Other Financing Sources (Uses)								
Transfers in	3,558,458	5,207,166	-	636,000	400,000	740,017	-	10,541,641
Transfers out	(6,983,183)	(3,400,000)	-	-	-	-	(158,458)	(10,541,641)
Total Other Financing Sources (Uses)	(3,424,725)	1,807,166	-	636,000	400,000	740,017	(158,458)	-
Net Change in Fund Balance	3,715,600	1,550,839	78,282	312,657	115,622	165,905	(130,613)	5,808,292
Fund Balance - Beginning of Year	7,391,134	6,661,840	542,797	915,317	1,534,254	860,859	307,224	18,213,425
Fund Balance - End of Year	\$ 11,106,734	\$ 8,212,679	\$ 621,079	\$ 1,227,974	\$ 1,649,876	\$ 1,026,764	\$ 176,611	\$ 24,021,717

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, 2012

Net Change in Fund Balances - Total Governmental Funds \$ 5,808,292

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 in the current period.

380,426

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

Payments on debt paid for by the School Board
Net Adjustment

505,882

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	\$ 974,417
Net OPEB obligation	119,203
Compensated absences	<u>(23,845)</u>
Net Adjustment	<u>1,069,775</u>

Change in Net Assets of Governmental Activities \$ 7,764,375

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, 2012

	Agency Funds
Assets	
Cash and investments	\$ 873,957
Accounts receivable	<u>3,100</u>
Total Assets	<u><u>\$ 877,057</u></u>
Liabilities	
Accounts payable	\$ 17,755
Amounts held for others	<u>859,302</u>
Total Liabilities	<u><u>\$ 877,057</u></u>

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

County of Mecklenburg, Virginia

Combining Statement of Net Assets - Component Units

At June 30, 2012

	Component Unit School Board	Component Unit IDA of Mecklenburg County, Virginia	Total Component Units
Assets			
Current Assets			
Cash and cash equivalents	\$ 859,567	\$ 567,244	\$ 1,426,811
Receivables, net	116,310	-	116,310
Due from Mecklenburg County	-	1,352	1,352
Due from other governments	1,093,662	-	1,093,662
Capital Assets			
Land and construction in progress	2,082,727	-	2,082,727
Other capital assets, net of accumulated depreciation	18,125,483	1,219,688	19,345,171
Capital Assets, Net	20,208,210	1,219,688	21,427,898
Other Assets			
Lease receivable	-	827,304	827,304
Note receivable	-	678,211	678,211
Land and buildings held for resale	-	4,094,273	4,094,273
Total Assets	<u>\$ 22,277,749</u>	<u>\$ 7,388,072</u>	<u>\$ 29,665,821</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 238,837	\$ 14,873	\$ 253,710
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	194,993	51,598	246,591
Noncurrent Liabilities			
Compensated absences	171,798	-	171,798
OPEB obligation	88,000	-	88,000
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	404,124	480,988	885,112
Total Liabilities	1,097,752	547,459	1,645,211
Net Assets			
Invested in capital assets, net of related debt	19,609,093	4,781,374	24,390,467
Unrestricted	1,570,904	2,059,239	3,630,143
Total Net Assets	<u>21,179,997</u>	<u>6,840,613</u>	<u>28,020,610</u>
Total Liabilities and Net Assets	<u>\$ 22,277,749</u>	<u>\$ 7,388,072</u>	<u>\$ 29,665,821</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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>School Board</u> <u>Net (Expense)</u> <u>Revenues and</u> <u>Changes in</u> <u>Net Assets</u>	<u>IDA of Mecklenburg</u> <u>County, Virginia</u> <u>Net (Expense)</u> <u>Revenues and</u> <u>Changes in</u> <u>Net Assets</u>	<u>Total</u> <u>Component</u> <u>Units</u>
School Board						
Education	\$ 40,878,691	\$ 1,322,386	\$ 30,215,719	\$ (9,340,586)		\$ (9,340,586)
Depreciation	<u>2,168,756</u>	<u>-</u>	<u>-</u>	<u>(2,168,756)</u>		<u>(2,168,756)</u>
Total School Board	43,047,447	1,322,386	30,215,719	(11,509,342)		(11,509,342)
IDA of Mecklenburg County, Virginia						
Interest expense	33,706	-	-		\$ (33,706)	(33,706)
Community development	<u>2,555,471</u>	<u>-</u>	<u>1,566,764</u>		<u>(988,707)</u>	<u>(988,707)</u>
Total IDA of Mecklenburg County, Virginia	<u>2,589,177</u>	<u>-</u>	<u>1,566,764</u>		(1,022,413)	(1,022,413)
Total Component Units	<u>\$ 45,636,624</u>	<u>\$ 1,322,386</u>	<u>\$ 31,782,483</u>			
General Revenues						
Payment from County of Mecklenburg, VA				10,158,142	1,002,132	11,160,274
Use of property				-	-	-
Interest and investment earnings				4,557	24,422	28,979
Miscellaneous				<u>513,667</u>	<u>17,505</u>	<u>531,172</u>
Total General Revenues				<u>10,676,366</u>	<u>1,044,059</u>	<u>11,720,425</u>
Change in Net Assets				(832,976)	21,646	(811,330)
Net Assets - Beginning of Year				<u>22,012,973</u>	<u>6,818,967</u>	<u>28,831,940</u>
Net Assets - End of Year				<u>\$ 21,179,997</u>	<u>\$ 6,840,613</u>	<u>\$ 28,020,610</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, 2012

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 32,380 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 of Mecklenburg, Virginia 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:

A. The Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- Government-Wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

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

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

Inclusions in the Reporting Entity

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 2012. 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.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model, the focus is on either the County as a whole or major individual funds (within the fund financial statements). The focus is on both the County as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category), and the Component Units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

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

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services. At this time, the County does not have any Proprietary Funds.

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

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

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

The County's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in fiscal year 2012:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

a. General Fund

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

b. 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 because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds:

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 Skipwith Housing and Tiny Road Project.

c. Debt Service Funds

The County does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Component Units.

d. Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities. This fund consists of the DEQ and Landfill Funds.

2. *Proprietary Funds*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. The County has no Proprietary Funds at this time.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. The Private Purpose Trust and Agency Funds consist of the following:

a. Private Purpose Trust Funds

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

b. 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 Trust Fund – This fund accounts for the money held in trust 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, 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 Alliance) – This fund accounts for money held by the County for the Virginia's Growth Alliance (dba TransTech 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.

4. *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.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statements of Net Assets and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Assets or on the Statement of Fiduciary Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the General, Special Revenue, Capital Projects, and Agency Funds (for the primary government and Component Unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. 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 by major category by the primary government.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets 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 the following 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. Work sessions between the Board of Supervisors and School Board are conducted on the budget.
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. The appropriation for each fund, function, and department can be revised only by the Board of Supervisors. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The County legally adopted budgets for the following funds:

General, Special Revenue, Capital Projects, and
School Board Funds

The County may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all County and School Board funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2012, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and the School Board. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

E. Fund Balances

The Board of Supervisors, by majority vote, determines committed funds based on recommendations by the County Administrator, Treasurer, and Budget and Finance Committee. The same process is used for assigned funds. Restricted funds are released, approved, and spent as governed by the funding source. No minimum fund balance has been adopted.

F. Investments

Investments are reported at fair value.

G. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2012 is composed of the following:

General Fund - taxes receivable	\$ 314,175
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H. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government and Component Units, and as assets in the government-wide financial statements to the extent the County and School Board's capitalization threshold of \$5,000 is met. The County and Component Units do not have any infrastructure in its capital assets since roads, streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	10 to 75 years
Furniture and other equipment	3 to 25 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The County and Component Units do not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

I. Compensated Absences

The County accrues compensated absences (annual and sick leave benefits) when vested. The current portions of the Governmental Funds' compensated absences liabilities are recorded as other liabilities in the Governmental Funds.

The current and noncurrent portions are recorded in the government-wide financial statements.

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.

J. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. 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.

2 Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

The County maintains a pool of cash and investments in which each fund participates on a dollar equivalent and daily transaction basis. Interest is distributed monthly based on average monthly balances. The majority of funds in the County's accounts are invested at all times.

Deposits

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

Investments

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

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 pooled cash and investments at June 30, 2012:

	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government		
Investments	\$ -	\$ -
Total Investments	-	\$ -
Total Deposits	<u>23,789,477</u>	
Total Deposits and Investments -		
Primary Government	23,789,477	
Cash on Hand	<u>5,000</u>	
Total - Primary Government	<u>23,794,477</u>	
Component Unit School Board		
Total Investments	-	\$ -
Total Deposits	<u>859,567</u>	
Total - School Board	859,567	
Component Unit IDA of Mecklenburg County, Virginia		
Total Investments	-	\$ -
Total Deposits	<u>567,244</u>	
Total - IDA of Mecklenburg County, Virginia	<u>567,244</u>	
Grand Total	<u>\$ 25,221,288</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2012:

	Governmental Activities	Fiduciary Responsibilities	Total
Primary Government			
Cash and cash equivalents	\$ 22,920,520	\$ -	\$ 22,920,520
Cash and investments with fiscal agents	<u>-</u>	<u>873,957</u>	<u>873,957</u>
Total Primary Government	22,920,520	873,957	23,794,477
Component Unit School Board			
Cash and cash equivalents	859,567	-	859,567
Component Unit IDA of Mecklenburg County, Virginia			
Cash and cash equivalents	<u>567,244</u>	<u>-</u>	<u>567,244</u>
Grand Total	<u>\$ 24,347,331</u>	<u>\$ 873,957</u>	<u>\$ 25,221,288</u>

3 Property Taxes

Real property taxes are assessed on property values as of January 1 and attached as an enforceable lien on property as of the date levied by the Board of Supervisors. Personal property taxes are assessed effective January 1 for the period the property is located in the County and also attached as an enforceable lien on the property.

Real estate and personal property taxes are due semiannually each year on June 5 and December 5.

A ten percent penalty is levied on all taxes not collected on or before their due date. An interest charge of ten percent per annum is also levied on such taxes beginning on January 1 for taxes due December 5 and beginning on July 1 for taxes due June 5.

Property taxes for calendar year 2011 were levied by the County Board of Supervisors in April 2011 on the assessed value listed as of January 1, 2011.

Property taxes for calendar year 2012 were levied by the County Board of Supervisors in April 2012 on the assessed value listed as of January 1, 2012.

Property taxes levied in the current and prior year have been recorded as receivables as of the date the County has the legal right to receive payments thereon. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized as revenues in the current fiscal year. Taxes receivable as of the end of the year (June 30) and not collected until the succeeding year are reported as deferred revenues.

4 Receivables

Receivables at June 30, 2012 consist of the following:

	<u>Primary Government</u>			Component Unit School Board	Component Unit IDA	Total Component Units
	<u>Governmental Activities</u>					
		Other				
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>			
Property taxes	\$ 2,053,111	\$ -	\$ 2,053,111	\$ -	\$ -	\$ -
Other	107,132	26,411	133,543	116,310	1,352	117,662
Total	2,160,243	26,411	2,186,654	116,310	1,352	117,662
Allowance for uncollectibles	(314,175)	-	(314,175)	-	-	-
Net Receivables	<u>\$ 1,846,068</u>	<u>\$ 26,411</u>	<u>\$ 1,872,479</u>	<u>\$ 116,310</u>	<u>\$ 1,352</u>	<u>\$ 117,662</u>

5 Due from Other Governmental Units

	<u>Governmental Funds</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia		
Local and State sales taxes	\$ 551,576	\$ 528,383
Compensation Board - constitutional officers	322,083	-
Jail operations	61,748	-
Communications tax	100,546	-
E-911	11,905	-
Grantor's tax	14,135	-
Public assistance	171,187	-
Economic development funds	34,836	-
Other state funds	24,615	440
Federal Government		
Title VI Flowthrough IDEA Special Ed	-	152,681
Title I	-	282,149
Education Jobs Stimulus	-	114,380
Other federal funds	-	15,629
Total	<u>\$ 1,292,631</u>	<u>\$ 1,093,662</u>

6 Interfund Balances and Activity

Primary Government

There are no interfund obligations (Due to/Due from's).

Transfers To/From Other Funds

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
To Public Assistance - Welfare Fund	\$ 740,017	\$ -
To Comprehensive Services Fund	636,000	-
From Sheriff's Funds	-	158,458
To Landfill Gas Project	-	-
To Economic Development Fund	400,000	-
To Capital Outlay Fund	<u>5,207,166</u>	<u>3,400,000</u>
Total General Fund	6,983,183	3,558,458
Public Assistance - Welfare Fund		
From General Fund	-	740,017
Sheriff's Fund		
To General Fund for operations	158,458	-
Comprehensive Services Funds		
From General Fund for operations	-	636,000
Economic Development Fund		
From General Fund	-	400,000
Capital Outlay Fund		
From General Fund	<u>3,400,000</u>	<u>5,207,166</u>
Total Transfers Within Primary Government	<u>\$ 10,541,641</u>	<u>\$ 10,541,641</u>

Transfers To/From Component Units**General Fund**

To School Fund for local appropriation	\$ 10,752,799	\$ -
To School Textbook Fund for local appropriation	61,179	-

School Fund

From General Fund for local appropriation	-	10,752,799
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School Textbook Fund

From General Fund for local appropriation	-	61,179
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Total Transfers Within Primary Government	<u>\$ 10,813,978</u>	<u>\$ 10,813,978</u>
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Transfers To/From Component Units**General Fund**

To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	\$ 1,002,132	\$ -
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Industrial Development Authority

From Economic Development Fund	-	1,002,132
From General Fund for economic stimulus	-	1,002,132

Total Transfers Within Primary Government	<u>\$ 1,002,132</u>	<u>\$ 1,002,132</u>
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Total Transfers	<u>\$ 22,357,751</u>	<u>\$ 22,357,751</u>
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There were no interfund obligations in the Component Unit School Board.

7 Capital Assets

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Primary Government				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 449,472	\$ -	\$ -	\$ 449,472
Total Capital Assets Not Being Depreciated	449,472	-	-	449,472
Other Capital Assets				
Buildings and improvements	20,308,481	162,042	-	20,470,523
Infrastructure	9,051,265	1,425,757	-	10,477,022
School buildings and improvements	11,674,384	-	-	11,674,384
Furniture, equipment, and vehicles	8,586,843	316,606	-	8,903,449
Total Other Capital Assets	49,620,973	1,904,405	-	51,525,378
Less: Accumulated depreciation for				
Buildings and improvements	2,950,295	442,277	-	3,392,572
Infrastructure	188,057	188,057	-	376,114
South Hill Elementary School	1,375,293	233,487	-	1,608,780
Furniture, equipment, and vehicles	4,843,390	660,158	-	5,503,548
Total Accumulated Depreciation	9,357,035	1,523,979	-	10,881,014
Other Capital Assets, Net	40,263,938	380,426	-	40,644,364
Net Capital Assets	\$ 40,713,410	\$ 380,426	\$ -	\$ 41,093,836
Depreciation expense was allocated as follows:				
General government administration	\$ 159,823			
Judicial administration	357,548			
Public safety	408,220			
Public works	261,027			
Education - public school system	233,487			
Health and welfare	103,874			
Total Depreciation Expense	\$ 1,523,979			

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>
Component Unit School Board				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,725,707	\$ 357,020	\$ -	\$ 2,082,727
Total Capital Assets Not Being Depreciated	1,725,707	357,020	-	2,082,727
Other Capital Assets				
Buildings and improvements	34,103,993	-	-	34,103,993
Furniture, equipment, and vehicles	17,795,176	1,237,027	-	19,032,203
Total Other Capital Assets	51,899,169	1,237,027	-	53,136,196
Less: Accumulated depreciation for				
Buildings and improvements	21,418,008	538,648	-	21,956,656
Furniture, equipment, and vehicles	11,657,436	1,396,621	-	13,054,057
Total Accumulated Depreciation	33,075,444	1,935,269	-	35,010,713
Other Capital Assets, Net	18,823,725	(698,242)	-	18,125,483
Net Capital Assets	\$ 20,549,432	\$ (341,222)	\$ -	\$ 20,208,210
Depreciation expense allocated to education		\$ 1,935,269		
Component Unit IDA of Mecklenburg County, Virginia				
Capital Assets Not Being Depreciated				
Buildings and land held for resale	\$ 4,094,273	\$ -	\$ -	\$ 4,094,273
Other Capital Assets				
Buildings and improvements	1,100,000	150,000	-	1,250,000
Less: Accumulated depreciation for				
Buildings and improvements	-	30,312	-	30,312
Other Capital Assets, Net	1,100,000	119,688	-	1,219,688
Net Capital Assets	\$ 5,194,273	\$ 119,688	\$ -	\$ 5,313,961
Depreciation expense for economic development		\$ 30,312		

8 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>
2013	\$ 498,850	\$ 379,561
2014	513,469	353,747
2015	528,330	327,182
2016	543,446	299,852
2017	558,829	271,457
2018-2022	3,049,103	937,936
2023-2027	<u>2,452,576</u>	<u>241,326</u>
Total	8,144,603	2,811,061
Landfill obligation	1,091,513	-
OPEB obligation (asset)	(320,961)	-
Compensated absences	<u>1,271,236</u>	-
Total	10,186,391	<u>\$ 2,811,061</u>
Add: Unamortized Premium on Bond	<u>283,817</u>	
	<u>\$ 10,470,208</u>	

Component Unit School Board

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
Suntrust Equipment Lease		
2013	\$ 194,993	\$ 14,365
2014	199,668	9,690
2015	<u>204,456</u>	<u>4,902</u>
Total	599,117	28,957
OPEB obligation	88,000	-
Compensated absences	<u>171,798</u>	-
Total	<u>\$ 858,915</u>	<u>\$ 28,957</u>

Component Unit IDA of Mecklenburg County, Virginia

2013	\$ 49,889	\$ 32,775
2014	52,913	29,750
2015	56,133	26,531
2016	59,560	23,104
2017	63,209	19,455
2018-2022	<u>250,882</u>	<u>44,920</u>
Total	<u>\$ 532,586</u>	<u>\$ 176,535</u>

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities					
General Fund					
<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.	\$ 5,404,064	\$ -	\$ 304,461	\$ 5,099,603	\$ 308,850
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.	3,225,000	-	180,000	3,045,000	190,000
Landfill obligation	2,065,930	-	974,417	1,091,513	-
OPEB obligation	(201,758)	-	119,203	(320,961)	-
Compensated absences	1,247,391	23,845	-	1,271,236	-
	11,740,627	23,845	1,578,081	10,186,391	498,850
<i>Add</i>					
Unamortized Premium on Bond Series 2003 Bond	162,500	-	12,500	150,000	12,500
Unamortized Premium on Bond Series 2006 Bond	142,738	-	8,921	133,817	8,921
Total Long-Term Indebtedness - Primary Government	\$ 12,045,865	\$ 23,845	\$ 1,599,502	\$ 10,470,208	\$ 520,271
Component Unit School Board					
Suntrust Equipment Finance & Leasing Corp. Master Lease Agreement dated Augst 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.	\$ -	\$ 808,475	\$ 209,358	\$ 599,117	\$ 194,993
Compensated absences	203,060	-	31,262	171,798	-
OPEB obligation	88,000	-	-	88,000	-
Total Component Unit School Board	\$ 291,060	\$ 808,475	\$ 240,620	\$ 858,915	\$ 194,993

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Component Unit IDA of Mecklenburg County, Virginia					
<i>Riley B. Lowe</i>					
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.					
	\$ 458,319	\$ -	\$ 27,653	\$ 430,666	\$ 33,148
<i>Lake Country Development Corporation</i>					
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>119,648</u>	<u>-</u>	<u>17,728</u>	<u>101,920</u>	<u>18,450</u>
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ 577,967</u>	<u>\$ -</u>	<u>\$ 45,381</u>	<u>\$ 532,586</u>	<u>\$ 51,598</u>

9 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the County has accrued the liability arising from outstanding claims, judgments, and 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 thirty-six days is paid upon termination. The County has outstanding accrued compensated absences totaling \$1,271,236 in the Governmental Activities. The Component Unit School Board has \$171,798 of compensated absences.

10 Deferred Revenues

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

Primary Government

Property taxes	\$ 1,373,655
Prepaid taxes	44,591
Other deferred revenues	<u>8,803</u>
Total Primary Government	<u>\$ 1,427,049</u>

11 Contingent Liabilities (Including Federally Assisted Programs - Compliance Audits)

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

12 Defined Benefit Pension Plan

A. *Plan Description*

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

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

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

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

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

B. *Funding Policy*

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2012 was 10.98% of annual covered payroll. The Component Unit School Board's contribution rate for non-professional employees for the fiscal year ended 2012 was 6.62% of annual covered payroll. The Component Unit School Board contributed \$1,379,504 to the teacher cost-sharing pool at a rate of 6.33%.

C. *Annual Pension Cost*

For fiscal year 2012, the County and School Board's annual pension cost of \$896,922 and \$86,565 for the County and the County School Board non-professionals, 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

<u>Fiscal Year</u> <u>Ending</u>	<u>County</u>			<u>Component Unit School Board</u>		
	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
June 30, 2010	\$ 728,971	100.00%	\$ -	\$ 97,728	100.00%	\$ -
June 30, 2011	900,479	100.00%	-	89,215	100.00%	-
June 30, 2012	896,922	100.00%	-	86,565	100.00%	-

The FY 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of **7.50%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees and **3.50% to 4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D. Funded Status and Funding Progress

For the County, as of June 30, 2011, the most recent actuarial valuation date, the plan was 74.46% funded. The actuarial accrued liability for benefits was \$38,032,407, and the actuarial value of assets was \$28,318,141, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,714,266. The covered payroll (annual payroll of active employees covered by the plan) was \$8,186,770, and ratio of the UAAL to the covered payroll was 118.66%.

For the nonprofessional School Board, as of June 30, 2011, the most recent actuarial valuation date, the plan was 83.22% funded. The actuarial accrued liability for benefits was \$6,101,408, and the actuarial value of assets was \$5,077,425, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,023,983. The covered payroll (annual payroll of active employees covered by the plan) was \$1,294,166, and ratio of the UAAL to the covered payroll was 79.12%.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County and Component Unit School Board

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
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
County of Mecklenburg, Virginia						
June 30, 2009	\$ 27,065,721	\$ 32,968,711	\$ 5,902,990	82.10%	\$ 8,347,188	70.72%
June 30, 2010	27,283,169	36,466,333	9,183,164	74.82%	8,143,045	112.77%
June 30, 2011	28,318,141	38,032,407	9,714,266	74.46%	8,186,770	118.66%
Mecklenburg County School Board						
June 30, 2009	5,078,179	5,538,534	460,355	91.69%	1,522,796	30.23%
June 30, 2010	5,036,036	5,869,694	833,658	85.80%	1,503,321	55.45%
June 30, 2011	5,077,425	6,101,408	1,023,983	83.22%	1,294,166	79.12%

Notes to Required Supplementary Information

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

	<u>County</u>	<u>Component Unit School Board</u>
Valuation Date	June 30, 2011	June 30, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percent of Pay, Open	Level Percent of Pay, Open
Payroll Growth Rate	3.00%	3.00%
Remaining Amortization Period (Phase-in Impact of Change in Interest Rate)	30 years (decreasing by one each year in subsequent valuations until reaching 20 years)	30 years (decreasing by one each year in subsequent valuations until reaching 20 years)
Asset Valuation Method	5-Year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial Assumptions		
a. Investment rate of return ¹	7.00%	7.00%
b. Projected salary increases ¹		
1) Non-LEO Members	3.75% to 5.60%	3.75% to 5.60%
2) LEO Members	3.50% to 4.75%	3.50% to 4.75%
c. Cost-of-living adjustments		
1) Plan 1 Members	2.50%	2.50%
2) Plan 2 Members	2.25%	2.25%

¹Includes inflation of 2.50%

13 Assigned Fund Balances

Fund balances have been assigned for the following purposes:

<u>Fund</u>	<u>Committed</u>	<u>Amount</u>
General Fund	PPTRA	\$ 115,812
	School carryover funds	15,015
	Roof replacement	2,561,653
	911 program	308,269
	Rochichi fund	7,200
	Treasurer's fund	2,037
	Subtotal - General Fund - Committed	<u>\$ 3,009,986</u>
<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
General Fund	Equipment replacement	\$ 846,104
General Fund	New school facility	4,338,289
	Subtotal - General Fund - Assigned	<u>5,184,393</u>
Sheriff's Funds	Dare Fund	198
	Project Life Saver	6,375
	SRO Picnic Fund	2,068
	Jail inmate	3,145
	Sheriff's abandoned property	195
	State police fund	6,781
	Subtotal - Sheriff's Funds - Assigned	<u>18,762</u>
DEQ and Landfill Funds	Landfill reserve	335,642
	Landfill construction	53,568
	Landfill gas project	111,869
	Subtotal - DEQ and Landfill Funds - Assigned	<u>501,079</u>
Economic Development Fund	Economic development	1,649,876
Capital Outlay Fund	Capital projects	8,212,679
Law Library Fund	Law library	21,066
	Total Assigned Funds	<u>\$ 15,587,855</u>
<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
Public Assistance Funds	Public assistance	\$ 1,026,764
DEQ and Landfill Funds	School fuel tanks	20,000
	County fuel tanks	100,000
		<u>120,000</u>
Comprehensive Services	Comprehensive services	1,227,974
Forfeiture Funds	Commonwealth's Attorney	27,224
	Sheriff's drug forfeitures	31,010
	State unwarranted	40,626
	Federal forfeiture funds	37,873
	Subtotal - Forfeiture Funds	<u>136,733</u>
Skipwith Housing CDBG	Housing project	50
		<u>\$ 2,511,521</u>

14 Legal Compliance

A. Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations.

B. Fund Deficits

There were no fund deficits.

C. Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 3,739,113,400</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 373,911,340
Amount of Debt Applicable to Debt Limit	
General obligation debt	<u>8,428,420</u>
Legal Debt Margin	<u>\$ 365,482,920</u>

15 Surety Bond Information

The following constitutional officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2012:

<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

Other employees are insured as follows:

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

16 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 \$1,091,513 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 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has cash of \$335,642 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.

17 Appropriation to School from General Fund

The local School Board appropriation is reported differently in the fund financial statements versus the government-wide financial statements due to the following adjustments:

Original School Board appropriation in the fund financial statements	\$ 10,813,978
Adjustments for:	
Payment of principal and interest on construction loans	(889,323)
Depreciation on school building and other fixed assets	<u>233,487</u>
Adjusted School Board appropriation in the government-wide financial statements	<u>\$ 10,158,142</u>

18 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 County and School Board have not yet established an OPEB Trust 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, 2012 and costs for the fiscal years through June 30, 2012, 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 is as follows:

	<u>County</u>	<u>School Board</u>
Annual OPEB Cost (Expense)		
Annual required contribution	\$ 158,200	\$ -
Interest on OPEB obligation	(15,132)	-
Adjustment to ARC	<u>11,769</u>	<u>-</u>
Annual OPEB Cost (Expense)	154,837	-
Contributions Made		
Contributions for fiscal year	<u>274,040</u>	<u>-</u>
Increase (Decrease) in Net OPEB Obligation	(119,203)	-
Net OPEB Obligation - Beginning of Year	<u>(201,758)</u>	<u>88,000</u>
Net OPEB Obligation - End of Year	<u><u>\$(320,961)</u></u>	<u><u>\$ 88,000</u></u>

Three-year trend information is as follows:

Primary Government - County

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percent</u> <u>Funded</u>
6/30/2010	\$ 240,600	\$ 137,000	56.94%
6/30/2011	171,342	476,700	278.16%
6/30/2012	154,837	274,040	176.99%

Component Unit - School Board

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Percent</u> <u>Funded</u>
6/30/2011	\$ 243,000	\$ 155,000	63.79%

Required Supplementary Information is as follows:

Primary Government - County

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u> (b)	<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)
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%

Component Unit - School Board

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u> (b)	<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)
1/1/2011	\$ -	\$ 2,534,100	\$ 2,534,100	0.00%	\$ 24,495,200	10.30%

Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2012

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 12,437,200	\$ 12,437,200	\$ 13,146,915	\$ 709,715
Mobile home taxes	61,272	61,272	67,375	6,103
Personal property taxes	6,397,095	6,397,095	7,323,588	926,493
Public service corporations	728,640	728,640	923,967	195,327
Machinery and tools taxes	485,760	485,760	628,553	142,793
Merchants' capital	324,576	324,576	393,606	69,030
Delinquent taxes - real estate	-	-	582,539	582,539
Delinquent taxes - personal property	-	-	533,500	533,500
Interest on taxes	85,000	85,000	144,579	59,579
Penalties on taxes	145,000	145,000	230,412	85,412
Total General Property Taxes	20,664,543	20,664,543	23,975,034	3,310,491
Other Local Taxes				
Local sales and use taxes	3,000,000	3,000,000	3,818,866	818,866
Utility and consumption taxes	502,000	502,000	560,798	58,798
Business licenses	1,500	1,500	1,987	487
911 local revenues	226,679	226,679	140,959	(85,720)
Franchise license taxes	5,000	5,000	33,081	28,081
Transient occupancy tax	16,000	16,000	20,549	4,549
Motor vehicle licenses	592,340	592,340	615,392	23,052
Tax on recordation and wills	182,000	182,000	221,911	39,911
Total Other Local Taxes	4,525,519	4,525,519	5,413,543	888,024
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	28,300	28,300	32,003	3,703
Other permits and licenses	19,150	19,150	20,711	1,561
Building permits	101,600	101,600	285,386	183,786
Total Permits, Privilege Fees, and Regulatory Licenses	149,050	149,050	338,100	189,050
Fines and Forfeitures				
	175,000	175,000	210,184	35,184
Revenue from Use of Money and Property				
Interest income	136,000	136,000	122,065	(13,935)
Rental income	52,000	52,000	57,986	5,986
Total Revenue from Use of Money and Property	188,000	188,000	180,051	(7,949)
Charges for Services				
Sheriff's revenues	10,200	10,200	12,786	2,586
Courthouse maintenance fees and clerk	31,500	31,500	30,430	(1,070)
Commonwealth Attorney's fees	2,000	2,000	7,104	5,104
Sanitation, waste removal, and landfill charges	65,000	65,000	75,027	10,027
Other miscellaneous charges	500	500	231	(269)
Work release	30,000	30,000	27,491	(2,509)
Planning fees	6,300	6,300	8,901	2,601
Total Charges for Services	145,500	145,500	161,970	16,470

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Miscellaneous				
Delinquent tax administrative fees	65,000	65,000	154,459	89,459
Other miscellaneous	<u>35,000</u>	<u>63,766</u>	<u>111,504</u>	<u>47,738</u>
Total Miscellaneous	100,000	128,766	265,963	137,197
Recovered Costs	102,068	102,068	87,259	(14,809)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Non-Categorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	16,000	16,000	17,202	1,202
Auto rental tax	50,000	50,000	21,052	(28,948)
Personal Property Tax Relief Act	1,454,006	1,454,006	1,454,006	-
Receipt from state - Occoneechee Park	5,000	5,000	8,018	3,018
Communications tax from State	520,000	520,000	588,733	68,733
Mobile home titling tax	65,000	65,000	40,533	(24,467)
Recordation and grantors' tax - State	<u>100,000</u>	<u>100,000</u>	<u>66,736</u>	<u>(33,264)</u>
Total Non-Categorical Aid	2,210,006	2,210,006	2,196,280	(13,726)
<i>Categorical Aid</i>				
Shared Expenses				
Commonwealth's Attorney	431,454	431,454	356,189	(75,265)
Sheriff and Sheriff's auto	2,888,199	2,888,199	2,867,083	(21,116)
Commissioner of the Revenue	101,924	101,924	102,092	168
Treasurer	102,264	102,264	102,683	419
Electoral Board and General Registrar	41,090	41,090	41,425	335
Clerk of the Court	303,365	303,365	318,958	15,593
Jail operations	244,072	244,072	262,548	18,476
School security grant	11,317	11,317	12,764	1,447
Deputies Lake Patrol Grant	45,691	45,691	57,414	11,723
Piedmont Court Services	394,262	394,262	394,262	-
Victim Witness Grant	46,770	46,770	47,705	935
Virginia Domestic Violence (VDVVF)	40,000	40,000	40,000	-
VJCCCA	34,325	34,325	31,360	(2,965)
Fire Program Grant	60,000	60,000	70,551	10,551
Four for Life Grant	30,000	30,000	29,901	(99)
Litter Grant	11,000	11,000	10,274	(726)
Records Grant	-	4,994	4,994	-
Other miscellaneous State grants	<u>15,673</u>	<u>20,673</u>	<u>16,377</u>	<u>(4,296)</u>
Total Categorical Aid	4,801,406	4,811,400	4,766,580	(44,820)
Total Revenue from the Commonwealth of Virginia	7,011,412	7,021,406	6,962,860	(58,546)
<i>Revenue from the Federal Government</i>				
Ground transportation safety	21,000	21,000	23,147	2,147
Violence Against Women	51,589	51,589	51,589	-
Payment in lieu of taxes	<u>80,000</u>	<u>80,000</u>	<u>143,544</u>	<u>63,544</u>
Total Revenue from the Federal Government	152,589	152,589	218,280	65,691
Total Intergovernmental Revenue	<u>7,164,001</u>	<u>7,173,995</u>	<u>7,181,140</u>	<u>7,145</u>
Total Revenues	33,213,681	33,252,441	37,813,244	4,560,803

				Variance With Final Budget Positive (Negative)
Expenditures	Original Budget	Final Budget	Actual	
Current				
<i>General Government Administration</i>				
Board of Supervisors	233,900	228,654	227,055	1,599
County Administrator	346,417	354,314	350,366	3,948
Commissioner of Revenue	571,291	544,703	529,743	14,960
Treasurer	593,925	570,216	566,991	3,225
County Attorney and other legal	75,000	200,912	200,912	-
Data processing	110,999	111,047	110,711	336
Multipurpose	71,500	57,506	55,507	1,999
Shared office expenses	300,000	281,876	281,876	-
Other fringes not allocated	131,140	172,143	172,142	1
Annual OPEB contribution	173,400	173,400	173,400	-
Workman's compensation	213,641	234,764	234,764	-
Electoral Board	66,224	53,305	53,003	302
Registrar	121,504	138,940	130,738	8,202
Total General Government Administration	3,008,941	3,121,780	3,087,208	34,572
<i>Judicial Administration</i>				
Circuit Court	57,535	57,535	51,791	5,744
General District Court	3,586	3,586	1,171	2,415
Magistrate	2,000	2,000	1,202	798
Juvenile and Domestic Relations Court	210,330	310,100	304,876	5,224
Pretrial Court	129,264	129,310	124,564	4,746
VJCCA	34,725	34,725	32,075	2,650
Victim Witness Program	54,257	54,257	52,416	1,841
Center for Violence	7,000	7,000	7,000	-
Piedmont Court Services - Corrections Act	268,467	274,843	270,838	4,005
Clerk of the Circuit Court	580,552	551,605	536,768	14,837
Commonwealth's Attorney	629,130	574,533	570,899	3,634
Total Judicial Administration	1,976,846	1,999,494	1,953,600	45,894
<i>Public Safety</i>				
Sheriff's Department	3,654,428	3,310,356	3,297,509	12,847
Jail	3,253,759	3,111,360	3,079,133	32,227
Work release	214,088	217,398	215,320	2,078
Fire departments	437,335	451,336	451,159	177
Rescue squads	334,428	304,450	304,428	22
911 Department	946,660	933,143	878,459	54,684
Emergency correctional officers	506,377	546,830	545,855	975
Emergency services	4,095	4,262	3,948	314
Inspections	183,381	174,002	168,714	5,288
Animal control	173,468	173,520	157,572	15,948
Medical Examiner	1,000	1,000	140	860
American Red Cross	2,000	2,000	2,000	-
Total Public Safety	9,711,019	9,229,657	9,104,237	125,420

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Works</i>				
Refuse disposal	1,795,325	1,817,332	1,811,701	5,631
Roanoke River Service Authority	10,000	10,000	10,000	-
Maintenance of buildings and grounds	704,905	595,561	593,269	2,292
Total Public Works	2,510,230	2,422,893	2,414,970	7,923
<i>Health and Welfare</i>				
Health department	202,664	202,664	202,664	-
Mental health	119,719	119,719	119,719	-
Comprehensive services	43,955	49,189	49,099	90
Lake Country Area Agency on Aging	14,770	14,770	14,770	-
Welfare and social services	147,700	234,432	234,133	299
Total Health and Welfare	528,808	620,774	620,385	389
<i>Education</i>				
Community college	10,400	10,400	10,400	-
Appropriation to public school system	10,943,009	10,943,009	10,813,978	129,031
Total Education	10,953,409	10,953,409	10,824,378	129,031
<i>Parks, Recreation, and Cultural</i>				
Regional library	357,092	357,092	357,092	-
Library hospitalization	37,600	5,215	5,215	-
Parks, recreation, and cultural	46,400	51,400	51,400	-
Miscellaneous contributions	23,500	23,500	23,500	-
Total Parks, Recreation, and Cultural	464,592	437,207	437,207	-
<i>Community Development</i>				
Miscellaneous community development	133,880	131,855	131,855	-
Payment to State of Virginia	340,392	351,232	351,232	-
Lake Gaston weed control	116,000	116,000	116,000	-
Airports	51,943	51,943	51,943	-
Economic development	401,340	264,685	257,707	6,978
Zoning	113,442	157,142	154,645	2,497
Other tax refunds	-	2,524	2,524	-
Industrial tax refunds	501,424	1,002,132	1,002,132	-
Soil and Water Conservation District	108,399	108,978	108,879	99
Cooperative extension program	72,155	59,875	54,017	5,858
Total Community Development	1,838,975	2,246,366	2,230,934	15,432
Total Expenditures	30,992,820	31,031,580	30,672,919	358,661
Excess (Deficiency) of Revenues Over Expenditures	2,220,861	2,220,861	7,140,325	4,919,464

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	3,558,458	3,558,458
Transfers (out)	<u>(2,470,861)</u>	<u>(2,470,861)</u>	<u>(6,983,183)</u>	<u>(4,512,322)</u>
Total Other Financing Sources (Uses)	<u>(2,470,861)</u>	<u>(2,470,861)</u>	<u>(3,424,725)</u>	<u>(953,864)</u>
Net Change in Fund Balance	(250,000)	(250,000)	3,715,600	3,965,600
From Surplus	<u>250,000</u>	<u>250,000</u>	-	<u>(250,000)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	3,715,600	<u>\$ 3,715,600</u>
Fund Balance - Beginning of Year			<u>7,391,134</u>	
Fund Balance - End of Year			<u>\$ 11,106,734</u>	

Capital Outlay Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
Public safety - regional jail	-	-	-	-
Public works - convenience center	100,000	100,000	68,499	31,501
Public works - other	-	60,397	64,228	(3,831)
Public works - courthouse building	<u>1,000,000</u>	<u>1,000,000</u>	<u>123,600</u>	<u>876,400</u>
Total Expenditures	<u>1,100,000</u>	<u>1,160,397</u>	<u>256,327</u>	<u>904,070</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,100,000)	(1,160,397)	(256,327)	(904,070)
Other Financing Sources (Uses)				
Transfers in	-	-	5,207,166	5,207,166
Transfers (out)	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>(3,400,000)</u>	<u>(2,000,000)</u>
Total Other Financing Sources (Uses)	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>1,807,166</u>	<u>3,207,166</u>
Net Change in Fund Balance	(2,500,000)	(2,560,397)	1,550,839	2,303,096
From Surplus	<u>2,500,000</u>	<u>2,560,397</u>	<u>-</u>	<u>(2,560,397)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	1,550,839	<u>\$ (257,301)</u>
Fund Balance - Beginning of Year			<u>6,661,840</u>	
Fund Balance - End of Year			<u>\$ 8,212,679</u>	

DEQ and Landfill Funds

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for Services				
Landfill revenues	\$ 385,566	\$ 385,566	\$ 387,091	\$ 1,525
Revenue from Use of Money and Property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	385,566	385,566	387,091	1,525
Expenditures				
Current				
<i>Public Works</i>				
Landfill expenses - gas project	<u>407,781</u>	<u>407,781</u>	<u>308,809</u>	<u>\$ 98,972</u>
Total Expenditures	<u>407,781</u>	<u>407,781</u>	<u>308,809</u>	<u>98,972</u>
Excess (Deficiency) of Revenues Over Expenditures	(22,215)	(22,215)	78,282	100,497
Other Financing Sources (Uses)				
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	(22,215)	(22,215)	78,282	100,497
From Surplus	<u>22,215</u>	<u>22,215</u>	<u>-</u>	<u>(22,215)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	78,282	<u>\$ 78,282</u>
Fund Balance - Beginning of Year			<u>542,797</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>
Revenues				
Recovered Costs	\$ 10,466	\$ 10,466	\$ 20,344	\$ 9,878
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	1,127,787	1,127,787	831,272	(296,515)
Revenue from the Federal Government	<u>1,531,669</u>	<u>1,531,669</u>	<u>1,367,361</u>	<u>(164,308)</u>
Total Intergovernmental Revenues	<u>2,659,456</u>	<u>2,659,456</u>	<u>2,198,633</u>	<u>(460,823)</u>
Total Revenues	2,669,922	2,669,922	2,218,977	(450,945)
Expenditures				
Current				
Health and welfare	<u>3,495,244</u>	<u>3,495,244</u>	<u>2,793,089</u>	<u>702,155</u>
Total Expenditures	<u>3,495,244</u>	<u>3,495,244</u>	<u>2,793,089</u>	<u>702,155</u>
Excess (Deficiency) of Revenues Over Expenditures	(825,322)	(825,322)	(574,112)	251,210
Other Financing Sources (Uses)				
Transfers in	<u>740,017</u>	<u>740,017</u>	<u>740,017</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>740,017</u>	<u>740,017</u>	<u>740,017</u>	<u>-</u>
Net Change in Fund Balance	(85,305)	(85,305)	165,905	251,210
From Surplus	<u>85,305</u>	<u>85,305</u>	<u>-</u>	<u>(85,305)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	165,905	<u>\$ 165,905</u>
Fund Balance - Beginning of Year			<u>860,859</u>	
Fund Balance - End of Year			<u>\$ 1,026,764</u>	

Comprehensive Services Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered Costs	\$ -	\$ -	\$ 79,309	\$ 79,309
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	<u>1,565,000</u>	<u>1,565,000</u>	<u>634,355</u>	<u>(930,645)</u>
Total Intergovernmental Revenues	<u>1,565,000</u>	<u>1,565,000</u>	<u>634,355</u>	<u>(930,645)</u>
Total Revenues	<u>1,565,000</u>	<u>1,565,000</u>	<u>713,664</u>	<u>(851,336)</u>
Expenditures				
Current				
Health and welfare	<u>2,201,000</u>	<u>2,201,000</u>	<u>1,037,007</u>	<u>1,163,993</u>
Total Expenditures	<u>2,201,000</u>	<u>2,201,000</u>	<u>1,037,007</u>	<u>1,163,993</u>
Excess (Deficiency) of Revenues Over Expenditures	(636,000)	(636,000)	(323,343)	312,657
Other Financing Sources (Uses)				
Transfers in	<u>636,000</u>	<u>636,000</u>	<u>636,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>636,000</u>	<u>636,000</u>	<u>636,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	312,657	<u>\$ 312,657</u>
Fund Balance - Beginning of Year			<u>915,317</u>	
Fund Balance - End of Year			<u>\$ 1,227,974</u>	

Economic Development Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous local revenues	\$ 905,264	\$ 905,264	\$ 12,526	\$ (892,738)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia				
TICR funds	<u>400,482</u>	<u>400,482</u>	<u>400,482</u>	<u>-</u>
Total Revenue from the Commonwealth of Virginia	400,482	400,482	400,482	-
Revenue from the Federal Government - EDA				
EDA funds	518,806	518,806	264,664	(254,142)
CDBG funds	<u>330,279</u>	<u>330,279</u>	<u>307,652</u>	<u>(22,627)</u>
Total Revenue from the Federal Government	<u>849,085</u>	<u>849,085</u>	<u>572,316</u>	<u>(276,769)</u>
Total Intergovernmental Revenues	<u>1,249,567</u>	<u>1,249,567</u>	<u>972,798</u>	<u>(276,769)</u>
Total Revenues	2,154,831	2,154,831	985,324	(1,169,507)
Expenditures				
Current				
Public works - 92 Waterline	2,846,245	2,846,245	1,170,717	1,675,528
Parks, recreation, and cultural	100,000	100,000	-	100,000
Kinderton Technology Campus	<u>132,937</u>	<u>132,937</u>	<u>98,985</u>	<u>33,952</u>
Total Expenditures	<u>3,079,182</u>	<u>3,079,182</u>	<u>1,269,702</u>	<u>1,809,480</u>
Excess (Deficiency) of Revenues Over Expenditures	(924,351)	(924,351)	(284,378)	639,973
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Net Change in Fund Balance	(924,351)	(924,351)	115,622	1,039,973
From Surplus	<u>924,351</u>	<u>924,351</u>	<u>-</u>	<u>(924,351)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	115,622	<u>\$ 115,622</u>
Fund Balance - Beginning of Year			<u>1,534,254</u>	
Fund Balance - End of Year			<u>\$ 1,649,876</u>	

Other Supplementary Information



County of Mecklenburg, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2012

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Skipwith Housing</u>	<u>Total Other Governmental Funds</u>
Assets					
Cash and investments	\$ 20,919	\$ 15,568	\$ 136,733	\$ 50	\$ 173,270
Accounts receivable	849	9,128	-	-	9,977
Due from other governments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 21,768</u>	<u>\$ 24,696</u>	<u>\$ 136,733</u>	<u>\$ 50</u>	<u>\$ 183,247</u>
Liabilities					
Accounts payable	\$ 702	\$ 5,934	\$ -	\$ -	\$ 6,636
Total Liabilities	702	5,934	-	-	6,636
Fund Balance					
Restricted	-	-	136,733	50	136,783
Assigned	21,066	18,762	-	-	39,828
Unassigned	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>21,066</u>	<u>18,762</u>	<u>136,733</u>	<u>50</u>	<u>176,611</u>
Total Liabilities and Fund Balance	<u>\$ 21,768</u>	<u>\$ 24,696</u>	<u>\$ 136,733</u>	<u>\$ 50</u>	<u>\$ 183,247</u>

County of Mecklenburg, Virginia

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

Other Governmental Funds

At June 30, 2012

	<u>Law</u>		<u>CDBG Funds</u>			
	<u>Library</u>	<u>Sheriff's</u>	<u>Drug</u>	<u>Skipwith</u>	<u>Tiny Road</u>	<u>Total Other</u>
	<u>Fund</u>	<u>Funds</u>	<u>Forfeiture</u>	<u>Housing</u>	<u>Project</u>	<u>Governmental</u>
			<u>Funds</u>			<u>Funds</u>
Revenues						
Fines and forfeitures	\$ -	\$ -	\$ 8,727	\$ -	\$ -	\$ 8,727
Use of money and property	-	-	780	-	-	780
Charges for services	11,630	75,223	-	-	-	86,853
Miscellaneous	-	6,345	-	-	-	6,345
Intergovernmental						
From the Commonwealth of VA	-	-	-	-	-	-
From the Federal Government	-	-	-	123,274	-	123,274
Total Revenues	11,630	81,568	9,507	123,274	-	225,979
Expenditures						
Current						
Judicial administration	8,072	-	-	-	-	8,072
Public safety	-	68,576	6,923	-	-	75,499
Community development	-	-	-	105,701	8,862	114,563
Total Expenditures	8,072	68,576	6,923	105,701	8,862	198,134
Excess (Deficiency) of Revenues						
Over Expenditures	3,558	12,992	2,584	17,573	(8,862)	27,845
Other Financing Sources (Uses)						
Transfers (out)	-	(158,458)	-	-	-	(158,458)
Total Other Financing Sources						
(Uses)	-	(158,458)	-	-	-	(158,458)
Net Change in Fund Balances	3,558	(145,466)	2,584	17,573	(8,862)	(130,613)
Fund Balance - Beginning of Year	17,508	164,228	134,149	(17,523)	8,862	307,224
Fund Balance - End of Year	\$ 21,066	\$ 18,762	\$ 136,733	\$ 50	\$ -	\$ 176,611

County of Mecklenburg, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2012

	<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>
Assets							
Cash	\$ 87,474	\$ 72,138	\$ 92,710	\$ 90,499	\$ 27,565	\$ 503,571	\$ 873,957
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>3,100</u>
Total Assets	<u>\$ 87,474</u>	<u>\$ 72,138</u>	<u>\$ 92,710</u>	<u>\$ 93,599</u>	<u>\$ 27,565</u>	<u>\$ 503,571</u>	<u>\$ 877,057</u>
Liabilities							
Accounts payable	\$ -	\$ -	\$ 17,230	\$ 525	\$ -	\$ -	\$ 17,755
Amounts held for others	<u>87,474</u>	<u>72,138</u>	<u>75,480</u>	<u>93,074</u>	<u>27,565</u>	<u>503,571</u>	<u>859,302</u>
Total Liabilities	<u>\$ 87,474</u>	<u>\$ 72,138</u>	<u>\$ 92,710</u>	<u>\$ 93,599</u>	<u>\$ 27,565</u>	<u>\$ 503,571</u>	<u>\$ 877,057</u>

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2012

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>Total Component Unit School Board</u>
Assets				
Cash and investments	\$ 6,618	\$ 643,993	\$ 208,956	\$ 859,567
Accounts receivable	116,310	-	-	116,310
Due from other governments	<u>1,093,662</u>	<u>-</u>	<u>-</u>	<u>1,093,662</u>
Total Assets	<u>\$ 1,216,590</u>	<u>\$ 643,993</u>	<u>\$ 208,956</u>	<u>\$ 2,069,539</u>
Liabilities				
Accounts payable	<u>\$ 223,495</u>	<u>\$ 15,342</u>	<u>\$ -</u>	<u>\$ 238,837</u>
Total Liabilities	223,495	15,342	-	238,837
Fund Balance				
Assigned	<u>993,095</u>	<u>628,651</u>	<u>208,956</u>	<u>1,830,702</u>
Total Fund Balance	<u>993,095</u>	<u>628,651</u>	<u>208,956</u>	<u>1,830,702</u>
Total Liabilities and Fund Balance	<u>\$ 1,216,590</u>	<u>\$ 643,993</u>	<u>\$ 208,956</u>	<u>\$ 2,069,539</u>

County of Mecklenburg, Virginia

Component Unit School Board

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

At June 30, 2012

Total Fund Balances for Governmental Funds	\$ 1,830,702
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Total net assets reported for governmental activities in the Statement of Net Assets is different because:

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

Land	\$ 2,082,727
Buildings and improvements, net of depreciation	12,147,337
Furniture, equipment, and vehicles, net of depreciation	<u>5,978,146</u>

Total Capital Assets	20,208,210
----------------------	------------

School bond construction cash for which capital assets have not been constructed or acquired. This adjustment is required to properly report actual debt used to construct or acquire new school construction assets.

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

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

Compensated absences	(171,798)
Capital lease	(599,117)
OPEB obligation	<u>(88,000)</u>

Total	<u>(858,915)</u>
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Total Net Assets of Governmental Activities	<u><u>\$ 21,179,997</u></u>
---	-----------------------------

County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2012

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>Total Component Unit School Board</u>
Revenues				
Use of money and property	\$ 66	\$ 3,492	\$ 999	\$ 4,557
Charges for services	725,836	594,402	2,148	1,322,386
Rebates and refunds	551,819	-	-	551,819
Miscellaneous	179,085	-	-	179,085
Intergovernmental				
From County of Mecklenburg, Virginia	10,752,799	-	61,179	10,813,978
From the Commonwealth of Virginia	24,978,861	35,059	153,941	25,167,861
From the Federal Government	<u>3,492,703</u>	<u>1,555,155</u>	<u>-</u>	<u>5,047,858</u>
Total Revenues	40,681,169	2,188,108	218,267	43,087,544
Expenditures				
Education				
Instruction	26,808,386	-	270,421	27,078,807
Federal projects	3,543,631	-	-	3,543,631
Technology	1,591,203	-	-	1,591,203
Administration, attendance, and health	1,490,703	-	-	1,490,703
Transportation	3,721,877	-	-	3,721,877
Operation and maintenance	3,148,787	-	-	3,148,787
School food service	-	2,146,229	-	2,146,229
Debt Service	<u>1,098,681</u>	<u>-</u>	<u>-</u>	<u>1,098,681</u>
Total Expenditures	<u>41,403,268</u>	<u>2,146,229</u>	<u>270,421</u>	<u>43,819,918</u>
Net Change in Fund Balances before Other Financing Sources (Uses)	(722,099)	41,879	(52,154)	(732,374)
Other Financing Sources (Uses)				
Proceeds from capital lease	808,475	-	-	808,475
Operating transfers in	-	-	-	-
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>808,475</u>	<u>-</u>	<u>-</u>	<u>808,475</u>
Net Change in Fund Balances before Other Financing Sources (Uses)	86,376	41,879	(52,154)	76,101
Fund Balances - Beginning of Year	<u>906,719</u>	<u>586,772</u>	<u>261,110</u>	<u>1,754,601</u>
Fund Balances - End of Year	<u>\$ 993,095</u>	<u>\$ 628,651</u>	<u>\$ 208,956</u>	<u>\$ 1,830,702</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, 2012

Net Change in Fund Balances \$ 76,101

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(341,222)

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	\$ 31,262	
Proceeds of capital lease	(808,475)	
Payment on capital lease	209,358	
OPEB obligation	-	
Net Adjustment		<u>(567,855)</u>

Change in Net Assets of Governmental Activities \$ (832,976)

County of Mecklenburg, Virginia

Component Unit School Board

School Operating Fund

Budgetary Comparison Schedule

Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Use of money and property	\$ -	\$ -	\$ 66	\$ 66
Charges for services	811,957	811,957	725,836	(86,121)
Rebates and refunds	-	-	551,819	551,819
Miscellaneous	-	-	179,085	179,085
Intergovernmental				
From County of Mecklenburg, Virginia	10,881,830	10,881,830	10,752,799	(129,031)
From the Commonwealth of Virginia	25,079,904	25,079,904	24,978,861	(101,043)
From the Federal Government	<u>3,524,037</u>	<u>3,912,396</u>	<u>3,492,703</u>	<u>(419,693)</u>
Total Revenues	40,297,728	40,686,087	40,681,169	(4,918)
Expenditures				
Current				
<i>Education</i>				
Instruction	26,841,128	26,841,128	26,808,386	32,742
Federal projects	3,524,037	3,912,396	3,543,631	368,765
Technology	1,612,614	1,612,614	1,591,203	21,411
Administration, attendance, and health	1,461,427	1,461,427	1,490,703	(29,276)
Transportation	3,119,457	3,119,457	3,721,877	(602,420)
Operation and maintenance	2,849,742	2,849,742	3,148,787	(299,045)
<i>Debt Service</i>	<u>889,323</u>	<u>889,323</u>	<u>1,098,681</u>	<u>(209,358)</u>
Total Expenditures	<u>40,297,728</u>	<u>40,686,087</u>	<u>41,403,268</u>	<u>(717,181)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	-	-	(722,099)	(722,099)
Other Financing Sources (Uses)				
Proceeds from capital lease	<u>-</u>	<u>-</u>	<u>808,475</u>	<u>808,475</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>808,475</u>	<u>808,475</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>86,376</u>	<u>\$ 86,376</u>
Fund Balance - Beginning of Year			<u>906,719</u>	
Fund Balance - End of Year			<u>\$ 993,095</u>	

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Assets

June 30, 2012

Assets

Current Assets

Cash	\$ 567,244
Due from Mecklenburg County, Virginia	1,352

Noncurrent Assets

Capital Assets

Capital Assets

Other capital assets, net of accumulated depreciation	1,219,688
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Land and buildings held for resale (net)	4,094,273
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Other Noncurrent Assets

Lease receivable	827,304
Note receivable	<u>678,211</u>

Total Assets	<u>\$ 7,388,072</u>
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Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable	\$ 14,873
Notes payable - current portion	<u>51,598</u>

Total Current Liabilities	66,471
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Long-Term Liabilities

Note payable - less current portion	<u>480,988</u>
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Total Long-Term Liabilities	<u>480,988</u>
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Total Liabilities	547,459
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Net Assets

Invested in capital assets	4,781,374
Unrestricted	<u>2,059,239</u>

Total Net Assets	<u>6,840,613</u>
------------------	------------------

Total Liabilities and Net Assets	<u>\$ 7,388,072</u>
----------------------------------	---------------------

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Activities

Year Ended June 30, 2012

Operating Revenues

Contributions from Mecklenburg County, Virginia for	
Economic Stimulus Grant - industrial tax refund	\$ 1,002,132
Reimbursement from Brunswick County, Virginia	4,439
Miscellaneous	13,066
Tobacco indemnification funds	<u>1,566,764</u>
Total Operating Revenues	2,586,401

Operating Expenses

Insurance	2,262
Legal and professional fees	13,527
Administrative	3,650
Utility companies	5,190
Donation to Longwood University	10,000
Contribution to IDA of Brunswick County, Virginia	3,000
Repairs and maintenance	11,790
Miscellaneous	17,150
Depreciation expense	30,312
Payouts to businesses and stimulus grants	<u>2,431,538</u>
Total Operating Expenses	<u>2,528,419</u>

Operating Income	57,982
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Non-Operating Revenues (Expenses)

Interest income	24,422
Reduction of lease receivable due to refinancing of loan	(27,052)
Interest expense	<u>(33,706)</u>
Net Non-Operating Revenues (Expenses)	<u>(36,336)</u>

Change in Net Assets	21,646
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Total Net Assets - Beginning of Year	<u>6,818,967</u>
--------------------------------------	------------------

Total Net Assets - End of Year	<u><u>\$ 6,840,613</u></u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Cash Flows

Year Ended June 30, 2012

Cash Flows from Operating Activities

Contributions from Mecklenburg County, Virginia	\$ 1,301,843
Contributions from Brunswick County, Virginia	4,439
Payments received on leases receivable	109,996
Payments received on notes receivable	37,482
Miscellaneous	13,066
Tobacco indemnification funds	1,566,764
Payments to businesses and vendors	<u>(2,783,027)</u>

Net Cash Provided by Operating Activities 250,563

Cash Flows from Capital and Related Financing Activities

Payments on notes payable	(45,381)
Reduction of lease receivable due to refinancing of loan	(27,052)
Payments on building improvements	(150,000)
Interest expense	<u>(33,706)</u>

Net Cash Used in Capital and Related Financing Activities (256,139)

Cash Flows from Investing Activities

Interest income	<u>24,422</u>
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Net Cash Provided by Investing Activities 24,422

Net Increase in Cash and Cash Equivalents 18,846

Cash and Cash Equivalents - Beginning of Year 548,398

Cash and Cash Equivalents - End of Year \$ 567,244

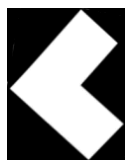
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating income	\$ 57,982
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	30,312
Changes in assets and liabilities	
Due from Mecklenburg County, Virginia	299,711
Leases receivable	109,996
Notes receivable	37,482
Accounts payable	<u>(284,920)</u>

Net Cash Provided by Operating Activities \$ 250,563

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Mecklenburg, Virginia, as of and for the year ended June 30, 2012, which collectively comprise County of Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated January 22, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

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

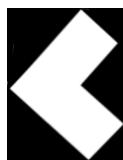
We noted certain matters that we reported to management of County of Mecklenburg, Virginia in a separate letter dated January 22, 2013.

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 22, 2013



**Creedle
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& Alga**

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

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

Compliance

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

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

In our opinion, County of Mecklenburg, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs at Finding No. 2012-1.

Internal Control Over Compliance

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

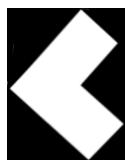
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 22, 2013



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

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

We have audited the basic financial statements of County of Mecklenburg, Virginia, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 22, 2013.

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

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

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

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Enhanced 911 Services Tax
- Personal Property Tax Relief Act

State Agency Requirements

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

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
January 22, 2013

County of Mecklenburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Economic Development Administration			
Direct Payments			
Economic Development Grant	11.300	N/A	\$ 264,664
U. S. Department of Agriculture			
Pass-Through Payments			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555*	N/A	100,572
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561*	765	340,724
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555*	197	1,292,870
School Breakfast Program	10.553*	197	205,733
Child Nutrition Cluster Total			1,498,603
Fresh Fruit and Vegetables	10.582	197	56,552
Subtotal - U. S. Department of Agriculture			1,996,451
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Child Care and Development Fund	93.596	765	57,098
Head Start Wrap-Around Child Care	93.575	765	28,576
Child Care Cluster Total			85,674
Family Preservation and Support Services	93.556	765	19,533
Temporary Assistance to Needy Families	93.558*	765	310,517
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	455
Low Income Home Energy Assistance	93.568	765	22,100
Child Welfare Services	93.645	765	824
Foster Care - Title IV-E	93.658	765	115,264
Adoption Assistance	93.659	765	86,574
Social Services Block Grant	93.667	765	169,407
Chafee Foster Care Independence Program	93.674	765	1,864
State Children's Insurance Program	93.767	765	9,120
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	205,305
Subtotal - U. S. Department of Health and Human Services			1,026,637

Federal Granting Agency/Recipient State Agency/ Grant Program	<u>Federal Catalog Number</u>	<u>State Agency Number</u>	<u>Expenditures</u>
U. S. Department of Justice			
Pass-Through Payments			
<i>Department of Criminal Justice Services</i>			
Violence Against Women Formula Grants	16.588	140	<u>51,589</u>
Subtotal - U. S. Department of Justice			51,589
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
<i>Special Education Cluster</i>			
IDEA 611 Flow-Through	84.027*	197	1,004,091
Preschool Handicapped	84.173*	197	30,567
ARRA IDEA 611 Flow-Through	84.391*	197	159,902
ARRA Preschool Handicapped Allocations	84.392*	197	<u>12,837</u>
Special Education Cluster Total			1,207,397
<i>Title I Cluster</i>			
Title I	84.010*	197	1,292,809
ARRA Title I	84.389*	197	<u>4,824</u>
Title I Cluster Total			1,297,633
Title VI - Rural and Low Income Schools	84.358	197	128,798
Vocational Education/Federal Payments	84.048	197	32,441
ARRA Education Technology Grant	84.386	197	7,981
ARRA Education Jobs Fund	84.410*	197	453,191
Title IV Part B 21st Century	84.287	197	121,005
Drug Free School Payments	84.186	197	13,687
Title II Part A	84.367	197	<u>217,264</u>
Subtotal - U. S. Department of Education			3,479,397
U. S. Department of Defense			
Pass-Through Payments			
<i>Department of Education</i>			
Leasing of Federal Land	12.112	197	<u>13,306</u>
Subtotal - U. S. Department of Defense			13,306
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Motor Vehicles</i>			
Alcohol Open Container	20.607	510	<u>23,147</u>
Subtotal - U. S. Department of Transportation			23,147

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	<u>Expenditures</u>
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Community Development Block Grants/State's Programs	14.228*	165	<u>430,926</u>
Subtotal - U. S. Department of Housing and Urban Development			430,926
U. S. Department of the Interior			
Direct Payments			
Bureau of Land Management			
Payments in Lieu of Taxes - Public Law (National Forest Acreage in the Localities)	10.664	N/A	<u>143,544</u>
Subtotal - U. S. Department of the Interior			<u>143,544</u>
Grand Totals			<u>\$ 7,429,661</u>

*Denotes Major Program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

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

2. Commodities – Food Distribution

Nonmonetary assistance in the form of food distribution amounting to \$100,572 for the schools is reported in the schedule as being received and disbursed.

County of Mecklenburg, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

- (a) The auditor's report expresses an **unqualified opinion** on the financial statements of the County of Mecklenburg, Virginia.
- (b) **No significant deficiencies** relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (c) **No instances of noncompliance** material to the financial statements of the County of 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 with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133.
- (e) The auditor's report on compliance for the major federal award programs for the County of Mecklenburg, Virginia expresses an **unqualified opinion** on all major federal programs.
- (f) There was **one finding** 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 #10.553 and 10.555, Child Nutrition Cluster**
 - 2. **CFDA #93.558, Temporary Assistance to Needy Families**
 - 3. **CFDA #84.027, 84.173, 84.391, 84.392, Special Education Cluster**
 - 4. **CFDA #84.010 and 84.389, Title I Cluster**
 - 5. **CFDA #84.410, ARRA Education Jobs Fund**
 - 6. **CFDA #14.228, Community Development Block Grants/ State's Programs**
- (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

Finding No. 2012-1 – Food Stamp Program

Statement of Condition: Prior to the beginning of the audit fieldwork, the County's Social Services Department discovered an employee who set up "fake" food stamp cases by using multiple Post Office boxes within Mecklenburg County, Virginia. The perpetrator received fraudulent food stamp cards issued through the State and delivered by U. S. Mail. Total amounts are being determined.

Criteria: Controls are now in place to monitor closely for internal fraud.

Effect of Condition: False cases were set up and benefits issued to ineligible individuals.

Cause of Condition: Criminal fraud by internal staff who manipulated State computer system.

Recommendation: Strengthen case monitoring by regularly changing supervisors for workers and changing caseload assignments. This will eliminate ongoing continuing access to the same cases. Establish new monitoring system that checks and rechecks for possible fraud.

COUNTY OF MECKLENBURG, VIRGINIA

P. O. Box 250

Boydton, Virginia 23917

CORRECTIVE ACTION PLAN

January 22, 2013

County of Mecklenburg, Virginia respectfully submits the following corrective action plan for the year ended June 30, 2012.

Name and address of independent public accounting firm:

Creedle, Jones & Alga, P.C.
P. O. Box 487
South Hill, Virginia 23970

Audit Period: July 1, 2011 through June 30, 2012

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2012 are discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDING AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding No. 2012-1 – Food Stamp Program

Recommendation: Establish strong monitoring controls that focus on not only correct policy implementation and casework, but are geared toward the discovery and elimination of the possibility of fraud by any employee.

Action Taken: Agency Supervisors shall monitor for not only correct implementation of policy, but for areas that may allow for fraud. This means looking for original signatures, areas that can be put in computer, allowed by the State, without supervisor approval, switching of supervisors to allow for different view of records and new supervisor signatures. Training on internal theft and fraud and how to prevent such issues.

If anyone has questions regarding this plan, please call Sandra Gregory, Social Services Director, at 434-738-6191, extension 6411.

Sincerely yours,

Sandra Gregory
Social Services Director

County of Mecklenburg, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

FINANCIAL STATEMENTS

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None