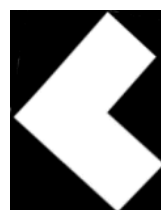


County of Mecklenburg, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2011



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

County of Mecklenburg, Virginia

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FINANCIAL SECTION





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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Board of Supervisors
County of 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, 2011, 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type 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, 2011, and the respective changes in financial position, and cash flows, where applicable, 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 October 31, 2011, 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 46 through 54 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 as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is 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
October 31, 2011

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, 2011. 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 2011

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 \$46,880,970. Of this amount, \$15,101,862 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 \$49,177,688 and expenses amounted to \$43,796,683. The County's total net assets increased \$5,381,005 before adjustments.

Highlights for Fund Financial Statements

- As of June 30, 2011, the County's Governmental Funds reported combined fund balances of \$18,213,425, a decrease of \$1,619,003 in comparison with the prior year. Approximately 10.4 percent of the combined fund balances, \$1,891,111, is unassigned.
- The General Fund reported a fund balance of \$7,391,134, an increase of \$407,254 before reclassifications for GASB 54 reporting.

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, 2011 and 2010

	<u>Primary Government Governmental Activities</u>		<u>Component Units</u>		<u>Total Reporting Entity</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Current and other assets	\$ 20,584,255	\$ 22,667,669	\$ 4,429,343	\$ 4,894,640	\$ 25,013,598	\$ 27,562,309
Capital assets (net)	40,713,410	34,459,381	20,549,432	25,071,646	61,262,842	59,531,027
Other noncurrent assets	201,758	-	5,194,273	-	5,396,031	-
Total Assets	<u>\$ 61,499,423</u>	<u>\$ 57,127,050</u>	<u>\$ 30,173,048</u>	<u>\$ 29,966,286</u>	<u>\$ 91,672,471</u>	<u>\$ 87,093,336</u>
Liabilities						
Other liabilities	\$ 6,168,612	\$ 6,671,362	\$ 519,128	\$ 517,300	\$ 6,687,740	\$ 7,188,662
Long-term liabilities	8,449,841	8,955,723	821,980	577,967	9,271,821	9,533,690
Total Liabilities	<u>14,618,453</u>	<u>15,627,085</u>	<u>1,341,108</u>	<u>1,095,267</u>	<u>15,959,561</u>	<u>16,722,352</u>
Net Assets						
Invested in capital assets, net of related debt	31,779,108	25,033,368	25,334,322	24,449,302	57,113,430	49,482,670
Unrestricted	15,101,862	16,466,597	3,497,618	4,421,717	18,599,480	20,888,314
Total Net Assets	<u>46,880,970</u>	<u>41,499,965</u>	<u>28,831,940</u>	<u>28,871,019</u>	<u>75,712,910</u>	<u>70,370,984</u>
Total Liabilities and Net Assets	<u>\$ 61,499,423</u>	<u>\$ 57,127,050</u>	<u>\$ 30,173,048</u>	<u>\$ 29,966,286</u>	<u>\$ 91,672,471</u>	<u>\$ 87,093,336</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion thereof) is recorded as an asset and long-term liability of the primary government, 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 \$75,712,910 at June 30, 2011.

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2011:

Summary of Changes in Net Assets

For the Fiscal Years Ended June 30, 2011 and 2010

	<u>Primary Government</u> <u>Governmental Activities</u>		<u>Component Units</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues						
Charges for services	\$ 766,101	\$ 721,907	\$ 999,452	\$ 818,806	\$ 1,765,553	\$ 1,540,713
Operating and capital grants	19,154,243	12,421,210	32,523,193	37,776,877	51,677,436	50,198,087
General Revenues						
General property taxes, real and personal	21,980,024	21,317,752	-	-	21,980,024	21,317,752
Other taxes	4,579,836	5,156,870	-	-	4,579,836	5,156,870
Payment from County of Mecklenburg, Virginia						
Education	-	-	9,991,841	10,063,384	9,991,841	10,063,384
IDA of Mecklenburg County, Virginia	-	-	8,045,020	-	8,045,020	-
Noncategorical aid from state	2,251,039	2,291,564	-	-	2,251,039	2,291,564
Use of property	57,590	50,123	4,227	(374,587)	61,817	(324,464)
Investment earnings	126,746	184,549	25,082	24,112	151,828	208,661
Miscellaneous	262,109	151,717	779,965	409,463	1,042,074	561,180
Total Revenues	49,177,688	42,295,692	52,368,780	48,718,055	101,546,468	91,013,747
Expenses						
General government administration	2,764,567	3,226,003	-	-	2,764,567	3,226,003
Judicial administration	1,990,788	2,260,638	-	-	1,990,788	2,260,638
Public safety	9,804,596	9,526,613	-	-	9,804,596	9,526,613
Public works	3,166,867	5,319,507	-	-	3,166,867	5,319,507
Health and welfare	5,237,183	5,747,827	-	-	5,237,183	5,747,827
Education - community college	10,172	9,830	-	-	10,172	9,830
Education	9,991,841	10,063,384	43,724,225	46,685,496	53,716,066	56,748,880
Parks, recreation, and cultural	481,373	445,600	-	-	481,373	445,600
Community development - IDA of Mecklenburg County, Virginia	8,045,020	-	-	-	8,045,020	-
Community development	1,896,265	2,634,143	8,627,347	500,934	10,523,612	3,135,077
Interest on long-term debt	408,011	431,640	38,287	40,798	446,298	472,438
Total Expenses	43,796,683	39,665,185	52,389,859	47,227,228	96,186,542	86,892,413
Increase (Decrease) in Net Assets	5,381,005	2,630,507	(21,079)	1,490,827	5,359,926	4,121,334
Beginning Net Assets	41,499,965	31,806,942	28,871,019	30,103,640	70,370,984	61,910,582
Prior Period Adjustments	-	4,957,682	(18,000)	(618,614)	(18,000)	4,339,068
Net Asset Reclassifications	-	2,104,834	-	(2,104,834)	-	-
Ending Net Assets	\$ 46,880,970	\$ 41,499,965	\$ 28,831,940	\$ 28,871,019	\$ 75,712,910	\$ 70,370,984

Governmental activities, exclusive of the Component Unit School Board, increased the County's net assets by \$5,381,005 prior to any adjustments. Revenues from governmental activities totaled \$49,177,688. Property taxes comprise the largest source of these revenues, totaling \$21,980,024 of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$43,796,683. Education continues to be the County's largest program with expenses totaling \$9,991,841. Public safety, which total \$9,804,596, 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, 2011 and 2010

	<u>2011</u>		<u>2010</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,764,567	\$ (2,366,794)	\$ 3,226,003	\$ (2,602,495)
Judicial administration	1,990,788	(732,795)	2,260,638	(974,060)
Public safety	9,804,596	(5,819,274)	9,526,613	(5,261,058)
Public works	3,166,867	(3,052,615)	5,319,507	(5,049,751)
Health and welfare	5,237,183	(1,763,727)	5,747,827	(835,497)
Education	10,002,013	(10,002,013)	10,073,214	(10,073,214)
Parks, recreation, and cultural	481,373	(481,373)	445,600	(445,600)
Community development	9,941,285	8,795,283	2,634,143	(848,753)
Interest on long-term debt	<u>408,011</u>	<u>(408,011)</u>	<u>431,640</u>	<u>(431,640)</u>
Total	<u>\$ 43,796,683</u>	<u>\$ (15,831,319)</u>	<u>\$ 39,665,185</u>	<u>\$ (26,522,068)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2011, the County's Governmental Funds reported a combined ending fund balance of \$18,213,425, a net decrease of \$1,619,003. Approximately 10.4 percent, or \$1,891,111, 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 1,908,634. The General Fund's liquidity can be measured by comparing both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 6.3 percent of total fund expenditures, while total fund balance represents 24.3 percent of that same amount. The General Fund contributed \$10,658,076 in operating funds to finance the School's operations and \$8,045,020 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, 2011 and 2010

	<u>Original Budget</u>	<u>2011 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2010 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 19,016,189	\$ 19,016,189	\$ 21,980,024	\$ 18,640,925	\$ 18,640,925	\$ 21,317,752
Other	5,638,140	5,685,624	5,728,860	6,177,031	6,177,031	6,318,563
Intergovernmental	<u>7,030,107</u>	<u>7,041,107</u>	<u>7,218,540</u>	<u>7,051,840</u>	<u>7,051,840</u>	<u>9,092,049</u>
Total	31,684,436	31,742,920	34,927,424	31,869,796	31,869,796	36,728,364
Expenditures	<u>30,259,419</u>	<u>30,386,012</u>	<u>30,417,348</u>	<u>30,805,333</u>	<u>30,805,333</u>	<u>32,199,798</u>
Excess (Deficiency) of Revenues Over Expenditures	1,425,017	1,356,908	4,510,076	1,064,463	1,064,463	4,528,566
Other Financing Sources (Uses)						
Net Transfers	(1,425,017)	(4,102,822)	(4,102,822)	(1,425,017)	(1,425,017)	(3,963,452)
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,554</u>	<u>360,554</u>	<u>-</u>
Change in Fund Balance	\$ -	\$ (2,745,914)	\$ 407,254	\$ -	\$ -	\$ 565,114

Actual revenues exceeded final budget amounts by \$3,184,504, or 10.0 percent, while actual expenditures were more than final budgeted amounts by \$31,336, or .1 percent.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets Projects

The County has completed renovation of the Historic County Courthouse at an estimated contract price of \$10,500,000. The project includes the complete renovation of this area as well as the addition of 24,990 square feet of new office and storage areas. The renovated facility is fully compliant with the ADA and the security needs of the courts as required by the Virginia State Supreme Court.

Capital Assets

As of June 30, 2011, the County's investment in capital assets, exclusive of Component Units, totals \$31,779,108, which is net capital assets less related debt.

During fiscal year 2011, the County's net capital assets (including additions, decreases, and depreciation) increased \$6,254,029, or 18.15 percent, as summarized below:

Change in Capital Assets

Governmental Activities

	<u>Balance June 30, 2010</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2011</u>
Land and land improvements	\$ 449,472	\$ -	\$ 449,472
Construction in process	5,782,203	(5,782,203)	-
South Hill Elementary School	11,674,384	-	11,674,384
Infrastructure - water and sewer	6,502,926	2,548,339	9,051,265
Buildings and improvements	10,461,903	9,846,578	20,308,481
Furniture, equipment, and vehicles	7,579,827	1,007,016	8,586,843
Total Capital Assets	42,450,715	7,619,730	50,070,445
Less: Accumulated depreciation and amortization	(7,991,334)	(1,365,701)	(9,357,035)
Total Capital Assets, Net	<u>\$ 34,459,381</u>	<u>\$ 6,254,029</u>	<u>\$ 40,713,410</u>

Component Unit School Board

	<u>Balance June 30, 2010</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2011</u>
Land and land improvements	\$ 1,725,707	\$ -	\$ 1,725,707
Buildings and systems	33,683,514	394,959	34,078,473
Furniture, equipment, and vehicles	16,827,285	993,411	17,820,696
Total Capital Assets	52,236,506	1,388,370	53,624,876
Less: Accumulated depreciation	(31,279,133)	(1,796,311)	(33,075,444)
Total Capital Assets, Net	<u>\$ 20,957,373</u>	<u>\$ (407,941)</u>	<u>\$ 20,549,432</u>

Component Unit IDA of Mecklenburg County, Virginia

	<u>Balance June 30, 2010</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2011</u>
Land and buildings held for resale	\$ 4,114,273	\$ 1,080,000	\$ 5,194,273
Total Capital Assets, Net	<u>\$ 4,114,273</u>	<u>\$ 1,080,000</u>	<u>\$ 5,194,273</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, 2011, the County's long-term obligations, exclusive of Component Units, total \$12,045,865, which includes the landfill obligation and compensated absences.

	<u>Balance June 30, 2010</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2011</u>
Governmental Activities			
Long-term debt, plus premiums	\$ 9,426,013	\$ (491,711)	\$ 8,934,302
Landfill obligation	2,053,291	12,639	2,065,930
OPEB obligation	103,600	(305,358)	(201,758)
Compensated absences	1,208,940	38,451	1,247,391
 Total Governmental Activities	 <u>\$ 12,791,844</u>	 <u>\$ (745,979)</u>	 <u>\$ 12,045,865</u>
Component Unit School Board			
Compensated absences	\$ 359,077	\$ (156,017)	\$ 203,060
OPEB obligation	-	88,000	88,000
 Total Component Unit School Board	 <u>\$ 359,077</u>	 <u>\$ (68,017)</u>	 <u>\$ 291,060</u>
Component Unit IDA of Mecklenburg County, Virginia			
Long-term debt	\$ 622,343	\$ (44,376)	\$ 577,967
 Total Component Unit IDA of Mecklenburg County, Virginia	 <u>\$ 622,343</u>	 <u>\$ (44,376)</u>	 <u>\$ 577,967</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 2011 was 9.8 percent, a decrease of 1.8 percent from June 2010. This compares unfavorably to the State's rate of 6.3 percent and the national rate of 9.3 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 2012 adopted budget anticipates the general fund revenues and expenditures to be \$33,213,681.

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, 2011

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 17,267,427	\$ 1,408,439
Receivables, net	1,863,518	471,063
Due from other governments	<u>1,453,310</u>	<u>896,848</u>
Total Current Assets	20,584,255	2,776,350
Noncurrent Assets		
Lease receivable	-	937,300
Note receivable	-	715,693
Net OPEB asset	201,758	-
Capital Assets		
Land and construction in progress	449,472	1,725,707
Other capital assets, net of accumulated depreciation	40,263,938	18,823,725
Land and buildings held for resale	<u>-</u>	<u>5,194,273</u>
Total Noncurrent Assets	<u>40,915,168</u>	<u>27,396,698</u>
Total Assets	<u>\$ 61,499,423</u>	<u>\$ 30,173,048</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,010,250	\$ 472,081
Deferred revenue	1,360,580	-
<i>Due within one year</i>		
Bonds, loans, and capital leases payable	<u>484,461</u>	<u>47,047</u>
Total Current Liabilities	2,855,291	519,128
Noncurrent Liabilities		
Compensated absences	1,247,391	203,060
Net OPEB obligation	-	88,000
Landfill obligation	2,065,930	-
<i>Due in more than one year</i>		
Bonds, loans, and capital leases payable	<u>8,449,841</u>	<u>530,920</u>
Total Noncurrent Liabilities	<u>11,763,162</u>	<u>821,980</u>
Total Liabilities	14,618,453	1,341,108
Net Assets		
Invested in capital assets, net of related debt	31,779,108	25,334,322
Unrestricted	<u>15,101,862</u>	<u>3,497,618</u>
Total Net Assets	<u>46,880,970</u>	<u>28,831,940</u>
Total Liabilities and Net Assets	<u>\$ 61,499,423</u>	<u>\$ 30,173,048</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, 2011

<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 Government Activities</u>	<u>Component Units</u>
Primary Government						
Governmental Activities						
General government administration	\$ 2,764,567	\$ 11,600	\$ 386,173	\$ -	\$ (2,366,794)	
Judicial administration	1,990,788	45,688	1,212,305	-	(732,795)	
Public safety	9,804,596	606,812	3,378,510	-	(5,819,274)	
Public works	3,166,867	102,001	12,251	-	(3,052,615)	
Health and welfare	5,237,183	-	3,473,456	-	(1,763,727)	
Education - community college	10,172	-	-	-	(10,172)	
Education - public school system	9,991,841	-	-	-	(9,991,841)	
Parks, recreation, and cultural	481,373	-	-	-	(481,373)	
Community development - IDA of Mecklenburg County, Virginia	8,045,020	-	-	-	(8,045,020)	
Community development	1,896,265	-	10,025,484	666,064	8,795,283	
Interest on long-term debt	408,011	-	-	-	(408,011)	
Total Governmental Activities	43,796,683	766,101	18,488,179	666,064	(23,876,339)	
Total Primary Government	<u>\$ 43,796,683</u>	<u>\$ 766,101</u>	<u>\$ 18,488,179</u>	<u>\$ 666,064</u>	<u>(23,876,339)</u>	
Component Units						
School Board	\$ 43,724,225	\$ 999,452	\$ 31,244,360	\$ -		\$ (11,480,413)
IDA of Mecklenburg County, Virginia	8,665,634	-	1,278,833	-		(7,386,801)
Total Component Units	<u>\$ 52,389,859</u>	<u>\$ 999,452</u>	<u>\$ 32,523,193</u>	<u>\$ -</u>		<u>(18,867,214)</u>
General Revenues						
Taxes						
General property taxes, real and personal					21,980,024	-
Other local taxes					4,579,836	-
Payment from County of Mecklenburg, Virginia						
Education					-	9,991,841
Community development - IDA of Mecklenburg County, VA					-	8,045,020
Noncategorical aid from state					2,251,039	-
Use of property					57,590	4,227
Investment earnings					126,746	25,082
Miscellaneous					262,109	779,965
Total General Revenues					<u>29,257,344</u>	<u>18,846,135</u>
Change in Net Assets					5,381,005	(21,079)
Net Assets - Beginning of Year					41,499,965	28,871,019
Prior Period Adjustment					-	(18,000)
Net Assets - End of Year					<u>\$ 46,880,970</u>	<u>\$ 28,831,940</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, 2011

	<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	\$ 6,495,380	\$ 6,661,840	\$ 546,513	\$ 934,251	\$ 1,644,035	\$ 676,627	\$ 308,781	\$ 17,267,427
Receivables, net	1,854,679	-	-	-	-	-	8,839	1,863,518
Due from other governments	1,053,298	-	-	61,847	137,050	192,253	8,862	1,453,310
Total Assets	<u>\$ 9,403,357</u>	<u>\$ 6,661,840</u>	<u>\$ 546,513</u>	<u>\$ 996,098</u>	<u>\$ 1,781,085</u>	<u>\$ 868,880</u>	<u>\$ 326,482</u>	<u>\$ 20,584,255</u>
Liabilities								
Accounts payable and accrued liabilities	\$ 651,643	\$ -	\$ 3,716	\$ 80,781	\$ 246,831	\$ 8,021	\$ 19,258	\$ 1,010,250
Prepaid taxes	27,194	-	-	-	-	-	-	27,194
Other deferred revenues	8,803	-	-	-	-	-	-	8,803
Deferred revenue - property taxes	1,324,583	-	-	-	-	-	-	1,324,583
Total Liabilities	2,012,223	-	3,716	80,781	246,831	8,021	19,258	2,370,830
Fund Balance								
Restricted	-	-	120,000	915,317	-	860,859	143,011	2,039,187
Committed	4,727,200	-	-	-	-	-	-	4,727,200
Assigned	755,300	6,661,840	422,797	-	1,534,254	-	181,736	9,555,927
Unassigned	1,908,634	-	-	-	-	-	(17,523)	1,891,111
Total Fund Balance	<u>7,391,134</u>	<u>6,661,840</u>	<u>542,797</u>	<u>915,317</u>	<u>1,534,254</u>	<u>860,859</u>	<u>307,224</u>	<u>18,213,425</u>
Total Liabilities and Fund Balance	<u>\$ 9,403,357</u>	<u>\$ 6,661,840</u>	<u>\$ 546,513</u>	<u>\$ 996,098</u>	<u>\$ 1,781,085</u>	<u>\$ 868,880</u>	<u>\$ 326,482</u>	<u>\$ 20,584,255</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, 2011

Total Fund Balances for Governmental Funds	\$ 18,213,425
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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	\$ 449,472
Infrastructure - water and sewer	8,863,208
South Hill Elementary School, net of accumulated depreciation	10,299,091
Buildings and improvements, net of accumulated depreciation	17,358,186
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,743,453</u>

Total Capital Assets	40,713,410
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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	(8,934,302)
Net OPEB obligation	201,758
Landfill obligation	(2,065,930)
Compensated absences	<u>(1,247,391)</u>

Total	<u>(12,045,865)</u>
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Total Net Assets of Governmental Activities	<u>\$ 46,880,970</u>
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The accompanying notes to financial statements are an integral part of this statement.

County of Mecklenburg, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	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	\$ 21,980,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,980,024
Other local taxes	4,579,836	-	-	-	-	-	-	4,579,836
Permits, privilege fees, and regulatory licenses	270,253	-	-	-	-	-	-	270,253
Fines and forfeitures	220,501	-	-	-	-	-	-	220,501
Use of money and property	183,414	-	-	-	-	-	922	184,336
Charges for services	168,493	-	26,323	-	-	-	80,531	275,347
Recovered costs	76,355	-	-	82,961	-	-	-	159,316
Miscellaneous	230,008	-	-	-	3,051	15,388	9,497	257,944
<i>Intergovernmental</i>								
Revenue from the Commonwealth of Virginia	7,022,606	-	-	1,005,863	8,497,220	938,696	25,783	17,490,168
Revenue from the Federal Government	195,934	-	-	-	1,528,264	1,528,897	666,184	3,919,279
Total Revenues	34,927,424	-	26,323	1,088,824	10,028,535	2,482,981	782,917	49,337,004
Expenditures								
Current								
General government administration	2,914,192	-	-	-	-	-	-	2,914,192
Judicial administration	1,742,082	-	-	-	-	-	9,921	1,752,003
Public safety	9,650,787	84,224	-	-	-	-	37,202	9,772,213
Public works	2,602,670	4,563,626	130,541	-	2,737,130	-	-	10,033,967
Health and welfare	588,983	-	-	1,619,321	-	3,060,067	-	5,268,371
Education - community college	10,172	-	-	-	-	-	-	10,172
Education - public school system	10,658,076	-	-	-	-	-	-	10,658,076
Parks, recreation, and cultural	456,373	-	-	-	25,000	-	-	481,373
Community development - IDA of Meck. Cty., VA	605,020	-	-	-	7,440,000	-	-	8,045,020
Community development	1,140,993	-	-	-	194,062	-	637,565	1,972,620
Capital projects and capital outlay	48,000	-	-	-	-	-	-	48,000
Total Expenditures	30,417,348	4,647,850	130,541	1,619,321	10,396,192	3,060,067	684,688	50,956,007
Excess (Deficiency) of Revenues Over Expenditures	4,510,076	(4,647,850)	(104,218)	(530,497)	(367,657)	(577,086)	98,229	(1,619,003)
Other Financing Sources (Uses)								
Transfers in	-	2,290,000	137,805	685,000	250,000	740,017	-	4,102,822
Transfers out	(4,102,822)	-	-	-	-	-	-	(4,102,822)
Total Other Financing Sources (Uses)	(4,102,822)	2,290,000	137,805	685,000	250,000	740,017	-	-
Net Change in Fund Balance	407,254	(2,357,850)	33,587	154,503	(117,657)	162,931	98,229	(1,619,003)
Fund Balance - Beginning of Year	9,231,076	9,019,690	153,568	760,814	-	697,928	(30,648)	19,832,428
Prior Period Adjustments								
Fund balance reclassification for GASB 54	(2,247,196)	-	355,642	-	1,651,911	-	239,643	-
Fund Balance - End of Year	\$ 7,391,134	\$ 6,661,840	\$ 542,797	\$ 915,317	\$ 1,534,254	\$ 860,859	\$ 307,224	\$ 18,213,425

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (1,619,003)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

6,254,029

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	\$ 491,711	
Net Adjustment		491,711

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	(12,639)
Net OPEB obligation	305,358
Compensated absences	<u>(38,451)</u>
Net Adjustment	<u>254,268</u>

Change in Net Assets of Governmental Activities

\$ 5,381,005

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, 2011

	Agency Funds
Assets	
Cash and investments	\$ 554,890
 Total Assets	 <u>\$ 554,890</u>
 Liabilities	
Amounts held for others	\$ 554,890
 Total Liabilities	 <u>\$ 554,890</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, 2011

	Component Unit <u>School Board</u>	Component Unit IDA of <u>Mecklenburg County, Virginia</u>	Total Component <u>Units</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 860,041	\$ 548,398	\$ 1,408,439
Receivables, net	170,000	-	170,000
Due from Mecklenburg County	-	301,063	301,063
Due from other governments	896,848	-	896,848
Capital Assets			
Land and construction in progress	1,725,707	-	1,725,707
Other capital assets, net of accumulated depreciation	18,823,725	-	18,823,725
Capital Assets, Net	20,549,432	-	20,549,432
Other Assets			
Lease receivable	-	937,300	937,300
Note receivable	-	715,693	715,693
Land and buildings held for resale	-	5,194,273	5,194,273
Total Assets	<u>\$ 22,476,321</u>	<u>\$ 7,696,727</u>	<u>\$ 30,173,048</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 172,288	\$ 299,793	\$ 472,081
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	-	47,047	47,047
Noncurrent Liabilities			
Compensated absences	203,060	-	203,060
OPEB obligation	88,000	-	88,000
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	-	530,920	530,920
Total Liabilities	463,348	877,760	1,341,108
Net Assets			
Invested in capital assets, net of related debt	20,718,016	4,616,306	25,334,322
Unrestricted	1,294,957	2,202,661	3,497,618
Total Net Assets	<u>22,012,973</u>	<u>6,818,967</u>	<u>28,831,940</u>
Total Liabilities and Net Assets	<u>\$ 22,476,321</u>	<u>\$ 7,696,727</u>	<u>\$ 30,173,048</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, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>School Board</u> <u>Net (Expense) Revenues and Changes in Net Assets</u>	<u>IDA of Mecklenburg County, Virginia</u> <u>Net (Expense) Revenues and Changes in Net Assets</u>	<u>Total Component Units</u>
School Board						
Education	\$ 41,927,914	\$ 999,452	\$ 31,244,360	\$ (9,684,102)		\$ (9,684,102)
Depreciation	<u>1,796,311</u>	<u>-</u>	<u>-</u>	<u>(1,796,311)</u>		<u>(1,796,311)</u>
Total School Board	43,724,225	999,452	31,244,360	(11,480,413)		(11,480,413)
IDA of Mecklenburg County, Virginia						
Interest expense	38,287	-	-		\$ (38,287)	(38,287)
Community development	<u>8,627,347</u>	<u>-</u>	<u>1,278,833</u>		<u>(7,348,514)</u>	<u>(7,348,514)</u>
Total IDA of Mecklenburg County, Virginia	<u>8,665,634</u>	<u>-</u>	<u>1,278,833</u>		(7,386,801)	(7,386,801)
Total Component Units	<u>\$ 52,389,859</u>	<u>\$ 999,452</u>	<u>\$ 32,523,193</u>			
General Revenues						
Payment from County of Mecklenburg, VA				9,991,841	8,045,020	18,036,861
Use of property				4,227	-	4,227
Interest and investment earnings				5,161	19,921	25,082
Miscellaneous				<u>777,334</u>	<u>2,631</u>	<u>779,965</u>
Total General Revenues				<u>10,778,563</u>	<u>8,067,572</u>	<u>18,846,135</u>
Change in Net Assets				(701,850)	680,771	(21,079)
Net Assets - Beginning of Year				22,714,823	6,156,196	28,871,019
Prior Period Adjustment				<u>-</u>	<u>(18,000)</u>	<u>(18,000)</u>
Net Assets - End of Year				<u>\$ 22,012,973</u>	<u>\$ 6,818,967</u>	<u>\$ 28,831,940</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, 2011

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 2011. 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 2011:

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.

CDBG Funds – The County has three CDBG projects in process that account for funds used to upgrade housing for low income citizens. These funds are Meadowview Terrace, Finchley Housing, 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.

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, 2011, 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, 2011 is composed of the following:

General Fund - taxes receivable	\$ 297,981
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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, 2011:

	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government		
Investments	\$ -	\$ -
Total Investments	-	<u>\$ -</u>
Total Deposits	<u>17,817,317</u>	
Total Deposits and Investments - Primary Government	17,817,317	
Cash on Hand	<u>5,000</u>	
Total - Primary Government	17,822,317	
Component Unit School Board		
Total Investments	-	<u>\$ -</u>
Total Deposits	<u>860,041</u>	
Total - School Board	860,041	
Component Unit IDA of Mecklenburg County, Virginia		
Total Investments	-	<u>\$ -</u>
Total Deposits	<u>548,398</u>	
Total - IDA of Mecklenburg County, Virginia	<u>548,398</u>	
Grand Total	<u>\$ 19,230,756</u>	

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2011:

	<u>Governmental Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ 17,267,427	\$ -	\$ 17,267,427
Cash and investments with fiscal agents	<u>-</u>	<u>554,890</u>	<u>554,890</u>
Total Primary Government	17,267,427	554,890	17,822,317
Component Unit School Board			
Cash and cash equivalents	860,041	-	860,041
Component Unit IDA of Mecklenburg County, Virginia			
Cash and cash equivalents	<u>548,398</u>	<u>-</u>	<u>548,398</u>
Grand Total	<u>\$ 18,675,866</u>	<u>\$ 554,890</u>	<u>\$ 19,230,756</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 2010 were levied by the County Board of Supervisors in April 2010 on the assessed value listed as of January 1, 2010.

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 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, 2011 consist of the following:

	<u>Primary Government</u>			<u>Component Unit School Board</u>	<u>Component Unit IDA</u>	<u>Total Component Units</u>
	<u>Governmental Activities</u>					
	<u>General</u>	<u>Other Nonmajor</u>	<u>Total</u>			
Property taxes	\$ 2,037,797	\$ -	\$ 2,037,797	\$ -	\$ -	\$ -
Other	114,864	8,839	123,703	170,000	301,063	471,063
Total	2,152,661	8,839	2,161,500	170,000	301,063	471,063
Allowance for uncollectibles	(297,982)	-	(297,982)	-	-	-
Net Receivables	<u>\$ 1,854,679</u>	<u>\$ 8,839</u>	<u>\$ 1,863,518</u>	<u>\$ 170,000</u>	<u>\$ 301,063</u>	<u>\$ 471,063</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	\$ 502,862	\$ -
Compensation Board - constitutional officers	328,156	-
Communications tax	91,514	-
Comprehensive services	61,847	-
Public assistance	192,253	-
State sales tax	-	489,464
Tobacco Region Opportunity funds	37,050	-
Virginia Department of Health	100,000	-
Vocational education	-	2,908
Other state funds	130,766	-
Federal Government		
School food	-	1,083
Title II	-	65,306
Title I	-	312,641
ARRA Title I	-	25,446
Community development block grants	8,862	-
Total	<u>\$ 1,453,310</u>	<u>\$ 896,848</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	685,000	-
To Landfill Gas Project	137,805	-
To Economic Development Fund	250,000	-
To Capital Outlay Fund	<u>2,290,000</u>	<u>-</u>
Total General Fund	4,102,822	-
Public Assistance - Welfare Fund		
From General Fund	-	740,017
Landfill Funds - Landfill Gas Project		
From General Fund for operations	-	137,805
Comprehensive Services Funds		
From General Fund for operations	-	685,000
Economic Development Fund		
From General Fund	-	250,000
Capital Outlay Fund		
From General Fund	<u>-</u>	<u>2,290,000</u>
Total Transfers Within Primary Government	<u>\$ 4,102,822</u>	<u>\$ 4,102,822</u>

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

To School Fund for local appropriation	\$ 10,577,935	\$ -
To School Textbook Fund for local appropriation	80,141	-

School Fund

From General Fund for local appropriation	-	10,577,935
From General Fund for local appropriation	-	80,141

Total Transfers Within Primary Government	<u>\$ 10,658,076</u>	<u>\$ 10,658,076</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	\$ 605,020	\$ -
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Economic Development Fund

To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	7,440,000	-
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Industrial Development Authority

From Economic Development Fund	-	7,440,000
From General Fund for economic stimulus	-	605,020

Total Transfers Within Primary Government	<u>\$ 8,045,020</u>	<u>\$ 8,045,020</u>
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Component Unit School Board**School Fund**

To School Textbook Fund to purchase books	\$ -	\$ -
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School Textbook Fund

From School Fund	-	-
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Total Transfers	<u>\$ -</u>	<u>\$ -</u>
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There were no interfund obligations in the Component Unit School Board.

7 Capital Assets

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Primary Government				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 449,472	\$ -	\$ -	\$ 449,472
Infrastructure - in process	6,502,926	2,548,339	9,051,265	-
Construction in process	<u>5,782,203</u>	<u>-</u>	<u>5,782,203</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	12,734,601	2,548,339	14,833,468	449,472
Other Capital Assets				
Buildings and improvements	10,461,903	9,846,578	-	20,308,481
Infrastructure	-	9,051,265	-	9,051,265
South Hill Elementary School	11,674,384	-	-	11,674,384
Furniture, equipment, and vehicles	<u>7,579,827</u>	<u>1,007,016</u>	<u>-</u>	<u>8,586,843</u>
Total Other Capital Assets	29,716,114	19,904,859	-	49,620,973
Less: Accumulated depreciation for				
Buildings and improvements	2,624,834	325,461	-	2,950,295
Infrastructure	-	188,057	-	188,057
South Hill Elementary School	1,141,806	233,487	-	1,375,293
Furniture, equipment, and vehicles	<u>4,224,694</u>	<u>618,696</u>	<u>-</u>	<u>4,843,390</u>
Total Accumulated Depreciation	<u>7,991,334</u>	<u>1,365,701</u>	<u>-</u>	<u>9,357,035</u>
Other Capital Assets, Net	<u>21,724,780</u>	<u>18,539,158</u>	<u>-</u>	<u>40,263,938</u>
Net Capital Assets	<u>\$ 34,459,381</u>	<u>\$ 21,087,497</u>	<u>\$ 14,833,468</u>	<u>\$ 40,713,410</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 157,822			
Judicial administration	238,785			
Public safety	408,264			
Public works	251,047			
Education - public school system	233,487			
Health and welfare	<u>76,296</u>			
Total Depreciation Expense	<u>\$ 1,365,701</u>			

	<u>Balance July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2011</u>
Component Unit School Board				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,725,707	\$ -	\$ -	\$ 1,725,707
Total Capital Assets Not Being Depreciated	1,725,707	-	-	1,725,707
Other Capital Assets				
Buildings and improvements	33,709,034	394,959	-	34,103,993
Furniture, equipment, and vehicles	16,801,765	993,411	-	17,795,176
Total Other Capital Assets	50,510,799	1,388,370	-	51,899,169
Less: Accumulated depreciation for				
Buildings and improvements	20,892,075	525,933	-	21,418,008
Furniture, equipment, and vehicles	10,387,058	1,270,378	-	11,657,436
Total Accumulated Depreciation	31,279,133	1,796,311	-	33,075,444
Other Capital Assets, Net	19,231,666	(407,941)	-	18,823,725
Net Capital Assets	<u>\$ 20,957,373</u>	<u>\$ (407,941)</u>	<u>\$ -</u>	<u>\$ 20,549,432</u>
Depreciation expense allocated to education		<u>\$ 1,796,311</u>		
Component Unit IDA of Mecklenburg County, Virginia				
Capital Assets Not Being Depreciated				
Buildings and land held for resale	<u>\$ 4,114,273</u>	<u>\$ 1,080,000</u>	<u>\$ -</u>	<u>\$ 5,194,273</u>

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>
2012	\$ 484,461	\$ 404,861
2013	498,850	379,561
2014	513,469	353,747
2015	528,330	327,182
2016	543,446	299,852
2017-2021	2,965,594	1,079,438
2022-2026	2,722,847	362,723
2027-2031	372,067	8,558
Total	8,629,064	3,215,922
Landfill obligation	2,065,930	-
OPEB obligation (asset)	(201,758)	-
Compensated absences	1,247,391	-
Total	11,740,627	\$ 3,215,922
Add: Unamortized Premium on Bond	305,238	
	<u>\$ 12,045,865</u>	

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
Component Unit School Board		
Compensated absences	\$ 203,060	\$ -
OPEB obligation	<u>88,000</u>	<u>-</u>
Total	<u>\$ 291,060</u>	<u>\$ -</u>
Component Unit IDA of Mecklenburg County, Virginia		
2012	\$ 47,047	\$ 35,617
2013	49,889	32,775
2014	52,913	29,750
2015	56,133	26,531
2016	59,560	23,104
2017-2021	263,608	62,797
2022-2026	<u>48,817</u>	<u>1,578</u>
Total	<u>\$ 577,967</u>	<u>\$ 212,152</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, 2011:

	<u>Balance July 1, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2011</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.	\$ 5,704,354	\$ -	\$ 300,290	\$ 5,404,064	\$ 304,461
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.	3,395,000	-	170,000	3,225,000	180,000
Landfill obligation	2,053,291	12,639	-	2,065,930	-
OPEB obligation	103,600	-	305,358	(201,758)	-
Compensated absences	<u>1,208,940</u>	<u>38,451</u>	<u>-</u>	<u>1,247,391</u>	<u>-</u>
	12,465,185	51,090	775,648	11,740,627	484,461
Add					
Unamortized Premium on Bond Series 2003 Bond	175,000	-	12,500	162,500	12,500
Unamortized Premium on Bond Series 2006 Bond	<u>151,659</u>	<u>-</u>	<u>8,921</u>	<u>142,738</u>	<u>8,921</u>
Total Long-Term Indebtedness - Primary Government	<u>\$ 12,791,844</u>	<u>\$ 51,090</u>	<u>\$ 797,069</u>	<u>\$ 12,045,865</u>	<u>\$ 505,882</u>

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011	Due Within One Year
Component Unit School Board					
Compensated absences	\$ 359,077	\$ -	\$ 156,017	\$ 203,060	\$ -
OPEB obligation	-	88,000	-	88,000	-
Total Component Unit School Board	\$ 359,077	\$ 88,000	\$ 156,017	\$ 291,060	\$ -

Component Unit IDA of Mecklenburg County, Virginia

Riley B. Lowe

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 loan is payable in 240 monthly installments of \$5,039 through May 2022 at 7.00%.

\$ 485,662	\$ -	\$ 27,343	\$ 458,319	\$ 29,320
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Lake Country Development Corporation

The Authority originally borrowed \$250,000 to purchase a building (Riley B. Lowe Building). The loan is payable in 120 monthly installments of \$1,849 through July 2012 at 4.00%.

136,681	-	17,033	119,648	17,727
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Total Component Unit IDA of Mecklenburg County, Virginia

\$ 622,343	\$ -	\$ 44,376	\$ 577,967	\$ 47,047
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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 \$1,247,391 in the Governmental Activities. The Component Unit School Board has \$203,060 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	\$ 1,324,583
Prepaid taxes	27,194
Other deferred revenues	8,803
Total Primary Government	\$ 1,360,580

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 10 years of service credit or age 50 with at least five 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 report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-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 2011 was 10.98% of annual covered payroll. The Component Unit School Board's contribution rate for non-professional employees for the fiscal year ended 2011 was 6.62% of annual covered payroll. The Component Unit School Board contributed \$885,341 to the teacher cost-sharing pool at a rate of 3.93%.

C. *Annual Pension Cost*

For fiscal year 2011, the County and School Board's annual pension cost of \$900,479 and \$89,215 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

Fiscal Year Ending	<u>County</u>			<u>Component Unit School Board</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 737,609	100.00%	\$ -	\$ 96,651	100.00%	\$ -
June 30, 2010	728,971	100.00%	-	97,728	100.00%	-
June 30, 2011	900,479	100.00%	-	89,215	100.00%	-

The FY 2011 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 payroll 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, 2010, the most recent actuarial valuation date, the plan was 74.82% funded. The actuarial accrued liability for benefits was \$36,466,333, and the actuarial value of assets was \$27,283,169, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,183,164. The covered payroll (annual payroll of active employees covered by the plan) was \$8,143,045, and ratio of the UAAL to the covered payroll was 112.77%.

For the nonprofessional School Board, as of June 30, 2010, the most recent actuarial valuation date, the plan was 85.80% funded. The actuarial accrued liability for benefits was \$5,869,694, and the actuarial value of assets was \$5,036,036, resulting in an unfunded actuarial accrued liability (UAAL) of \$833,658. The covered payroll (annual payroll of active employees covered by the plan) was \$1,503,321, and ratio of the UAAL to the covered payroll was 55.45%.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County and Component Unit School Board

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
County of Mecklenburg, Virginia						
June 30, 2008	\$ 26,642,361	\$ 30,419,905	\$ 3,777,544	87.58%	\$ 8,012,329	47.15%
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%
Mecklenburg County School Board						
June 30, 2008	5,118,888	5,506,714	387,826	92.96%	1,356,292	28.59%
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%

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, 2010	June 30, 2010
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	20 years	20 years
Asset Valuation Method	5-Year Smoothed Market Value	5-Year Smoothed Market Value
Actuarial Assumptions		
Investment rate of return ¹	7.00%	7.00%
Projected salary increases ¹		
NonLaw Enforcement Officer Employees	3.75% to 5.60%	3.75% to 5.60%
Law Enforcement Officer Employees	3.50% to 4.75%	3.50% to 4.75%
Cost-of-living adjustments	2.50%	2.50%

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	2,224,273
	Roof replacement	2,276,809
	911 program	108,269
	Treasurer's fund	2,037
	Subtotal - General Fund - Committed	<u>\$ 4,727,200</u>
<u>Fund</u>	<u>Assigned for</u>	<u>Amount</u>
General Fund	Equipment replacement	\$ 755,300
	Subtotal - General Fund - Assigned	<u>755,300</u>
Sheriff's Funds	Dare Fund	198
	Project Life Saver	6,099
	SRO Picnic Fund	2,478
	Jail phones	40,466
	Jail inmate	109,475
	Sheriff's abandoned property	195
	State police fund	5,317
	Subtotal - Sheriff's Funds - Assigned	<u>164,228</u>
DEQ and Landfill Funds	Landfill reserve	335,642
	Landfill construction	53,568
	Landfill gas project	33,587
	Subtotal - DEQ and Landfill Funds - Assigned	<u>422,797</u>
Economic Development Fund	Economic development	1,534,254
Capital Outlay Fund	Capital projects	6,661,840
Law Library Fund	Law library	<u>17,508</u>
	Total Assigned Funds	<u>\$ 9,555,927</u>
<u>Fund</u>	<u>Restricted for</u>	<u>Amount</u>
Public Assistance Funds	Public assistance	\$ 860,859
DEQ and Landfill Funds	School fuel tanks	20,000
	County fuel tanks	<u>100,000</u>
		120,000
Comprehensive Services	Comprehensive services	915,317
Forfeiture Funds	Commonwealth's Attorney	20,436
	Sheriff's drug forfeitures	30,231
	State unwarranted	40,391
	Federal forfeiture funds	<u>43,091</u>
	Subtotal - Forfeiture Funds	<u>134,149</u>
Tiny Road Project	Housing project	<u>8,862</u>
		<u>\$ 2,039,187</u>

14 Legal Compliance

A. Expenditures in Excess of Appropriations

Expenditures exceeded appropriations by \$31,336 in the General Fund.

B. Fund Deficits

There was a fund deficit in the Skipwith Housing Project of \$17,523.

C. Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 3,715,079,900</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 371,507,990
Amount of Debt Applicable to Debt Limit	
General obligation debt	<u>8,934,302</u>
Legal Debt Margin	<u>\$ 362,573,688</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, 2011:

<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
Danny R. Fox	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 Postclosure 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 postclosure care of \$2,065,930 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has cash of \$389,210 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 postclosure 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	\$ 10,658,076
Adjustments for:	
Payment of principal and interest on construction loans	(899,722)
Depreciation on school building and other fixed assets	<u>233,487</u>
Adjusted School Board appropriation in the government-wide financial statements	<u>\$ 9,991,841</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 provides 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 has 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 uses 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, 2011 and costs for the fiscal years through June 30, 2011, 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	\$ 169,500	\$ 243,000
Interest on OPEB obligation	7,770	-
Adjustment to ARC	<u>(5,928)</u>	<u>-</u>
Annual OPEB Cost (Expense)	171,342	243,000
Contributions Made		
Contributions for fiscal year	<u>476,700</u>	<u>155,000</u>
Increase (Decrease) in Net OPEB Obligation	(305,358)	88,000
Net OPEB Obligation - Beginning of Year	<u>103,600</u>	<u>-</u>
Net OPEB Obligation - End of Year	<u><u>\$(201,758)</u></u>	<u><u>\$ 88,000</u></u>

Three-year trend information is as follows:

Primary Government - County

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
6/30/2009	\$ 231,400	\$ -	0.00%
6/30/2010	240,600	137,000	56.94%
6/30/2011	169,500	476,700	281.24%

Component Unit - School Board

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent 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	\$ -	\$ 1,830,000	\$ 1,830,000	0.00%	\$ 6,990,800	26.18%
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%

19 Prior Period Adjustment - Fund Reclassifications

In preparation of GASB 54 and in streamlining the County's general ledger by converting to a new accounting software package, the County reclassified the following beginning fund balances:

Fund Reclassifications for GASB 54 Purposes

<u>From General Fund to</u>	<u>Explanation</u>	
Landfill and DEQ Funds	To move landfill reserve funds out of general fund	\$ 335,642
Landfill and DEQ Funds	To move DEQ school assurance money to landfill funds	20,000
Sheriff's Funds	To move jail inmate, phone account, etc. to separate reporting fund	123,554
Forfeiture Funds	To move forfeiture funds to a separate reporting line	116,089
Economic Development Fund	To move funds to separate Economic Development Fund	1,651,911
		<u>\$ 2,247,196</u>

20 Prior Period Adjustment

The Industrial Development Authority of Mecklenburg County, Virginia negotiated paying a parking lot in a prior year for Apex Ventures. This amount was to be adjusted through the lease/note agreement with the Company but had never been adjusted. It was booked this fiscal year.

Paving lot - Apex Ventures	<u>\$ 18,000</u>
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Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2011

	<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	\$ 11,430,561	\$ 11,430,561	\$ 12,586,845	\$ 1,156,284
Mobile home taxes	50,996	50,996	69,895	18,899
Personal property taxes	5,859,480	5,859,480	6,957,340	1,097,860
Public service corporations	633,302	633,302	752,985	119,683
Machinery and tools taxes	513,770	513,770	617,824	104,054
Merchants' capital	298,080	298,080	359,994	61,914
Delinquent taxes - real estate	-	-	137,187	137,187
Delinquent taxes - personal property	-	-	118,968	118,968
Interest on taxes	85,000	85,000	149,920	64,920
Penalties on taxes	145,000	145,000	229,066	84,066
Total General Property Taxes	19,016,189	19,016,189	21,980,024	2,963,835
Other Local Taxes				
Local sales and use taxes	3,000,000	3,000,000	2,909,575	(90,425)
Utility and consumption taxes	547,500	547,500	594,905	47,405
Business licenses	1,500	1,500	1,300	(200)
911 local revenues	400,000	400,000	184,044	(215,956)
Franchise license taxes	15,000	15,000	12,785	(2,215)
Transient occupancy tax	16,000	16,000	18,813	2,813
Motor vehicle licenses	592,340	592,340	626,376	34,036
Tax on recordation and wills	184,000	184,000	232,038	48,038
Total Other Local Taxes	4,756,340	4,756,340	4,579,836	(176,504)
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	32,000	32,000	34,464	2,464
Building permits	131,450	131,450	235,789	104,339
Total Permits, Privilege Fees, and Regulatory Licenses	163,450	163,450	270,253	106,803
Fines and Forfeitures	168,400	168,400	220,501	52,101
Revenue from Use of Money and Property				
Interest income	185,000	185,000	125,824	(59,176)
Rental income	52,000	52,000	57,590	5,590
Total Revenue from Use of Money and Property	237,000	237,000	183,414	(53,586)
Charges for Services				
Sheriff's revenues	11,700	11,700	13,294	1,594
Commonwealth's Attorney fees	1,500	1,500	3,780	2,280
Sanitation, waste removal, and landfill charges	60,000	60,000	75,678	15,678
Other miscellaneous charges	8,820	8,820	11,600	2,780
Work release	25,000	25,000	33,653	8,653
Courthouse security and jail	30,000	30,000	30,488	488
Total Charges for Services	137,020	137,020	168,493	31,473

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

	Original Budget	Final Budget	Actual	
Miscellaneous				
Delinquent tax - administrative fees	45,000	92,484	102,626	10,142
Other miscellaneous	45,000	45,000	127,382	82,382
Total Miscellaneous	90,000	137,484	230,008	92,524
Recovered Costs	85,930	85,930	76,355	(9,575)
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	17,401	1,401
Auto rental tax	50,000	50,000	31,006	(18,994)
Personal Property Tax Relief Act	1,454,006	1,454,006	1,454,006	-
Receipt from state - Occoneechee Park	5,000	5,000	4,165	(835)
Communications tax from State	305,000	305,000	600,945	295,945
Mobile home titling tax	65,000	65,000	68,574	3,574
Recordation and grantors' tax - State	54,125	54,125	79,107	24,982
Total Non-Categorical Aid	1,949,131	1,949,131	2,255,204	306,073
<i>Categorical Aid</i>				
Shared Expenses				
Commonwealth's Attorney	434,760	434,760	397,434	(37,326)
Sheriff and Sheriff's auto	2,898,989	2,898,989	2,873,340	(25,649)
Commissioner of the Revenue	104,128	104,128	102,951	(1,177)
Treasurer	107,303	107,303	104,834	(2,469)
Electoral Board and General Registrar	41,090	41,090	42,978	1,888
Clerk of the Court	305,226	305,226	312,675	7,449
Jail operations	350,000	350,000	256,680	(93,320)
School security grant	10,000	10,000	17,183	7,183
Deputies Lake Patrol Grant	45,691	45,691	45,048	(643)
Piedmont Court Services	394,262	394,262	394,262	-
Victim Witness Grant	43,028	43,028	46,770	3,742
Virginia Domestic Violence (VDVVF)	40,000	40,000	30,000	(10,000)
VJCCCA	34,325	34,325	31,164	(3,161)
Fire Program Grant	55,000	55,000	58,966	3,966
Four for Life Grant	25,000	25,000	31,303	6,303
Litter Grant	11,000	11,000	12,251	1,251
Records Grant	17,115	17,115	-	(17,115)
Other miscellaneous State grants	24,690	24,690	9,563	(15,127)
Total Categorical Aid	4,941,607	4,941,607	4,767,402	(174,205)
Total Revenue from the Commonwealth of Virginia	6,890,738	6,890,738	7,022,606	131,868
<i>Revenue from the Federal Government</i>				
Emergency Services Grant	10,000	10,000	6,884	(3,116)
Ground transportation safety	-	11,000	15,503	4,503
Violence Against Women	49,369	49,369	38,137	(11,232)
Payment in lieu of taxes	80,000	80,000	135,410	55,410
Total Revenue from the Federal Government	139,369	150,369	195,934	45,565
Total Intergovernmental Revenue	7,030,107	7,041,107	7,218,540	177,433
Total Revenues	31,684,436	31,742,920	34,927,424	3,184,504

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	313,828	210,916	210,916	-
County Administrator	345,697	345,626	345,626	-
Commissioner of Revenue	556,569	542,292	542,292	-
Equalization Board	6,000	5,256	5,256	-
Treasurer	592,027	560,284	560,284	-
County Attorney	60,000	103,912	104,427	(515)
Data processing	107,684	110,042	110,042	-
Multipurpose	70,000	42,816	62,446	(19,630)
Shared office expenses	260,000	234,686	246,298	(11,612)
Other fringes not allocated	28,001	28,000	33,496	(5,496)
Annual OPEB contribution	167,400	167,400	334,800	(167,400)
Workman's compensation	87,194	202,214	202,214	-
Electoral Board	61,324	44,044	44,044	-
Registrar	111,997	112,051	112,051	-
Total General Government Administration	2,767,721	2,709,539	2,914,192	(204,653)
<i>Judicial Administration</i>				
Circuit Court	49,740	48,700	48,700	-
General District Court	4,042	1,393	1,393	-
Magistrate	2,000	3,968	3,968	-
Juvenile and Domestic Relations Court	210,178	87,766	87,766	-
Pretrial Court	127,323	106,285	106,285	-
VJCCA	35,525	35,418	35,418	-
Victim Witness Program	51,497	53,128	53,128	-
Center for Violence	7,000	7,000	7,000	-
Piedmont Court Services - Corrections Act	265,218	290,673	290,673	-
Clerk of the Circuit Court	537,302	548,660	536,844	11,816
Commonwealth's Attorney	616,454	570,907	570,907	-
Total Judicial Administration	1,906,279	1,753,898	1,742,082	11,816
<i>Public Safety</i>				
Sheriff's Department	3,645,161	3,759,736	3,759,616	120
Jail	3,159,550	3,129,033	3,129,033	-
Work release	207,938	203,636	203,636	-
Fire departments	432,301	434,894	434,894	-
Rescue squads	321,928	355,184	355,184	-
911 Department	895,105	899,814	900,799	(985)
Emergency correctional officers	510,563	534,646	534,646	-
Emergency services	4,144	3,925	3,925	-
Inspections	181,892	171,015	170,651	364
Animal control	170,283	157,083	157,083	-
Medical Examiner	1,500	320	320	-
American Red Cross	1,000	1,000	1,000	-
Total Public Safety	9,531,365	9,650,286	9,650,787	(501)

	<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	1,557,475	2,035,767	2,035,767	-
Roanoke River Service Authority	10,000	10,000	10,000	-
Maintenance of buildings and grounds	581,285	556,903	556,903	-
Total Public Works	2,148,760	2,602,670	2,602,670	-
<i>Health and Welfare</i>				
Health department	202,664	202,664	202,664	-
Mental health	89,719	89,719	89,719	-
Comprehensive services	46,569	36,298	36,298	-
Lake Country Area Agency on Aging	14,770	14,770	14,770	-
Welfare and social services	171,764	243,591	245,532	(1,941)
Total Health and Welfare	525,486	587,042	588,983	(1,941)
<i>Education</i>				
Community college	10,172	10,172	10,172	-
Appropriation to public school system	10,737,409	10,737,409	10,658,076	79,333
Total Education	10,747,581	10,747,581	10,668,248	79,333
<i>Parks, Recreation, and Cultural</i>				
Regional library	357,092	357,092	357,092	-
Library hospitalization	30,997	30,997	25,381	5,616
Miscellaneous contributions	73,900	73,900	73,900	-
Total Parks, Recreation, and Cultural	461,989	461,989	456,373	5,616
<i>Community Development</i>				
Miscellaneous community development	71,808	122,735	118,152	4,583
Payment to State of Virginia	323,706	340,392	340,392	-
Lake Gaston weed control	116,000	116,000	116,000	-
Airports	51,943	51,943	51,943	-
Economic development	373,874	252,741	250,041	2,700
Zoning	110,836	111,870	111,870	-
Other tax refunds	25,600	7,695	6,627	1,068
Industrial tax refunds	598,152	603,952	605,020	(1,068)
Soil and Water Conservation District	103,069	94,133	94,133	-
Cooperative extension program	72,155	51,835	51,835	-
Total Community Development	1,847,143	1,753,296	1,746,013	7,283
<i>Equipment Replacement</i>	284,844	100,000	48,000	52,000
<i>Debt Service</i>	38,251	19,711	-	19,711
Total Expenditures	30,259,419	30,386,012	30,417,348	(31,336)
Excess (Deficiency) of Revenues Over Expenditures	1,425,017	1,356,908	4,510,076	3,153,168

	<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	-	-	-	-
Transfers (out)	<u>(1,425,017)</u>	<u>(4,102,822)</u>	<u>(4,102,822)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,425,017)</u>	<u>(4,102,822)</u>	<u>(4,102,822)</u>	<u>-</u>
Net Change in Fund Balance	-	(2,745,914)	407,254	3,153,168
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ (2,745,914)</u>	407,254	<u>\$ 3,153,168</u>
Fund Balance - Beginning of Year			9,231,076	
Fund Balance - Reclassification for GASB 54			<u>(2,247,196)</u>	
Fund Balance - End of Year			<u>\$ 7,391,134</u>	

Capital Outlay Fund

Revenues

Local Revenues

Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Revenues	-	-	-	-

Expenditures

Current

Public safety - regional jail	-	-	84,224	(84,224)
Public works - circuit court	-	-	795,245	(795,245)
Public works - other	100,000	100,000	40,873	59,127
Public works - courthouse building	<u>4,900,000</u>	<u>4,900,000</u>	<u>3,727,508</u>	<u>1,172,492</u>
Total Expenditures	<u>5,000,000</u>	<u>5,000,000</u>	<u>4,647,850</u>	<u>352,150</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,000,000)	(5,000,000)	(4,647,850)	352,150

Other Financing Sources (Uses)

Transfers in (out)	<u>-</u>	<u>(210,000)</u>	<u>2,290,000</u>	<u>2,500,000</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(210,000)</u>	<u>2,290,000</u>	<u>2,500,000</u>
Net Change in Fund Balance	(5,000,000)	(5,210,000)	(2,357,850)	2,852,150
From Surplus	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>	<u>(5,000,000)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ (210,000)</u>	(2,357,850)	<u>\$ (2,147,850)</u>
Fund Balance - Beginning of Year			9,019,690	
Fund Balance - End of Year			<u>\$ 6,661,840</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
DEQ and Landfill Funds				
Revenues				
Charges for Services				
Landfill revenues	\$ 413,414	\$ 275,609	\$ 26,323	\$ (249,286)
Revenue from Use of Money and Property				
Interest income	-	-	-	-
Total Revenues	413,414	275,609	26,323	(249,286)
Expenditures				
Current				
<i>Public Works</i>				
Landfill expenses - gas project	413,414	413,414	130,541	\$ 282,873
Total Expenditures	413,414	413,414	130,541	282,873
Excess (Deficiency) of Revenues Over Expenditures	-	(137,805)	(104,218)	33,587
Other Financing Sources (Uses)				
Transfers in	-	137,805	137,805	-
Total Other Financing Sources (Uses)	-	137,805	137,805	-
Net Change in Fund Balance	-	-	33,587	33,587
From Surplus	-	-	-	-
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	33,587	<u>\$ 33,587</u>
Fund Balance - Beginning of Year			153,568	
Fund Balance - Reclassification for GASB 54			<u>355,642</u>	
Fund Balance - End of Year			<u>\$ 542,797</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Public Assistance Fund				
Revenues				
Recovered Costs	\$ 44,000	\$ 44,000	\$ 15,388	\$ (28,612)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	1,122,261	1,122,261	938,696	(183,565)
Revenue from the Federal Government	<u>1,503,661</u>	<u>1,503,661</u>	<u>1,528,897</u>	<u>25,236</u>
Total Intergovernmental Revenues	<u>2,625,922</u>	<u>2,625,922</u>	<u>2,467,593</u>	<u>(158,329)</u>
Total Revenues	2,669,922	2,669,922	2,482,981	(186,941)
Expenditures				
Current				
Health and welfare	<u>3,409,939</u>	<u>3,409,939</u>	<u>3,060,067</u>	<u>349,872</u>
Total Expenditures	<u>3,409,939</u>	<u>3,409,939</u>	<u>3,060,067</u>	<u>349,872</u>
Excess (Deficiency) of Revenues Over Expenditures	(740,017)	(740,017)	(577,086)	162,931
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	-	-	162,931	162,931
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	162,931	<u>\$ 162,931</u>
Fund Balance - Beginning of Year			<u>697,928</u>	
Fund Balance - End of Year			<u>\$ 860,859</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Comprehensive Services Fund				
Revenues				
Recovered Costs	\$ 42,175	\$ 42,175	\$ 82,961	\$ 40,786
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	<u>1,522,825</u>	<u>1,522,825</u>	<u>1,005,863</u>	<u>(516,962)</u>
Total Intergovernmental Revenues	<u>1,522,825</u>	<u>1,522,825</u>	<u>1,005,863</u>	<u>(516,962)</u>
Total Revenues	1,565,000	1,565,000	1,088,824	(476,176)
Expenditures				
Current				
Health and welfare	<u>2,250,000</u>	<u>2,250,000</u>	<u>1,619,321</u>	<u>630,679</u>
Total Expenditures	<u>2,250,000</u>	<u>2,250,000</u>	<u>1,619,321</u>	<u>630,679</u>
Excess (Deficiency) of Revenues Over Expenditures	(685,000)	(685,000)	(530,497)	154,503
Other Financing Sources (Uses)				
Transfers in	<u>685,000</u>	<u>685,000</u>	<u>685,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>685,000</u>	<u>685,000</u>	<u>685,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	154,503	154,503
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	154,503	<u>\$ 154,503</u>
Fund Balance - Beginning of Year			<u>760,814</u>	
Fund Balance - End of Year			<u>\$ 915,317</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Economic Development Fund				
Revenues				
Miscellaneous local revenues	\$ 67,015	\$ 67,015	\$ 3,051	\$ (63,964)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia				
Health funds	-	-	115,000	115,000
TICR funds	905,170	905,170	905,170	-
Tobacco Region Opportunity Funds	-	5,190,000	5,227,050	37,050
Governor's Opportunity Funds	-	2,250,000	2,250,000	-
Total Revenue from the Commonwealth of Virginia	905,170	8,345,170	8,497,220	152,050
Revenue from the Federal Government - EDA				
EDA funds	1,350,000	1,350,000	847,563	(502,437)
CDBG funds	1,000,000	1,000,000	680,701	(319,299)
Total Revenue from the Federal Government	2,350,000	2,350,000	1,528,264	(821,736)
Total Intergovernmental Revenues	3,255,170	10,695,170	10,025,484	(669,686)
Total Revenues	3,322,185	10,762,185	10,028,535	(733,650)
Expenditures				
Current				
Contribution to Mecklenburg County IDA	-	7,440,000	7,440,000	-
Public works - 92 Waterline	3,222,185	3,222,185	2,737,130	485,055
Parks, recreation, culture	-	-	25,000	(25,000)
Community development	342,815	342,815	194,062	148,753
Total Expenditures	3,565,000	11,005,000	10,396,192	608,808
Excess (Deficiency) of Revenues Over Expenditures	(242,815)	(242,815)	(367,657)	(124,842)
Other Financing Sources (Uses)				
Transfers in	-	-	250,000	250,000
Total Other Financing Sources (Uses)	-	-	250,000	250,000
Net Change in Fund Balance	(242,815)	(242,815)	(117,657)	125,158
From Surplus	242,815	242,815	-	(242,815)
Net Change in Fund Balance After Surplus	\$ -	\$ -	(117,657)	\$ (117,657)
Fund Balance - Beginning of Year			1,651,911	
Fund Balance - End of Year			\$ 1,534,254	

Other Supplementary Information



County of Mecklenburg, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2011

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Skipwith Housing</u>	<u>Tiny Road Project</u>	<u>Total Other Governmental Funds</u>
Assets						
Cash and investments	\$ 16,521	\$ 158,061	\$ 134,149	\$ 50	\$ -	\$ 308,781
Accounts receivable	987	7,852	-	-	-	8,839
Due from other governments	-	-	-	-	8,862	8,862
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,862</u>	<u>8,862</u>
Total Assets	<u>\$ 17,508</u>	<u>\$ 165,913</u>	<u>\$ 134,149</u>	<u>\$ 50</u>	<u>\$ 8,862</u>	<u>\$ 326,482</u>
Liabilities						
Accounts payable	\$ -	\$ 1,685	\$ -	\$ 17,573	\$ -	\$ 19,258
Total Liabilities	-	1,685	-	17,573	-	19,258
Fund Balance						
Restricted	-	-	134,149	-	8,862	143,011
Assigned	17,508	164,228	-	-	-	181,736
Unassigned	-	-	-	(17,523)	-	(17,523)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,523)</u>	<u>-</u>	<u>(17,523)</u>
Total Fund Balance	<u>17,508</u>	<u>164,228</u>	<u>134,149</u>	<u>(17,523)</u>	<u>8,862</u>	<u>307,224</u>
Total Liabilities and Fund Balance	<u>\$ 17,508</u>	<u>\$ 165,913</u>	<u>\$ 134,149</u>	<u>\$ 50</u>	<u>\$ 8,862</u>	<u>\$ 326,482</u>

County of Mecklenburg, Virginia

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

Other Governmental Funds

At June 30, 2011

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Meadowview Terrace</u>	<u>CDBG Funds Finchley Housing</u>	<u>Skipwith Housing</u>	<u>Tiny Road Project</u>	<u>Total Other Governmental Funds</u>
Revenues								
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	195	727	-	-	-	-	922
Charges for services	11,420	69,111	-	-	-	-	-	80,531
Miscellaneous	-	1,115	-	20	8,362	-	-	9,497
Intergovernmental								
From the Commonwealth of VA	-	-	25,783	-	-	-	-	25,783
From the Federal Government	-	-	120	341,186	63,929	235,949	25,000	666,184
Total Revenues	11,420	70,421	26,630	341,206	72,291	235,949	25,000	782,917
Expenditures								
Current								
Judicial administration	8,806	-	1,115	-	-	-	-	9,921
Public safety	-	29,747	7,455	-	-	-	-	37,202
Community development	-	-	-	341,206	36,221	244,000	16,138	637,565
Total Expenditures	8,806	29,747	8,570	341,206	36,221	244,000	16,138	684,688
Excess (Deficiency) of Revenues Over Expenditures	2,614	40,674	18,060	-	36,070	(8,051)	8,862	98,229
Other Financing Sources (Uses)								
Transfers (out)	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	2,614	40,674	18,060	-	36,070	(8,051)	8,862	98,229
Fund Balance - Beginning of Year	14,894	-	-	-	(36,070)	(9,472)	-	(30,648)
Prior Period Adjustment								
Fund balance reclassification	-	123,554	116,089	-	-	-	-	239,643
Fund Balance - End of Year	\$ 17,508	\$ 164,228	\$ 134,149	\$ -	\$ -	\$ (17,523)	\$ 8,862	\$ 307,224

County of Mecklenburg, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2011

	<u>Special Welfare</u>	<u>Southside Regional Library</u>	<u>Thyne Project Memorial</u>	<u>County OPEB Fund</u>	<u>Totals</u>
Assets					
Cash	<u>\$ 108,729</u>	<u>\$ 83,956</u>	<u>\$ 27,405</u>	<u>\$ 334,800</u>	<u>\$ 554,890</u>
Liabilities					
Amounts held for others	<u>\$ 108,729</u>	<u>\$ 83,956</u>	<u>\$ 27,405</u>	<u>\$ 334,800</u>	<u>\$ 554,890</u>
Total Liabilities	<u>\$ 108,729</u>	<u>\$ 83,956</u>	<u>\$ 27,405</u>	<u>\$ 334,800</u>	<u>\$ 554,890</u>

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2011

	<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	\$ 6,602	\$ 592,329	\$ 261,110	\$ 860,041
Accounts receivable	170,000	-	-	170,000
Due from other governments	895,765	1,083	-	896,848
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,072,367</u>	<u>\$ 593,412</u>	<u>\$ 261,110</u>	<u>\$ 1,926,889</u>
Liabilities				
Accounts payable	\$ 165,648	\$ 6,640	\$ -	\$ 172,288
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	165,648	6,640	-	172,288
Fund Balance				
Assigned	906,719	586,772	261,110	1,754,601
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	906,719	586,772	261,110	1,754,601
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 1,072,367</u>	<u>\$ 593,412</u>	<u>\$ 261,110</u>	<u>\$ 1,926,889</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, 2011

Total Fund Balances for Governmental Funds	\$ 1,754,601
--	--------------

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	\$ 1,725,707
Buildings and improvements, net of depreciation	12,685,985
Furniture, equipment, and vehicles, net of depreciation	<u>6,137,740</u>

Total Capital Assets	20,549,432
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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	(203,060)
OPEB obligation	<u>(88,000)</u>

Total	<u>(291,060)</u>
-------	------------------

Total Net Assets of Governmental Activities	<u>\$ 22,012,973</u>
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County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2011

	School Operating Fund	School Food Services Fund	School Textbook Fund	Total Component Unit School Board
Revenues				
Use of money and property	\$ 4,227	\$ 3,002	\$ 2,159	\$ 9,388
Charges for services	443,151	545,737	10,564	999,452
Rebates and refunds	57,926	-	-	57,926
Miscellaneous	688,541	2,816	-	691,357
Intergovernmental				
From County of Mecklenburg, Virginia	10,577,935	-	80,141	10,658,076
From the Commonwealth of Virginia	24,576,551	31,851	161,757	24,770,159
From the Federal Government	<u>5,028,106</u>	<u>1,446,095</u>	<u>-</u>	<u>6,474,201</u>
Total Revenues	41,376,437	2,029,501	254,621	43,660,559
Expenditures				
Education				
Instruction	31,424,197	-	599,216	32,023,413
Technology	1,285,325	-	-	1,285,325
Administration, attendance, and health	1,507,638	-	-	1,507,638
Transportation	2,974,703	-	-	2,974,703
Operation and maintenance	3,470,992	-	-	3,470,992
School food service	29,604	1,917,065	-	1,946,669
Debt Service	<u>899,722</u>	<u>-</u>	<u>-</u>	<u>899,722</u>
Total Expenditures	<u>41,592,181</u>	<u>1,917,065</u>	<u>599,216</u>	<u>44,108,462</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	(215,744)	112,436	(344,595)	(447,903)
Other Financing Sources (Uses)				
VSPA bond refinancing savings	85,977	-	-	85,977
Transfer in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>85,977</u>	<u>-</u>	<u>-</u>	<u>85,977</u>
Net Change in Fund Balances	(129,767)	112,436	(344,595)	(361,926)
Fund Balances - Beginning of Year	<u>1,036,486</u>	<u>474,336</u>	<u>605,705</u>	<u>2,116,527</u>
Fund Balances - End of Year	<u>\$ 906,719</u>	<u>\$ 586,772</u>	<u>\$ 261,110</u>	<u>\$ 1,754,601</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, 2011

Net Change in Fund Balances \$ (361,926)

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.

(407,941)

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.

Net Adjustment

-

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Compensated absences

\$ 156,017

OPEB obligation

(88,000)

Net Adjustment

68,017

Change in Net Assets of Governmental Activities

\$ (701,850)

County of Mecklenburg, Virginia

Component Unit School Board

School Operating Fund

Budgetary Comparison Schedule

Year Ended June 30, 2011

	<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	\$ -	\$ -	\$ 4,227	\$ 4,227
Charges for services	-	-	443,151	443,151
Rebates and refunds	-	-	57,926	57,926
Miscellaneous	622,591	662,591	688,541	25,950
Intergovernmental				
From County of Mecklenburg, Virginia	10,657,268	10,657,268	10,577,935	(79,333)
From the Commonwealth of Virginia	25,451,165	25,451,165	24,576,551	(874,614)
From the Federal Government	<u>4,180,774</u>	<u>4,842,652</u>	<u>5,028,106</u>	<u>185,454</u>
Total Revenues	40,911,798	41,613,676	41,376,437	(237,239)
Expenditures				
Current				
<i>Education</i>				
Instruction	30,221,714	30,933,817	31,424,197	(490,380)
Technology	2,247,114	1,985,638	1,285,325	700,313
School food service	-	-	29,604	(29,604)
Administration, attendance, and health	1,262,466	1,384,115	1,507,638	(123,523)
Transportation	2,977,601	3,061,381	2,974,703	86,678
Operation and maintenance	3,364,880	3,410,702	3,470,992	(60,290)
<i>Debt Service</i>	<u>838,023</u>	<u>838,023</u>	<u>899,722</u>	<u>(61,699)</u>
Total Expenditures	<u>40,911,798</u>	<u>41,613,676</u>	<u>41,592,181</u>	<u>21,495</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	-	-	(215,744)	(215,744)
Other Financing Sources (Uses)				
VSPA bond refinancing savings	-	-	85,977	85,977
Total Other Financing Sources (Uses)	-	-	85,977	85,977
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	(129,767)	<u>\$ (129,767)</u>
Fund Balance - Beginning of Year			<u>1,036,486</u>	
Fund Balance - End of Year			<u>\$ 906,719</u>	

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Assets

June 30, 2011

Assets

Current Assets

Cash	\$ 548,398
Due from Mecklenburg County, Virginia	301,063

Noncurrent Assets

Capital Assets

Land and buildings held for resale	5,194,273
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Other Noncurrent Assets

Lease receivable	937,300
Note receivable	<u>715,693</u>

Total Noncurrent Assets	<u>6,847,266</u>
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Total Assets	<u><u>\$ 7,696,727</u></u>
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Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts payable	\$ 299,793
Notes payable - current portion	<u>47,047</u>
Total Current Liabilities	346,840

Long-Term Liabilities

Note payable - less current portion	<u>530,920</u>
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Total Long-Term Liabilities	<u>530,920</u>
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Total Liabilities	877,760
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Net Assets

Invested in capital assets	4,616,306
Unrestricted	<u>2,202,661</u>

Total Net Assets	<u>6,818,967</u>
------------------	------------------

Total Liabilities and Net Assets	<u><u>\$ 7,696,727</u></u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Activities

Year Ended June 30, 2011

Operating Revenues

Contributions from Mecklenburg County, Virginia for		
Economic Stimulus Grant - industrial tax refund	\$ 605,020	
Governor's Opportunity Funds - GOF	2,250,000	
Tobacco Region Opportunity Funds - TROF	<u>5,190,000</u>	\$ 8,045,020
Reimbursement from Brunswick County, Virginia		1,822
Miscellaneous		809
Tobacco indemnification funds		<u>1,278,833</u>
Total Operating Revenues		9,326,484

Operating Expenses

Insurance	5,540
Legal and professional fees	31,699
Administrative	6,350
Loan and closing fees	5,736
Utility companies	7,659
Donation to Longwood University	10,000
Contribution to IDA of Brunswick County, Virginia	2,794
Repairs and maintenance	38,115
Miscellaneous	2,314
Board	3,097
Payouts to businesses and stimulus grants	<u>8,514,043</u>
Total Operating Expenses	<u>8,627,347</u>

Operating Income	699,137
------------------	---------

Non-Operating Revenues (Expenses)

Interest income	19,921
Interest expense	<u>(38,287)</u>

Net Non-Operating Revenues (Expenses)	<u>(18,366)</u>
---------------------------------------	-----------------

Change in Net Assets	680,771
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Total Net Assets - Beginning of Year	6,156,196
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Prior Period Adjustment	<u>(18,000)</u>
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Total Net Assets - End of Year	<u>\$ 6,818,967</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, 2011

Cash Flows from Operating Activities

Contributions from Mecklenburg County, Virginia	\$ 7,743,957
Contributions from Brunswick County, Virginia	1,822
Payments received on leases receivable	86,520
Payments received on notes receivable	43,902
Miscellaneous	809
Tobacco indemnification funds	1,278,833
Payments to suppliers	<u>(8,385,939)</u>

Net Cash Provided by Operating Activities	769,904
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Cash Flows from Capital and Related Financing Activities

Payments on notes payable	(62,376)
Purchase of Kinderton property	(1,080,000)
Interest expense	<u>(38,287)</u>

Net Cash Used in Capital and Related Financing Activities	(1,180,663)
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Cash Flows from Investing Activities

Interest income	<u>19,921</u>
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Net Cash Provided by Investing Activities	<u>19,921</u>
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Net Decrease in Cash and Cash Equivalents	(390,838)
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Cash and Cash Equivalents - Beginning of Year	<u>939,236</u>
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Cash and Cash Equivalents - End of Year	<u><u>\$ 548,398</u></u>
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Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating income	\$ 699,137
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Changes in assets and liabilities	
Due from Mecklenburg County, Virginia	(301,063)
Leases receivable	86,520
Notes receivable	43,902
Accounts payable	<u>241,408</u>

Net Cash Provided by Operating Activities	<u><u>\$ 769,904</u></u>
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COMPLIANCE SECTION





**Creedle
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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 business-type 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, 2011, which collectively comprise the County of Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated October 31, 2011. 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

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*.

This report is intended solely for the information and use of management, the audit committee, Board of Supervisors, others within the entity, 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
October 31, 2011



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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, 2011. 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, 2011.

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, 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
October 31, 2011



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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 the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 31, 2011.

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 the County of Mecklenburg, Virginia, is the responsibility of the 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 the 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
 - We are recommending that caseworkers for these children code the invoices prior to submitting the invoices to the fiscal person who is responsible for filing the reimbursement reports to CSA.
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of 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, the Auditor of Public Accounts 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
October 31, 2011

County of Mecklenburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

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	\$ 847,563
U. S. Department of Agriculture			
Pass-Through Payments			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	155,096
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	341,658
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	1,108,292
School Breakfast Program	10.553	197	315,384
Child Nutrition Cluster Total			1,423,676
Fresh Fruit and Vegetables	10.582	197	22,419
Subtotal - U. S. Department of Agriculture			1,942,849
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	80,039
Child Care and Development - ARRA	93.713	765	12,955
Head Start Wrap-Around Child Care	93.575	765	102,018
Child Care Cluster Total			195,012
Family Preservation and Support Services	93.556	765	20,311
Temporary Assistance to Needy Families	93.558	765	309,758
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	558
Low Income Home Energy Assistance	93.568	765	17,628
Chafee Education and Training	93.599	765	
Child Welfare Services	93.645	765	1,017
Foster Care - Title IV-E	93.658	765	173,371
Adoption Assistance	93.659	765	90,699
Social Services Block Grant	93.667	765	172,798
Chafee Foster Care Independence Program	93.674	765	2,426
State Children's Insurance Program	93.767	765	9,034
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	194,627
Subtotal - U. S. Department of Health and Human Services			1,187,239

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Justice			
Direct Payments			
Federal asset forfeitures	16.000	N/A	120
Pass-Through Payments			
<i>Department of Criminal Justice Services</i>			
Violence Against Women Formula Grants	16.588	140	38,137
Subtotal - U. S. Department of Justice			38,257
U. S. Department of Homeland Security			
Pass-Through Payments			
<i>Department of Emergency Management</i>			
Emergency Management Preparedness Grant	97.042	127	6,884
Subtotal - U. S. Department of Homeland Security			6,884
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	1,004,171
ARRA IDEA 611 Flow-Through	84.391*	197	392,262
ARRA Preschool Handicapped Allocations	84.392*	197	12,708
Special Education Cluster Total			1,409,141
<i>Title I Cluster</i>			
Title I	84.010*	197	1,570,832
ARRA Title I	84.389*	197	178,917
Title I Cluster Total			1,749,749
Title VI - Rural and Low Income Schools	84.358	197	119,095
Vocational Education/Federal Payments	84.048	197	103,217
Literacy Challenge Grant	84.318	197	21,141
ARRA Education Technology Grant	84.386	197	10,942
ARRA State Fiscal Stabilization Fund	84.394*	197	609,948
ARRA Education Jobs Fund	84.410*	197	701,692
Immigrant and Youth - English Language Acquisition	84.365	197	2,080
Drug Free School Payments	84.186	197	8,169
Title II Part A	84.367*	197	292,777
Subtotal - U. S. Department of Education			5,027,951
U. S. Department of Defense			
Pass-Through Payments			
<i>Department of Education</i>			
Leasing of Federal Land	12.112	197	155
Subtotal - U. S. Department of Defense			155

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Motor Vehicles</i>			
Alcohol Traffic Safety	20.601	510	7,065
Alcohol Open Container	20.607	510	8,438
Subtotal - U. S. Department of Transportation			15,503
Appalachian Regional Commission			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Appalachian Regional Development	14.255*	165	680,701
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Community Development Block Grants - Recovery	14.255*	165	372,420
Community Development Block Grants/State's Programs	14.228*	165	293,644
Subtotal - U. S. Department of Housing and Urban Development			666,064
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	135,410
Subtotal - U. S. Department of the Interior			135,410
Grand Totals			\$ 10,548,576

*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 \$155,096 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, 2011

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 were **no audit findings** relative to the major federal award programs for the County of Mecklenburg, Virginia to be reported in this schedule.
- (g) The programs tested as major programs included:
 - 1. **CFDA #11.300, Economic Development Grant**
 - 2. **CFDA #84.027, Special Education Cluster**
 - 3. **CFDA #84.010, Title I Cluster**
 - 4. **CFDA #84.367, Title II Part A**
 - 5. **CFDA #14.255, Appalachian Regional Development**
 - 6. **CFDA #14.255, CDBG - Recovery**
 - 7. **CFDA #14.228, CDBG State's Program**
- (h) The **threshold** for distinguishing Types A and B programs was **\$316,457**.
- (i) The County of Mecklenburg, Virginia was determined **not** to be a **low-risk auditee**.

2. FINDINGS – FINANCIAL STATEMENT AUDIT

None

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

County of Mecklenburg, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2011

FINANCIAL STATEMENTS

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding No. 2010-1 – Component Unit School Board

Statement of Condition: The GASB 45 Postemployment Retirement Benefits for health insurance were not determined for the Component Unit School Board.

Criteria: The Component Unit School Board needs to have actuarial data for OPEB requirements.

Effect of Condition: The disclosures do not include information on the School Board's postemployment benefits.

Recommendation: The Component Unit School Board needs to hire an actuary and provide all relevant data to that actuary so that these figures and disclosure information can be available in future audits.

Resolution: The School Board did hire an actuary and the OPEB obligation for GASB 45 has been calculated. It is included in the June 30, 2011 audited financial statements.

Finding No. 2010-2 – Accruals Due to Computer Conversion

Statement of Condition: Due to conversion from the County's manual system of accounting to a modified accrual basis using sophisticated state-of-the-art accounting software, some consistency was lost between previous reporting periods and ongoing reporting periods. The new accounting software is much more extensive in capturing this data for accruals of receivables and payables.

Criteria: Accruals are necessary for accurate, ongoing reporting for the County and the new software will handle this.

Effect of Condition: Revenues and expenses were accrued based on months further past the balance sheet date than in previous years.

Recommendation: The new accounting system will resolve this problem. Accruals just need to continue to be made as was done this year.

Resolution: Accruals are now consistent.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

COUNTY OF MECKLENBURG, VIRGINIA
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CORRECTIVE ACTION PLAN

None Required