

COUNTY OF LEE, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

**COUNTY OF LEE, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
List of Elected and Appointed Officials	1
Independent Auditors' Report	2-4
 <u>Basic Financial Statements:</u>	 <u>Exhibit</u> <u>Page</u>
Government-Wide Financial Statements:	
Statement of Net Position	1 5
Statement of Activities	2 6
Fund Financial Statements:	
Balance Sheet - Governmental Funds	3 7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4 8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5 9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6 10
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position - Fiduciary Funds	7 11
Notes to Financial Statements	12-53
 <u>Required Supplementary Information:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	8 54
Schedule of Pension and OPEB Funding Progress	9 55
 <u>Other Supplementary Information:</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Capital Projects Fund - Airport Project	10 56
Capital Projects Fund - County Capital Improvements	11 57
Nonmajor Special Revenue Fund - Coal Road Improvement	12 58
Discretely Presented Component Unit - School Board:	
Combining Balance Sheet	13 59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14 60
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	15 61

COUNTY OF LEE, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

Table of Contents (Continued)

Other Supplementary Information: (Continued)

	<u>Exhibit</u>	<u>Page</u>
Discretely Presented Component Unit - School Board (Continued):		
Statement of Net Position - Internal Service Fund	16	62
Statement of Revenues, Expenses, and Changes in Net Position - Internal Service Fund	17	63
Statement of Cash Flows - Internal Service Fund	18	64

	<u>Schedule</u>	<u>Page</u>
Supporting Schedules:		
Schedule of Revenues - Budget and Actual - Governmental Funds	1	65-70
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	71-75

Other Statistical Information:

	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function	1	76
Government-Wide Revenues	2	77
Fund information:		
General Governmental Expenditures by Function	3	78
General Governmental Revenues by Source	4	79
Property Tax Levies and Collections	5	80
Assessed Value of Taxable Property	6	81
Property Tax Rates	7	82
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	83
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures	9	84

Compliance:

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85-86
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	87-88
Schedule of Expenditures of Federal Awards	89-90
Schedule of Findings and Questioned Costs	91-93

COUNTY OF LEE, VIRGINIA

BOARD OF SUPERVISORS

Jason Crabtree Larry Mosley	Charles Slemph, Chair	Carl Bailey Tina Rowe
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COUNTY SCHOOL BOARD

Kyle Chadwell Mike Twigg	Debbie Jessee, Chair	Ty Harber, Jr. Don Williams
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COUNTY WELFARE BOARD

Joanne Eldridge Wanda Parsons	Noel Hall, Chair	Genia Garrett Deanna Robbins
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OTHER OFFICIALS

Clerk of the Circuit Court	Rene Lamey
Commonwealth's Attorney	Shawn L. Hines
Commissioner of the Revenue	Christopher Jones
Treasurer	Rita McCann
Sheriff	Gary B. Parsons
Superintendent of Schools	Mark Carter
Interim Director of Social Services	Susan Widener
County Administrator	Dane Poe
County Attorney	C. M. "Rick" Callahan, Jr.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF LEE, VIRGINIA
JONESVILLE, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lee County Public Service Authority or the Lee County Industrial Development Authority, which represents 70% and 7%, respectively, of the total net position and program revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Lee County Public Service Authority and the Lee County Industrial Development Authority, is based on the reports of the other auditors. 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and schedules of pension and OPEB funding progress on pages 38 and 39 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 and other auditors 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

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

The other statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, on our consideration of the County of Lee, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Lee, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
January 30, 2015

Basic Financial Statements

County of Lee, Virginia
Statement of Net Position
As of June 30, 2014

	Primary Government		Component Units	
	Governmental		Public Service	Industrial Development
	Activities	School Board	Authority	Authority
ASSETS				
Cash and cash equivalents	\$ 10,481,740	\$ 60,445	\$ 233,779	\$ 251,732
Cash held at school cafeterias	-	698,928	-	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	11,399,943	-	-	-
Accounts receivable	323,408	103,084	490,267	-
Notes receivable	-	-	-	2,020,335
Due from primary government	-	1,688,186	-	-
Due from other governmental units	1,428,391	1,712,490	21,588	-
Prepaid items	-	369,879	50,616	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	-	3,202,209	567,150	-
Capital assets (net of accumulated depreciation):				
Land	862,492	483,166	76,843	1,142,173
Buildings and improvements	16,338,492	7,383,850	-	2,647,711
Machinery and equipment	1,661,872	854,316	-	580,101
Infrastructure	-	-	55,765,086	-
Construction in progress	53,626	-	524,726	-
Total assets	\$ 42,549,964	\$ 16,556,553	\$ 57,730,055	\$ 6,642,052
LIABILITIES				
Accounts payable	\$ 925,651	\$ 557,091	\$ 408,569	\$ 640
Accrued liabilities	-	3,034,570	11,536	-
Customers' deposits	-	-	137,920	-
Accrued interest payable	37,391	-	27,364	-
Due to component unit	1,688,186	-	-	-
Unearned revenue	78,451	-	-	-
Long-term liabilities:				
Due within one year	281,007	553,775	635,262	1,068,775
Due in more than one year	5,530,433	184,591	16,807,676	1,363,664
Total liabilities	\$ 8,541,119	\$ 4,330,027	\$ 18,028,327	\$ 2,433,079
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 9,965,392	\$ -	\$ -	\$ -
Deferred revenue - prepaid taxes	38,904	-	-	-
Total deferred inflows of resources	\$ 10,004,296	\$ -	\$ -	\$ -
NET POSITION				
Net investment in capital assets	\$ 13,953,585	\$ 8,721,332	\$ 39,091,205	\$ 1,937,546
Restricted:				
Imagination library	4,768	-	-	-
Community development	813,394	-	-	-
Cafeteria operations	-	698,928	-	-
Health Insurance	-	2,936,907	-	-
Retirement	-	24,565	-	-
Headstart program	-	35,880	-	-
Coal road expenses	453,475	-	-	-
Debt service	-	-	365,359	-
Unrestricted (deficit)	8,779,327	(191,086)	245,164	2,271,427
Total net position	\$ 24,004,549	\$ 12,226,526	\$ 39,701,728	\$ 4,208,973

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

County of Lee, Virginia
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Changes for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Units		
						School Board	Public Service Authority	Industrial Development Authority
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 1,370,313	\$ 3,707	\$ 256,017	\$ -	\$ (1,110,589)	\$ -	\$ -	\$ -
Judicial administration	1,042,801	9,743	714,399	-	(318,659)	-	-	-
Public safety	4,835,366	137,288	1,783,809	-	(2,914,269)	-	-	-
Public works	2,235,440	186,703	27,219	-	(2,021,518)	-	-	-
Health and welfare	6,878,761	-	5,653,054	-	(1,225,707)	-	-	-
Education	4,214,884	-	-	-	(4,214,884)	-	-	-
Parks, recreation, and cultural	509,961	50,547	-	-	(459,414)	-	-	-
Community development	587,108	-	-	3,000	(584,108)	-	-	-
Interest on long-term debt	215,432	-	-	-	(215,432)	-	-	-
Total governmental activities	\$ 21,890,066	\$ 387,988	\$ 8,434,498	\$ 3,000	\$ (13,064,580)	\$ -	\$ -	\$ -
Total primary government	\$ 21,890,066	\$ 387,988	\$ 8,434,498	\$ 3,000	\$ (13,064,580)	\$ -	\$ -	\$ -
COMPONENT UNIT:								
School Board	\$ 34,204,514	\$ 371,763	\$ 29,309,936	\$ -	\$ -	\$ (4,522,815)	\$ -	\$ -
Public Service Authority	5,558,408	2,898,674	-	369,767	-	-	(2,289,967)	-
Industrial Development Authority	745,572	-	42,520	-	-	-	-	(703,052)
Total component unit	\$ 40,508,494	\$ 3,270,437	\$ 29,352,456	\$ 369,767	\$ -	\$ (4,522,815)	\$ (2,289,967)	\$ (703,052)
General revenues:								
General property taxes					\$ 9,035,889	\$ -	\$ -	\$ -
Other local taxes:								
Local sales and use taxes					1,281,559	-	-	-
Consumer's utility taxes					441,369	-	-	-
Coal severance taxes					4,058	-	-	-
Motor vehicle licenses					565,798	-	-	-
Other local taxes					117,601	-	-	-
Unrestricted revenues from use of money and property					83,584	7,609	623	1,349
Miscellaneous					56,059	517,428	3,554	-
Contributions from Lee County					-	4,195,274	-	-
Grants and contributions not restricted to specific programs					1,677,730	-	-	18,070
Gain (loss) on disposal of capital assets					8,365	-	-	-
Total general revenues					\$ 13,272,012	\$ 4,720,311	\$ 4,177	\$ 19,419
Change in net position					\$ 207,432	\$ 197,496	\$ (2,285,790)	\$ (683,633)
Net position - beginning					\$ 23,797,117	\$ 12,029,030	\$ 41,987,518	\$ 4,892,606
Net position - ending					\$ 24,004,549	\$ 12,226,526	\$ 39,701,728	\$ 4,208,973

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

County of Lee, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2014

	<u>General</u>	<u>Airport Project</u>	<u>County Capital Improvements</u>	<u>Nonmajor- Coal Road Improvement</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 9,666,444	\$ 352,516	\$ 9,917	\$ 452,863	\$ 10,481,740
Receivables (net of allowance for uncollectibles):					
Taxes receivable	11,399,943	-	-	-	11,399,943
Accounts receivable	322,796	-	-	612	323,408
Due from other governmental units	1,428,391	-	-	-	1,428,391
Total assets	<u>\$ 22,817,574</u>	<u>\$ 352,516</u>	<u>\$ 9,917</u>	<u>\$ 453,475</u>	<u>\$ 23,633,482</u>
LIABILITIES					
Accounts payable	\$ 560,351	\$ 365,300	\$ -	\$ -	\$ 925,651
Due to component unit	1,688,186	-	-	-	1,688,186
Unearned revenue	78,451	-	-	-	78,451
Total liabilities	<u>\$ 2,326,988</u>	<u>\$ 365,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,692,288</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 11,225,810	\$ -	\$ -	\$ -	\$ 11,225,810
Unavailable revenue - prepaid taxes	38,904	-	-	-	38,904
Unavailable revenue - tipping fees	8,678	-	-	-	8,678
Total deferred inflows of resources	<u>\$ 11,273,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,273,392</u>
FUND BALANCES					
Restricted:					
Coal road expenses	\$ -	\$ -	\$ -	\$ 453,475	\$ 453,475
Community development	813,394	-	-	-	813,394
Imagination library	4,768	-	-	-	4,768
Assigned:					
Capital projects funds	-	-	9,917	-	9,917
Unassigned	8,399,032	(12,784)	-	-	8,386,248
Total fund balances	<u>\$ 9,217,194</u>	<u>\$ (12,784)</u>	<u>\$ 9,917</u>	<u>\$ 453,475</u>	<u>\$ 9,667,802</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,817,574</u>	<u>\$ 352,516</u>	<u>\$ 9,917</u>	<u>\$ 453,475</u>	<u>\$ 23,633,482</u>

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

County of Lee, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
As of June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	9,667,802
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	862,492	
Buildings and improvements		16,338,492	
Machinery and equipment		1,661,872	
Construction in progress		53,626	
		18,916,482	18,916,482

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unearned revenue - tipping fees	\$	8,678	
Unavailable revenue - property taxes		1,260,418	
		1,269,096	1,269,096

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$	(3,470,000)	
Unamortized bond premium		(253,136)	
Capital leases		(1,239,761)	
Accrued interest payable		(37,391)	
Landfill closure and postclosure liability		(22,149)	
Compensated absences		(548,376)	
Net OPEB obligation		(278,018)	(5,848,831)

Net position of governmental activities	\$	24,004,549
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The notes to the financial statements are an integral part of this statement.

County of Lee, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	Airport Project	County Capital Improvements	Nonmajor- Coal Road Improvement	Total
REVENUES					
General property taxes	\$ 8,903,972	\$ -	\$ -	\$ -	\$ 8,903,972
Other local taxes	2,406,327	-	-	4,058	2,410,385
Permits, privilege fees, and regulatory licenses	36,071	-	-	-	36,071
Fines and forfeitures	3,784	-	-	-	3,784
Revenue from the use of money and property	82,616	-	-	968	83,584
Charges for services	344,865	-	-	-	344,865
Miscellaneous	56,059	-	-	-	56,059
Recovered costs	261,505	-	-	-	261,505
Intergovernmental:					
Commonwealth	6,910,861	-	-	-	6,910,861
Federal	3,204,367	-	-	-	3,204,367
Total revenues	\$ 22,210,427	\$ -	\$ -	5,026	\$ 22,215,453
EXPENDITURES					
Current:					
General government administration	\$ 1,397,440	\$ -	\$ -	\$ -	\$ 1,397,440
Judicial administration	1,043,375	-	-	-	1,043,375
Public safety	4,752,870	-	-	-	4,752,870
Public works	1,939,521	-	-	2,191	1,941,712
Health and welfare	7,013,740	-	-	-	7,013,740
Education	4,166,122	-	-	-	4,166,122
Parks, recreation, and cultural	309,377	-	-	-	309,377
Community development	463,198	-	-	-	463,198
Nondepartmental	19,114	-	-	-	19,114
Capital projects	154,910	75,455	-	-	230,365
Debt service:					
Principal retirement	349,153	-	-	-	349,153
Interest and other fiscal charges	225,705	-	-	-	225,705
Total expenditures	\$ 21,834,525	\$ 75,455	\$ -	\$ 2,191	\$ 21,912,171
Excess (deficiency) of revenues over (under) expenditures	\$ 375,902	\$ (75,455)	\$ -	\$ 2,835	\$ 303,282
OTHER FINANCING SOURCES (USES)					
Issuance of capital leases	\$ 268,218	\$ -	\$ -	\$ -	\$ 268,218
Total other financing sources (uses)	\$ 268,218	\$ -	\$ -	\$ -	\$ 268,218
Net change in fund balances	\$ 644,120	\$ (75,455)	\$ -	\$ 2,835	\$ 571,500
Fund balances - beginning	8,573,074	62,671	9,917	450,640	9,096,302
Fund balances - ending	\$ 9,217,194	\$ (12,784)	\$ 9,917	\$ 453,475	\$ 9,667,802

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

County of Lee, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds		\$ 571,500
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.		
Capital outlays	\$ 496,030	
Depreciation expenses	<u>(1,033,623)</u>	(537,593)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		
		(15,009)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		135,185
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred:		
Issuance of capital leases	\$ (268,218)	
Increase in landfill closure and postclosure liability	(306)	
Principal repayments:		
General obligation bonds	100,000	
Premium amortization	1,953	
Capital leases	<u>249,153</u>	82,582
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Decrease (increase) in compensated absences	\$ 13,866	
Decrease (increase) in accrued interest payable	8,320	
(Increase) decrease in net OPEB obligation	<u>(51,419)</u>	(29,233)
Change in net position of governmental activities		<u>\$ 207,432</u>

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

County of Lee, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2014

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 93,967
Total assets	<u>\$ 93,967</u>
LIABILITIES	
Amounts held for Social Services clients	\$ 93,967
Total liabilities	<u>\$ 93,967</u>

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

County of Lee, Virginia

Notes to Financial Statements For The Year Ended June 30, 2014

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Lee, Virginia is a political subdivision governed by an elected five-member Board of Supervisors. The accompanying financial statements present the 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units- The component unit columns in the financial statements include the financial data of the County's discretely presented component units. The component units are reported in separate columns to emphasize that they are legally separate from the County.

The Lee County School Board operates the elementary and secondary public schools in the County. School Board members are elected by popular vote. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type and does not issue a separate financial statement.

The Lee County Public Service Authority provides water and sewer service to residents of Lee County. The County provides support to the Authority and appoints all of the Authority's Board members. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 830, Jonesville, VA 24263.

The Lee County Industrial Development Authority (IDA) encourages and provides financing for industrial development in the County. The Industrial Development Authority board members are appointed by the Board of Supervisors. The Industrial Development Authority is fiscally dependent upon the County because the County provides significant funding and approves all debt issuances. In addition, the IDA does not have separate taxing powers. As such, the Authority is considered a component unit of the County. The Authority issues separate financial statements that may be obtained by writing to P.O. Box 912, Jonesville, VA 24263.

Related Organizations - The County Board appoints board members to outside organizations, but the County's accountability for these organizations does not extend beyond making the appointments.

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 1-Summary of Significant Accounting Policies: (continued)

A. Financial Reporting Entity (continued)

Jointly Governed Organizations:

The County and other localities participate in supporting the Lonesome Pine Regional Library. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2014, the County contributed \$222,084 to the Library.

The County and the Counties of Wise and Scott and the City of Norton participate in supporting the Planning District I Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2014, the County contributed \$94,500 to the Community Services Board.

The County, along with a number of other localities, participates in supporting the Southwest Virginia Regional Jail Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2014, the County paid \$1,410,607 to the Authority for inmate per diem charges.

The County and other localities participate in supporting the Appalachian Juvenile Commission. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. For the fiscal year ended June 30, 2014, the County contributed \$152,856 to the Commission.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the legally separate *component units* for which the primary government is financially accountable.

The statement of net position is designed to display the financial position of the primary government (governmental activities) and its discretely presented component units. Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Note 1-Summary of Significant Accounting Policies: (continued)

B. Government-wide and fund financial statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

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 one way or another 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. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

C. Measurement focus, basis of accounting, and financial statement presentation

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

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which 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.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

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

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

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.

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The County reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts and reports for all financial resources of the general government, except those required to be accounted for in other funds. The general fund includes the activities of the Virginia Public Assistance, Juror, Garage, Debt Service and Comprehensive Services Act Trust Funds.

The County Capital Improvements and Airport Project funds are reported as major *capital projects funds*. Both funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital facilities.

The County reports the following nonmajor governmental fund:

The Coal Road Improvement fund is reported as the County's only nonmajor *special revenue fund*. Special Revenue Funds account for the proceeds of specific revenue sources (other than those dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Additionally, the County reports the following fund types:

Fiduciary funds (trust and agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. The Special Welfare Fund is reported as an agency fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance

1. Cash and cash equivalents

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

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act").

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, if any, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of December 6th. Real estate taxes are payable on December 5th. Personal property taxes are due and collectible annually on December 5th. The County bills and collects its own property taxes.

4. 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 amounted to approximately \$410,484 at June 30, 2014 and is comprised solely of property taxes.

5. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (continued)

6. Prepaid items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

7. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20-30
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

8. Compensated absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The County accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (continued)

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

9. Fund equity

The County reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The County of Lee, Virginia evaluated its funds at June 30, 2014 and classified fund balance into the following five categories:

Nonspendable -items that cannot be spent because they are not in spendable form, such as prepaid items and inventory or are required to be maintained intact (corpus of a permanent fund).

Restricted -items that are restricted by external parties such as creditors or imposed by grants, law or legislation

Committed -items that have been committed, modified, or rescinded by formal action by the entity's "highest level of decision-making authority"; which the County of Lee, Virginia considers to be the Board of Supervisors.

Assigned -items that have been allocated by committee action where the government's intent is to use the funds for a specific purpose. The County of Lee, Virginia considers this level of authority to be the Board of Supervisors or any Committee granted such authority by the Board of Supervisors.

Unassigned -this category is for any balances that have no restrictions placed upon them; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the County of Lee, Virginia's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources and net position/fund balance (continued)

10. Net position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

11. Net Position Flow Assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditures) until then. At June 30, 2014, the County does not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to April 1st, 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 and capital budget includes proposed expenditures and the means of financing them. All non-fiduciary funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the departmental level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the General Capital Projects Funds. The School Operating Fund is integrated only at the level of legal adoption.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

B. Excess of expenditures over appropriations

For fiscal year 2014, no department expenditures exceeded appropriations.

C. Deficit fund equity

At June 30, 2014, the Airport Projects fund had a deficit fund balance of (\$12,784).

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County of Lee, Virginia

Notes to Financial Statements (continued) As of June 30, 2014

Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize 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).

For the year ended June 30, 2014, neither the County nor its Component Unit-School Board had any investments.

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	Primary Government	Component Unit School Board
<u>Commonwealth of Virginia:</u>		
Sales tax	\$ -	\$ 604,725
Other local taxes	71,355	-
Categorical aid-shared expenses	199,530	-
Noncategorical aid	128,685	-
Virginia public assistance funds	179,585	-
Other categorical aid	18,877	-
<u>Federal Government:</u>		
Categorical aid	623,677	-
Prison funds	181,292	-
School grants	-	1,533,525
<u>Regional Jail:</u>		
Refund of contributions	25,390	-
Totals	\$ 1,428,391	\$ 2,138,250

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 5-Interfund/Component-Unit Obligations:

Component unit obligations at June 30, 2014 consisted of the following:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ -	\$ 1,688,186
Component Unit:		
School Board:		
School Operating Fund	1,688,186	-

There were no interfund transfers or remaining balances for the year ended June 30, 2014.

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Obligations:

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2014</u>
General obligation bonds	\$ 3,570,000	\$ -	\$ (100,000)	\$ 3,470,000
Premium on general obligation bond	255,089	-	(1,953)	253,136
Net OPEB obligation	226,599	65,019	(13,600)	278,018
Capital leases	1,220,696	268,218	(249,153)	1,239,761
Landfill closure and post closure liability	21,843	306	-	22,149
Compensated absences	562,242	407,816	(421,682)	548,376
Total	\$ 5,856,469	\$ 741,359	\$ (786,388)	\$ 5,811,440

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County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Obligations: (continued)

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 40,000	\$ 116,164
2016	105,000	153,023
2017	110,000	148,899
2018	115,000	144,208
2019	120,000	139,258
2020-2024	695,000	601,493
2025-2029	875,000	408,758
2030-2034	1,095,000	195,438
2035-2039	315,000	24,125
Totals	\$ 3,470,000	\$ 1,931,366

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County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 6-Long-term Obligations: (continued)

Details of long-term obligations:

	Total Amount	Amount Due Within One Year
General Obligation Bonds:		
\$1,850,000 VML-VACo general obligation bond issued July 2006 maturing semi-annually in principal installments varying from \$25,000 to \$110,000. Interest is payable semi-annually at rates varying from 3.65% to 5.00% through 2036.	\$ 1,610,000	\$ 40,000
\$1,920,000 VPSA general obligation bond issued May 2013 maturing annually in principal installments varying from \$60,000 to \$140,000. Interest is payable annually at rates varying from and interest installments 3.05% to 5.05% through 2034.	1,860,000	-
Subtotal	\$ 3,470,000	\$ 40,000
Plus: Premium on general obligation bond	253,136	-
Total General Obligation Bonds	\$ 3,723,136	\$ 40,000
Other Obligations:		
Capital Leases (Note 14)	\$ 1,239,761	\$ 241,007
Landfill Closure and Postclosure Liability	22,149	-
Net OPEB Obligation (Note 15)	278,018	-
Compensated Absences	548,376	-
Total Other Obligations	\$ 2,088,304	\$ 241,007
Total Long-Term Obligations	\$ 5,811,440	\$ 281,007

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County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 6-Long-term Obligations: (continued)

Discretely Presented Component Unit-School Board-Obligations:

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2014.

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Compensated absences	\$ 902,174	\$ 512,823	\$ (676,631)	\$ 738,366

Details of long-term obligations:

	<u>Total</u> <u>Amount</u>	<u>Amount Due</u> <u>Within One Year</u>
Other Obligations:		
Compensated absences	\$ 738,366	\$ 553,775

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Note 7-Pension Plan:

A. Plan Description

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

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

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

VRS – PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

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

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

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age** - Age 65.

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

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

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

- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

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

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

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

- 15. Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (Continued)

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

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

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

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

VRS – PLAN 2

- 1. Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 2. Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
- 3. Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

- 4. Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
- 5. Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
- 6. Vesting** - Same as VRS Plan 1–Refer to Section 6.
- 7. Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
- 8. Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
- 9. Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
- 10. Normal Retirement Age** - Normal Social Security retirement age.
- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
- 12. Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
- 14. Eligibility** - Same as VRS Plan 1–Refer to Section 14.
- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (Continued)

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

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

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

- 17. Purchase of Prior Service** - Same as VRS Plan 1–Refer to Section 17.

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
 - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
 - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
- State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

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

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

5. Creditable Service

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

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

6. Vesting

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

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

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

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

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

Distribution is not required by law until age 70½.

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

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

- 8. Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. Service Retirement Multiplier** - The retirement multiplier is 1.0%.

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

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. Earliest Unreduced Retirement Eligibility

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

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. Earliest Reduced Retirement Eligibility

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

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 7-Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

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

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

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

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

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

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 7-Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are 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 and School Board's contribution rates for the fiscal year ended 2014 were 12.01% and 24.83% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,984,637, \$2,103,701, and \$1,213,014, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013, and 2012, respectively and these contributions represented 11.66%, 11.66%, and 6.33% for 2014, 2013, and 2012, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the County's annual pension cost of \$574,349 and \$412,508 was equal to the County's and School Board's required and actual contributions for the County and the School Board Non-Professionals, respectively.

	Fiscal Year Ending (1)	Three-Year Trend Information			
		Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
Primary Government:					
County	6/30/2014	\$ 574,349	100.00%	\$ -	
	6/30/2013	550,634	100.00%	-	
	6/30/2012	371,630	100.00%	-	
Discretely Presented-Component Unit:					
School Board Non-Professional	6/30/2014	\$ 412,508	100.00%	\$ -	
	6/30/2013	404,244	100.00%	-	
	6/30/2012	431,814	100.00%	-	

¹ Employer portion only

Note 7-Pension Plan: (Continued)

C. Annual Pension Cost (Continued)

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

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 76.11% funded. The actuarial accrued liability for benefits was \$24,898,807, and the actuarial value of assets was \$18,951,371, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,947,436. The covered payroll (annual payroll of active employees covered by the plan) was \$4,591,655 and ratio of the UAAL to the covered payroll was 129.53%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 49.75% funded. The actuarial accrued liability for benefits was \$13,774,664, and the actuarial value of assets was \$6,853,068, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,921,596. The covered payroll (annual payroll of active employees covered by the plan) was \$1,655,082 and ratio of the UAAL to the covered payroll was 418.20%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) 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.

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County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 8-Capital Assets:

Capital asset activity for the year ended June 30, 2014 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 862,492	\$ -	\$ -	\$ 862,492
Construction in progress	1,205,452	78,183	(1,230,009)	53,626
Total capital assets not being depreciated	<u>\$ 2,067,944</u>	<u>\$ 78,183</u>	<u>\$ (1,230,009)</u>	<u>\$ 916,118</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 23,504,243	\$ 433,698	\$ -	\$ 23,937,941
Machinery and equipment	2,624,197	1,214,158	(109,936)	3,728,419
Total capital assets being depreciated	<u>\$ 26,128,440</u>	<u>\$ 1,647,856</u>	<u>\$ (109,936)</u>	<u>\$ 27,666,360</u>
Accumulated depreciation:				
Buildings and improvements	\$ (6,878,755)	\$ (720,694)	\$ -	\$ (7,599,449)
Machinery and equipment	(1,848,545)	(312,929)	94,927	(2,066,547)
Total accumulated depreciation	<u>\$ (8,727,300)</u>	<u>\$ (1,033,623)</u>	<u>\$ 94,927</u>	<u>\$ (9,665,996)</u>
Total capital assets being depreciated, net	<u>\$ 17,401,140</u>	<u>\$ 614,233</u>	<u>\$ (15,009)</u>	<u>\$ 18,000,364</u>
Governmental activities capital assets, net	<u>\$ 19,469,084</u>	<u>\$ 692,416</u>	<u>\$ (1,245,018)</u>	<u>\$ 18,916,482</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government administration	\$ 19,370
Public safety	167,318
Public works	509,298
Health and welfare	102,076
Education	48,762
Parks, recreation, and culture	186,799
Total depreciation expense-primary government	<u>\$ 1,033,623</u>

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 8-Capital Assets: (continued)

Capital asset activity for the School Board for the year ended June 30, 2014 was as follows:

Discretely Presented Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 483,166	\$ -	\$ -	\$ 483,166
Construction in progress	24,389	608,786	(633,175)	-
Total capital assets not being depreciated	<u>\$ 507,555</u>	<u>\$ 608,786</u>	<u>\$ (633,175)</u>	<u>\$ 483,166</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 19,646,208	\$ 687,834	\$ -	\$ 20,334,042
Machinery and equipment	6,299,154	297,508	(14,500)	6,582,162
Total capital assets being depreciated	<u>\$ 25,945,362</u>	<u>\$ 985,342</u>	<u>\$ (14,500)</u>	<u>\$ 26,916,204</u>
Accumulated depreciation:				
Buildings and improvements	\$ (12,495,066)	\$ (455,126)	\$ -	\$ (12,950,192)
Machinery and equipment	(5,474,785)	(267,561)	14,500	(5,727,846)
Total accumulated depreciation	<u>\$ (17,969,851)</u>	<u>\$ (722,687)</u>	<u>\$ 14,500</u>	<u>\$ (18,678,038)</u>
Total capital assets being depreciated, net	<u>\$ 7,975,511</u>	<u>\$ 262,655</u>	<u>\$ -</u>	<u>\$ 8,238,166</u>
Governmental activities capital assets, net	<u><u>\$ 8,483,066</u></u>	<u><u>\$ 871,441</u></u>	<u><u>\$ (633,175)</u></u>	<u><u>\$ 8,721,332</u></u>

All depreciation above was charged to the education function of the Component-unit School Board.

Note 9-Risk Management:

The County and its component unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County and its component unit - School Board participate with other localities in a public entity risk pool for their coverage of building, crime, general liability and auto insurance with the Virginia Association of Counties Risk Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County and its component unit - School Board remit contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its component unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 10-Commitments and Contingencies:

Contingencies

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

A previous litigation involving a contractor on the County's airport construction was decided by the Court in early 2015. The Court awarded \$365,300.10 to the contractor for the final payment of the original contract and this amount is reported in the financial statements as a liability on the County's Airport Fund. The County expects to receive 98% of this expense back through VDOAV and FAA grants. The County also plans to request reimbursement for previously paid attorney fees of approximately \$105,000.

Loans Receivable

As of June 30, 2014, the County had issued loans to a number of community companies, as approved by the Lee County Industrial Development Authority. Due to the nature of the companies, the County is unsure of the collectability of these loans and, as such, has not recorded the loan amounts as receivables. The loan receivable balances at June 30, 2014 are as follows:

	<u>Loan Amount</u>	<u>Interest Rate</u>
\$	65,000	2.00%
	15,000	3.00%
	35,000	3.00%

Note 11-Surety Bonds:

Primary Government:

<u>Travelers Casualty and Surety Company of America</u>	
Rene Lamey, Clerk of the Circuit Court	\$ 500,000
Rita McCann, Treasurer	400,000
Christopher Jones, Commissioner of the Revenue	3,000
Gary Parsons, Sheriff	30,000

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 12-Landfill Closure and Postclosure Liability:

State and federal laws and regulations required the County to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for ten years after closure. The County has closed its landfill. The \$22,149 liability is the total estimated post closure care liability at June 30, 2014 and represents what it would cost to perform all postclosure care in 2014. Actual costs for postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia's financial assurance mechanism to meet the Department of Environmental Quality's assurance requirements for landfill post-closure costs.

The County demonstrated financial assurance requirements for closure, postclosure care, and corrective action costs through the submission of a Local Governmental Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 13-Unavailable/Unearned Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue totaling \$11,280,472 is comprised of the following:

Prepaid Property Taxes - Property taxes due after June 30, 2014, but paid in advance by the taxpayers totaled \$38,904 at June 30, 2014.

Unavailable Property Taxes - Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$11,225,810.

Unavailable Tipping Fees - Revenue earned but unavailable to fund current expenditures totaled \$8,678 at year end. This revenue consists of garbage billings outstanding that were not received within 60 days of year end, and therefore are deferred in the fund basis financial statements.

Unearned revenue represents amounts for which resources are received in advance of charges for services being earned or in advance of any eligibility requirement other than a time requirement. Unearned revenue of \$94,209 is comprised of the following:

Unearned Sheriff Grants - Unearned revenue representing amounts not available for funding of current expenditures totaled \$78,451.

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County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 14-Capital Leases:

Primary Government:

The County has entered into lease agreements to finance the acquisition of the following equipment: five 2013 and four 2014 Chevy Impalas for the Sheriff's department, a 2014 Freightliner Dump Truck, and a 2014 Kenworth Grapple Truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the date of inception.

The School Board has issued a lease purchase agreement to pay for supplies and non-capitalized energy management equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception.

The capital assets acquired through capital leases are as follows:

	Governmental Activities
Capital Assets:	
Vehicles	\$ 357,888
Less: Accumulated depreciation	(63,193)
	<hr/>
Total net capital assets	\$ 294,695

Note: Assets acquired through the School Board lease were not capitalized based on the School Board's asset capitalization policy.

Annual requirements to amortize lease agreements and related interest are as follows:

Fiscal Year Ended	Vehicle Lease	Energy Savings Lease	Total
2015	\$ 116,828	\$ 178,844	\$ 295,672
2016	76,857	178,844	255,701
2017	76,857	178,844	255,701
2018	-	178,844	178,844
2019	-	178,844	178,844
2020-2024	-	272,377	272,377
Total minimum lease payments	\$ 270,542	\$ 1,166,597	\$ 1,437,139
Less: amount representing interest	(16,832)	(180,546)	(197,378)
Present value of minimum lease payments	\$ 253,710	\$ 986,051	\$ 1,239,761

Note 15-Other Postemployment Benefits - Health Insurance:

From an accrual accounting perspective, the cost of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45, the County recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

The County of Lee, Lee County School Board and the Lee County Department of Social Services administer single-employer healthcare plans ("the Plans"). The Plans provides for participation by eligible retirees and their dependents in the health insurance programs available to employees. The Plans will provide retiring employees the option to continue health insurance offered by the respective entities. To be eligible, the employee must meet the age and service criteria as set forth below.

<u>Organization</u>	<u>Eligibility Requirements</u>
County	Age 50 with 10 years of service or age 55 with 5 years of service
School Board	Age 50 with 20 years of service or age 65 with 5 years of service
Social Services Department	Age 50 with 10 years of service or age 55 with 5 years of service

The benefits, employee contributions, and the employer contributions are governed by the County, School Board or Social Services Board and can be amended through Board action. The Plans do not issue publicly available financial reports.

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County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

B. Funding Policy

Primary Government - County

The County of Lee, Virginia currently pays for post-retirement health care benefits on a pay-as-you-go basis. The County of Lee, Virginia currently has 84 employees that are eligible for the program. In addition, for retirees of the County of Lee, Virginia, 100 percent of premiums are the responsibility of the retiree. The rates were as follows at June 30, 2014:

Participants	Anthem PPO	Advantage 65
Employee	\$ 568.00	\$ 190.00
Employee / Spouse	1,051.00	380.00
Family	1,534.00	N/A

Primary Government - Social Services Department

The Social Services Department currently pays for post-retirement health care benefits on a pay-as-you-go basis. The Department has 44 active employees who are eligible for the program. In addition, for retirees of the Department, 100 percent of the premiums are the responsibility of the retiree. The rates were as follows at June 30, 2014:

Participants	Anthem PPO	Advantage 65
Employee	\$ 600.00	\$ 190.00
Employee / Spouse	1,110.00	380.00
Family	1,620.00	N/A

Discretely Presented Component Unit - School Board:

The School Board currently pays for post-retirement health care benefits on a pay-as-you-go basis. The School Board currently has 562 active employees who are eligible for the program. In addition, for retirees of the School Board, 100 percent of the premiums are the responsibility of the retiree. The rates were as follows at June 30, 2014:

Participants	Anthem PPO	United Healthcare HMO
Employee	\$ 561.75	\$ 426.94
Employee / Spouse	1,066.80	N/A
Employee / Child	708.75	853.88
Family	1,389.15	N/A

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The County is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Primary Government:

The following table shows the components of the County and Social Services Department's annual OPEB costs for the year, the amount actually contributed to the plan, and the changes in the net OPEB obligations:

	County	Social Services	Total
Annual required contribution	\$ 47,000	\$ 16,400	\$ 63,400
Interest on net OPEB obligation	5,568	2,435	8,003
Adjustment to annual required contribution	(3,811)	(2,573)	(6,384)
Annual OPEB cost (expense)	\$ 48,757	\$ 16,262	\$ 65,019
Contributions made	10,300	3,300	13,600
Increase in net OPEB obligation	\$ 38,457	\$ 12,962	\$ 51,419
Net OPEB obligation - beginning of year	157,022	69,577	226,599
Net OPEB obligation - ending of year	\$ 195,479	\$ 82,539	\$ 278,018

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County	6/30/2012	\$ 42,520	16.93%	\$ 128,366
	6/30/2013	40,356	28.99%	157,022
	6/30/2014	48,757	21.13%	195,479
Social Services	6/30/2012	\$ 17,836	7.85%	\$ 56,624
	6/30/2013	16,253	20.30%	69,577
	6/30/2014	16,262	20.29%	82,539

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

Discretely Presented Component Unit - School Board:

The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation:

	School Board
Annual required contribution	\$ 826,400
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	\$ 826,400
Contributions made	826,400
Increase in net OPEB obligation	\$ -
Net OPEB obligation - beginning of year	-
Net OPEB obligation - ending of year	\$ -

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
School Board	6/30/2012	\$ 716,200	100%	\$ -
	6/30/2013	955,700	100%	-
	6/30/2014	826,400	100%	-

D. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

D. Funded Status and Funding Progress (Continued)

Primary Government:

The funded status of the Plan as of June 30, 2014, the most recent actuarial valuation date, was as follows:

	County	Social Services
Actuarial accrued liability (AAL)	\$ 395,400	\$ 161,100
Actuarial value of plan assets	\$ -	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 395,400	\$ 161,100
Funded ratio (actuarial value of plan assets/AAL)	0.00%	0.00%
Covered payroll (active plan members)	\$ 2,973,200	\$ 1,445,900
UAAL as a percentage of covered payroll	13.30%	11.14%

Discretely Presented Component Unit - School Board:

The funded status of the Plan as of June 30, 2013, the most recent actuarial valuation date, was as follows:

	School Board
Actuarial accrued liability (AAL)	\$ 6,916,900
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 6,916,900
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 19,037,000
UAAL as a percentage of covered payroll	36.33%

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County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 15-Other Postemployment Benefits - Health Insurance: (Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Primary Government:

In the June 30, 2014 actuarial valuation, the projected unit credit method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions for the County and Social Services Department included:

	<u>Assumptions</u>
Amortization period	30 years
Investment rate of return	3.50%
Health Care Trend Assumption	Getzen Trend Model 5.90% graded to 4.5% over 68 years
Payroll growth	3.00%

The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2014, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

Discretely Presented Component Unit - School Board:

In the June 30, 2013 actuarial valuation, the projected unit credit method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions for the School Board included:

	<u>Assumptions</u>
Amortization period	9 years
Investment rate of return	3.50%
Health Care Trend Assumption	Getzen Trend Model 7.00% graded to 4.8% over 70 years
Payroll growth	3.00%

The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2013, was 9 years. Amortizations are open ended in that they begin anew at each valuation date.

Note 16- Other Postemployment Benefits - VRS Health Insurance Credit:

Non-Professional Employees - Discretely Presented Component Unit School Board

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the School Board, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 7.

B. Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. Contribution rates were 1.04%, 1.04%, and 1.12%, of annual covered payroll for the years ending June 30, 2014, 2013, and 2012, respectively. The School Board's actual contributions to VRS for the years ending June 30, 2014, 2013, and 2012 were \$16,041, \$16,829, and \$18,594, respectively and equaled the required contributions for each year.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 16- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

For 2014, the School Board's annual contribution of \$16,041 equaled the annual required contribution and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were for 2014 and preceding two years as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 16,041	100%	\$ -
6/30/2013	16,829	100%	-
6/30/2012	18,594	100%	-

D. Funded Status and Funding Progress

The funded status of the Plan as of June 30, 2013 (date of the most recent actuarial valuation), was as follows:

Actuarial accrued liability (AAL)	\$ 290,341
Actuarial value of plan assets	\$ 79,170
Unfunded actuarial accrued liability (UAAL)	\$ 211,171
Funded ratio (actuarial value of plan assets/AAL)	27.27%
Covered payroll (active plan members)	\$ 1,655,082
UAAL as a percentage of covered payroll	12.76%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Note 16- Other Postemployment Benefits - VRS Health Insurance Credit: (Continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial value of the School Board'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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013, most recent actuarial valuation, the entry age normal cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility. The actuarial assumptions included: inflation at 2.5%, payroll growth rate of 3% and investment rate of return at 7.00%. The UAAL is being amortized as a level dollar amount over the remaining amortization period, which at June 30, 2013, was 30 years. Amortizations are open ended in that they begin anew at each valuation date.

F. Professional Employees - Discretely Presented Component Unit School Board

Plan Description

The School Board participates in Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. Contribution rates were 1.11%, 1.11%, and 0.60%, of annual covered payroll for the years ending June 30, 2014, 2013, and 2012, respectively. The School Board's contributions to VRS for the years ending June 30, 2014, 2013, and 2012 were \$165,603, \$200,267, and \$114,978, respectively and equaled the required contributions for each year.

County of Lee, Virginia

Notes to Financial Statements (continued)
As of June 30, 2014

Note 17 - Upcoming Pronouncements:

The Governmental Accounting Standards Board has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The County believes the implementation of Statement No. 68 will significantly impact the County's net position; however, no formal study of estimate of the impact of this standard has been performed.

Required Supplementary Information

County of Lee, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 8,934,776	\$ 8,934,776	\$ 8,903,972	\$ (30,804)
Other local taxes	2,478,900	2,478,900	2,406,327	(72,573)
Permits, privilege fees, and regulatory licenses	27,700	27,700	36,071	8,371
Fines and forfeitures	3,000	3,000	3,784	784
Revenue from the use of money and property	94,136	94,136	82,616	(11,520)
Charges for services	334,112	361,197	344,865	(16,332)
Miscellaneous	47,400	64,526	56,059	(8,467)
Recovered costs	153,500	179,331	261,505	82,174
Intergovernmental:				
Commonwealth	7,343,428	7,516,552	6,910,861	(605,691)
Federal	3,071,159	3,350,726	3,204,367	(146,359)
Total revenues	\$ 22,488,111	\$ 23,010,844	\$ 22,210,427	\$ (800,417)
EXPENDITURES				
Current:				
General government administration	\$ 1,460,569	\$ 1,519,279	\$ 1,397,440	\$ 121,839
Judicial administration	1,083,048	1,098,322	1,043,375	54,947
Public safety	4,457,783	4,785,568	4,752,870	32,698
Public works	1,921,520	1,932,326	1,939,521	(7,195)
Health and welfare	7,626,027	7,741,027	7,013,740	727,287
Education	4,245,612	4,957,612	4,166,122	791,490
Parks, recreation, and cultural	355,255	370,023	309,377	60,646
Community development	354,420	507,012	463,198	43,814
Nondepartmental	50,000	50,000	19,114	30,886
Capital projects	1,940,000	1,940,000	154,910	1,785,090
Debt service:				
Principal retirement	418,172	418,172	349,153	69,019
Interest and other fiscal charges	225,705	225,705	225,705	-
Total expenditures	\$ 24,138,111	\$ 25,545,046	\$ 21,834,525	\$ 3,710,521
Excess (deficiency) of revenues over (under) expenditures	\$ (1,650,000)	\$ (2,534,202)	\$ 375,902	\$ 2,910,104
OTHER FINANCING SOURCES (USES)				
Issuance of general obligation bonds	\$ 1,300,000	\$ 1,300,000	\$ -	\$ (1,300,000)
Issuance of capital leases	-	-	268,218	268,218
Total other financing sources (uses)	\$ 1,300,000	\$ 1,300,000	\$ 268,218	\$ (1,031,782)
Net change in fund balances	\$ (350,000)	\$ (1,234,202)	\$ 644,120	\$ 1,878,322
Fund balances - beginning	350,000	1,234,202	8,573,074	7,338,872
Fund balances - ending	\$ -	\$ -	\$ 9,217,194	\$ 9,217,194

County of Lee, Virginia
Schedule of Pension and OPEB Funding Progress
For the Year Ended June 30, 2014

Primary Government: County Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 18,951,371	\$ 24,898,807	\$ 5,947,436	76.11%	\$ 4,591,655	129.53%
June 30, 2012	18,385,310	24,981,449	6,596,139	73.60%	4,528,222	145.67%
June 30, 2011	18,760,496	24,541,699	5,781,203	76.44%	4,535,674	127.46%

Primary Government: County Retirees Medical Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ -	\$ 395,400	\$ 395,400	0.00%	\$ 2,973,200	13.30%
June 30, 2011	-	373,900	373,900	0.00%	2,539,000	14.73%
June 30, 2009	-	365,700	365,700	0.00%	2,536,500	14.42%

Primary Government: Social Services Retirees Medical Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2014	\$ -	\$ 161,100	\$ 161,100	0.00%	\$ 1,445,900	11.14%
June 30, 2011	-	167,800	167,800	0.00%	1,687,900	9.94%
June 30, 2009	-	155,100	155,100	0.00%	1,627,400	9.53%

Discretely Presented Component Unit:School Board Non-Professional Retirement Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 6,853,068	\$ 13,774,664	\$ 6,921,596	49.75%	\$ 1,655,082	418.20%
June 30, 2012	6,879,775	13,531,220	6,651,445	50.84%	1,667,649	398.85%
June 30, 2011	7,047,675	13,235,783	6,188,108	53.25%	1,771,327	349.35%

School Board Non-Professional Health Insurance Credit

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ 79,170	\$ 290,341	\$ 211,171	27.27%	\$ 1,655,082	12.76%
June 30, 2012	28,188	280,995	252,807	10.03%	1,667,649	15.16%
June 30, 2011	31,511	270,581	239,070	11.65%	1,771,327	13.50%

School Board Retirees Medical Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2013	\$ -	\$ 6,916,900	\$ 6,916,900	0.00%	\$ 19,037,000	36.33%
June 30, 2011	-	3,855,500	3,855,500	0.00%	22,697,700	16.99%
June 30, 2009	-	4,369,500	4,369,500	0.00%	22,916,800	19.07%

Other Supplementary Information

County of Lee, Virginia
 Capital Projects Fund - Airport Project
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2014

	Airport Project Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital projects	\$ -	\$ 36,736	\$ 75,455	\$ (38,719)
Total expenditures	\$ -	\$ 36,736	\$ 75,455	\$ (38,719)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (36,736)	\$ (75,455)	\$ (38,719)
Net change in fund balances	\$ -	\$ (36,736)	\$ (75,455)	\$ (38,719)
Fund balances - beginning	-	36,736	62,671	25,935
Fund balances - ending	\$ -	\$ -	\$ (12,784)	\$ (12,784)

County of Lee, Virginia
 Capital Projects Fund - County Capital Improvements
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2014

	County Capital Improvements Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	9,917	9,917
Fund balances - ending	\$ -	\$ -	\$ 9,917	\$ 9,917

County of Lee, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Fund - Coal Road Improvement
For the Year Ended June 30, 2014

	Coal Road Improvement Fund				
	Budgeted Amounts				Variance with Final Budget Positive (Negative)
	Original	Final	Actual		
REVENUES					
Other local taxes	\$ -	\$ -	\$ 4,058	\$	4,058
Revenue from the use of money and property			968		968
Total revenues	\$ -	\$ -	\$ 5,026	\$	5,026
EXPENDITURES					
Current:					
Public works	\$ -	\$ 2,002	\$ 2,191	\$	(189)
Total expenditures	\$ -	\$ 2,002	\$ 2,191	\$	(189)
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (2,002)	\$ 2,835	\$	4,837
Net change in fund balances	\$ -	\$ (2,002)	\$ 2,835	\$	4,837
Fund balances - beginning		2,002	450,640		448,638
Fund balances - ending	\$ -	\$ -	\$ 453,475	\$	453,475

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

MAJOR GOVERNMENTAL FUNDS

School Operating Fund - The School Operating Fund accounts for the operations of the County's school system. Financing is provided by the State and Federal governments as well as contributions from the General Fund.

County of Lee, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
As of June 30, 2014

	School Operating Fund	School Head Start Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 24,565	\$ 35,880	\$ 60,445
Cash held at school cafeterias	698,928	-	698,928
Receivables (net of allowance for uncollectibles):			
Accounts receivable	103,084	-	103,084
Due from primary government	1,688,186	-	1,688,186
Due from other governmental units	1,712,490	-	1,712,490
Prepaid items	369,879	-	369,879
Total assets	<u>\$ 4,597,132</u>	<u>\$ 35,880</u>	<u>\$ 4,633,012</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 291,789	\$ -	\$ 291,789
Accrued liabilities	3,034,570	-	3,034,570
Total liabilities	<u>\$ 3,326,359</u>	<u>\$ -</u>	<u>\$ 3,326,359</u>
Fund balances:			
Nonspendable	\$ 369,879	\$ -	\$ 369,879
Restricted:			
Head Start program	-	35,880	35,880
Cafeteria operations	698,928	-	698,928
Retirement	24,565	-	24,565
Unassigned	177,401	-	177,401
Total fund balances	<u>\$ 1,270,773</u>	<u>\$ 35,880</u>	<u>\$ 1,306,653</u>
Total liabilities and fund balances	<u>\$ 4,597,132</u>	<u>\$ 35,880</u>	<u>\$ 4,633,012</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total fund balances per above \$ 1,306,653

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 8,721,332

Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. 2,936,907

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.
Compensated absences (738,366)

Net position of governmental activities \$ 12,226,526

County of Lee, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund	School Head Start Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 1,012	\$ -	\$ 1,012
Charges for services	371,763	-	371,763
Miscellaneous	491,119	26,309	517,428
Recovered costs	1,062,582	1,079	1,063,661
Intergovernmental:			
Local government	4,146,512	-	4,146,512
Commonwealth	24,167,429	-	24,167,429
Federal	3,860,109	1,282,398	5,142,507
Total revenues	<u>\$ 34,100,526</u>	<u>\$ 1,309,786</u>	<u>\$ 35,410,312</u>
EXPENDITURES			
Current:			
Education	\$ 33,925,748	\$ 1,294,197	\$ 35,219,945
Total expenditures	<u>\$ 33,925,748</u>	<u>\$ 1,294,197</u>	<u>\$ 35,219,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 174,778</u>	<u>\$ 15,589</u>	<u>\$ 190,367</u>
Net change in fund balances	\$ 174,778	\$ 15,589	\$ 190,367
Fund balances - beginning	1,095,995	20,291	1,116,286
Fund balances - ending	<u>\$ 1,270,773</u>	<u>\$ 35,880</u>	<u>\$ 1,306,653</u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above \$ 190,367

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

Capital outlays	\$ 960,953	
Depreciation expenses	<u>(722,687)</u>	238,266

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Change in compensated absences		163,808
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Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

(394,945)

Change in net position of governmental activities

	<u>\$</u>	<u>197,496</u>
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County of Lee, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2014

	School Operating Fund			School Head Start Fund		
	Budgeted Amounts		Variance with Final Budget Positive (Negative)	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original	Final	Actual	Original	Final	Actual
REVENUES						
Revenue from the use of money and property	\$ -	\$ -	\$ 1,012	\$ -	\$ -	\$ -
Charges for services	51,600	51,600	371,763	-	-	-
Miscellaneous	-	481,511	491,119	-	-	-
Recovered costs	535,000	682,199	1,062,582	-	-	26,309
Intergovernmental:						1,079
Local government	4,561,621	5,273,621	4,146,512	-	-	-
Commonwealth	24,911,580	25,011,580	24,167,429	-	-	-
Federal	3,551,300	3,551,300	3,860,109	1,283,218	1,294,198	1,282,398
Total revenues	\$ 33,611,101	\$ 35,051,811	\$ 34,100,526	\$ 1,283,218	\$ 1,294,198	\$ 1,309,786
						\$ 15,588
EXPENDITURES						
Current:						
Education	\$ 33,611,101	\$ 35,051,811	\$ 33,925,748	\$ 1,283,218	\$ 1,294,198	\$ 1,294,197
Total expenditures	\$ 33,611,101	\$ 35,051,811	\$ 33,925,748	\$ 1,283,218	\$ 1,294,198	\$ 1,294,197
						\$ 1
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 174,778	\$ -	\$ -	\$ 15,589
Net change in fund balances	\$ -	\$ -	\$ 174,778	\$ -	\$ -	\$ 15,589
Fund balances - beginning	-	-	1,095,995	-	-	20,291
Fund balances - ending	\$ -	\$ -	\$ 1,270,773	\$ -	\$ -	\$ 35,880

County of Lee, Virginia
Statement of Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
As of June 30, 2014

	Self- Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,202,209
Total assets	<u>\$ 3,202,209</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 265,302
Total liabilities	<u>\$ 265,302</u>
NET POSITION	
Restricted	\$ 2,936,907
Total net position	<u>\$ 2,936,907</u>

County of Lee, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2014

	Self- Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 3,861,322
Total operating revenues	<u>\$ 3,861,322</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 4,262,864
Total operating expenses	<u>\$ 4,262,864</u>
Operating income (loss)	<u>\$ (401,542)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 6,597
Total nonoperating revenues (expenses)	<u>\$ 6,597</u>
Change in net position	<u>\$ (394,945)</u>
Total net position - beginning	3,331,852
Total net position - ending	<u><u>\$ 2,936,907</u></u>

County of Lee, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - School Board
Internal Service Fund
For the Year Ended June 30, 2014

	Self- Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 3,861,322
Payments for premiums	(4,207,665)
Net cash provided by (used for) operating activities	<u>\$ (346,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 6,597
Net cash provided by (used for) investing activities	<u>\$ 6,597</u>
Net increase (decrease) in cash and cash equivalents	\$ (339,746)
Cash and cash equivalents - beginning	3,541,955
Cash and cash equivalents - ending	<u><u>\$ 3,202,209</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (401,542)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in accounts payable	\$ 55,199
Total adjustments	<u>55,199</u>
Net cash provided by (used for) operating activities	<u><u>\$ (346,343)</u></u>

Supporting Schedules

County of Lee, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,613,476	\$ 5,613,476	\$ 5,695,061	\$ 81,585
Real and personal public service corporation taxes	440,000	440,000	403,424	(36,576)
Personal property taxes	1,596,500	1,596,500	1,591,588	(4,912)
Mobile home taxes	80,300	80,300	86,071	5,771
Machinery and tools taxes	651,500	651,500	569,558	(81,942)
Merchant's capital	78,000	78,000	68,585	(9,415)
Business personal property	225,000	225,000	207,280	(17,720)
Penalties	130,000	130,000	138,933	8,933
Interest	120,000	120,000	143,472	23,472
Total general property taxes	\$ 8,934,776	\$ 8,934,776	\$ 8,903,972	\$ (30,804)
Other local taxes:				
Local sales and use taxes	\$ 1,295,000	\$ 1,295,000	\$ 1,281,559	\$ (13,441)
Consumers' utility and consumption taxes	453,000	453,000	441,369	(11,631)
Coal severance taxes	90,000	90,000	-	(90,000)
Oil and gas severance taxes	8,000	8,000	6,223	(1,777)
Motor vehicle licenses	543,500	543,500	565,798	22,298
Bank stock taxes	28,000	28,000	57,258	29,258
Taxes on recordation and wills	59,000	59,000	52,247	(6,753)
Hotel and motel room taxes	2,100	2,100	1,677	(423)
Amusement tax	300	300	196	(104)
Total other local taxes	\$ 2,478,900	\$ 2,478,900	\$ 2,406,327	\$ (72,573)
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,000	\$ 1,000	\$ 2,011	\$ 1,011
Zoning and subdivision permits	4,200	4,200	4,417	217
Transfer fees	700	700	769	69
Gun permits	2,000	2,000	2,045	45
Contractor's licenses	5,800	5,800	11,991	6,191
Building permits	14,000	14,000	14,838	838
Total permits, privilege fees, and regulatory licenses	\$ 27,700	\$ 27,700	\$ 36,071	\$ 8,371
Fines and forfeitures:				
Court fines and forfeitures	\$ 3,000	\$ 3,000	\$ 3,784	\$ 784
Revenue from use of money and property:				
Revenue from use of money	\$ 38,000	\$ 38,000	\$ 24,993	\$ (13,007)
Revenue from use of property	56,136	56,136	57,623	1,487
Total revenue from use of money and property	\$ 94,136	\$ 94,136	\$ 82,616	\$ (11,520)
Charges for services:				
Excess fees of clerk	\$ 1,800	\$ 1,800	\$ 1,873	\$ 73
Charges for courthouse maintenance	5,500	5,500	6,446	946
Charges for courthouse security	28,000	55,085	36,917	(18,168)
Charges for Commonwealth's Attorney	2,500	2,500	3,182	682
Miscellaneous jail and inmate fees	1,800	1,800	1,983	183
Charges for aviation fuel	63,900	63,900	45,619	(18,281)
Court appointed attorney	-	-	904	904
Charges for sanitation, waste removal and recycling	154,000	154,000	164,913	10,913
Charges for parks and recreation	3,000	3,000	4,928	1,928
Bureau of prisons	62,312	62,312	62,317	5

County of Lee, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Sale of maps, surveys, etc.	\$ 500	\$ 500	\$ 265	\$ (235)
Charges for copies	-	-	1,120	1,120
Garage charges	8,500	8,500	12,076	3,576
Other charges for services	2,300	2,300	2,322	22
Total charges for services	\$ 334,112	\$ 361,197	\$ 344,865	\$ (16,332)
Miscellaneous revenue:				
Miscellaneous	\$ 35,000	\$ 35,000	\$ 15,157	\$ (19,843)
Sale of surplus property	10,000	10,000	-	(10,000)
Restitution	2,400	2,400	3,037	637
Contributions	-	8,100	7,050	(1,050)
Imagination library	-	5,000	20,000	15,000
Surplus proceeds from tax sale	-	-	6,789	6,789
Forfeiture funds	-	4,026	4,026	-
Total miscellaneous revenue	\$ 47,400	\$ 64,526	\$ 56,059	\$ (8,467)
Recovered costs:				
Insurance recovery	\$ 97,500	\$ 123,331	\$ 57,797	\$ (65,534)
Welfare refunds and recoveries	-	-	132,007	132,007
Regional jail	-	-	14,388	14,388
Delinquent tax collection fees	16,500	16,500	4,975	(11,525)
Other recovered costs	39,500	39,500	52,338	12,838
Total recovered costs	\$ 153,500	\$ 179,331	\$ 261,505	\$ 82,174
Total revenue from local sources	\$ 12,073,524	\$ 12,143,566	\$ 12,095,199	\$ (48,367)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 101,000	\$ 101,000	\$ 106,907	\$ 5,907
Mobile home titling tax	85,000	85,000	73,137	(11,863)
Motor vehicle rental tax	1,400	1,400	2,685	1,285
Telecommunications taxes	460,000	460,000	462,907	2,907
Grantor's tax	12,000	12,000	10,286	(1,714)
State recordation tax	25,038	25,038	17,078	(7,960)
Personal property tax relief funds	798,646	798,646	798,646	-
Total noncategorical aid	\$ 1,483,084	\$ 1,483,084	\$ 1,471,646	\$ (11,438)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 377,306	\$ 377,306	\$ 361,100	\$ (16,206)
Sheriff	1,402,203	1,402,203	1,407,385	5,182
Commissioner of revenue	113,039	113,039	110,332	(2,707)
Treasurer	86,709	86,709	86,121	(588)
Registrar/electoral board	40,014	40,014	40,439	425
Clerk of the Circuit Court	293,301	297,751	304,042	6,291
Total shared expenses	\$ 2,312,572	\$ 2,317,022	\$ 2,309,419	\$ (7,603)

County of Lee, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 3 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid:				
Public assistance and welfare administration	\$ 2,257,427	\$ 2,372,427	\$ 2,222,122	\$ (150,305)
Comprehensive services act	839,069	839,069	632,878	(206,191)
Law enforcement grants	-	19,726	19,567	(159)
Litter control grant	10,000	10,000	10,803	803
Fire programs	60,000	60,000	132,589	72,589
Victim-witness grant	49,446	49,446	24,628	(24,818)
Department of Environmental Quality grant	-	10,803	11	(10,792)
Four-for-life payments	20,000	20,000	51,668	31,668
Virginia Department of Transportation litter grant	-	13,840	13,840	-
E-911 wireless grant	12,000	21,305	-	(21,305)
IPR grant	-	-	2,565	2,565
Tobacco indemnification funds	299,830	299,830	-	(299,830)
Other state aid	-	-	19,125	19,125
Total other categorical aid	\$ 3,547,772	\$ 3,716,446	\$ 3,129,796	\$ (586,650)
Total categorical aid	\$ 5,860,344	\$ 6,033,468	\$ 5,439,215	\$ (594,253)
Total revenue from the Commonwealth	\$ 7,343,428	\$ 7,516,552	\$ 6,910,861	\$ (605,691)
Intergovernmental:				
Revenue from the federal government:				
Payments in lieu of taxes	\$ 153,000	\$ 153,000	\$ 206,084	\$ 53,084
Categorical aid:				
Public assistance and welfare administration	\$ 2,742,103	\$ 2,742,103	\$ 2,692,799	\$ (49,304)
Comprehensive services act	140,000	140,000	105,255	(34,745)
Community development block grant	-	30,000	3,000	(27,000)
Sheriff grant	-	216,612	73,986	(142,626)
Edward Byrne Memorial Justice Assistance Grant Program	-	10,825	37,735	26,910
Victim witness grant	-	-	24,629	24,629
State and community highway safety	-	22,130	24,823	2,693
Domestic violence grant	36,056	36,056	36,056	-
Total categorical aid	\$ 2,918,159	\$ 3,197,726	\$ 2,998,283	\$ (199,443)
Total revenue from the federal government	\$ 3,071,159	\$ 3,350,726	\$ 3,204,367	\$ (146,359)
Total General Fund	\$ 22,488,111	\$ 23,010,844	\$ 22,210,427	\$ (800,417)

County of Lee, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 4 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Revenue from local sources:				
Other local taxes:				
Coal road severance taxes	\$ -	\$ -	\$ 4,058	\$ 4,058
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 968	\$ 968
Total revenue from local sources	\$ -	\$ -	\$ 5,026	\$ 5,026
Total Coal Road Improvement Fund	\$ -	\$ -	\$ 5,026	\$ 5,026
Total Primary Government	\$ 22,488,111	\$ 23,010,844	\$ 22,215,453	\$ (795,391)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,012	\$ 1,012
Total revenue from use of money and property	\$ -	\$ -	\$ 1,012	\$ 1,012
Charges for services:				
Charges for education	\$ 1,000	\$ 1,000	\$ 8,831	\$ 7,831
Rent	500	500	-	(500)
Cafeteria sales	-	-	321,983	321,983
Charges for textbooks	100	100	180	80
Payments from other localities	35,000	35,000	25,191	(9,809)
Transportation of pupils	15,000	15,000	15,578	578
Total charges for services	\$ 51,600	\$ 51,600	\$ 371,763	\$ 320,163
Miscellaneous revenue:				
Donations	\$ -	\$ 481,511	\$ 481,511	\$ -
Other miscellaneous	-	-	9,608	9,608
Total miscellaneous revenue	\$ -	\$ 481,511	\$ 491,119	\$ 9,608
Recovered costs:				
JROTC revenues	\$ 105,000	\$ 105,000	\$ 102,443	\$ (2,557)
Medicaid reimbursements	200,000	200,000	427,190	227,190
Insurance reimbursements	-	-	7,900	7,900
E-rate reimbursements	210,000	210,000	198,308	(11,692)
NSF math specialist	-	-	23,520	23,520
Other recovered costs	20,000	167,199	303,221	136,022
Total recovered costs	\$ 535,000	\$ 682,199	\$ 1,062,582	\$ 380,383
Total revenue from local sources	\$ 586,600	\$ 1,215,310	\$ 1,926,476	\$ 711,166
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lee, Virginia	\$ 4,561,621	\$ 5,273,621	\$ 4,146,512	\$ (1,127,109)
Total revenues from local governments	\$ 4,561,621	\$ 5,273,621	\$ 4,146,512	\$ (1,127,109)

County of Lee, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 5 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,665,841	\$ 3,665,841	\$ 3,524,214	\$ (141,627)
Basic school aid	11,602,715	11,602,715	11,886,551	283,836
Supplement	316,418	416,418	320,611	(95,807)
Gifted and talented	118,441	118,441	120,014	1,573
Remedial education	499,513	499,513	506,148	6,635
Special education	2,252,959	2,252,959	2,285,911	32,952
Textbook payment	876,986	876,986	234,106	(642,880)
Vocational standards of quality payments	-	-	7,218	7,218
Vocational adult education	-	-	26,648	26,648
Social security-instructional	857,412	857,412	868,800	11,388
Retirement-instructional	1,641,852	1,641,852	1,660,833	18,981
Group life	54,071	54,071	54,789	718
State lottery payments	58,963	58,963	-	(58,963)
ISAP	6,703	6,703	-	(6,703)
Special education foster children	12,482	12,482	13,157	675
Special education homebound	57,275	57,275	45,656	(11,619)
Early reading intervention	89,320	89,320	112,288	22,968
Career and technology	74,095	74,095	27,364	(46,731)
School food	24,381	24,381	23,811	(570)
Vocational education	857,412	857,412	868,800	11,388
Ged prep program	15,717	15,717	15,717	-
At risk payments	696,980	696,980	706,156	9,176
Alternative education	173,849	173,849	173,849	-
Primary class size	583,944	583,944	607,023	23,079
VPSA technology	304,000	304,000	-	(304,000)
Mentor teacher program	981	981	3,635	2,654
Standards of Learning algebra readiness	67,808	67,808	73,155	5,347
English as a second language	1,462	1,462	975	(487)
Total categorical aid	\$ 24,911,580	\$ 25,011,580	\$ 24,167,429	\$ (844,151)
Total revenue from the Commonwealth	\$ 24,911,580	\$ 25,011,580	\$ 24,167,429	\$ (844,151)
Revenue from the federal government:				
Categorical aid:				
Rural and low income schools	\$ 67,000	\$ 67,000	\$ 70,695	\$ 3,695
Title I	1,364,000	1,364,000	1,560,900	196,900
Title VI-B, special education flow-through	670,000	670,000	575,266	(94,734)
Vocational education	65,000	65,000	75,455	10,455
Title VI-B, special education pre-school	21,300	21,300	26,174	4,874
School food programs	1,075,000	1,075,000	1,288,234	213,234
Forest reserve funds	6,000	6,000	18,648	12,648
Improving teacher quality	283,000	283,000	236,414	(46,586)
USDA grant	-	-	8,323	8,323
Total categorical aid	\$ 3,551,300	\$ 3,551,300	\$ 3,860,109	\$ 308,809
Total revenue from the federal government	\$ 3,551,300	\$ 3,551,300	\$ 3,860,109	\$ 308,809
Total School Operating Fund	\$ 33,611,101	\$ 35,051,811	\$ 34,100,526	\$ (951,285)

County of Lee, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 1
Page 6 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
School Head Start Fund:				
Miscellaneous revenue:				
Contributions	\$ -	\$ -	\$ 9,083	\$ 9,083
Other miscellaneous	-	-	17,226	17,226
Total miscellaneous revenue	\$ -	\$ -	\$ 26,309	\$ 26,309
Recovered costs:				
Other recovered costs	\$ -	\$ -	\$ 1,079	\$ 1,079
Total revenue from local sources	\$ -	\$ -	\$ 27,388	\$ 27,388
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Head Start	\$ 1,283,218	\$ 1,294,198	\$ 1,150,407	\$ (143,791)
USDA	-	-	131,991	131,991
Total categorical aid	\$ 1,283,218	\$ 1,294,198	\$ 1,282,398	\$ (11,800)
Total revenue from the federal government	\$ 1,283,218	\$ 1,294,198	\$ 1,282,398	\$ (11,800)
Total School Head Start Fund	\$ 1,283,218	\$ 1,294,198	\$ 1,309,786	\$ 15,588
Total Discretely Presented Component Unit - School Board	\$ 34,894,319	\$ 36,346,009	\$ 35,410,312	\$ (935,697)

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 1 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 137,992	\$ 140,871	\$ 120,583	\$ 20,288
Housing authority	3,000	3,000	2,500	500
RADA	1,938	1,938	969	969
Total legislative	\$ 142,930	\$ 145,809	\$ 124,052	\$ 21,757
General and financial administration:				
County administrator	\$ 130,505	\$ 130,505	\$ 128,116	\$ 2,389
Audit services	63,500	63,500	69,195	(5,695)
Legal services	33,643	33,643	31,272	2,371
Commissioner of revenue	336,753	336,753	312,492	24,261
Central purchasing	27,823	27,823	27,733	90
Treasurer	265,126	265,126	260,966	4,160
Delinquent tax collections	33,500	33,500	29,549	3,951
Central accounting	54,115	54,115	53,654	461
Central garage	131,863	157,694	158,366	(672)
Data processing	57,278	57,278	55,443	1,835
Planning study	-	30,000	3,000	27,000
Total general and financial administration	\$ 1,134,106	\$ 1,189,937	\$ 1,129,786	\$ 60,151
Board of elections:				
Electoral board and officials	\$ 71,628	\$ 71,628	\$ 34,483	\$ 37,145
Registrar	111,905	111,905	109,119	2,786
Total board of elections	\$ 183,533	\$ 183,533	\$ 143,602	\$ 39,931
Total general government administration	\$ 1,460,569	\$ 1,519,279	\$ 1,397,440	\$ 121,839
Judicial administration:				
Courts:				
Circuit court	\$ 12,934	\$ 12,934	\$ 11,825	\$ 1,109
General district court	3,475	3,475	2,557	918
Clerk of the circuit court	421,254	425,704	400,682	25,022
Juvenile and domestic relations court	157,412	157,412	157,340	72
Victim and witness assistance	49,446	49,446	49,255	191
Special magistrates	2,056	2,056	1,848	208
Total courts	\$ 646,577	\$ 651,027	\$ 623,507	\$ 27,520
Commonwealth's attorney:				
Commonwealth's attorney	\$ 436,471	\$ 447,295	\$ 419,868	\$ 27,427
Total commonwealth's attorney	\$ 436,471	\$ 447,295	\$ 419,868	\$ 27,427
Total judicial administration	\$ 1,083,048	\$ 1,098,322	\$ 1,043,375	\$ 54,947

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 2 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 2,059,044	\$ 2,271,264	\$ 2,315,828	\$ (44,564)
Domestic violence	48,806	48,806	35,403	13,403
Courtroom security	27,313	54,398	54,397	1
E-911 expenditures	357,468	370,948	373,744	(2,796)
School resource officer		75,000	41,989	33,011
Total law enforcement and traffic control	\$ 2,492,631	\$ 2,820,416	\$ 2,821,361	\$ (945)
Fire and rescue services:				
Volunteer fire department	\$ 225,462	\$ 225,462	\$ 236,677	\$ (11,215)
Emergency medical services	73,302	73,302	55,327	17,975
Emergency services	35,570	35,570	35,330	240
Total fire and rescue services	\$ 334,334	\$ 334,334	\$ 327,334	\$ 7,000
Correction and detention:				
Jail operations	\$ 1,376,931	\$ 1,376,931	\$ 1,410,607	\$ (33,676)
Total correction and detention	\$ 1,376,931	\$ 1,376,931	\$ 1,410,607	\$ (33,676)
Inspections:				
Building	\$ 111,768	\$ 111,768	\$ 64,273	\$ 47,495
Total inspections	\$ 111,768	\$ 111,768	\$ 64,273	\$ 47,495
Other protection:				
Animal control	\$ 141,519	\$ 141,519	\$ 129,015	\$ 12,504
Medical examiner	600	600	280	320
Total other protection	\$ 142,119	\$ 142,119	\$ 129,295	\$ 12,824
Total public safety	\$ 4,457,783	\$ 4,785,568	\$ 4,752,870	\$ 32,698
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 500	\$ 500	\$ -	\$ 500
Total maintenance of highways, streets, bridges & sidewalks	\$ 500	\$ 500	\$ -	\$ 500
Sanitation and waste removal:				
Waste collection	\$ 823,143	\$ 823,143	\$ 948,715	\$ (125,572)
Waste disposal	640,000	640,003	559,851	80,152
Landfill	75,000	75,000	55,519	19,481
Litter control	98,674	109,477	88,590	20,887
Total sanitation and waste removal	\$ 1,636,817	\$ 1,647,623	\$ 1,652,675	\$ (5,052)
Maintenance of general buildings and grounds:				
General properties	\$ 284,203	\$ 284,203	\$ 286,846	\$ (2,643)
Total maintenance of general buildings and grounds	\$ 284,203	\$ 284,203	\$ 286,846	\$ (2,643)
Total public works	\$ 1,921,520	\$ 1,932,326	\$ 1,939,521	\$ (7,195)

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 3 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare:				
Health:				
Supplement of local health department	\$ 263,990	\$ 263,990	\$ 220,249	\$ 43,741
Total health	\$ 263,990	\$ 263,990	\$ 220,249	\$ 43,741
Mental health and mental retardation:				
Community services board	\$ 94,500	\$ 94,500	\$ 94,500	\$ -
Total mental health and mental retardation	\$ 94,500	\$ 94,500	\$ 94,500	\$ -
Welfare:				
Public assistance and welfare administration	\$ 7,055,661	\$ 7,170,661	\$ 6,487,115	\$ 683,546
Tax relief for the elderly	175,976	175,976	175,976	-
Other welfare services and contributions	35,900	35,900	35,900	-
Total welfare	\$ 7,267,537	\$ 7,382,537	\$ 6,698,991	\$ 683,546
Total health and welfare	\$ 7,626,027	\$ 7,741,027	\$ 7,013,740	\$ 727,287
Education:				
Other instructional costs:				
Contributions to Community Colleges	\$ 18,700	\$ 18,700	\$ 19,610	\$ (910)
Contribution to County School Board	4,226,912	4,938,912	4,146,512	792,400
Total education	\$ 4,245,612	\$ 4,957,612	\$ 4,166,122	\$ 791,490
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and recreation	\$ 55,000	\$ 55,000	\$ 5,000	\$ 50,000
Tourism	44,966	44,966	32,719	12,247
Thomas Walker pool	33,207	33,207	34,979	(1,772)
Total parks and recreation	\$ 133,173	\$ 133,173	\$ 72,698	\$ 60,475
Library:				
Imagination Library	\$ -	\$ 14,768	\$ 14,597	\$ 171
Lee County Library	222,082	222,082	222,082	-
Total library	\$ 222,082	\$ 236,850	\$ 236,679	\$ 171
Total parks, recreation, and cultural	\$ 355,255	\$ 370,023	\$ 309,377	\$ 60,646
Community development:				
Planning and community development:				
Lenowisco	\$ 41,878	\$ 41,878	\$ 41,878	\$ -
IDA	6,782	146,782	145,661	1,121
Board of zoning appeals	3,930	3,930	2,521	1,409
Planning commission	7,030	7,030	1,451	5,579
Community development	111,659	111,659	107,188	4,471
Lee County Airport	96,100	108,692	77,955	30,737
Public service authority	3,230	3,230	2,745	485
Total planning and community development	\$ 270,609	\$ 423,201	\$ 379,399	\$ 43,802
Environmental management:				
Contribution to soil and water district	\$ 30,700	\$ 30,700	\$ 30,700	\$ -
Total environmental management	\$ 30,700	\$ 30,700	\$ 30,700	\$ -

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 4 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Cooperative extension program:				
Extension office	\$ 53,111	\$ 53,111	\$ 53,099	\$ 12
Total cooperative extension program	\$ 53,111	\$ 53,111	\$ 53,099	\$ 12
 Total community development	 \$ 354,420	 \$ 507,012	 \$ 463,198	 \$ 43,814
 Nondepartmental:				
General Expenses	\$ -	\$ -	\$ 18,810	\$ (18,810)
Refunds	\$ -	\$ -	304	(304)
Miscellaneous	50,000	50,000	-	50,000
Total nondepartmental	\$ 50,000	\$ 50,000	\$ 19,114	\$ 30,886
 Capital projects:				
Courthouse renovations	\$ 350,000	\$ 350,000	\$ 39,975	\$ 310,025
Cooperative Extension Building	300,000	300,000	47,523	252,477
Solid Waste Transfer Station	1,000,000	1,000,000	53,627	946,373
ATV trail project	290,000	290,000	13,785	276,215
Total capital projects	\$ 1,940,000	\$ 1,940,000	\$ 154,910	\$ 1,785,090
 Debt service:				
Principal retirement	\$ 418,172	\$ 418,172	\$ 349,153	\$ 69,019
Interest and other fiscal charges	225,705	225,705	225,705	-
Total debt service	\$ 643,877	\$ 643,877	\$ 574,858	\$ 69,019
 Total General Fund	 \$ 24,138,111	 \$ 25,545,046	 \$ 21,834,525	 \$ 3,710,521
 Nonmajor Special Revenue Fund:				
Coal Road Improvement Fund:				
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ -	\$ 2,002	\$ 2,191	\$ (189)
Total Coal Road Improvement Fund	\$ -	\$ 2,002	\$ 2,191	\$ (189)
 Capital Projects Funds:				
Airport Project Fund:				
Capital projects expenditures:				
Airport improvements	\$ -	\$ 36,736	\$ 75,455	\$ (38,719)
Total Airport Project Fund	\$ -	\$ 36,736	\$ 75,455	\$ (38,719)
 Total Primary Government	 \$ 24,138,111	 \$ 25,583,784	 \$ 21,912,171	 \$ 3,671,613

County of Lee, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 5 of 5

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health	\$ 1,721,521	\$ 2,118,521	\$ 2,144,107	\$ (25,586)
Instruction costs:				
Instruction	\$ 24,624,992	\$ 25,275,210	\$ 23,831,557	\$ 1,443,653
Operating costs:				
Pupil transportation	\$ 1,937,730	\$ 1,937,730	\$ 1,944,310	\$ (6,580)
Operation and maintenance of school plant	3,307,797	3,407,797	3,105,056	302,741
Food services and non-instructional operations	1,558,843	1,558,843	2,150,429	(591,586)
Facilities	460,218	753,710	750,289	3,421
Total operating costs	\$ 7,264,588	\$ 7,658,080	\$ 7,950,084	\$ (292,004)
Total education	\$ 33,611,101	\$ 35,051,811	\$ 33,925,748	\$ 1,126,063
Total School Operating Fund	\$ 33,611,101	\$ 35,051,811	\$ 33,925,748	\$ 1,126,063
Special Revenue Fund:				
School Head Start Fund:				
Education:				
Operating costs:				
Operation of Head Start program	\$ 1,283,218	\$ 1,294,198	\$ 1,294,197	\$ 1
Total School Head Start Fund	\$ 1,283,218	\$ 1,294,198	\$ 1,294,197	\$ 1
Total Discretely Presented Component Unit - School Board	\$ 34,894,319	\$ 36,346,009	\$ 35,219,945	\$ 1,126,064

Other Statistical Information

Table 1

County of Lee, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Total
2004-05	\$ 994,382	\$ 900,867	\$ 3,295,784	\$ 2,273,574	\$ 6,257,768	\$ 4,426,092	\$ 284,074	\$ 1,186,527	\$ -	\$ 294,387	\$ 19,913,455
2005-06	1,007,786	937,709	3,360,177	2,601,427	6,763,809	4,918,630	266,521	2,783,552	-	245,839	22,885,450
2006-07	1,030,827	1,248,738	3,382,385	2,162,688	7,223,107	5,420,492	279,217	1,004,141	68,429	332,797	22,152,821
2007-08	557,164	1,273,184	3,607,249	2,617,018	8,206,354	4,321,795	345,337	694,781	-	368,516	21,991,398
2008-09	1,123,200	1,222,940	4,039,816	2,338,333	8,149,399	3,912,437	307,986	343,616	-	403,879	21,841,606
2009-10	1,207,079	1,152,898	3,728,917	2,498,973	7,309,349	8,994,488	295,114	1,454,559	-	321,221	26,962,598
2010-11	1,100,035	1,181,231	3,761,689	2,179,475	6,434,758	4,266,223	402,555	327,909	-	261,726	19,915,601
2011-12	1,050,608	1,082,249	3,704,950	2,277,945	6,348,443	3,993,991	422,822	1,196,362	-	244,797	20,322,167
2012-13	1,147,160	1,067,011	4,321,233	2,253,377	6,580,988	4,805,659	456,913	407,271	-	192,257	21,231,869
2013-14	1,370,313	1,042,801	4,835,366	2,235,440	6,878,761	4,214,884	509,961	587,108	-	215,432	21,890,066

Table 2

County of Lee, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2004-05	\$ 360,490	\$ 5,791,514	\$ -	\$ -	\$ 7,191,586	\$ 2,205,678	\$ 147,544	\$ 52,976	\$ 3,925,193	\$	19,674,981
2005-06	384,624	7,222,691	-	-	6,927,695	2,641,627	242,723	17,174	4,766,100		22,202,634
2006-07	483,870	9,704,801	360,375		7,340,168	2,948,259	328,770	27,857	1,150,493		22,344,593
2007-08	420,338	10,053,368	843,033		7,058,809	2,869,676	210,820	43,910	1,189,651		22,689,605
2008-09	368,012	9,507,496	845,418		8,758,438	3,172,765	125,842	460,635	1,004,111		24,242,717
2009-10	335,615	8,369,233	1,218,655		8,731,893	2,446,316	100,507	409,219	1,737,741		23,349,179
2010-11	345,714	8,678,963	807,259		9,247,438	2,596,805	70,945	177,251	1,679,537		23,603,912
2011-12	398,845	7,631,406	1,002,907		9,141,747	3,067,356	89,498	57,975	1,686,729		23,076,463
2012-13	466,567	7,867,563	470,920		8,977,620	2,656,106	90,635	103,975	1,792,153		22,425,539
2013-14	387,988	8,434,498	3,000		9,035,889	2,410,385	83,584	64,424	1,677,730		22,097,498

Table 3

County of Lee, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental (3)	Capital Projects	Debt Service	Total
2004-05	\$ 1,049,121	\$ 901,687	\$ 3,558,973	\$ 1,825,933	\$ 6,270,384	\$ 36,930,575	\$ 284,894	\$ 199,899	\$ -	\$ -	\$ 1,026,519	\$ 52,047,985
2005-06	1,069,888	940,679	3,354,220	2,313,684	6,701,028	38,263,427	266,521	705,633	-	131,445	968,275	54,714,800
2006-07	1,039,203	1,268,021	3,389,532	1,903,634	7,496,139	42,380,202	273,949	1,051,609	69,825	-	1,419,473	60,291,587
2007-08	1,126,093	1,329,479	4,150,778	2,191,306	8,306,912	39,831,214	344,500	273,627	-	950,470	826,710	59,331,089
2008-09	1,347,515	1,236,003	4,324,096	1,913,309	8,250,829	41,642,557	256,764	285,096	-	2,869,161	1,700,772	63,826,122
2009-10	1,260,470	1,155,756	4,653,431	2,004,130	7,452,220	41,728,782	249,240	232,726	-	1,734,350	2,126,951	62,598,056
2010-11	1,196,698	1,191,147	4,404,622	1,735,871	6,628,546	38,993,294	280,748	248,688	25,575	927,691	597,032	56,229,912
2011-12	1,222,492	1,099,211	4,273,367	1,791,908	6,440,926	37,624,941	294,434	394,103	18,282	656,386	709,698	54,525,748
2012-13	1,340,114	1,080,177	4,385,599	1,739,984	6,586,407	35,969,716	311,964	409,339	12,615	568,813	2,817,438	55,222,166
2013-14	1,397,440	1,043,375	4,752,870	1,941,712	7,013,740	35,239,555	309,377	463,198	19,114	230,365	574,858	52,985,604

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Transfer of grant proceeds.

Table 4

County of Lee, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
2004-05	\$ 6,689,742	\$ 2,205,678	\$ 54,419	\$ 21,165	\$ 167,180	\$ 845,041	\$ 128,074	\$ 1,386,196	\$ 40,442,994	\$ 51,940,489
2005-06	6,958,048	2,641,627	44,841	13,320	263,593	800,428	201,178	710,904	41,201,767	52,835,706
2006-07	7,071,256	2,948,259	35,299	16,003	405,812	1,110,580	186,945	1,523,454	45,794,104	59,091,712
2007-08	7,621,763	2,869,676	41,817	13,822	213,483	952,516	186,619	1,197,815	45,289,375	58,386,886
2008-09	9,204,997	3,172,765	35,095	13,631	127,859	933,709	580,723	1,340,376	48,143,652	63,552,807
2009-10	8,794,311	2,446,316	34,963	12,773	101,760	892,241	501,443	1,572,932	47,404,594	61,761,333
2010-11	8,872,816	2,596,805	29,075	10,365	89,504	812,361	217,799	2,585,373	43,791,720	59,005,818
2011-12	8,943,118	3,067,356	29,189	2,679	90,715	858,542	131,316	1,722,766	41,153,310	55,998,991
2012-13	8,974,349	2,656,106	31,861	2,957	91,606	912,199	209,358	1,115,623	38,934,262	52,928,321
2013-14	8,903,972	2,410,385	36,071	3,784	84,596	716,628	573,487	1,325,166	39,425,164	53,479,253

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 5

County of Lee, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1, 2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2004-05	\$ 7,774,327	\$ 6,764,271	87.01%	\$ 412,213	\$ 7,176,484	92.31%	\$ 2,261,842	29.09%
2005-06	7,674,493	7,079,842	92.25%	465,120	7,544,962	98.31%	2,299,757	29.97%
2006-07	7,759,532	7,392,417	95.27%	294,356	7,686,773	99.06%	2,277,440	29.35%
2007-08	8,018,912	7,782,705	97.05%	281,588	8,064,293	100.57%	2,048,761	25.55%
2008-09	9,041,126	8,418,889	93.12%	614,071	9,032,960	99.91%	1,304,221	14.43%
2009-10	8,630,941	8,126,279	94.15%	409,561	8,535,840	98.90%	1,315,201	15.24%
2010-11	8,656,848	7,982,430	92.21%	603,009	8,585,439	99.18%	1,304,876	15.07%
2011-12	8,806,899	8,232,502	93.48%	433,804	8,666,306	98.40%	1,369,817	15.55%
2012-13	8,832,738	8,184,060	92.66%	507,811	8,691,871	98.41%	1,431,419	16.21%
2013-14	8,726,504	7,917,499	90.73%	528,092	8,445,591	96.78%	1,685,412	19.31%

(1) Exclusive of penalties and interest.

(2) Adjusted for tax supplements and exonerations

Table 6

County of Lee, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (2) (4)	Personal Property and Mobile Homes (3)	Machinery and Tools	Merchant's Capital	Public Utility (1) Real Estate and Personal Property	Total
2004-05	\$ 709,136,538	\$ 140,744,987	\$ 76,033,581	\$ 4,605,327	\$ 65,831,627	\$ 996,352,060
2005-06	711,521,521	151,139,972	40,020,431	4,971,566	76,058,932	983,712,422
2006-07	720,962,617	155,672,585	56,709,556	10,272,748	62,561,078	1,006,178,584
2007-08	737,142,426	163,135,494	40,090,049	7,074,662	58,964,511	1,006,407,142
2008-09	731,569,173	171,073,559	38,699,260	6,067,485	55,408,083	1,002,817,560
2009-10	743,692,758	156,055,503	44,210,965	4,909,268	54,291,139	1,003,159,633
2010-11	869,405,405	152,842,581	31,162,330	4,828,599	68,718,093	1,126,957,008
2011-12	870,493,305	162,370,950	38,771,386	5,311,700	65,596,616	1,142,543,957
2012-13	877,247,929	150,930,178	39,381,465	5,506,494	69,780,906	1,142,846,972
2012-13	880,347,436	150,961,628	36,979,868	5,611,004	61,492,523	1,135,392,459

(1) Assessed values are established by the State Corporation Commission.

(2) Includes minerals.

(3) Includes business property.

(4) Original assessments presented above.

Table 7

**County of Lee, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Merchant's Capital
2004-05	\$ 0.65	\$ 1.41	\$ 1.41	\$ 1.41
2005-06	0.65	1.41	1.41	1.41
2006-07	0.65	1.41	1.41	1.41
2007-08	0.65	1.41	1.41	1.41
2008-09	0.75	2.00	2.00	1.25
2009-10	0.75	2.00	2.00	1.41
2010-11	0.65	2.00	2.00	1.41
2011-12	0.65	2.00	2.00	1.41
2012-13	0.65	2.00	2.00	1.41
2013-14	0.65	2.00	2.00	1.41

(1) Per \$100 of assessed value.

Table 8

County of Lee, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands)	Gross Bonded Debt (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004-05	\$ 23,589	\$ 996,352	\$ 2,008,577	\$ 2,008,577	0.20%	\$ 85
2005-06	23,589	983,712	1,583,186	1,583,186	0.16%	67
2006-07	23,589	1,006,179	2,708,309	2,708,309	0.27%	115
2007-08	23,589	1,006,407	2,326,704	2,326,704	0.23%	99
2008-09	23,589	1,002,818	1,935,162	1,935,162	0.19%	82
2009-10	23,589	1,003,160	1,968,610	1,968,610	0.20%	83
2010-11	25,587	1,126,957	1,815,576	1,815,576	0.16%	71
2011-12	25,587	1,142,544	1,690,000	1,690,000	0.15%	66
2012-13	25,474	1,142,847	3,570,000	3,570,000	0.31%	140
2013-14	25,474	1,135,392	3,470,000	3,470,000	0.31%	136

(1) Bureau of the Census.

(2) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.

Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

Table 9

County of Lee, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded Debt to
Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2004-05	\$ 700,530	\$ 325,989	\$ 1,026,519	\$ 52,047,985	1.97%
2005-06	719,797	248,478	968,275	54,714,800	1.77%
2006-07	1,081,648	337,825	1,419,473	60,291,587	2.35%
2007-08	545,725	280,985	826,710	59,331,089	1.39%
2008-09	1,202,282	498,490	1,700,772	63,826,122	2.66%
2009-10	1,808,388	318,563	2,126,951	62,598,056	3.40%
2010-11	341,966	255,066	597,032	56,229,912	1.06%
2011-12	591,884	247,753	839,637	54,525,748	1.54%
2012-13	2,616,243	201,195	2,817,438	55,133,698	5.11%
2013-14	349,153	225,705	574,858	52,985,604	1.08%

(1) Includes General and Special Revenue Funds of the Primary Government and its Discretely Presented Component Units.

Compliance

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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 LEE, VIRGINIA
JONESVILLE, VIRGINIA**

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lee, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Lee, Virginia's basic financial statements and have issued our report thereon dated January 30, 2015. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit - Lee County Public Service Authority and the discretely presented component unit - Lee County Public Service Authority, as described in our report on the County of Lee, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as item 2014-001 and 2014-002, to be material weaknesses.

Compliance and Other Matters

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

County of Lee, Virginia's Response to Findings

The County of Lee, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Lee, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
January 30, 2015

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

TO THE HONORABLE MEMBERS OF THE BOARD OF SUPERVISORS
COUNTY OF LEE, VIRGINIA
JONESVILLE, VIRGINIA

Report on Compliance for Each Major Federal Program

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

The County of Lee, Virginia's basic financial statements include the operations of the Lee County Public Service Authority, which received \$301,610 in federal awards which is not included in the schedule during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Lee County Public Service Authority because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Lee, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the County of Lee, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Robinson, Turner, Cox Associates

Blacksburg, Virginia
January 30, 2015

County of Lee, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Direct Payments:			
Head Start Program	93.600	N/A	\$ 1,150,407
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950110/0950111	\$ 22,649
Temporary Assistance for Needy Families	93.558	0400111/0400111	516,475
Refugee and Entrant Assistance - State Administered Programs	93.566	0500110/0500111	2,600
Low-Income Home Energy Assistance	96.568	0600410/0600411	51,144
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900110/0900111	3,353
Social Services Block Grant	93.667	1000110/1000111	510,451
Chafee Foster Care Independence Program	93.674	9150110/9150111	6,012
Chafee Education and Training Vouchers Program	93.599	9160110/9160110	484
Children's Health Insurance Program	93.767	0540110/0540111	12,793
Medical Assistance Program	93.778	1200110/1200111	373,166
Foster Care - Title IV-E	93.658	1100110/1100111	286,721
Adoption Assistance	93.659	1100110/1100111	523,268
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760110/0760111	67,403
Total Department of Health and Human Services			\$ 3,526,926
Department of Agriculture:			
Direct Payments:			
Child and Adult Care Food Program	10.558	N/A	\$ 131,991
Fresh Fruit and Vegetable Program	10.582	N/A	8,323
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution (note C)	10.555	40591	\$ 111,187
Department of Education:			
National School Lunch Program	10.555	40591	846,968
School Breakfast Program	10.553	40623	958,155
Schools and Roads - Grants to States	10.665	43841	330,079
			18,648
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040110/0040110	421,535
Total Department of Agriculture			\$ 1,868,731
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	86000	\$ 24,629
Violence Against Women - Formula Grants	16.588	66500	36,056
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	62200	37,735
Total Department of Justice			\$ 98,420
Department of Treasury:			
Direct Payments:			
DOJ Equitable Sharing Program (Abbott Asset Forfeiture)	21.000	NA	\$ 73,986
Department of Transportation:			
Pass Through Payments:			
Alcohol Open Container Requirements	20.607	50180	\$ 24,823
Department of Housing and Urban Development:			
Pass Through Payments:			
Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	50799	\$ 3,000

County of Lee, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2014

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Education:			
Pass Through Payments:			
Department of Education:			
Career and Technical Education: Basic Grants to States	84.048	61095	\$ 75,455
Rural Education	84.358	43481	70,695
Improving Teacher Quality-State Grants	84.367	61480	236,414
Title I: Grants to Local Educational Agencies	84.010	42901	1,560,900
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	70110	575,266
Special Education - Preschool Grants	84.173	62521	26,174
Total Department of Education			\$ 2,544,904
Total Expenditures of Federal Awards			\$ 8,140,790

Notes to the Schedule of Expenditures of Federal Awards

Note A -- Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Lee, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the County of Lee, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County of Lee, Virginia.

Note B -- Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C -- Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note D -- Relationship to the Financial Statements:

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 3,204,367
Payments in Lieu of Taxes	(206,084)
Total primary government	\$ 2,998,283

Component Unit School Board:

School Operating Fund	\$ 3,860,109
Head Start Fund	1,282,398
Total Component Unit School Board	\$ 5,142,507

Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards

\$ 8,140,790

County of Lee, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.778	Medical Assistance Program
93.667	Social Services Block Grant
93.600	Head Start Program
84.010	Title I, Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
93.658	Foster Care - Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II - Financial Statement Findings

2014-001

Criteria: Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose *adjustments* necessary to comply with reporting standards is not a component of such controls.

Condition: The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's or School Board's internal controls over financial reporting.

Cause of Condition: The County and School Board do not have proper controls in place to detect and correct adjustments in closing their year end financial statements.

Recommendation: The County and School Board should review the auditors' proposed audit adjustments for the fiscal year and develop a plan to ensure the trial balances and related schedules are accurately presented for audit.

Management's Response: The County and School Board will review the auditors' proposed audit adjustments for the fiscal year and will develop a plan of action to ensure that all adjusting entries are made prior to final audit fieldwork next year.

2014-002

Criteria: Reimbursement requests should be submitted in a timely fashion in order to match revenues with the expenses in according to accounting principles.

Condition: A review of the School Board's reimbursement requests for VPSA Grant funding disclosed requests that were not being made in a timely manner.

Effect of Condition: Reimbursements of local funds expended for grant funded programs are not being received in a timely manner.

Cause of Condition: The School Board does not have a process in place to ensure reimbursable grants are received in a timely fashion after expenses are incurred.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section II - Financial Statement Findings (continued)

2014-002 (continued)

Recommendation: Management should establish a policy requiring reimbursement requests to be submitted at a minimum of quarterly.

Management's Response: Management of the School Board concurs reimbursements should be submitted timely.

Section III - Federal Award Findings

There are no federal award findings and questioned costs to report.

Section IV - Status of Prior Audit Findings

Finding 2013-1 was resolved for fiscal year 2014.