



**Financial Report**  
**Year Ended June 30, 2014**

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County of Cumberland, Virginia

Financial Report

Year Ended June 30, 2014

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## County of Cumberland, Virginia

Financial Report  
June 30, 2014

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### BOARD OF SUPERVISORS

Lloyd Banks, Jr., Chair  
Kevin Ingle, Vice-Chair  
David Meinhard  
William F. Osl, Jr.  
Parker Wheeler

### COUNTY SCHOOL BOARD

Ginger Sanderson, Chair

George Lee Dowdy  
Eurika Tyree

Dr. Christine Ross  
George Reid, Jr.

### OTHER OFFICIALS

Judge of the Circuit Court  
Judge of the Circuit Court  
Judge of the Circuit Court  
Clerk of the Circuit Court  
Judge of the General District Court  
Judge of the Juvenile Domestic Relations Court  
Commonwealth's Attorney  
Commissioner of the Revenue  
Treasurer  
Sheriff  
Superintendent of Schools  
Director of Social Services  
County Administrator

Leslie M. Osborn  
Kimberley S. White  
Joel C. Cunningham  
Sarah "Kate" Spry  
Robert G. Woodson, Jr.  
Marvin Dunkum  
Patricia D. Scales  
Julie Phillips  
L.O. Pfeiffer, Jr.  
Darrell Hodges  
Amy Griffin  
Karen Blackwell  
Vivian Seay Giles



COUNTY OF CUMBERLAND, VIRGINIA

Financial Report  
Year Ended June 30, 2014

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Independent Auditors' Report

The Honorable Members of the Board of Supervisors  
County of Cumberland, Virginia

### Report on the Financial Statements

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

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cumberland, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension funding progress on pages 4-9, 57, and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Cumberland, 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. In our opinion, 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 them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, on our consideration of the County of Cumberland, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Cumberland, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
October 10, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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To the Honorable Members of the Board of Supervisors  
To the Citizens of Cumberland County  
County of Cumberland, Virginia

As management of the County of Cumberland, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014.

### Financial Highlights

#### Government-wide Financial Statements

- The net position of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,539,454 (net position).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported expenditures and other financing (uses) in excess of revenues by \$177,178 (Exhibit 4). General Fund contributions to the School Board totaled \$3,918,320 for the current fiscal year.

- As of the close of the current fiscal year; the County's governmental funds reported ending fund balances of \$6,399,253 a decrease of \$177,178 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,001,889 or 38.2% of total general fund expenditures.
- Governmental term obligations decreased \$2,271,708 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The Government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private—sector business.

## Overview of the Financial Statements: (Continued)

The statement of net position presents information on all of the County's assets, deferred inflows of resources, liabilities, and deferred outflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, courts, police protection, sanitation, social services, education, cultural events, and recreation.

The government-wide financial statements include not only the County of Cumberland, Virginia itself (known as the primary government), but also a legally separate school district and a service authority for which the County of Cumberland, Virginia is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

Fund financial statements—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Cumberland, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The County has two major governmental funds—the General Fund and the County Capital Projects Fund.

Proprietary funds—Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Water and Sewer Fund provides a centralized source for water and sewer services to County residents.

Fiduciary funds—The County is the trustee, or fiduciary, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations. Agency funds are County custodial funds used to provide accountability of client monies for which the County is custodian.



## Overview of the Financial Statements: (Continued)

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information—In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units - School Board and IDA. The School Board and IDA do not issue separate financial statements.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by \$6,539,454 at the close of the most recent fiscal year.

#### County of Cumberland's Net Position

	<u>Governmental</u>		<u>Business-type</u>		<u>Totals</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 10,574,371	\$ 11,007,880	\$ 172,023	\$ 250,518	\$ 10,746,394	\$ 11,258,398
Deferred outflows of resources	349,759	365,434	-	-	349,759	365,434
Capital assets	<u>30,825,596</u>	<u>33,406,325</u>	<u>8,933,296</u>	<u>8,804,189</u>	<u>39,758,892</u>	<u>42,210,514</u>
Total assets and deferred outflows	<u>\$ 41,749,726</u>	<u>\$ 44,779,639</u>	<u>\$ 9,105,319</u>	<u>\$ 9,054,707</u>	<u>\$ 50,855,045</u>	<u>\$ 53,834,346</u>
Long-term liabilities outstanding	\$ 35,443,899	\$ 37,772,008	\$ 2,286,915	\$ 2,352,794	\$ 37,730,814	\$ 40,124,802
Deferred inflows of resources	3,097,251	3,214,516	-	-	3,097,251	3,214,516
Current liabilities	<u>3,392,076</u>	<u>3,342,090</u>	<u>95,450</u>	<u>223,970</u>	<u>3,487,526</u>	<u>3,566,060</u>
Total liabilities and deferred inflows	<u>\$ 41,933,226</u>	<u>\$ 44,328,614</u>	<u>\$ 2,382,365</u>	<u>\$ 2,576,764</u>	<u>\$ 44,315,591</u>	<u>\$ 46,905,378</u>
Net position:						
Net investment in capital assets	\$ (6,896,675)	\$ (6,247,955)	\$ 6,590,193	\$ 6,419,085	\$ (306,482)	\$ 171,130
Restricted	396,934	397,001	141,166	-	538,100	397,001
Unrestricted	<u>6,316,241</u>	<u>6,301,979</u>	<u>(8,405)</u>	<u>58,858</u>	<u>6,307,836</u>	<u>6,360,837</u>
Total net position	<u>\$ (183,500)</u>	<u>\$ 451,025</u>	<u>\$ 6,722,954</u>	<u>\$ 6,477,943</u>	<u>\$ 6,539,454</u>	<u>\$ 6,928,968</u>

The County's net position decreased by \$405,189 during the current fiscal year.

## Overview of the Financial Statements: (Continued)

### Government-wide Financial Analysis: (Continued)

Governmental Activities—Governmental activities decreased the County's net position by \$634,525. Key elements of this decrease are as follows:

#### County of Cumberland, Virginia's Changes in Net Position For the Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 849,505	\$ 880,222	\$ 337,145	\$ 352,383	\$ 1,186,650	\$ 1,232,605
Operating grants and contributions	2,631,295	2,170,663	-	-	2,631,295	2,170,663
Capital grants and contributions	1,131,900	1,131,900	598,354	411,359	1,730,254	1,543,259
General revenues:						
General property taxes	8,343,548	8,704,733	-	-	8,343,548	8,704,733
Other local taxes	947,716	965,288	-	-	947,716	965,288
Grants and other contributions not restricted	1,300,190	1,383,247	-	-	1,300,190	1,383,247
Other general revenues	178,585	447,919	479	6,576	179,064	454,495
Total revenues	\$ 15,382,739	\$ 15,683,972	\$ 935,978	\$ 770,318	\$ 16,318,717	\$ 16,454,290
Expenses:						
General government administration	\$ 1,342,469	\$ 1,295,829	\$ -	\$ -	\$ 1,342,469	\$ 1,295,829
Judicial administration	570,586	454,536	-	-	570,586	454,536
Public safety	2,473,338	2,200,219	-	-	2,473,338	2,200,219
Public works	1,458,828	1,315,917	-	-	1,458,828	1,315,917
Health and welfare	1,857,983	1,543,412	-	-	1,857,983	1,543,412
Education	6,332,577	4,045,744	-	-	6,332,577	4,045,744
Parks, recreation, and cultural	206,844	216,682	-	-	206,844	216,682
Community development	294,208	505,311	-	-	294,208	505,311
Interest and other fiscal charges	1,480,431	4,071,529	-	-	1,480,431	4,071,529
Water and sewer	-	-	690,967	652,560	690,967	652,560
Total expenses	\$ 16,017,264	\$ 15,649,179	\$ 690,967	\$ 652,560	\$ 16,708,231	\$ 16,301,739
Increase(decrease) in net position before transfers	\$ (634,525)	\$ 34,793	\$ 245,011	\$ 117,758	\$ (389,514)	\$ 152,551
Transfers	-	-	-	-	-	-
Change in net position	\$ (634,525)	\$ 34,793	\$ 245,011	\$ 117,758	\$ (389,514)	\$ 152,551
Net position, July 1, 2013	451,025	416,232	6,477,943	6,360,185	6,928,968	6,776,417
Net position, June 30, 2014	\$ (183,500)	\$ 451,025	\$ 6,722,954	\$ 6,477,943	\$ 6,539,454	\$ 6,928,968

## Overview of the Financial Statements: (Continued)

### Government-wide Financial Analysis: (Continued)

For the most part, increases in expenditures closely paralleled inflation and growth in the demand for services.

### Financial Analysis of the County's Funds

As noted earlier, the County used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds—The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$6,399,253, a decrease of \$177,178 in comparison with the prior year. Approximately 94% of this total amount constitutes unassigned undesignated fund balance, which is available for spending at the County's discretion. The remainder of fund balance is segregated to indicate that is not available for new spending because it has already been committed.

### Proprietary funds

The County's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were \$684,152 and can be briefly summarized as follows:

- \$390,078 in increases for public safety
- \$170,031 in increases for health and welfare
- \$130,252 in increases for public works

Of this increase, \$331,876 was to be funded from state and federal revenues.

## Capital Asset and Debt Administration

- Capital assets—The County's investment in capital assets for its governmental and enterprise operations as of June 30, 2014 totals \$39,758,892 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the County's capital assets can be found in the notes of this report.

Long-term debt—At the end of the current fiscal year, the County had total bonded debt outstanding of \$39,735,906 which is backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The County's total debt decreased \$2,303,478 during the current fiscal year.

Additional information on the County of Cumberland, Virginia's long-term debt can be found in Note 9 of this report.

### Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the County was 6.5 percent in June 2014.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the County's budget for the 2015 fiscal year.

The fiscal year 2015 General Fund's budget decreased from \$13,873,123 to \$13,823,722. The real estate tax rate was raised effective January 1, 2014 from \$0.68 per \$100 to \$0.74 per \$100.

### Requests for Information

This financial report is designed to provide a general overview of the County of Cumberland, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, P.O. Box 110, Cumberland, Virginia 23040.

## Basic Financial Statements

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## Government-wide Financial Statements

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Statement of Net Position  
At June 30, 2014

	Primary Government			Component Units	
	Govern- mental Activities	Business - Type Activities	Total	School Board	IDA
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 4,597,018	\$ 66,214	\$ 4,663,232	\$ 878,152	\$ 67,380
Restricted assets	396,934	141,166	538,100	-	-
Receivables (net of allowance for uncollectibles):					
Property taxes	4,119,767	-	4,119,767	-	-
Accounts receivable	57,674	34,643	92,317	-	-
Prepaid items	-	-	-	253,209	-
Due from component units	873,429	-	873,429	-	-
Due from other governments	459,549	-	459,549	416,487	-
Internal balances	70,000	(70,000)	-	-	-
Total Current Assets	\$ 10,574,371	\$ 172,023	\$ 10,746,394	\$ 1,547,848	\$ 67,380
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land	\$ 142,089	\$ 22,458	\$ 164,547	\$ 121,421	\$ 535,846
Construction in progress	113,666	-	113,666	-	-
Equipment	137,242	105,844	243,086	802,137	-
Infrastructure	-	8,085,112	8,085,112	-	-
Buildings and improvements	4,297,268	719,882	5,017,150	3,116,496	1,537,329
Jointly owned assets	26,135,331	-	26,135,331	7,622,571	-
Total Noncurrent Assets	\$ 30,825,596	\$ 8,933,296	\$ 39,758,892	\$ 11,662,625	\$ 2,073,175
Total Assets	\$ 41,399,967	\$ 9,105,319	\$ 50,505,286	\$ 13,210,473	\$ 2,140,555
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Accumulated decrease in fair value of hedging derivatives	349,759	-	349,759	-	-
Total Assets and Deferred Outflows of Resources	\$ 41,749,726	\$ 9,105,319	\$ 50,855,045	\$ 13,210,473	\$ 2,140,555
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	\$ 121,923	\$ 34,515	\$ 156,438	\$ 32,324	\$ 3,250
Accrued liabilities	-	-	-	616,219	-
Due to primary government	-	-	-	873,429	-
Customer deposits	-	2,226	2,226	-	-
Accrued interest payable	564,603	-	564,603	-	-
Derivative instrument - rate swap	349,759	-	349,759	-	-
Long-term liabilities:					
Due within one year	2,355,791	58,709	2,414,500	124,109	23,883
Due in more than one year	35,443,899	2,286,915	37,730,814	1,428,475	1,886,543
Total Liabilities	\$ 38,835,975	\$ 2,382,365	\$ 41,218,340	\$ 3,074,556	\$ 1,913,676
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Deferred revenue	\$ 3,097,251	-	3,097,251	-	-
<b>NET POSITION</b>					
Net investment in capital assets	\$ (6,896,675)	\$ 6,590,193	\$ (306,482)	\$ 10,523,740	\$ 162,749
Restricted:					
Debt Service	396,934	141,166	538,100	-	-
Unrestricted	6,316,241	(8,405)	6,307,836	(387,823)	64,130
Total Net Position	\$ (183,500)	\$ 6,722,954	\$ 6,539,454	\$ 10,135,917	\$ 226,879
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 41,749,726	\$ 9,105,319	\$ 50,855,045	\$ 13,210,473	\$ 2,140,555

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

COUNTY OF CUMBERLAND, VIRGINIA

Statement of Activities  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 1,342,469	\$ 11,650	\$ 389,385	\$ -
Judicial administration	570,586	211,543	163,748	-
Public safety	2,473,338	87,930	768,710	-
Public works	1,458,828	500,905	6,366	1,131,900
Health and welfare	1,857,983	-	1,303,086	-
Education	6,332,577	-	-	-
Parks, recreation, and cultural	206,844	29,972	-	-
Community development	294,208	7,505	-	-
Interest on long-term debt	1,480,431	-	-	-
Total governmental activities	<u>\$ 16,017,264</u>	<u>\$ 849,505</u>	<u>\$ 2,631,295</u>	<u>\$ 1,131,900</u>
Business-type activities:				
Water and Sewer	\$ 690,967	\$ 337,145	\$ -	\$ 598,354
Total business-type activities	<u>\$ 690,967</u>	<u>\$ 337,145</u>	<u>\$ -</u>	<u>\$ 598,354</u>
Total primary government	<u>\$ 16,708,231</u>	<u>\$ 1,186,650</u>	<u>\$ 2,631,295</u>	<u>\$ 1,730,254</u>
COMPONENT UNITS:				
School Board	\$ 15,542,627	\$ 261,737	\$ 10,657,462	\$ -
IDA	165,124	-	130,161	-
Total component units	<u>\$ 15,707,751</u>	<u>\$ 261,737</u>	<u>\$ 10,787,623</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Local sales and use taxes				
Consumers' utility taxes				
Motor vehicle licenses				
Business license taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
IDA contribution to County				
County contribution to School Board				
Total general revenues				
Change in net position				
Net position - beginning, as restated				
Net position - ending				

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

Changes in Net Position					
Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	School Board	IDA	
\$ (941,434)	\$ -	\$ (941,434)	\$ -	\$ -	
(195,295)	-	(195,295)	-	-	
(1,616,698)	-	(1,616,698)	-	-	
180,343	-	180,343	-	-	
(554,897)	-	(554,897)	-	-	
(6,332,577)	-	(6,332,577)	-	-	
(176,872)	-	(176,872)	-	-	
(286,703)	-	(286,703)	-	-	
(1,480,431)	-	(1,480,431)	-	-	
<u>\$ (11,404,564)</u>	<u>\$ -</u>	<u>\$ (11,404,564)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 244,532	\$ 244,532	\$ -	\$ -	
<u>\$ -</u>	<u>\$ 244,532</u>	<u>\$ 244,532</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (11,404,564)</u>	<u>\$ 244,532</u>	<u>\$ (11,160,032)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (4,623,428)	\$ -	
-	-	-	-	(34,963)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,623,428)</u>	<u>\$ (34,963)</u>	
\$ 8,343,548	\$ -	\$ 8,343,548	\$ -	\$ -	
374,785	-	374,785	-	-	
171,742	-	171,742	-	-	
226,829	-	226,829	-	-	
107,623	-	107,623	-	-	
66,737	-	66,737	-	-	
79,467	479	79,946	-	44,466	
99,118	-	99,118	676,656	2,387	
1,300,190	-	1,300,190	-	-	
-	-	-	-	-	
-	-	-	5,470,329	-	
<u>\$ 10,770,039</u>	<u>\$ 479</u>	<u>\$ 10,770,518</u>	<u>\$ 6,146,985</u>	<u>\$ 46,853</u>	
\$ (634,525)	\$ 245,011	\$ (389,514)	\$ 1,523,557	\$ 11,890	
451,025	6,477,943	6,928,968	8,612,360	214,989	
<u>\$ (183,500)</u>	<u>\$ 6,722,954</u>	<u>\$ 6,539,454</u>	<u>\$ 10,135,917</u>	<u>\$ 226,879</u>	

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## Fund Financial Statements

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Balance Sheet - Governmental Funds  
At June 30, 2014

	General	Nonmajor County Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,596,588	\$ 430	\$ 4,597,018
Restricted assets	396,934	-	396,934
Receivables (Net of allowance for uncollectibles):			
Property taxes, including penalties	4,119,767	-	4,119,767
Accounts receivable	57,674	-	57,674
Due from component units	873,429	-	873,429
Due from other funds	70,000	-	70,000
Due from other governmental units	459,549	-	459,549
Total assets	<u>\$ 10,573,941</u>	<u>\$ 430</u>	<u>\$ 10,574,371</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 121,923	\$ -	\$ 121,923
Total liabilities	<u>\$ 121,923</u>	<u>\$ -</u>	<u>\$ 121,923</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	\$ 4,053,195	\$ -	\$ 4,053,195
<b>FUND BALANCES</b>			
Restricted:			
Debt service	\$ 396,934	-	\$ 396,934
Assigned:			
Capital projects	-	430	430
Unassigned:			
General	6,001,889	-	6,001,889
Total fund balances	<u>\$ 6,398,823</u>	<u>\$ 430</u>	<u>\$ 6,399,253</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 10,573,941</u>	<u>\$ 430</u>	<u>\$ 10,574,371</u>

Detailed explanation of adjustments from balance sheet to government-wide statement of net position:

Total Fund Balances per Balance Sheet \$ 6,399,253

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the County as a whole. 30,825,596

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (564,603)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unearned revenues in the governmental funds and thus are not included in the fund balance. 955,944

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities (total \$38,149,449 less derivative instrument liability \$349,759). All liabilities--both current and long-term--are reported in the statement of net position. (37,799,690)

Net position of general government activities \$ (183,500)

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

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2014

	General	Nonmajor County Capital Projects	Total Governmental Funds
Revenues:			
General property taxes	\$ 8,514,952	\$ -	\$ 8,514,952
Other local taxes	947,716	-	947,716
Permits, privilege fees and regulatory licenses	58,837	-	58,837
Fines and forfeitures	155,961	-	155,961
Revenue from use of money and property	79,425	42	79,467
Charges for services	634,707	-	634,707
Miscellaneous	99,118	-	99,118
Intergovernmental:			
Local government	1,131,900	-	1,131,900
Commonwealth	3,220,618	-	3,220,618
Federal	710,867	-	710,867
Total revenues	\$ 15,554,101	\$ 42	\$ 15,554,143
Expenditures:			
Current:			
General government administration	\$ 1,332,303	\$ -	\$ 1,332,303
Judicial administration	485,454	-	485,454
Public safety	2,384,014	-	2,384,014
Public works	1,383,846	-	1,383,846
Health and welfare	1,854,125	-	1,854,125
Education	3,924,769	4,355	3,929,124
Parks, recreation, and cultural	203,510	-	203,510
Community development	281,306	11,820	293,126
Nondepartmental	9,887	-	9,887
Debt service:			
Principal retirement	2,336,748	-	2,336,748
Interest and other fiscal charges	1,519,184	-	1,519,184
Total expenditures	\$ 15,715,146	\$ 16,175	\$ 15,731,321
Excess (deficiency) of revenues over (under) expenditures	\$ (161,045)	\$ (16,133)	\$ (177,178)
Other financing sources (uses):			
Transfers in	\$ -	\$ 16,175	\$ 16,175
Transfers (out)	(16,175)	-	(16,175)
Total other financing sources (uses)	\$ (16,175)	\$ 16,175	\$ -
Net change in fund balances	\$ (177,220)	\$ 42	\$ (177,178)
Fund balances at beginning of year	6,576,043	388	6,576,431
Fund balances at end of year	\$ 6,398,823	\$ 430	\$ 6,399,253

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



Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities - Governmental Funds  
Year Ended June 30, 2014

		Primary Government Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	(177,178)
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 the capital outlays in the current period. The following details support this adjustment.		
Depreciation expense	\$ (1,028,720)	(1,028,720)
Transfer of joint tenancy assets from Primary Government to the Component Unit		(1,552,009)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of deferred taxes.		(171,404)
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 the treatment of long-term debt and related items. A summary of items supporting this adjustment is as follows:		
Principal retired on note payable and general obligation bonds	\$ 2,094,810	
Principal retired on state literary fund loans	166,667	
		2,261,477
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. The following is a summary of items supporting this adjustment:		
Change in compensated absences	\$ (5,444)	
Change in accrued interest payable	38,753	33,309
Change in net position of governmental activities	\$	(634,525)

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

Statement of Net Position - Proprietary Funds  
At June 30, 2014

	<u>Water &amp; Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 66,214
Restricted assets	141,166
Accounts receivable	<u>34,643</u>
Total current assets	<u>\$ 242,023</u>
Noncurrent assets:	
Capital Assets:	
Land	\$ 22,458
Equipment, net of depreciation	105,844
Infrastructure, net of depreciation	8,085,112
Buildings and improvements, net of depreciation	<u>719,882</u>
Total noncurrent assets	<u>\$ 8,933,296</u>
Total Assets	<u><u>\$ 9,175,319</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 34,515
Customer deposits	2,226
Due to other funds	70,000
Long-term obligations, current portion	<u>58,709</u>
Total current liabilities	\$ 165,450
Noncurrent liabilities:	
Long-term obligations, noncurrent portion	<u>2,286,915</u>
Total Liabilities	<u>\$ 2,452,365</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 6,590,193
Restricted:	
Debt Service	141,166
Unrestricted assets	<u>(8,405)</u>
Total Net Position	<u>\$ 6,722,954</u>
Total Liabilities and Net Position	<u><u>\$ 9,175,319</u></u>

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

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 Year Ended June 30, 2014

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	<u>Water &amp; Sewer Fund</u>
Operating revenues:	
Water	\$ 101,838
Sewer	211,661
Other charges for services	<u>23,646</u>
Total revenues	<u>\$ 337,145</u>
Operating expenses:	
Salaries	\$ 93,257
Fringe benefits	33,016
Contracted services	7,376
Other operating expenses	177,248
Depreciation	<u>298,181</u>
Total operating expenses	<u>\$ 609,078</u>
Operating income (loss)	<u>\$ (271,933)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 479
Interest expense	<u>(81,889)</u>
Total nonoperating revenues (expenses)	<u>\$ (81,410)</u>
Net income (loss) before capital contributions	\$ (353,343)
Capital contributions	<u>598,354</u>
Change in net position	\$ 245,011
Net position, beginning of year	<u>6,477,943</u>
Net position, end of year	<u><u>\$ 6,722,954</u></u>

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

Statement of Cash Flows -  
Proprietary Funds  
Year Ended June 30, 2014

	Water & Sewer Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 345,307
Payments for salaries and fringe benefits	(132,405)
Payments for operating activities	<u>(468,826)</u>
Net cash provided by (used for) operating activities	<u>\$ (255,924)</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (42,001)
Capital grants	675,443
Purchase of capital assets	(289,701)
Interest paid on loans	<u>(81,889)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ 261,852</u>
Cash flows from investing activities:	
Interest income	<u>\$ 479</u>
Net cash provided by (used for) investing activities	<u>\$ 479</u>
Increase (decrease) in cash and cash equivalents	\$ 6,407
Cash and cash equivalents at beginning of year	<u>200,973</u>
Cash and cash equivalents at end of year	<u><u>\$ 207,380</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (271,933)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:	
Depreciation	298,181
Changes in operating assets and liabilities:	
(Increase)/decrease in accounts receivable	7,813
Increase/(decrease) in accounts payable	(284,202)
Increase/(decrease) in customer deposits	349
Increase/(decrease) in compensated absences	<u>(6,132)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (255,924)</u></u>

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

Statement of Fiduciary Net Position - Fiduciary Funds  
At June 30, 2014

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>770,582</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ <u>770,582</u>

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

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## COUNTY OF CUMBERLAND, VIRGINIA

### Notes to Financial Statements As of June 30, 2014

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#### **Note 1—Summary of Significant Accounting Policies:**

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The County of Cumberland, Virginia was formed in 1749 and it is governed by an elected five member Board of Supervisors. The Board of Supervisors is responsible for appointing the County Administrator. The County provides a full range of services for its citizens. These services include police and volunteer fire protection; sanitation services; recreational activities; cultural events; education and social services.

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

#### Financial Statement Presentation

Management's Discussion and Analysis—GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

#### Government-wide and Fund Financial Statements

Government-wide financial statements—The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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, effects of interfund activity have 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 certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position—The Statement of Net Position is designed to display financial position of the primary government (government and business-type 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.

Statement of Activities—The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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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 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 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, final budget and actual results.

#### A. Financial Reporting Entity

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

#### B. Individual Component Unit Disclosures

*Blended Component Units*—The County has no blended component units to be included for the fiscal year ended June 30, 2014.

##### *Discretely Presented Component Units*

Cumberland County School Board The School Board members are elected and are responsible for the operations of the County's School System. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding is from the General Fund of the County. The School Fund does not issue a separate financial report and does not have separate taxing powers. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2014.



## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### B. Individual Component Unit Disclosure: (Continued)

Cumberland County Industrial Development Authority The IDA Board members are appointed by the Board of Supervisors and are responsible for the industrial development in the County. The IDA is fiscally dependent on the County. The primary funding is from the General Fund of the County. The IDA does not issue a separate financial report and does not have separate taxing powers. The financial statements of the IDA are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2014.

#### C. Other Related Organizations

The County's officials are also responsible for appointing the members of the board of other organizations, but the County's accountability for these organizations do not extend beyond making the appointment.

##### Included in the County's Annual Financial Report

None

##### Excluded from the County's Annual Financial Report

##### Crossroads Community Services Board

The Board was created by resolution pursuant to state statute and is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The board's service area includes the counties of Amelia, Buckingham, Charlotte, Cumberland, Lunenburg, Nottoway and Cumberland. The Board is governed by a 15 member Board of Directors. One elected official and one consumer appointed by the County Board of Supervisors represents each County. The 15th member rotates between the Counties. Amelia County serves as the fiscal agent for the Board. The County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

##### Piedmont Regional Jail Board

The Board was created in 1986 to develop, construct, operate and maintain the regional jail known as the Piedmont Regional Jail. The Jail's service area includes the counties of Amelia, Buckingham, Cumberland, Lunenburg, Nottoway, and Prince Edward. The Board is governed by a Board of Directors appointed by the Board of Supervisors of each of the involved counties. The Board of Directors has appointed the Treasurer of the County of Nottoway to serve as fiscal agent. The Board is considered a jointly governed organization and therefore its operations are not included in the County's financial statements. The County cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the County. Therefore, it is not included in the County's financial statements.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

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

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

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.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

**a. General Fund**

The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

**b. Capital Projects Fund**

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County Capital Projects Fund is considered a non-major fund.

**2. Proprietary Funds**

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

**Enterprise Funds**

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer Fund.

The County reports the following major enterprise funds:

The Water and Sewer Fund—This fund is used to account for the water system and the sewage treatment plant, sewage pumping stations and collection systems as well as the water distribution system.

- 3. Fiduciary Funds (Trust and Agency Funds)** account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds, which consist of the Special Welfare Fund, Sheriff's Forfeiture Fund and the Health Insurance Fund. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

##### 4. Component Unit

The Cumberland County School Board has the following funds:

##### Governmental Fund:

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

Special Revenue Funds: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

School Cafeteria Fund - This fund accounts for the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and state and federal grants. This fund is considered a major fund.

#### E. Budgets and Budgetary Accounting

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

1. Prior to March 30, 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.
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 department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board 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, School Fund, and the Capital Projects Fund.
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. Several supplemental appropriations were necessary during the year and at year-end.
8. All budgetary data presented in the accompanying financial statements is the original budget at June 30.

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

Restricted cash consists of reserve accounts established as required by Rural Development bond covenants.

#### G. Investments

Investments are reported at fair value which approximates market; no investments are valued at cost. Certificates of deposit are reported in the accompanying financial statements as cash and cash equivalents. Investments consist of assets held by a trustee.

#### H. 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.

#### I. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$251,108 at June 30, 2014 and is comprised of property taxes in the amount of \$212,795 and utility accounts in the amount of \$38,313.

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are due in two installments, the first on June 15<sup>th</sup> and the second on November 15<sup>th</sup>. Personal property taxes are payable November 15<sup>th</sup>. The County bills and collects its own property taxes.

#### J. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### J. Capital Assets (Continued)

The costs 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the fiscal year ending June 30, 2014.

Property, plant and equipment 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	40
Building Improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	12

#### K. 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 (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the derivative instrument reported in the government-wide statement of net position.

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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivables is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup>, and amounts prepaid on the 2<sup>nd</sup> half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2<sup>nd</sup> half installments levied during the fiscal year but due after June 30<sup>th</sup> and amounts prepaid on the 2<sup>nd</sup> half installments are reported as deferred inflows of resources.

**Note 1—Summary of Significant Accounting Policies: (Continued)**

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**L. 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

**M. Long-term Obligations**

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities. 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 while discounts on debt issuances are reported as other financing uses.

**N. Fund Equity**

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; 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's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.



## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 1—Summary of Significant Accounting Policies: (Continued)

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#### N. Fund Equity (Continued)

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance / resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

#### O. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The County's policy is to fund pension costs as it accrues.

#### P. 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.

#### Q. 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.

#### R. 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.

### Note 2—Deposits and Investments:

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#### 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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.



# COUNTY OF CUMBERLAND, VIRGINIA

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

## Note 2—Deposits and Investments: (Continued)

### Investments

Statutes authorize the County and Component Unit School Board 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).

### Credit Risk of Debt Securities

The County does not have a policy related to credit risk of debt securities.

The County's rated debt investments as of June 30, 2014 were rated by Standard & Poor's and the ratings are presented below using Standard & Poor's rating scale.

County's Rate Debt Investments' Values		
Rated Debt Investments	Fair Quality Ratings	
	AAAm	Unrated
Local Government Investment Pool	\$ 5,265	\$ -
U.S. Treasury Money Market	12,309	-
Bear Stearns Fund	-	384,625
Total	\$ 17,574	\$ 384,625

### Interest Rate Risk:

The County does not have a policy related to interest rate risk.

Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Bear Stearns Fund	\$ 384,625	\$ 384,625	\$ -	\$ -	\$ -

### External Investment Pools:

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

COUNTY OF CUMBERLAND, VIRGINIA

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

**Note 3—Due From Other Governmental Units:**

At June 30, 2014 the County and School Board had receivables from other governments as follows:

	Primary Government	Component Unit - School Board
Commonwealth of Virginia:		
State sales taxes	\$ -	\$ 269,409
Local sales taxes	75,598	-
Communication taxes	32,279	-
Public assistance	40,048	-
Comprehensive services	113,983	-
Shared expenses	87,376	-
Other	39,058	-
Federal Government:		
School funds	-	147,078
Public assistance	71,207	-
Total	\$ 459,549	\$ 416,487

**Note 4—Interfund Obligations/Due to/From Primary Government/Component Units:**

**Primary Government:**

Fund	Interfund Receivable	Interfund Payable
General	\$ 70,000	\$ -
Sewer	-	70,000
Total	\$ 70,000	\$ 70,000

Details of obligations between the primary government and its component units as of June 30, 2014 are as follows:

	Due from Primary Government/ Component Unit	Due to Primary Government/ Component Unit
Primary Government:		
General	\$ 873,429	\$ -
Component Unit-School Board:		
School Operating	-	873,429
Total	\$ 873,429	\$ 873,429

# COUNTY OF CUMBERLAND, VIRGINIA

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

## Note 5—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 16,175
County Capital Projects	<u>16,175</u>	<u>-</u>
Total	<u>\$ 16,175</u>	<u>\$ 16,175</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

## Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
<b>Governmental Activities:</b>				
<b>County:</b>				
Capital assets, not being depreciated:				
Land	\$ 142,089	\$ -	\$ -	\$ 142,089
Construction in progress	<u>113,666</u>	<u>-</u>	<u>-</u>	<u>113,666</u>
Total capital assets not being depreciated	<u>\$ 255,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,755</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,790,627	\$ -	\$ -	\$ 6,790,627
Equipment	2,567,821	-	-	2,567,821
Jointly owned assets	<u>32,926,281</u>	<u>-</u>	<u>1,881,477</u>	<u>31,044,804</u>
Total capital assets being depreciated	<u>\$ 42,284,729</u>	<u>\$ -</u>	<u>\$ 1,881,477</u>	<u>\$ 40,403,252</u>
Accumulated depreciation:				
Buildings and improvements	\$ 2,314,794	\$ 178,565	\$ -	\$ 2,493,359
Equipment	2,356,597	73,982	-	2,430,579
Jointly owned assets	<u>4,462,768</u>	<u>776,173</u>	<u>329,468</u>	<u>4,909,473</u>
Total accumulated depreciation	<u>\$ 9,134,159</u>	<u>\$ 1,028,720</u>	<u>\$ 329,468</u>	<u>\$ 9,833,411</u>
Total capital assets being depreciated, net	<u>\$ 33,150,570</u>	<u>\$ (1,028,720)</u>	<u>\$ 1,552,009</u>	<u>\$ 30,569,841</u>
Governmental activities capital assets, net	<u>\$ 33,406,325</u>	<u>\$ (1,028,720)</u>	<u>\$ 1,552,009</u>	<u>\$ 30,825,596</u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets: (Continued)

The following is a summary of changes in enterprise capital assets during the year:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Water and Sewer Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 22,458	\$ -	\$ -	\$ 22,458
Construction in progress	<u>1,523,840</u>	<u>369,742</u>	<u>1,893,582</u>	<u>-</u>
Total capital assets not being depreciated	\$ <u>1,546,298</u>	\$ <u>369,742</u>	\$ <u>1,893,582</u>	\$ <u>22,458</u>
Capital assets being depreciated:				
Equipment	\$ 177,612	\$ 57,546	\$ -	\$ 235,158
Infrastructure	9,267,526	1,893,582	-	11,161,108
Buildings and improvements	<u>1,511,814</u>	<u>-</u>	<u>-</u>	<u>1,511,814</u>
		-		
Total capital assets being depreciated	\$ <u>10,956,952</u>	\$ <u>1,951,128</u>	\$ <u>-</u>	\$ <u>12,908,080</u>
Accumulated depreciation:				
Equipment	\$ 113,215	\$ 16,099	\$ -	\$ 129,314
Water and sewer lines	2,844,308	231,688	-	3,075,996
Buildings and improvements	<u>741,538</u>	<u>50,394</u>	<u>-</u>	<u>791,932</u>
Total accumulated depreciation	\$ <u>3,699,061</u>	\$ <u>298,181</u>	\$ <u>-</u>	\$ <u>3,997,242</u>
Total capital assets being depreciated, net	\$ <u>7,257,891</u>	\$ <u>1,652,947</u>	\$ <u>-</u>	\$ <u>8,910,838</u>
Business-type activities capital assets, net	<u><u>\$ 8,804,189</u></u>	<u><u>\$ 2,022,689</u></u>	<u><u>\$ 1,893,582</u></u>	<u><u>\$ 8,933,296</u></u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets: (Continued)

	Restated Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities:</b>				
<b>Component Unit - School Board:</b>				
Capital assets, not being depreciated:				
Land	\$ 121,421	\$ -	\$ -	\$ 121,421
Total capital assets not being depreciated	\$ 121,421	\$ -	\$ -	\$ 121,421
Capital assets being depreciated:				
Buildings and improvements	\$ 6,017,448	\$ -	\$ -	\$ 6,017,448
Equipment	3,189,063	340,469	-	3,529,532
Jointly owned assets	7,997,917	1,881,477	-	9,879,394
Total capital assets being depreciated	\$ 17,204,428	\$ 2,221,946	\$ -	\$ 19,426,374
Accumulated depreciation:				
Buildings and improvements	\$ 2,772,526	\$ 128,426	\$ -	\$ 2,900,952
Equipment	2,647,960	79,435	-	2,727,395
Jointly owned assets	1,680,353	576,470	-	2,256,823
Total accumulated depreciation	\$ 7,100,839	\$ 784,331	\$ -	\$ 7,885,170
Total capital assets being depreciated, net	\$ 10,103,589	\$ 1,437,615	\$ -	\$ 11,541,204
Governmental activities capital assets, net	\$ 10,225,010	\$ 1,437,615	\$ -	\$ 11,662,625

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets: (Continued)

Accumulated depreciation on buildings and improvements was restated as of July 1, 2013 as follows:

	Balance As Previously Reported July 1, 2013	Adjustment	Restated Balance July 1, 2013
<b>Governmental Activities:</b>			
<b>Component Unit - School Board:</b>			
Capital assets, not being depreciated:			
Land	\$ 121,421	\$ -	\$ 121,421
Total capital assets not being depreciated	\$ 121,421	\$ -	\$ 121,421
Capital assets being depreciated:			
Buildings and improvements	\$ 6,017,448	\$ -	\$ 6,017,448
Equipment	3,189,063	-	3,189,063
Jointly owned assets	7,997,917	-	7,997,917
Total capital assets being depreciated	\$ 17,204,428	\$ -	\$ 17,204,428
Accumulated depreciation:			
Buildings and improvements	\$ 3,724,326	\$ (951,800)	\$ 2,772,526
Equipment	2,647,960	-	2,647,960
Jointly owned assets	1,680,353	-	1,680,353
Total accumulated depreciation	\$ 8,052,639	\$ (951,800)	\$ 7,100,839
Total capital assets being depreciated, net	\$ 9,151,789	\$ 951,800	\$ 10,103,589
Governmental activities capital assets, net	\$ 9,273,210	\$ 951,800	\$ 10,225,010

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 6—Capital Assets: (Continued)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type Activities Component Unit <b>Industrial Development Authority:</b> Capital assets, not being depreciated:				
Land	\$ 535,846	\$ -	\$ -	\$ 535,846
Capital assets being depreciated:				
Buildings and improvements	\$ 1,705,691	\$ -	\$ -	\$ 1,705,691
Accumulated depreciation:				
Buildings and improvements	125,720	42,642	-	168,362
Total capital assets being depreciated, net	\$ 1,579,971	\$ (42,642)	\$ -	\$ 1,537,329
Business-type activities capital assets, net	\$ 2,115,817	\$ (42,642)	\$ -	\$ 2,073,175

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

Governmental activities:	
General government administration	\$ 8,197
Judicial administration	87,466
Public safety	78,133
Public works	68,907
Health and welfare	4,426
Education	776,173
Parks, recreation and cultural	3,640
Community development	1,778
Total	\$ 1,028,720
Component Unit-School Board	\$ 454,863 *
Business-type activities:	
Water and Sewer Fund	\$ 298,181
Industrial Development Authority	\$ 42,642
* Depreciation expense above	\$ 454,863
Accumulated depreciation - joint tenancy assets	329,468
Total accumulated depreciation prior page	\$ 784,331

COUNTY OF CUMBERLAND, VIRGINIA

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

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**Note 7—Restricted Assets:**

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Restricted assets at June 30, 2014 consist of the following:

Cash reserves for debt service-courthouse	\$	<u>396,934</u>
Total	\$	<u><u>396,934</u></u>

**Note 8—Deferred Inflows of Resources:**

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Deferred/unavailable revenue represent 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. Unearned/unavailable revenue totaling \$4,053,195 is comprised of the following:

	<u>Government-wide Statements Governmental Activities</u>	<u>Balance Sheet Governmental Funds</u>
Deferred property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures.	\$ -	\$ 955,944
2nd half assessments due in December 2014	2,968,511	2,968,511
Prepaid property taxes due in December 2014, but paid in advance by the taxpayers.	<u>128,740</u>	<u>128,740</u>
Total deferred	\$ <u><u>3,097,251</u></u>	\$ <u><u>4,053,195</u></u>



COUNTY OF CUMBERLAND, VIRGINIA

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

Note 9—Long-Term Obligations:

Primary Government:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Issuances / Increases	Retirements / Decreases	Balance June 30, 2014	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 222,197	\$ 48,540	\$ 43,096	\$ 227,641	\$ 22,764
Landfill closure and post closure	179,246	-	-	179,246	-
General obligations bonds	32,815,948	-	1,914,810	30,901,138	1,976,360
VACO/VML direct loan program	4,505,000	-	180,000	4,325,000	190,000
Derivative instrument liability	365,434	-	15,675	349,759	-
State literary fund loans	2,333,332	-	166,667	2,166,665	166,667
Total Governmental Activities	<u>\$ 40,421,157</u>	<u>\$ 48,540</u>	<u>\$ 2,320,248</u>	<u>\$ 38,149,449</u>	<u>\$ 2,355,791</u>
Reconciliation to amounts reported on Exhibit 1:					
Total above				\$ 38,149,449	
Less: Derivative instrument liability				<u>(349,759)</u>	
Total as adjusted				<u>\$ 37,799,690</u>	
Per Exhibit 1:					
Due within one year				\$ 2,355,791	
Due in more than one year				<u>35,443,899</u>	
Total as adjusted				<u>\$ 37,799,690</u>	
<b>Business-type Activities:</b>					
<b>Water and Sewer Fund:</b>					
Compensated absences	\$ 8,653	\$ 4,814	\$ 10,946	\$ 2,521	\$ 252
Revenue Bonds	2,385,104	-	42,001	2,343,103	58,457
Total Business-Type Activities	<u>\$ 2,393,757</u>	<u>\$ 4,814</u>	<u>\$ 52,947</u>	<u>\$ 2,345,624</u>	<u>\$ 58,709</u>
Total primary government	<u>\$ 42,814,914</u>	<u>\$ 53,354</u>	<u>\$ 2,373,195</u>	<u>\$ 40,145,314</u>	<u>\$ 2,414,500</u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 9—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30,	Governmental						Business-Type	
	General		State		VACO/VML		Revenue Bonds	
	Obligation Bonds		Literary Fund Loans		Loan Program			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,976,360	\$ 1,088,747	\$ 166,667	\$ 65,000	\$ 190,000	\$ 203,281	\$ 58,457	\$ 81,235
2016	2,032,514	1,008,866	166,667	60,000	195,000	193,404	60,670	79,022
2017	2,110,304	926,081	166,667	55,000	205,000	183,969	63,081	76,612
2018	2,173,764	840,191	166,667	50,000	215,000	173,885	65,540	74,152
2019	1,862,928	763,503	166,667	45,000	225,000	163,160	68,104	71,588
2020	1,913,834	696,534	166,667	40,000	235,000	152,053	70,730	68,962
2021	1,964,518	627,769	166,667	35,000	245,000	140,214	73,562	66,130
2022	2,017,024	557,169	166,666	30,000	260,000	127,855	76,466	63,226
2023	2,071,928	487,083	166,666	25,000	270,000	114,986	79,494	60,198
2024	1,876,612	417,964	166,666	20,000	285,000	101,449	82,609	57,083
2025	1,925,584	347,437	166,666	15,000	295,000	87,402	85,943	53,749
2026	1,985,548	274,881	166,666	10,000	310,000	72,547	89,376	50,316
2027	2,041,556	200,170	166,666	5,000	325,000	57,003	92,956	46,736
2028	2,103,664	123,250	-	-	340,000	40,823	96,652	43,040
2029	1,400,000	63,492	-	-	355,000	23,887	100,584	39,108
2030	1,445,000	21,386	-	-	375,000	6,051	104,646	35,046
2031	-	-	-	-	-	-	108,883	30,809
2032	-	-	-	-	-	-	113,271	26,421
2033	-	-	-	-	-	-	117,915	21,777
2034	-	-	-	-	-	-	122,726	16,966
2035	-	-	-	-	-	-	95,663	12,157
2036	-	-	-	-	-	-	31,594	10,195
2037	-	-	-	-	-	-	25,786	9,602
2038	-	-	-	-	-	-	26,314	9,074
2039	-	-	-	-	-	-	26,852	8,536
2040	-	-	-	-	-	-	27,380	8,008
2041	-	-	-	-	-	-	27,963	7,426
2042	-	-	-	-	-	-	28,535	6,853
2043	-	-	-	-	-	-	29,119	6,269
2044	-	-	-	-	-	-	29,700	5,688
2045	-	-	-	-	-	-	30,323	5,065
2046	-	-	-	-	-	-	30,943	4,445
2047	-	-	-	-	-	-	31,577	3,811
2048	-	-	-	-	-	-	32,215	3,173
2049	-	-	-	-	-	-	32,882	2,506
2050	-	-	-	-	-	-	33,555	1,833
2051	-	-	-	-	-	-	34,242	1,146
2052	-	-	-	-	-	-	34,942	446
2053	-	-	-	-	-	-	1,853	6
Total	\$ 30,901,138	\$ 8,444,523	\$ 2,166,665	\$ 455,000	\$ 4,325,000	\$ 1,841,969	\$ 2,343,103	\$ 1,168,415

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 9—Long-Term Obligations: (Continued)

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#### Primary Government: (continued)

Details of long-term obligation transactions of the County are as follows:

##### General Obligation Bonds:

\$4,190,000 obligation dated June 24, 1997, payable in various principal annual installments through July 15, 2017, interest payable semi-annually at rates ranging from 4.80% to 6.375%	\$ 1,315,000
\$11,620,646 obligation dated November 8, 2007, payable in various principal annual installments through July 15, 2027, interest payable semi-annually at 5.1%	8,713,138
\$2,223,000 refunding obligation dated September 6, 2012, payable in various principal annual installments through July 15, 2022, interest payable semi-annually at 2.31%	2,023,000
\$20,610,000 refunding obligation dated August 16, 2012, payable in various principal annual installments through December 1, 2029, interest payable semi-annually at 2.96%	18,850,000
Total General Obligation Bonds	<u>\$ 30,901,138</u>

##### VACO/VMLDIRECT LOAN PROGRAM:

\$5,000,000 VACO/VML public improvement note, issued November 2, 2009, due in principal annual payments through November 1, 2029, interest payable monthly at 3.3975%	\$ 4,325,000
Total VACO/VML DIRECT LOAN PROGRAM	<u>\$ 4,325,000</u>

##### State Literary Fund Loans:

\$5,000,000, issued February 27, 1997, due in principal annual installments of \$166,667, interest payable annually at 3%	\$ 2,166,665
Total State Literary Fund Loans	<u>\$ 2,166,665</u>
Compensated absences	<u>\$ 227,641</u>
Landfill closure and post closure	<u>\$ 179,246</u>
Total governmental activities long-term obligations	<u><u>\$ 37,799,690</u></u>

# COUNTY OF CUMBERLAND, VIRGINIA

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

## Note 9—Long-Term Obligations: (Continued)

### Primary Government: (continued)

#### Business-Type Activities:

##### Revenue Bonds:

\$1,548,800 series 1995 and Series A Sewer Revenue Bonds. Series A of \$772,000 and Series B of \$776,800 issued October 31, 1995 through the Commonwealth of Virginia. Interest payable for Series and Series A at 4.50% per year, interest only payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$3,544 for Series A and \$3,566 for Series B each month for a period of thirty-eight years, until paid, each payment to be applied first to interest accrued to such payment date and then to principal, and such financial installment, if not sooner paid, to be due and payable within forty years. \$ 1,145,660

\$344,500 series 1996 Sewer Revenue Bonds issued October 9, 1996 through the Commonwealth of Virginia. Interest payable at 4.50%, interest payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$1,582 for a period of thirty-eight years, until paid. Each payment to be applied first to interest accrued to such payment date and then to principal, and such final installment, if not sooner paid, to be due and payable within forty years. 260,346

\$939,000 series 2012 Sewer Revenue Bonds issued June 1, 2012 through the Commonwealth of Virginia. Interest payable at 2.00%, interest payable on the first and second anniversary dates of closing and thereafter payable in monthly installments of combined principal and interest of \$2,949 for a period of thirty-eight years, until paid. Each payment to be applied first to interest accrued to such payment date and then to principal, and such final installment, if not sooner paid, to be due and payable within forty years. 937,097

Total Revenue Bonds \$ 2,343,103

Compensated absences 2,521

Total Business-Type Activities long-term obligations \$ 2,345,624

Total Primary Government \$ 40,145,314

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 9—Long-Term Obligations: (Continued)

Primary Government: (continued)

Interest rate swap

*Objective of the interest rate swap.*

As a means to lower its borrowing costs, when compared against fixed-rate loans at the time of issuance in November 2009 the County entered into an interest rate swap in connection with its \$4,800,000 VACO / VML short-term financing note. The intention of the swap was to effectively change the County's variable interest rate on the bonds to a synthetic fixed rate of 3.3975% on its 2009 issue. Utilizing the synthetic instrument method, the County has determined that the swap is an effective hedging derivative instrument and hedge accounting applies.

Terms - November 2009 issue - The bonds and the related swap agreement mature on November 1, 2029. The swap's notional value of \$4,674,759 is more than the balance outstanding on the bonds payable of \$4,325,000. The difference of \$349,759 is reported in these financial statements as a derivative instrument as a deferred outflow within the long-term obligations of the County.

A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued.

Fair Value - The fair values and changes in fair values of the swap are as follows:

		<u>\$5,000,000</u>
Fair value	\$	349,759
Change in fair value		15,675

Component Units:

The following is a summary of changes in long-term obligation transactions for fiscal year ended June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Issuances / Increases</u>	<u>Retirements / Decreases</u>	<u>Balance at June 30, 2014</u>	<u>Amounts Due Within One Year</u>
School Board:					
Compensated absences	\$ 403,606	\$ 85,744	\$ 75,651	\$ 413,699	\$ 41,367
Ameresco Performance Contract	<u>1,214,156</u>	<u>-</u>	<u>75,271</u>	<u>1,138,885</u>	<u>82,742</u>
Total	<u>\$ 1,617,762</u>	<u>\$ 85,744</u>	<u>\$ 150,922</u>	<u>\$ 1,552,584</u>	<u>\$ 124,109</u>
Industrial Development Authority					
Rural Development Loan	<u>\$ 1,933,597</u>	<u>\$ -</u>	<u>\$ 23,171</u>	<u>\$ 1,910,426</u>	<u>\$ 23,883</u>

COUNTY OF CUMBERLAND, VIRGINIA

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

Note 9—Long-Term Obligations: (Continued)

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

Year Ending June 30,	School Board		IDA	
	Ameresco Performance Contract		Rural Development Loan	
	Principal	Interest	Principal	Interest
2015	\$ 82,742	\$ 55,236	\$ 23,883	\$ 78,357
2016	90,685	51,223	24,887	77,353
2017	99,127	46,825	25,933	76,307
2018	108,096	42,017	27,024	75,216
2019	117,620	36,774	28,160	74,080
2020	127,730	31,070	29,343	72,897
2021	138,458	24,875	30,577	71,663
2022	149,838	18,160	31,862	70,378
2023	161,905	10,893	33,202	69,038
2024	62,684	3,040	34,598	67,642
2025	-	-	36,052	66,188
2026	-	-	37,568	64,672
2027	-	-	39,147	63,093
2028	-	-	40,793	61,447
2029	-	-	42,508	59,732
2030	-	-	44,295	57,945
2031	-	-	46,157	56,083
2032	-	-	48,097	54,143
2033	-	-	50,119	52,121
2034	-	-	52,226	50,014
2035	-	-	54,421	47,819
2036	-	-	56,709	45,531
2037	-	-	59,093	43,147
2038	-	-	61,577	40,663
2039	-	-	64,166	38,074
2040	-	-	66,863	35,377
2041	-	-	69,674	32,566
2042	-	-	72,603	29,636
2043	-	-	75,655	26,584
2044	-	-	78,836	23,404
2045	-	-	82,150	20,090
2046	-	-	85,604	16,636
2047	-	-	89,202	13,038
2048	-	-	92,952	9,288
2049	-	-	96,860	5,380
2050	-	-	77,630	1,381
Total	\$ 1,138,885	\$ 320,113	\$ 1,910,426	\$ 1,746,983

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 9—Long-Term Obligations: (Continued)

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Details of long-term obligations are as follows:

Component Unit School Board:

Ameresco performance contract lease dated June 13, 2005, payable in various annual installments through June 2024. Interest payable at 4.85%. The energy contract was undertaken to save the Cumberland County Schools energy savings. \$ 1,138,885

Compensated absences 413,699

Total long-term obligations \$ 1,552,584

Industrial Development Authority:

\$2,000,000 Rural Development loan dated April 23, 2010 payable in monthly installments of \$8,520 beginning May 23, 2010 through April 23, 2050, interest at 4.1% \$ 1,910,426

### Note 10—Landfill Closure and Post Closure Care Cost:

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State and federal laws and regulations require the County to place a final cover on its landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites after closure. The County will also incur the estimated total closure and post closure cost of \$181,755 over the next eight years. All amounts recognized are based on what it would cost to perform all closure and post closure care at year-end. Actual cost may be higher due to inflation. If these estimates are inadequate or additional post closure requirements are determined (due to changes in technology or regulations, for example), these cost may need to be covered by charges to future landfill users or taxpayers. The County has demonstrated financial assurance requirements for closure, post closure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

### Note 11—Pension Plan:

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#### 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.

**Note 11—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

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:

<b>VRS – PLAN 1</b>
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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.

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.



Note 11—Pension Plan: (Continued)

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A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)
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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.

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.

**Note 11—Pension Plan: (Continued)**

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**A. Plan Description (Continued)**

<b>VRS – PLAN 1 (CONTINUED)</b>
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**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.

**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.

<b>VRS – PLAN 2</b>
---------------------

**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.

Note 11—Pension Plan: (Continued)

---

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)
--------------------------

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.

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.

Note 11—Pension Plan: (Continued)

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A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)
--------------------------

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.
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 11—Pension Plan: (Continued)

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A. Plan Description (Continued)

<b>HYBRID RETIREMENT PLAN (CONTINUED)</b>
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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.
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.

Note 11—Pension Plan: (Continued)

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A. Plan Description (Continued)

**HYBRID RETIREMENT PLAN (CONTINUED)**

5. **Creditable Service (Continued)**

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.

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.

Note 11—Pension Plan: (Continued)

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A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)
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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.

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.



## COUNTY OF CUMBERLAND, VIRGINIA

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

### Note 11—Pension Plan: (Continued)

#### A. Plan Description (Continued)

##### HYBRID RETIREMENT PLAN (CONTINUED)

#### 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.

#### 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 11.28% and 6.15% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$825,602, \$770,332, and \$443,633, 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, County's annual pension cost of \$342,251 was equal to the County's required and actual contributions.

Three-Year Trend Information - County			
Fiscal Year Ended	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 342,251	100%	\$ -
June 30, 2013	355,623	100%	
June 30, 2012	271,268	100%	-



## COUNTY OF CUMBERLAND, VIRGINIA

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

### Note 11—Pension Plan: (Continued)

#### C. Annual Pension Cost (Continued)

For fiscal year 2014, School Board's annual pension cost of \$42,781 was equal to the School Board's required and actual contributions.

Three-Year Trend Information - County School Board Non-Professional				
Fiscal Year Ended	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation	
June 30, 2014	\$ 42,781	100%	\$	-
June 30, 2013	41,494	100%	\$	-
June 30, 2012	37,884	100%		-

(1) Employer portion

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 County's remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

#### D. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 79.90% funded. The actuarial accrued liability for benefits was \$11,080,044, and the actuarial value of assets was \$8,852,966, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,227,078. The covered payroll (annual payroll of active employees covered by the plan) was \$3,064,700 and ratio of the UAAL to the covered payroll was 72.67%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 102.90% funded. The actuarial accrued liability for benefits was \$2,197,432, and the actuarial value of assets was \$2,261,168, resulting in an unfunded actuarial accrued liability (UAAL) of (\$63,736). The covered payroll (annual payroll of active employees covered by the plan) was \$694,454 and ratio of the UAAL to the covered payroll was 9.18%.

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.

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 12—Risk Management:

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The County is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance.

The County is a member of the Virginia Municipal Group Self Insurance Association for workers' compensation. This program is administered by a servicing contractor, which furnishes claims review and processing.

Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

### Note 13—Litigation:

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

### Note 14—Surety Bond Information:

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	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Sarah Spry, Clerk of the Circuit Court	\$ 25,000
L.O. Pfeiffer, Jr., Treasurer	300,000
Julie Phillips, Commissioner of the Revenue	3,000
Darrell Hodges, Sheriff	30,000
All Treasurer's office employees - blanket bond	50,000
Amy Griffin, Superintendent of Schools	10,000
Clerk of the School Board	10,000
Board of Supervisors	10,000

## COUNTY OF CUMBERLAND, VIRGINIA

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

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### Note 15—Commitments and Contingencies:

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Federal programs in which the County and its component unit participate were audited in accordance with the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of State and 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, any future disallowance of current grant program expenditures, if any, would be immaterial.

### Note 16—Other Postemployment Benefits:

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The Government offers postemployment medical coverage to its retired employees, however has no employees enrolled in the program. The Government has elected not to obtain an actuarial valuation to determine liability for this benefit in accordance with the financial reporting requirements of GASB 45 and believes there is no material effect on the County's financial position.

### Note 17—Upcoming GASB Statements:

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The Governmental Accounting Standards Board has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of 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.

### Note 18—Net Position Restatement:

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The net position of the School Board was restated as of July 1, 2013 as follows:

Net position as previously reported	\$ 7,660,560
Correction of error in accumulated depreciation	<u>951,800</u>
Net position as restated	<u><u>\$ 8,612,360</u></u>

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## **Required Supplementary Information**

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual -- General Fund  
 Year Ended June 30, 2014

	General Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 8,420,800	\$ 8,445,800	\$ 8,514,952	\$ 69,152
Other local taxes	942,000	942,000	947,716	5,716
Permits, privilege fees and regulatory licenses	68,600	68,600	58,837	(9,763)
Fines and forfeitures	145,000	151,922	155,961	4,039
Revenue from use of money and property	64,600	67,079	79,425	12,346
Charges for services	637,560	644,240	634,707	(9,533)
Miscellaneous	12,400	103,003	99,118	(3,885)
Intergovernmental:				
Henrico County	1,131,900	1,131,900	1,131,900	-
Commonwealth	2,955,743	3,198,869	3,220,618	21,749
Federal	771,161	859,911	710,867	(149,044)
Total revenues	\$ 15,149,764	\$ 15,613,324	\$ 15,554,101	\$ (59,223)
Expenditures:				
Current:				
General government administration	\$ 1,337,138	\$ 1,332,874	\$ 1,332,303	\$ 571
Judicial administration	471,577	485,335	485,454	(119)
Public safety	1,997,631	2,387,709	2,384,014	3,695
Public works	1,254,218	1,384,470	1,383,846	624
Health and welfare	1,819,051	1,989,082	1,854,125	134,957
Education	3,927,007	3,890,979	3,924,769	(33,790)
Parks, recreation, and cultural	196,940	203,510	203,510	-
Community development	278,457	281,311	281,306	5
Nondepartmental	1,465	9,887	9,887	-
Debt service:				
Principal retirement	2,336,748	2,336,748	2,336,748	-
Interest and other fiscal charges	1,517,712	1,520,191	1,519,184	1,007
Total expenditures	\$ 15,137,944	\$ 15,822,096	\$ 15,715,146	\$ 106,950
Excess (deficiency) of revenues over (under) expenditures	\$ 11,820	\$ (208,772)	\$ (161,045)	\$ 47,727
Other financing sources (uses):				
Transfers (out)	\$ (11,820)	\$ (16,175)	\$ (16,175)	\$ -
Total other financing sources (uses)	\$ (11,820)	\$ (16,175)	\$ (16,175)	\$ -
Net change in fund balance	\$ -	\$ (224,947)	\$ (177,220)	\$ 47,727
Fund balance at beginning of year	-	224,947	6,576,043	6,351,096
Fund balance at end of year	\$ -	\$ -	\$ 6,398,823	\$ 6,398,823

Schedule of Pension Funding Progress for the Virginia Retirement System  
Last Three Fiscal Years

County:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2) (3)	Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 8,852,966	\$ 11,080,044	\$ 2,227,078	79.90%	\$ 3,064,700	72.67%
6/30/2012	8,308,179	10,812,016	2,503,837	76.84%	3,051,065	82.06%
6/30/2011	8,104,524	9,976,887	1,872,363	81.23%	2,719,937	68.84%

School Board Non-Professional:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (3)-(2)	Funded Ratio (2) (3)	Covered Payroll	UAAL as % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 2,261,168	\$ 2,197,432	\$ (63,736)	102.90%	\$ 694,454	9.18%
6/30/2012	2,171,174	2,178,368	7,194	99.67%	699,029	1.03%
6/30/2011	2,173,296	2,114,263	(59,033)	102.79%	673,208	(8.77%)



## Other Supplementary Information

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Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual -- Capital Projects Funds  
 Year Ended June 30, 2014

	County Capital Projects Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ -	\$ 42	\$ 42
Total revenues	\$ -	\$ -	\$ 42	\$ 42
Expenditures:				
Current:				
Education	\$ -	\$ 4,355	\$ 4,355	\$ -
Community development	11,820	11,820	11,820	-
Total expenditures	\$ 11,820	\$ 16,175	\$ 16,175	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ (11,820)	\$ (16,175)	\$ (16,133)	\$ 42
Other financing sources (uses):				
Transfers in	\$ 11,820	\$ 16,175	\$ 16,175	\$ -
Total other financing sources (uses)	\$ 11,820	\$ 16,175	\$ 16,175	\$ -
Net change in fund balances	\$ -	\$ -	\$ 42	\$ 42
Fund balance at beginning of year	-	-	388	388
Fund balance at end of year	\$ -	\$ -	\$ 430	\$ 430

Combining Statement of Fiduciary Net Position -  
Agency Funds  
At June 30, 2014

	Agency Funds			Totals
	Special Welfare Fund	Health Insurance Fund	Sheriff's Forfeiture Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,050	\$ 662,189	\$ 89,343	\$ 770,582
Total assets	<u>\$ 19,050</u>	<u>\$ 662,189</u>	<u>\$ 89,343</u>	<u>\$ 770,582</u>
<b>LIABILITIES</b>				
Amounts held for sheriff	\$ -	\$ -	\$ 89,343	\$ 89,343
Amounts held for social services clients	19,050	-	-	19,050
Amounts held for insurance benefits	<u>-</u>	<u>662,189</u>	<u>-</u>	<u>662,189</u>
Total liabilities	<u>\$ 19,050</u>	<u>\$ 662,189</u>	<u>\$ 89,343</u>	<u>\$ 770,582</u>

Agency Funds  
Combining Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 18,989	\$ 19,928	\$ 19,867	\$ 19,050
Liabilities:				
Amounts held for social service clients	\$ 18,989	\$ 19,928	\$ 19,867	\$ 19,050
Sheriff's Forfeiture Fund:				
Assets:				
Cash and cash equivalents	\$ 105,276	\$ 10,832	\$ 26,765	\$ 89,343
Liabilities:				
Amounts held for sheriff	\$ 105,276	\$ 10,832	\$ 26,765	\$ 89,343
Health Insurance Fund:				
Assets:				
Cash and cash equivalents	\$ 441,565	\$ 1,906,192	\$ 1,685,568	\$ 662,189
Liabilities:				
Amounts held for insurance benefits	\$ 441,565	\$ 1,906,192	\$ 1,685,568	\$ 662,189
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 565,830	\$ 1,936,952	\$ 1,732,200	\$ 770,582
Liabilities:				
Amounts held for social service clients	\$ 18,989	\$ 19,928	\$ 19,867	\$ 19,050
Amounts held for insurance benefits	441,565	1,906,192	1,685,568	662,189
Amounts held for sheriff	105,276	10,832	26,765	89,343
Total liabilities	\$ 565,830	\$ 1,936,952	\$ 1,732,200	\$ 770,582

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Discretely Presented Component Unit—School Board

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Combining Balance Sheet -  
Discretely Presented Component Unit - School Board  
At June 30, 2014

	School Operating	School Cafeteria	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 852,276	\$ 25,876	\$ 878,152
Accounts receivable		-	-
Prepaid items	253,209	-	253,209
Due from other governmental units	416,487	-	416,487
Total assets	<u>\$ 1,521,972</u>	<u>\$ 25,876</u>	<u>\$ 1,547,848</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 32,324	\$ -	\$ 32,324
Accrued liabilities	616,219	-	616,219
Due to primary government	873,429	-	873,429
Total liabilities	<u>\$ 1,521,972</u>	<u>\$ -</u>	<u>\$ 1,521,972</u>
<b>FUND BALANCES</b>			
Restricted:			
Special Revenue	\$ -	\$ 25,876	\$ 25,876
Total fund balances	<u>\$ -</u>	<u>\$ 25,876</u>	<u>\$ 25,876</u>

Detailed explanation of adjustments from fund statements to government-wide statement of net position:

When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the School Board as a whole.

11,662,625

Long-term liabilities applicable to the School Board's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities--both current and long-term--are reported in the statement of net position.

(1,552,584)

Net position of General Government Activities

\$ 10,135,917

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2014

	School Operating	School Cafeteria	Total
Revenues:			
Charges for services	\$ 3,406	\$ 258,331	\$ 261,737
Miscellaneous	667,731	8,925	676,656
Intergovernmental:			
County contribution to School Board	3,918,320	-	3,918,320
Commonwealth	8,830,350	-	8,830,350
Federal	1,827,112	-	1,827,112
Total revenues	\$ 15,246,919	\$ 267,256	\$ 15,514,175
Expenditures:			
Education	\$ 14,674,082	\$ 819,329	\$ 15,493,411
Total expenditures	\$ 14,674,082	\$ 819,329	\$ 15,493,411
Excess (deficiency) of revenues over (under) expenditures	\$ 572,837	\$ (552,073)	\$ 20,764
Other financing sources (uses):			
Transfers in	\$ -	\$ 572,837	\$ 572,837
Transfers (out)	(572,837)	-	(572,837)
Total other financing sources (uses)	\$ (572,837)	\$ 572,837	\$ -
Net change in fund balances	\$ -	\$ 20,764	\$ 20,764
Fund balance at beginning of year	-	5,112	5,112
Fund balance at end of year	\$ -	\$ 25,876	\$ 25,876

Reconciliation of Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
To the Statement of Activities -  
Discretely Presented Component Unit - School Board  
Year Ended June 30, 2014

		Component Unit School Board
<hr/>		
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	\$	20,764
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 the depreciation expense exceeds capital outlays in the current period.		
Capital outlay	\$ 340,469	
Depreciation expense	<u>(454,863)</u>	(114,394)
Transfer of joint tenancy assets from Primary Government to the Component Unit		1,552,009
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.		
Principal retired on capital lease	\$ 75,271	
Change in compensated absences	<u>(10,093)</u>	<u>65,178</u>
Change in net position of governmental activities	\$	<u><u>1,523,557</u></u>

Schedule of Revenues, Expenditures and Changes in Fund Balance -  
 Budget and Actual -  
 Discretely Presented Component Unit - School Board  
 Year Ended June 30, 2014

	School Operating Fund			Variance With Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
Revenue from use of money and property	\$ -	\$ 2,624	\$ 3,406	\$ 782
Miscellaneous	221,023	568,435	667,731	99,296
Intergovernmental:				
County contribution to School Board	3,924,419	3,924,419	3,918,320	(6,099)
Commonwealth	8,259,695	8,914,552	8,830,350	(84,202)
Federal	1,738,566	1,990,860	1,827,112	(163,748)
Total revenues	\$ 14,143,703	\$ 15,400,890	\$ 15,246,919	\$ (153,971)
Expenditures:				
Education	\$ 13,568,145	\$ 14,825,332	\$ 14,674,082	\$ 151,250
Total expenditures	\$ 13,568,145	\$ 14,825,332	\$ 14,674,082	\$ 151,250
Excess (deficiency) of revenues over (under) expenditures	\$ 575,558	\$ 575,558	\$ 572,837	\$ (2,721)
Other financing sources (uses):				
Transfers (out)	(575,558)	(575,558)	(572,837)	2,721
Net change in fund balance	\$ -	\$ -	\$ -	\$ -
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

Discretely Presented Component Unit—Industrial Development Authority

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## Statement of Net Position

Discretely Presented Component Unit - Industrial Development Authority

At June 30, 2014

	<u>Discretely Presented Component Unit - IDA</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 67,380
Total current assets	\$ 67,380
Noncurrent assets:	
Capital Assets:	
Land	\$ 535,846
Buildings and improvements, net of depreciation	1,537,329
Total noncurrent assets	\$ 2,073,175
Total Assets	\$ 2,140,555
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 3,250
Long-term obligations, current portion	23,883
Total current liabilities	\$ 27,133
Noncurrent liabilities:	
Long-term obligations, non-current portion	1,886,543
Total Liabilities	\$ 1,913,676
<b>Net Position</b>	
Net investment in capital assets	\$ 162,749
Unrestricted assets	64,130
Total Net Position	\$ 226,879
Total Liabilities and Net Position	\$ 2,140,555

Statement of Revenues, Expenses and Changes in Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
Year Ended June 30, 2014

	Discretely Presented Component Unit - IDA
Operating revenues:	
Rent	\$ 44,400
Miscellaneous	<u>2,387</u>
Total operating revenues	<u>\$ 46,787</u>
Operating expenses:	
Depreciation	\$ 42,642
Other operating expenses	<u>9,228</u>
Total operating expenses	<u>\$ 51,870</u>
Operating income (loss)	<u>\$ (5,083)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 66
Interest expense	(79,268)
Tobacco Indemnification grants	46,697
Road and site improvements	(33,986)
Contribution from County of Cumberland	<u>83,464</u>
Total nonoperating revenues (expenses)	<u>\$ 16,973</u>
Increase (decrease) in net position	\$ 11,890
Net position, beginning of year	<u>214,989</u>
Net position, end of year	<u><u>\$ 226,879</u></u>



Statement of Cash Flows -  
Discretely Presented Component Unit - Industrial Development Authority  
Year Ended June 30, 2014

	Discretely Presented Component Unit - IDA
Cash flows from operating activities:	
Receipts from customers and users	\$ 46,787
Payments for operating activities	<u>(5,778)</u>
Net cash provided by (used for) operating activities	\$ <u>41,009</u>
Cash flows from noncapital financing activities:	
Contribution from County of Cumberland	\$ <u>83,464</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>83,464</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (23,171)
Road and site improvements	(33,986)
Interest paid on loans	(79,268)
Tobacco Indemnification grants	<u>46,697</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(89,728)</u>
Cash flows from investing activities:	
Interest income	\$ <u>66</u>
Net cash provided by (used for) investing activities	\$ <u>66</u>
Increase (decrease) in cash and cash equivalents	\$ 34,811
Cash and cash equivalents at beginning of year	<u>32,569</u>
Cash and cash equivalents at end of year	\$ <u><u>67,380</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (5,083)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operations:	
Depreciation	42,642
Changes in operating assets and liabilities:	
Increase in accounts payable	<u>3,250</u>
Net cash provided by (used for) operating activities	\$ <u><u>40,809</u></u>

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## Supporting Schedules

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Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2014

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 5,720,000	\$ 5,720,000	\$ 5,707,233	\$ (12,767)
Real and personal public service corporation property taxes	585,000	610,000	656,851	46,851
Personal property taxes	1,735,000	1,735,000	1,745,451	10,451
Mobile homes	50,000	50,000	50,995	995
Airplane taxes	6,800	6,800	8,563	1,763
Machinery and tools taxes	80,000	80,000	85,338	5,338
Penalties	115,000	115,000	123,398	8,398
Interest	129,000	129,000	137,123	8,123
Total general property taxes	\$ 8,420,800	\$ 8,445,800	\$ 8,514,952	\$ 69,152
Other local taxes:				
Local sales and use taxes	\$ 375,000	\$ 375,000	\$ 374,785	\$ (215)
Consumers' utility taxes	177,000	177,000	171,742	(5,258)
Business license taxes	107,000	107,000	107,623	623
Bank franchise tax	10,000	10,000	17,555	7,555
Motor vehicle licenses	230,000	230,000	226,829	(3,171)
Taxes on recordation and wills	43,000	43,000	49,182	6,182
Total other local taxes	\$ 942,000	\$ 942,000	\$ 947,716	\$ 5,716
Permits, privilege fees and regulatory licenses:				
Animal licenses	\$ 8,800	\$ 8,800	\$ 7,488	\$ (1,312)
Building and related permits	45,000	45,000	32,364	(12,636)
Transfer fees	400	400	370	(30)
Land use and other general government fees	6,000	6,000	11,280	5,280
Zoning and other fees	8,400	8,400	7,335	(1,065)
Total permits, privilege fees and regulatory licenses	\$ 68,600	\$ 68,600	\$ 58,837	\$ (9,763)
Fines and Forfeitures:				
Court fines and forfeitures	\$ 145,000	\$ 151,922	\$ 155,961	\$ 4,039
Total fines and forfeitures	\$ 145,000	\$ 151,922	\$ 155,961	\$ 4,039
Revenue from use of money and property:				
Revenue from use of money	\$ 46,000	\$ 48,479	\$ 70,428	\$ 21,949
Revenue from use of property	18,600	18,600	8,997	(9,603)
Total revenue from use of money and property	\$ 64,600	\$ 67,079	\$ 79,425	\$ 12,346

Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Revenue from local sources: (continued)				
Charges for services:				
Sheriff's and other public safety fees	\$ 41,660	\$ 47,990	\$ 48,078	\$ 88
Other charges for courts	16,660	16,660	6,424	(10,236)
Sanitation and waste removal fees	500	500	905	405
Landfill host agreement fees	500,000	500,000	500,000	-
Courthouse security	34,000	34,000	40,795	6,795
Recreation fees	36,140	36,490	29,972	(6,518)
Courthouse maintenance fees	7,000	7,000	8,363	1,363
Planning and community development	1,600	1,600	170	(1,430)
Total charges for services	\$ 637,560	\$ 644,240	\$ 634,707	\$ (9,533)
Miscellaneous revenue:				
Miscellaneous	\$ 12,400	\$ 63,003	\$ 99,118	\$ 36,115
Contribution from Component Unit School Board	-	40,000	-	(40,000)
Total miscellaneous revenue	\$ 12,400	\$ 103,003	\$ 99,118	\$ (3,885)
Total revenue from local sources	\$ 10,290,960	\$ 10,422,644	\$ 10,490,716	\$ 68,072
Intergovernmental:				
Local government:				
Henrico County - reservoir operation	\$ 1,131,900	\$ 1,131,900	\$ 1,131,900	\$ -
Total intergovernmental revenue	\$ 1,131,900	\$ 1,131,900	\$ 1,131,900	\$ -
Revenue from the Commonwealth:				
Payments in lieu of taxes	\$ 56,000	\$ 56,000	\$ 13,968	\$ (42,032)
Noncategorical aid:				
Mobile home titling taxes	\$ 16,000	\$ 16,000	\$ 18,973	\$ 2,973
Tax on deeds	12,000	12,000	13,902	1,902
PPTRA	871,735	871,735	871,736	1
Communication taxes	395,000	395,000	352,345	(42,655)
Rolling stock tax	-	-	3,601	3,601
Recordation tax	14,000	14,000	25,074	11,074
Rental tax	200	200	591	391
Total noncategorical aid	\$ 1,308,935	\$ 1,308,935	\$ 1,286,222	\$ (22,713)

Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 163,265	\$ 163,265	\$ 166,547	\$ 3,282
Sheriff	561,533	561,533	562,743	1,210
Commissioner of the Revenue	80,353	80,353	75,520	(4,833)
Treasurer	90,798	90,798	90,326	(472)
Registrar/electoral board	36,560	36,560	36,689	129
DMV	16,000	16,000	20,303	4,303
Clerk of the Circuit Court	146,819	156,331	156,073	(258)
Total shared expenses	\$ 1,095,328	\$ 1,104,840	\$ 1,108,201	\$ 3,361
Other categorical aid:				
Litter control	\$ -	\$ 6,366	\$ 6,366	\$ -
Law enforcement block grant	-	1,740	1,740	-
Highway safety grant - Sheriff's department	-	34,379	-	(34,379)
E-911 wireless	-	44,332	41,803	(2,529)
Records preservant grant - courts	-	7,675	7,675	-
Comprehensive Services Act	350,000	350,000	330,504	(19,496)
Emergency medical services grant	-	10,126	10,126	-
Fire programs grant	-	54,085	58,858	4,773
Other categorical aid	5,000	12,574	74	(12,500)
Public assistance and welfare	140,480	207,817	355,081	147,264
Total other categorical aid	\$ 495,480	\$ 729,094	\$ 812,227	\$ 83,133
Total categorical aid	\$ 1,590,808	\$ 1,833,934	\$ 1,920,428	\$ 86,494
Total revenue from the Commonwealth	\$ 2,955,743	\$ 3,198,869	\$ 3,220,618	\$ 21,749
Revenue from the Federal Government:				
Categorical aid:				
Public assistance and welfare	\$ 771,161	\$ 809,911	\$ 588,218	\$ (221,693)
Other categorical aid	-	50,000	122,649	72,649
Total categorical aid	\$ 771,161	\$ 859,911	\$ 710,867	\$ (149,044)
Total revenue from the Federal Government	\$ 771,161	\$ 859,911	\$ 710,867	\$ (149,044)
Total General Fund	\$ 15,149,764	\$ 15,613,324	\$ 15,554,101	\$ (59,223)

Governmental Funds -  
Statement of Revenues - Budget and Actual  
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Primary Government: (Continued)				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 42	\$ 42
Total County Capital Projects Fund	\$ -	\$ -	\$ 42	\$ 42
Total Revenues -- Primary Government	\$ 15,149,764	\$ 15,613,324	\$ 15,554,143	\$ (59,181)
Component Unit -- School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of property	\$ -	\$ 2,624	\$ 3,406	\$ 782
Total revenue from use of money and property	\$ -	\$ 2,624	\$ 3,406	\$ 782
Miscellaneous revenue:				
Miscellaneous	\$ 221,023	\$ 568,435	\$ 667,731	\$ 99,296
Total miscellaneous	\$ 221,023	\$ 568,435	\$ 667,731	\$ 99,296
Total revenue from local sources	\$ 221,023	\$ 571,059	\$ 671,137	\$ 100,078
Intergovernmental:				
County contribution to School Board	\$ 3,924,419	\$ 3,924,419	\$ 3,918,320	\$ (6,099)



Governmental Funds  
Statement of Revenues -- Budget and Actual  
Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
Component Unit -- School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,541,283	\$ 1,494,953	\$ 1,496,892	\$ 1,939
Basic school aid	3,990,422	4,131,967	4,131,967	-
Special education	399,932	408,748	408,748	-
Social security	246,041	251,465	251,465	-
Teacher retirement	410,068	419,108	419,108	-
Other state funds	1,671,949	2,208,311	2,122,170	(86,141)
Total categorical aid	\$ 8,259,695	\$ 8,914,552	\$ 8,830,350	\$ (84,202)
Total revenue from the Commonwealth	\$ 8,259,695	\$ 8,914,552	\$ 8,830,350	\$ (84,202)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 386,314	\$ 386,314	\$ 436,931	\$ 50,617
Title VI-B -- Special Education	330,034	330,034	310,582	(19,452)
School food	584,270	584,270	557,810	(26,460)
Other federal funds	437,948	690,242	521,789	(168,453)
Total categorical aid	\$ 1,738,566	\$ 1,990,860	\$ 1,827,112	\$ (163,748)
Total revenue from the federal government	\$ 1,738,566	\$ 1,990,860	\$ 1,827,112	\$ (163,748)
Total School Operating Fund	\$ 14,143,703	\$ 15,400,890	\$ 15,246,919	\$ (153,971)
Special Revenue Fund:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ -	\$ -	\$ 258,331	\$ 258,331
Total charges for services	\$ -	\$ -	\$ 258,331	\$ 258,331
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 8,925	\$ 8,925
Total miscellaneous	\$ -	\$ -	\$ 8,925	\$ 8,925
Total revenue from local sources	\$ -	\$ -	\$ 267,256	\$ 267,256
Total School Cafeteria Fund	\$ -	\$ -	\$ 267,256	\$ 267,256
Total Revenues -- Component Unit -- School Board	\$ 14,143,703	\$ 15,400,890	\$ 15,514,175	\$ 113,285

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2014

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 43,871	\$ 46,707	\$ 46,706	\$ 1
General and financial administration:				
County administrator	\$ 221,793	\$ 213,733	\$ 213,672	\$ 61
Independent Auditor	33,500	33,700	33,700	-
Commissioner of the revenue	235,128	222,966	223,010	(44)
Assessor	92,000	135,331	135,331	-
Equilization board	1,500	1,100	1,100	-
License Bureau	-	22	22	-
Treasurer	269,917	269,917	269,348	569
Accounting	161,819	163,731	163,754	(23)
Data Processing	171,745	151,240	151,235	5
Total general and financial administration	\$ 1,187,402	\$ 1,191,740	\$ 1,191,172	\$ 568
Board of Elections:				
Electoral board and officials	\$ 25,157	\$ 13,498	\$ 13,498	\$ -
Registrar	80,708	80,929	80,927	2
Total board of elections	\$ 105,865	\$ 94,427	\$ 94,425	\$ 2
Total general government administration	\$ 1,337,138	\$ 1,332,874	\$ 1,332,303	\$ 571
Judicial administration:				
Courts:				
Circuit court	\$ 15,310	\$ 12,599	\$ 12,598	\$ 1
General district court	6,445	6,518	6,517	1
Special magistrates	2,069	1,710	1,709	1
Law library	1,000	716	716	-
Clerk of the circuit court	232,813	247,640	247,636	4
Total courts	\$ 257,637	\$ 269,183	\$ 269,176	\$ 7
Commonwealth's attorney:				
Commonwealth's attorney	\$ 213,940	\$ 216,152	\$ 216,278	\$ (126)
Total judicial administration	\$ 471,577	\$ 485,335	\$ 485,454	\$ (119)

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2014 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff and other law enforcement	\$ 1,490,857	\$ 1,632,735	\$ 1,629,068	\$ 3,667
Total law enforcement and traffic control	\$ 1,490,857	\$ 1,632,735	\$ 1,629,068	\$ 3,667
Fire and rescue services:				
Fire and rescue services	\$ 186,475	\$ 250,687	\$ 250,687	\$ -
Total fire and rescue services	\$ 186,475	\$ 250,687	\$ 250,687	\$ -
Correction and detention:				
Correction and detention	\$ 110,644	\$ 288,029	\$ 288,008	\$ 21
Total correction and detention	\$ 110,644	\$ 288,029	\$ 288,008	\$ 21
Inspections:				
Building	\$ 119,499	\$ 116,086	\$ 116,084	\$ 2
Total inspections	\$ 119,499	\$ 116,086	\$ 116,084	\$ 2
Other protection:				
Animal control	\$ 90,156	\$ 100,052	\$ 100,047	\$ 5
Medical examiner (coroner)	-	120	120	-
Total other protection	\$ 90,156	\$ 100,172	\$ 100,167	\$ 5
Total public safety	\$ 1,997,631	\$ 2,387,709	\$ 2,384,014	\$ 3,695
Public works:				
Sanitation and waste removal:				
Refuse disposal	\$ 563,625	\$ 715,815	\$ 715,200	\$ 615
Total sanitation and waste removal	\$ 563,625	\$ 715,815	\$ 715,200	\$ 615

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2014 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Public works: (Continued)				
Maintenance of general buildings and grounds:				
General properties	\$ 690,593	\$ 668,655	\$ 668,646	\$ 9
Total maintenance of general buildings and grounds	\$ 690,593	\$ 668,655	\$ 668,646	\$ 9
Total public works	\$ 1,254,218	\$ 1,384,470	\$ 1,383,846	\$ 624
Health and welfare:				
Health:				
Supplement of local health department	\$ 79,441	\$ 79,259	\$ 79,259	\$ -
Total health	\$ 79,441	\$ 79,259	\$ 79,259	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Total mental health and mental retardation	\$ 34,000	\$ 34,000	\$ 34,000	\$ -
Welfare:				
Welfare administration & public assistance	\$ 1,221,776	\$ 1,329,190	\$ 1,249,578	\$ 79,612
CSA - management	33,834	36,633	36,633	-
CSA - at risk youth	450,000	510,000	454,655	55,345
Total welfare	\$ 1,705,610	\$ 1,875,823	\$ 1,740,866	\$ 134,957
Total health and welfare	\$ 1,819,051	\$ 1,989,082	\$ 1,854,125	\$ 134,957
Education:				
Contributions to community colleges	\$ 2,588	\$ 6,449	\$ 6,449	\$ -
Contributions to school board component unit	3,924,419	3,884,530	3,918,320	(33,790)
Total education	\$ 3,927,007	\$ 3,890,979	\$ 3,924,769	\$ (33,790)
Parks, recreation and cultural:				
Parks and recreation				
Recreation centers and playgrounds	\$ 81,490	\$ 88,060	\$ 88,060	\$ -
Library:				
Local library	\$ 115,450	\$ 115,450	\$ 115,450	\$ -
Total parks, recreation and cultural	\$ 196,940	\$ 203,510	\$ 203,510	\$ -

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2014 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Primary Government: (Continued)				
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 142,724	\$ 144,079	\$ 144,075	\$ 4
Contribution to IDA	83,464	83,464	83,464	-
Other community development	6,895	7,964	7,964	-
Total planning and community development	\$ 233,083	\$ 235,507	\$ 235,503	\$ 4
Environmental management:				
Cooperative extension program	\$ 45,374	\$ 45,804	\$ 45,803	\$ 1
Total environmental management	\$ 45,374	\$ 45,804	\$ 45,803	\$ 1
Total community development	\$ 278,457	\$ 281,311	\$ 281,306	\$ 5
Nondepartmental:				
Miscellaneous	\$ 1,465	\$ 9,887	\$ 9,887	\$ -
Total nondepartmental	\$ 1,465	\$ 9,887	\$ 9,887	\$ -
Debt service:				
Principal retirement	\$ 2,336,748	\$ 2,336,748	\$ 2,336,748	\$ -
Interest and fiscal charges	1,517,712	1,520,191	1,519,184	1,007
Total debt service	\$ 3,854,460	\$ 3,856,939	\$ 3,855,932	\$ 1,007
Total General Fund	\$ 15,137,944	\$ 15,822,096	\$ 15,715,146	\$ 106,950
County Capital Projects Fund:				
Capital outlay / projects:				
Education:				
Miscellaneous projects	\$ -	\$ 4,355	\$ 4,355	\$ -
Community Development:				
Randolph community center	11,820	11,820	11,820	-
Total County Capital Projects Fund	\$ 11,820	\$ 16,175	\$ 16,175	\$ -
Total Expenditures -- Primary Government	\$ 15,149,764	\$ 15,838,271	\$ 15,731,321	\$ 106,950

Governmental Funds -  
Statement of Expenditures - Budget and Actual  
Year Ended June 30, 2014 (continued)

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Favorable (Unfavor.)
Component Unit -- School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 9,754,324	\$ 10,971,511	\$ 10,410,810	\$ 560,701
Administration, attendance and health	1,067,920	1,067,920	1,080,708	(12,788)
Pupil transportation services	1,262,350	1,262,350	1,415,920	(153,570)
Operation and maintenance services	1,007,144	1,007,144	1,001,396	5,748
School food services	-	-	45,026	(45,026)
Technology	476,407	516,407	720,222	(203,815)
Total education	\$ 13,568,145	\$ 14,825,332	\$ 14,674,082	\$ 151,250
Total School Operating Fund	\$ 13,568,145	\$ 14,825,332	\$ 14,674,082	\$ 151,250
Special Revenue Fund:				
School Cafeteria Fund:				
Education:				
School food services	\$ -	\$ -	\$ 819,329	\$ (819,329)
Total School Cafeteria Fund	\$ -	\$ -	\$ 819,329	\$ (819,329)
Total Expenditures--Component Unit-- School Board	\$ 13,568,145	\$ 14,825,332	\$ 15,493,411	\$ (668,079)

## Other Statistical Information

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Table 1

## COUNTY OF CUMBERLAND, VIRGINIA

Government-wide Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Admini- stration	Public Safety		Public Works	Health and Welfare		Education	Recreation and Cultural		Community Develop- ment	Interest on Debt		Water & Sewer	Total			
	Admini- stration																		
2004-05 \$	1,096,607	\$	457,036	\$	1,641,665	\$	1,734,952	\$	3,988,063	\$	134,066	\$	339,568	\$	502,815	\$	305,431	\$	11,470,187
2005-06	1,188,315		440,444		1,868,176		2,352,514		5,143,204		137,816		398,233		482,102		347,465		14,178,074
2006-07	1,555,835		555,793		2,146,137		2,294,192		4,378,988		182,374		407,700		629,286		511,162		13,727,025
2007-08	1,438,611		440,064		2,516,490		2,109,789		6,778,573		188,984		1,337,794		1,099,526		692,743		17,739,173
2008-09	1,556,822		425,338		2,354,306		2,080,940		6,339,648		190,112		746,629		2,141,701		610,002		17,658,420
2009-10	1,581,085		438,445		2,186,375		1,907,322		6,066,332		177,854		427,487		2,535,022		662,686		17,428,340
2010-11	1,339,647		438,398		2,181,972		1,461,077		5,255,483		208,402		729,559		2,150,144		620,279		16,288,125
2011-12	1,425,743		471,552		2,238,713		1,263,236		5,851,389		223,140		367,939		2,039,794		646,448		16,290,660
2012-13	1,295,829		454,536		2,200,219		1,315,917		4,045,744		216,682		505,311		4,071,529		652,560		16,301,739
2013-14	1,342,469		570,586		2,473,338		1,458,828		6,332,577		206,844		294,208		1,480,431		690,967		16,708,231

COUNTY OF CUMBERLAND, VIRGINIA

Table 2

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	Contributions Not Restricted to Specific Programs	Revenues from the Use of Money & Property	Miscellaneous	
2004-05	\$ 343,590	\$ 2,382,153	\$ 356,553	\$ 7,943,269	\$ 1,315,257	\$ 937,189	\$ 120,077	\$ 129,818	\$ 13,527,906
2005-06	625,911	2,864,407	559,575	6,193,617	1,401,158	971,950	239,714	132,403	12,988,735
2006-07	525,508	2,643,613	1,647,298	6,727,441	1,296,960	1,013,486	281,990	603,113	14,739,409
2007-08	863,686	2,847,017	3,575,280	6,671,011	1,370,255	987,713	562,769	47,495	16,925,226
2008-09	534,956	2,479,867	618,820	6,989,867	1,321,181	928,274	166,644	117,828	13,157,437
2009-10	773,847	2,528,839	2,076,773	7,390,476	1,363,354	1,020,737	61,838	139,493	15,355,357
2010-11	1,163,304	2,391,346	3,789,930	8,518,154	1,334,909	976,825	137,411	136,369	18,448,248
2011-12	1,209,264	2,311,805	1,225,495	8,448,999	1,275,388	966,551	99,328	227,698	15,764,528
2012-13	1,232,605	2,170,663	1,543,259	8,704,733	965,288	1,383,247	92,575	361,920	16,454,290
2013-14	1,186,650	2,631,295	1,730,254	8,343,548	947,716	1,300,190	79,946	99,118	16,318,717

COUNTY OF CUMBERLAND, VIRGINIA

Table 3

General Government Revenues by Source (1)

Last Ten Fiscal Years

Fiscal Year	General			Permit Privilege Fees & Regulatory Licenses		Fines & Forfeitures		Revenues from the Use of Money & Property		Charges for Services		Miscellaneous		Inter-governmental		Total
	Property Taxes	Other Local Taxes														
2004-05	\$ 7,821,863	\$ 1,315,257	\$	76,029	\$	31,047	\$	142,345	\$	255,057	\$	223,233	\$	13,658,488	\$	23,523,319
2005-06	6,351,805	1,401,158		94,697		59,671		256,716		484,635		371,179		15,184,571		24,204,432
2006-07	6,325,766	1,296,960		102,542		50,642		321,055		317,769		966,950		17,458,744		26,840,428
2007-08	6,668,218	1,370,255		70,618		66,921		569,478		578,216		320,653		19,051,343		28,695,702
2008-09	6,795,668	1,321,181		67,754		78,229		157,506		339,471		617,714		17,304,937		26,682,460
2009-10	7,348,317	1,363,354		59,063		113,623		59,441		854,198		559,921		16,540,010		26,897,927
2010-11	8,438,080	1,334,909		66,405		125,207		134,952		868,884		589,840		17,846,477		29,404,754
2011-12	8,400,789	1,284,734		61,946		156,539		98,136		843,312		802,416		15,604,891		27,252,763
2012-13	8,763,622	973,823		64,569		167,216		85,999		895,970		989,541		14,685,826		26,626,566
2013-14	8,514,952	947,716		58,837		155,961		79,467		896,444		775,774		15,720,847		27,149,998

(1) Includes General, Special Revenue Funds and Capital Project Funds of the Primary Government and the Discretely Presented Component Unit School Board.

COUNTY OF CUMBERLAND, VIRGINIA

Table 4

General Government Expenditures by Function (1) (2)

Last Ten Fiscal Years

Fiscal Year	General Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Recreation and Cultural	Community Development	Debt Service	Non-Departmental	Total
2004-05	\$ 1,087,395	\$ 376,717	\$ 1,613,412	\$ 1,299,385	\$ 1,722,374	\$ 14,092,912	\$ 131,539	\$ 339,317	\$ 1,045,773	\$ -	\$ 21,708,824
2005-06	1,172,312	347,347	2,369,699	2,819,015	2,414,307	15,846,227	135,289	404,466	1,040,576	-	26,549,238
2006-07	1,477,432	477,398	2,816,990	1,165,470	2,267,877	23,954,584	179,847	408,285	1,317,939	-	34,065,822
2007-08	1,414,091	347,533	3,244,244	1,160,817	2,098,924	44,165,345	195,137	1,131,705	11,404,038	-	65,161,834
2008-09	1,525,264	344,985	2,321,515	1,164,780	2,071,123	21,919,874	185,889	882,579	3,176,907	-	33,592,916
2009-10	1,586,866	348,507	2,036,541	1,519,811	1,923,523	21,123,845	175,255	443,285	3,964,104	-	33,121,737
2010-11	1,320,620	351,836	2,087,633	1,350,482	1,872,248	14,496,027	203,921	730,065	4,073,922	92,516	26,579,270
2011-12	1,433,261	381,156	2,172,963	1,312,227	1,773,658	15,492,195	220,829	362,387	4,034,774	80,400	27,263,850
2012-13	1,284,193	365,187	2,144,206	1,366,527	1,532,749	14,493,758	211,070	506,361	26,941,616	59,919	48,905,586
2013-14	1,332,303	485,454	2,384,014	1,383,846	1,854,124	15,504,216	203,510	293,126	3,855,932	9,887	27,306,412

(1) Includes General, Special Revenue Funds and Capital Project Funds of the Primary Government and the Discretely Presented Component Unit School Board.

(2) Does not include non-departmental expenditures & contributions from the Primary Government to the Component Unit School Board.

COUNTY OF CUMBERLAND, VIRGINIA

Table 5

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total (1,4) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent		Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (1,3,4) Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
				(1) Tax	(2) Collections				
2004-05	\$ 6,404,029	\$ 6,134,815	95.80%	\$	388,838	\$ 6,523,653	101.87%	\$ 557,064	8.70%
2005-06	6,873,966	6,770,742	98.50%		305,845	7,076,587	102.95%	691,919	10.07%
2006-07	7,230,249	6,786,714	93.87%		226,342	7,013,056	97.00%	820,046	11.34%
2007-08	7,414,535	7,009,119	94.53%		303,978	7,313,097	98.63%	852,804	11.50%
2008-09	7,673,636	7,261,095	94.62%		229,173	7,490,268	97.61%	910,187	11.86%
2009-10	8,168,244	7,740,534	94.76%		323,129	8,063,663	98.72%	937,772	11.48%
2010-11	9,121,905	8,676,195	95.11%		377,159	9,053,354	99.25%	971,461	10.65%
2011-12	9,121,509	8,636,836	94.69%		338,643	8,975,479	98.40%	1,094,179	12.00%
2012-13	9,220,367	8,792,518	95.36%		530,713	9,323,231	101.12%	1,036,767	11.24%
2013-14	9,087,831	8,776,534	96.57%		349,633	9,126,167	100.42%	1,038,108	11.42%

(1) Exclusive of penalties and interest.

(2) Does not include land redemptions.

(3) Includes personal and real property

(4) Fiscal Year 2005 does not include 1st half of 2005 Real Estate and Public Service taxes.

COUNTY OF CUMBERLAND, VIRGINIA

Table 6

Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Public Service	Airplane	Machinery & Tools	Total
2004-05	\$ 485,414,095	\$ 47,722,652	\$ 8,612,464	\$ 54,785,526	\$ 1,367,900	\$ 1,747,243	\$ 599,649,880
2005-06	605,391,128	52,458,816	8,554,248	53,323,831	1,324,300	1,742,242	722,794,565
2006-07	716,805,203	55,903,746	8,430,631	56,383,503	1,772,700	2,014,328	841,310,111
2007-08	730,275,447	57,024,862	8,531,438	64,696,398	1,549,585	1,925,603	864,003,333
2008-09	739,662,170	61,957,207	8,553,171	64,153,584	1,609,140	2,314,164	878,249,436
2009-10	795,199,387	54,473,377	8,597,263	60,485,203	1,427,581	2,504,409	922,687,220
2010-11	850,430,361	57,149,558	7,110,616	67,684,115	1,184,500	2,117,341	985,676,491
2011-12	855,916,262	57,564,245	7,187,152	75,200,914	1,415,432	2,264,637	999,548,642
2012-13	861,560,435	57,729,401	7,183,790	82,283,896	1,387,700	2,125,112	1,012,270,334
2013-14	809,456,777	57,899,353	7,131,049	84,616,150	1,759,366	2,237,038	963,099,733

Property Tax Rates  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Public Service	Airplane	Machinery & Tools
2004-05	\$ 0.76	\$ 4.50	\$ 0.76	\$ 0.45	\$ 4.50
2005-06	0.76/0.59	4.50	0.76/0.59	0.45	4.50
2006-07	0.59/0.59	4.50	0.59/0.59	0.50	4.50
2007-08	0.59/0.59	4.40	0.59/0.59	0.50	3.75
2008-09	0.59/0.59	4.40	0.59/0.59	0.50	3.75
2009-10	0.59/0.70	4.40	0.59/0.70	0.50	3.75
2010-11	0.70/0.68	4.50	0.70/0.68	0.50	3.75
2011-12	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2012-13	0.68/0.68	4.50	0.68/0.68	0.50	3.75
2013-14	0.68/0.74	4.50	0.68/0.74	0.50	3.75

COUNTY OF CUMBERLAND, VIRGINIA

Table 7

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 (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net General Obligation		Net Bonded Debt per Capita
					Debt to Assessed Value	Debt per Capita	
2004-05	9,017	\$ 599,649,880	\$ 11,236,884	\$ 11,236,884	0.0187	\$ 1,246	
2005-06	9,017	722,794,565	10,687,717	10,687,717	0.0148	1,185	
2006-07	9,017	841,310,111	10,118,550	10,118,550	0.0120	1,122	
2007-08	9,017	864,003,333	21,700,029	21,700,029	0.0251	2,407	
2008-09	9,017	878,249,436	45,127,972	45,127,972	0.0514	5,005	
2009-10	9,017	922,687,220	43,674,733	43,674,733	0.0473	4,844	
2010-11	9,017	985,676,491	43,297,088	43,297,088	0.0439	4,802	
2011-12	9,017	999,548,642	41,310,143	41,310,143	0.0413	4,581	
2012-13	9,017	1,012,270,334	42,039,384	42,039,384	0.0415	4,662	
2013-14	9,017	963,099,733	39,735,906	39,735,906	0.0413	4,407	

(1) Bureau of the Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans.  
Excludes capital leases, and compensated absences.

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## Compliance

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# ROBINSON, FARMER, COX ASSOCIATES

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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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*

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To The Honorable Members of the Board of Supervisors  
County of Cumberland  
Cumberland, 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 business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Cumberland, 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 Cumberland, Virginia's basic financial statements, and have issued our report dated October 10, 2014.

### Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
October 10, 2014

# 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 Cumberland  
Cumberland, Virginia

### Report on Compliance for Each Major Federal Program

We have audited the County of Cumberland, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Cumberland, Virginia's major federal programs for the year ended June 30, 2014. County of Cumberland, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of County of Cumberland, 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 County of Cumberland Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, County of Cumberland, 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 Cumberland, 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 Cumberland, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of County of Cumberland, 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, Farmer, Cox Associates*

Charlottesville, Virginia

October 10, 2014

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Primary Government:</b>			
<u>UNITED STATES DEPARTMENT OF AGRICULTURE:</u>			
<u>Direct payments:</u>			
Water and Waste Disposal Systems for Rural Communities	10.760	n/a	\$ 576,286
<u>Pass through payments:</u>			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040111	135,189
Total Department of Agriculture			\$ 711,475
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Public Safety Partnership and Community Policing Grants	16.710	n/a	\$ 50,000
Total Department of Justice			\$ 50,000
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass through payments:</u>			
Virginia Department of Emergency Services:			
Hazard Mitigation Grant	97.039	Unknown	\$ 7,083
Total Department of Homeland Security			\$ 7,083
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Transportation:			
Alcohol Open Container Requirements	20.607	Unknown	\$ 36,283
Total Department of Transportation			\$ 36,283
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass through payments:</u>			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	Unknown	\$ 593
Temporary Assistance for Needy Families	93.558	0400111	155,746
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111	814
Low Income Home Energy Assistance	93.568	0600411	12,211
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111	20,724
Stephanie Tubbs Jones Child Welfare Service Programs	93.645	0900111	860
Foster Care Title IV - E	93.658	1100111	71,496
Adoption Assistance	93.659	1120111	15,382
Social Services Block Grant	93.667	1000111	81,256
Chafee Foster Care Independence Program	93.674	9150111	874
Children's Health Insurance Program	93.767	0540111	3,929
Medical Assistance Program	93.778	1200111	118,428
Total Department of Health and Human Services			\$ 482,313
Total Primary Government			\$ 1,287,154

COUNTY OF CUMBERLAND, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit  
Year Ended June 30, 2014 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Component Unit - School Board:				
<u>DEPARTMENT OF AGRICULTURE:</u>				
<u>Pass through payments:</u>				
Child Nutrition Cluster:				
Department of Agriculture:				
Food distribution - Summer food service program	10.559	Unknown		1,448
Food distribution - School Nutrition Program	10.555	Unknown	\$ 54,090	
Department of Education:				
National School Lunch Program	10.555	406230	387,915	442,005
School Breakfast Program	10.553	405910		169,895
Total Department of Agriculture				\$ 613,348
<u>DEPARTMENT OF EDUCATION:</u>				
<u>Pass through payments:</u>				
Virginia Department of Education:				
Title I Grants to Local Educational Agencies	84.010	429010	\$	436,931
Special Education Cluster (IDEA):				
Special Education Grants to States	84.027	430710, 871380		317,535
Special Education - Preschool Grants	84.173	625210		6,363
Career and Technical Education - Basic grants to states	84.048	610950, 866470		39,856
Improving Teacher Quality State Grants	84.367	614800		155,463
Twenty-First Century Community Learning Centers	84.287	605650		142,574
Rural Education	84.358	434810		28,299
English Language Acquisition State Grants	84.365	605120		11,767
Total Department of Education				\$ 1,138,788
<u>DEPARTMENT OF DEFENSE:</u>				
<u>Direct payments:</u>				
Jr. ROTC payments	12.000	n/a	\$	74,975
Total Department of Defense				\$ 74,975
Total Component Unit School Board				\$ 1,827,111
Total Expenditures of Federal Awards				\$ 3,114,265

See accompanying notes to schedule of expenditures of federal awards.



## COUNTY OF CUMBERLAND, VIRGINIA

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2014

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#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Cumberland, 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 reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of operations of the County of Cumberland, Virginia, it is not intended to and does not present the financial position, changes in net position or cash flows of the County of Cumberland, Virginia.

#### Note 2 - 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 3 - Food Donation

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

#### Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 710,867
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Total primary government	\$ 710,867
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Component Unit School Board:

School Operating Fund	\$ 1,827,112
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Total component unit School Board	\$ 1,827,112
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Amounts required to reconcile federal revenues to expenditures:

Rural Development Loan	\$ 576,286
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Total federal expenditures per basic financial statements	\$ 3,114,265
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Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 3,114,265
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COUNTY OF CUMBERLAND, VIRGINIA

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

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Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies 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
84.010	Title I Grants to Local Educational Agencies
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A  
and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There are no findings from the prior year.