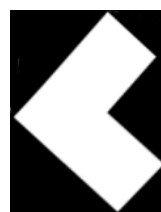


County of Mecklenburg, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2013



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

County of Mecklenburg, Virginia

Table of Contents

Year Ended June 30, 2013

| | Pages |
|--------------------------------------|-------|
| FINANCIAL SECTION | |
| Independent Auditor's Report | i-ii |
| Management's Discussion and Analysis | 1-8 |

Basic Financial Statements

Exhibits

Government-Wide Financial Statements

| | | |
|---|---------------------------|----|
| 1 | Statement of Net Position | 9 |
| 2 | Statement of Activities | 10 |

Fund Financial Statements

| | | |
|-------------------------------|---|-------|
| 3 | Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 11-12 |
| 4 | Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 13-14 |
| 5 | Statement of Fiduciary Assets and Liabilities | 15 |
| 6 | Combining Statement of Net Position – Component Units | 16 |
| 7 | Combining Statement of Activities – Component Units | 17 |
| Notes to Financial Statements | | 18-47 |

Required Supplementary Information

Exhibit

| | | |
|---|--|-------|
| 8 | Budgetary Comparison Schedule – General Fund, Capital Outlay Fund, DEQ and Landfill Funds, Public Assistance Fund, Comprehensive Services Fund, Economic Development Fund, Microsoft Project, and New School Facility Fund | 48-59 |
|---|--|-------|

Other Supplementary Information

Schedules

| | | |
|---|--|-------|
| 1 | Combining Balance Sheet – Other Governmental Funds | 60 |
| 2 | Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Governmental Funds | 61 |
| 3 | Combining Statement of Fiduciary Assets and Liabilities – Agency Funds | 62 |
| 4 | Component Unit School Board – Combining Balance Sheet and Component Unit School Board – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 63-64 |
| 5 | Component Unit School Board – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances and Component Unit School Board – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 65-66 |
| 6 | Budgetary Comparison Schedule – Component Unit School Board – School Operating Fund | 67-68 |
| 7 | Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Net Position | 69 |
| 8 | Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Activities | 70 |
| 9 | Component Unit – Industrial Development Authority of Mecklenburg County, Virginia – Statement of Cash Flows | 71 |

COMPLIANCE (SINGLE AUDIT) SECTION

| | |
|---|-------|
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 72-73 |
| Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 | 74-75 |
| Schedule of Expenditures of Federal Awards | 76-78 |
| Schedule of Findings and Questioned Costs | 79 |
| Summary Schedule of Prior Audit Findings | 80 |

FINANCIAL SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly N. Walker, CPA*

Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Mecklenburg, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 47 through 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.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the County of Mecklenburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Mecklenburg, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
December 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Mecklenburg, Virginia presents the following discussion and analysis as an overview of the County of Mecklenburg, Virginia's financial activities for the fiscal year ended June 30, 2013. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the County's financial statements.

Financial Highlights for Fiscal Year 2013

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the County, excluding its Component Units, exceeded its liabilities by \$58,918,958. Of this amount, \$26,380,498 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the County's governmental activities, excluding its Component Units, were \$43,379,353 and expenses amounted to \$40,479,395. The County's total net position increased \$2,899,958 before adjustments.

Highlights for Fund Financial Statements

- As of June 30, 2013, the County's Governmental Funds reported combined fund balances of \$27,378,596, an increase of \$3,356,879 in comparison with the prior year. Approximately 10.6 percent of the combined fund balances, \$2,893,787, is unassigned.
- The General Fund reported a fund balance of \$7,279,175, an increase of \$510,730.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Discretely Presented Component Units: The County includes the Mecklenburg County Public Schools in its annual financial report. Although legally separate, this component unit is important because the County is financially accountable for it. It also includes the Industrial Development Authority of Mecklenburg County, Virginia because it appoints its Board of Directors.

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2013 and 2012

| | <u>Primary Government</u> <u>Governmental Activities</u> | | <u>Component Units</u> | | <u>Total Reporting Entity</u> | |
|------------------------------------|---|----------------------|------------------------|----------------------|-------------------------------|----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Assets | | | | | | |
| Current and other assets | \$ 30,903,505 | \$ 26,085,630 | \$ 4,905,610 | \$ 4,143,650 | \$ 35,809,115 | \$ 30,229,280 |
| Capital assets (net) | 40,446,609 | 41,093,836 | 21,034,520 | 21,427,898 | 61,481,129 | 62,521,734 |
| Other noncurrent assets | 338,361 | 320,961 | 4,094,273 | 4,094,273 | 4,432,634 | 4,415,234 |
| Total Assets | <u>\$ 71,688,475</u> | <u>\$ 67,500,427</u> | <u>\$ 30,034,403</u> | <u>\$ 29,665,821</u> | <u>\$ 101,722,878</u> | <u>\$ 97,166,248</u> |
| Liabilities | | | | | | |
| Other liabilities | \$ 5,374,837 | \$ 4,925,512 | \$ 544,681 | \$ 500,301 | \$ 5,919,518 | \$ 5,425,813 |
| Long-term liabilities | 7,394,680 | 7,929,570 | 966,531 | 1,144,910 | 8,361,211 | 9,074,480 |
| Total Liabilities | <u>12,769,517</u> | <u>12,855,082</u> | <u>1,511,212</u> | <u>1,645,211</u> | <u>14,280,729</u> | <u>14,500,293</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 32,538,460 | 32,695,075 | 24,243,680 | 24,390,467 | 56,782,140 | 57,085,542 |
| Unrestricted | 26,380,498 | 21,950,270 | 4,279,511 | 3,630,143 | 30,660,009 | 25,580,413 |
| Total Net Position | <u>58,918,958</u> | <u>54,645,345</u> | <u>28,523,191</u> | <u>28,020,610</u> | <u>87,442,149</u> | <u>82,665,955</u> |
| Total Liabilities and Net Position | <u>\$ 71,688,475</u> | <u>\$ 67,500,427</u> | <u>\$ 30,034,403</u> | <u>\$ 29,665,821</u> | <u>\$ 101,722,878</u> | <u>\$ 97,166,248</u> |

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government, if applicable. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's reporting entity, assets exceeded liabilities by \$87,442,149 at June 30, 2013.

Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2013:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2013 and 2012

| | <u>Primary Government</u> <u>Governmental Activities</u> | | <u>Component Units</u> | | <u>Total</u> | |
|---|---|---------------|------------------------|---------------|---------------|---------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for services | \$ 675,074 | \$ 1,192,925 | \$ 1,666,765 | \$ 1,322,386 | \$ 2,341,839 | \$ 2,515,311 |
| Operating and capital grants | 7,450,544 | 8,913,920 | 29,640,505 | 31,782,483 | 37,091,049 | 40,696,403 |
| General Revenues | | | | | | |
| General property taxes, real and personal | 27,428,451 | 23,975,034 | - | - | 27,428,451 | 23,975,034 |
| Other taxes | 4,934,162 | 5,413,543 | - | - | 4,934,162 | 5,413,543 |
| Payment from County of Mecklenburg, Virginia | | | | | | |
| Education | - | - | 12,282,347 | 10,158,142 | 12,282,347 | 10,158,142 |
| IDA of Mecklenburg County, Virginia | - | - | 2,419,605 | 1,002,132 | 2,419,605 | 1,002,132 |
| Noncategorical aid from state | 2,203,255 | 2,196,280 | - | - | 2,203,255 | 2,196,280 |
| Use of property | 56,690 | 57,986 | 18,811 | - | 75,501 | 57,986 |
| Investment earnings | 132,960 | 122,845 | 38,232 | 28,979 | 171,192 | 151,824 |
| Miscellaneous | 498,217 | 305,178 | 81,461 | 531,172 | 579,678 | 836,350 |
| Total Revenues | 43,379,353 | 42,177,711 | 46,147,726 | 44,825,294 | 89,527,079 | 87,003,005 |
| Expenses | | | | | | |
| General government administration | 3,239,981 | 3,113,258 | - | - | 3,239,981 | 3,113,258 |
| Judicial administration | 2,238,633 | 2,136,145 | - | - | 2,238,633 | 2,136,145 |
| Public safety | 10,171,097 | 9,495,330 | - | - | 10,171,097 | 9,495,330 |
| Public works | 2,824,810 | 1,808,443 | - | - | 2,824,810 | 1,808,443 |
| Health and welfare | 4,538,984 | 4,426,488 | - | - | 4,538,984 | 4,426,488 |
| Education - community college | 11,079 | 10,400 | - | - | 11,079 | 10,400 |
| Education | 12,282,347 | 10,158,142 | 42,878,690 | 43,047,447 | 55,161,037 | 53,205,589 |
| Parks, recreation, and cultural | 622,719 | 437,207 | - | - | 622,719 | 437,207 |
| Community development - IDA of Mecklenburg County, Virginia | 2,419,605 | 1,002,132 | - | - | 2,419,605 | 1,002,132 |
| Community development | 1,771,999 | 1,442,350 | 2,736,276 | 2,555,471 | 4,508,275 | 3,997,821 |
| Interest on long-term debt | 358,141 | 383,441 | 30,179 | 33,706 | 388,320 | 417,147 |
| Total Expenses | 40,479,395 | 34,413,336 | 45,645,145 | 45,636,624 | 86,124,540 | 80,049,960 |
| Increase (Decrease) in Net Position | 2,899,958 | 7,764,375 | 502,581 | (811,330) | 3,402,539 | 6,953,045 |
| Beginning Net Position | 54,645,345 | 46,880,970 | 28,020,610 | 28,831,940 | 82,665,955 | 75,712,910 |
| Prior Period Adjustments | 1,373,655 | - | - | - | 1,373,655 | - |
| Ending Net Position | \$ 58,918,958 | \$ 54,645,345 | \$ 28,523,191 | \$ 28,020,610 | \$ 87,442,149 | \$ 82,665,955 |

Governmental activities, exclusive of the Component Unit School Board, increased the County's net position by \$2,899,958. Revenues from governmental activities totaled \$43,379,353. Property taxes comprise the largest source of these revenues, totaling \$27,428,451 of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$40,479,395. Education for the public school system continues to be the County's largest program with expenses totaling \$12,282,347. Public safety, which totals \$10,171,097, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2013 and 2012

| | <u>2013</u> | | <u>2012</u> | |
|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> | <u>Total Cost of Services</u> | <u>Net Cost of Services</u> |
| General government administration | \$ 3,239,981 | \$ (2,865,214) | \$ 3,113,258 | \$ (2,707,137) |
| Judicial administration | 2,238,633 | (1,023,230) | 2,136,145 | (841,924) |
| Public safety | 10,171,097 | (7,982,032) | 9,495,330 | (5,837,280) |
| Public works | 2,824,810 | (2,451,504) | 1,808,443 | (997,951) |
| Health and welfare | 4,538,984 | (1,568,565) | 4,426,488 | (1,593,500) |
| Education | 12,293,426 | (12,293,426) | 10,168,542 | (10,168,542) |
| Parks, recreation, and cultural | 622,719 | (617,719) | 437,207 | (437,207) |
| Community development | 4,191,604 | (3,193,946) | 2,444,482 | (1,339,509) |
| Interest on long-term debt | <u>358,141</u> | <u>(358,141)</u> | <u>383,441</u> | <u>(383,441)</u> |
| Total | <u>\$ 40,479,395</u> | <u>\$ (32,353,777)</u> | <u>\$ 34,413,336</u> | <u>\$ (24,306,491)</u> |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2013, the County's Governmental Funds reported a combined ending fund balance of \$27,378,596, a net increase of \$3,356,879. Approximately 10.6 percent, or \$2,893,787, is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$2,893,787. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 8.8 percent of total fund expenditures, while total fund balance represents 22.1 percent of that same amount. The General Fund contributed \$11,946,371 in operating funds to finance the School's operations and \$2,328,456 to the Industrial Development Authority of Mecklenburg County, Virginia.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2013 and 2012

| | <u>Original Budget</u> | <u>2013 Final Budget</u> | <u>Actual</u> | <u>Original Budget</u> | <u>2012 Final Budget</u> | <u>Actual</u> |
|--|----------------------------|----------------------------------|-------------------|----------------------------|----------------------------------|---------------------|
| Revenues | | | | | | |
| Taxes | \$ 22,592,252 | \$ 22,592,252 | \$ 27,353,776 | \$ 20,664,543 | \$ 20,664,543 | \$ 23,975,034 |
| Other | 5,364,089 | 5,405,257 | 6,053,018 | 5,385,137 | 5,413,903 | 6,657,070 |
| Intergovernmental | <u>5,446,372</u> | <u>5,521,656</u> | <u>5,699,451</u> | <u>7,164,001</u> | <u>7,173,995</u> | <u>7,181,140</u> |
| Total | 33,402,713 | 33,519,165 | 39,106,245 | 33,213,681 | 33,252,441 | 37,813,244 |
| Expenditures | <u>31,750,851</u> | <u>33,765,379</u> | <u>32,973,018</u> | <u>30,992,820</u> | <u>31,031,580</u> | <u>30,672,919</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 1,651,862 | (246,214) | 6,133,227 | 2,220,861 | 2,220,861 | 7,140,325 |
| Other Financing Sources (Uses) | | | | | | |
| Net Transfers | (1,651,862) | (1,540,017) | (5,622,497) | (2,470,861) | (2,470,861) | (3,424,725) |
| From Surplus | <u>-</u> | <u>1,786,231</u> | <u>-</u> | <u>250,000</u> | <u>250,000</u> | <u>-</u> |
| Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 510,730</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,715,600</u> |

Actual revenues exceeded final budget amounts by \$5,587,080, or 16.7 percent, while actual expenditures were less than final budgeted amounts by \$792,361, or 2.3 percent.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2013, the County's net investment in capital assets, exclusive of Component Units, totals \$32,538,460, which is net capital assets less related debt.

During fiscal year 2013, the County's net capital assets (including additions, decreases, and depreciation) decreased \$647,227, or 1.6 percent, as summarized below:

Change in Capital Assets

Governmental Activities

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Net Additions</u> <u>and Deletions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|---|---------------------------------------|--|--|
| Land and land improvements | \$ 449,472 | \$ - | \$ 449,472 |
| South Hill Elementary School | 11,674,384 | - | 11,674,384 |
| Infrastructure - water and sewer | 10,477,022 | 600,854 | 11,077,876 |
| Buildings and improvements | 20,470,523 | 30,532 | 20,501,055 |
| Furniture, equipment, and vehicles | 8,903,449 | 263,377 | 9,166,826 |
| Total Capital Assets | 51,974,850 | 894,763 | 52,869,613 |
| Less: Accumulated depreciation and amortization | (10,881,014) | (1,541,990) | (12,423,004) |
| Total Capital Assets, Net | <u>\$ 41,093,836</u> | <u>\$ (647,227)</u> | <u>\$ 40,446,609</u> |

Component Unit School Board

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Net Additions</u> <u>and Deletions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|------------------------------------|---------------------------------------|--|--|
| Land and land improvements | \$ 1,725,707 | \$ 40,000 | \$ 1,765,707 |
| Buildings and systems | 34,461,013 | 1,554,568 | 36,015,581 |
| Furniture, equipment, and vehicles | 19,032,203 | 661,957 | 19,694,160 |
| Total Capital Assets | 55,218,923 | 2,256,525 | 57,475,448 |
| Less: Accumulated depreciation | (35,010,713) | (1,430,215) | (36,440,928) |
| Total Capital Assets, Net | <u>\$ 20,208,210</u> | <u>\$ 826,310</u> | <u>\$ 21,034,520</u> |

Component Unit IDA of Mecklenburg County, Virginia

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Net Additions</u> <u>and Deletions</u> | <u>Balance</u> <u>June 30, 2013</u> |
|------------------------------------|---------------------------------------|--|--|
| Land and buildings held for resale | \$ 4,094,273 | \$ - | \$ 4,094,273 |
| Buildings and improvements | 1,250,000 | (1,250,000) | - |
| Total Capital Assets | 5,344,273 | (1,250,000) | 4,094,273 |
| Less: Accumulated depreciation | (30,312) | 30,312 | - |
| Total Capital Assets, Net | <u>\$ 5,313,961</u> | <u>\$ (1,219,688)</u> | <u>\$ 4,094,273</u> |

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

Long-Term Debt

As of June 30, 2013, the County's long-term obligations, exclusive of Component Units, total \$10,354,577, which includes the landfill obligation and compensated absences.

| | <u>Balance July 1, 2012</u> | <u>Net Additions and Deletions</u> | <u>Balance June 30, 2013</u> |
|---|---------------------------------|--|----------------------------------|
| Governmental Activities | | | |
| Long-term debt, plus premiums | \$ 8,428,420 | \$ (520,271) | \$ 7,908,149 |
| Landfill obligation | 1,091,513 | 546,088 | 1,637,601 |
| OPEB obligation | (320,961) | (17,400) | (338,361) |
| Compensated absences | 1,271,236 | (124,048) | 1,147,188 |
| Total Governmental Activities | <u>\$ 10,470,208</u> | <u>\$ (115,631)</u> | <u>\$ 10,354,577</u> |
| Component Unit School Board | | | |
| Compensated absences | \$ 171,798 | \$ (1,381) | \$ 170,417 |
| Capital lease | 599,117 | (194,993) | 404,124 |
| OPEB obligation | 88,000 | 77,062 | 165,062 |
| Total Component Unit School Board | <u>\$ 858,915</u> | <u>\$ (119,312)</u> | <u>\$ 739,603</u> |
| Component Unit IDA of Mecklenburg County, Virginia | | | |
| Long-term debt | \$ 532,586 | \$ (51,597) | \$ 480,989 |
| Total Component Unit IDA of Mecklenburg County, Virginia | <u>\$ 532,586</u> | <u>\$ (51,597)</u> | <u>\$ 480,989</u> |

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Development

- The average unemployment rate for Mecklenburg County, Virginia in June 2013 was 10.5 percent, an increase of .6 percent from June 2012. This compares unfavorably to the State's rate of 5.9 percent and the national rate of 7.8 percent.
- According to the 2010 U.S. Census, the population in Mecklenburg County, Virginia was 32,737, an increase of 1.07 percent since the 2000 U.S. Census.
- The per capita income in Mecklenburg County, Virginia was \$19,727, compared to \$44,762 for the State, according to the 2010 U.S. Census data.

The fiscal year 2014 adopted budget anticipates the general fund revenues and expenditures to be \$39,458,524.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Wayne Carter, County Administrator, or Sandra P. Langford, Treasurer, County of Mecklenburg, Virginia, P. O. Box 250, Boydton, Virginia 23917, telephone 434-738-6191, or visit the County's website at www.mecklenburgva.com.

Basic Financial Statements



County of Mecklenburg, Virginia

Statement of Net Position

At June 30, 2013

| | Primary Government Governmental Activities | Component Units |
|---|---|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 28,076,132 | \$ 2,625,541 |
| Receivables, net | 1,875,371 | 30,526 |
| Due from other governments | <u>952,002</u> | <u>882,276</u> |
| Total Current Assets | 30,903,505 | 3,538,343 |
| Noncurrent Assets | | |
| Lease receivable | - | 743,171 |
| Note receivable | - | 624,096 |
| Net OPEB asset | 338,361 | - |
| Capital Assets | | |
| Land and construction in progress | 449,472 | 1,765,707 |
| Other capital assets, net of accumulated depreciation | 39,997,137 | 19,268,813 |
| Land and buildings held for resale | <u>-</u> | <u>4,094,273</u> |
| Total Noncurrent Assets | <u>40,784,970</u> | <u>26,496,060</u> |
| Total Assets | <u>\$ 71,688,475</u> | <u>\$ 30,034,403</u> |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 991,193 | \$ 290,620 |
| Unexpended and prepaid revenues | 66,816 | - |
| Due to other governments | 1,018,570 | - |
| <i>Due within one year</i> | | |
| Bonds, loans, and capital leases payable | <u>513,469</u> | <u>254,061</u> |
| Total Current Liabilities | 2,590,048 | 544,681 |
| Noncurrent Liabilities | | |
| Compensated absences | 1,147,188 | 170,417 |
| Net OPEB obligation | - | 165,062 |
| Landfill obligation | 1,637,601 | - |
| <i>Due in more than one year</i> | | |
| Bonds, loans, and capital leases payable | <u>7,394,680</u> | <u>631,052</u> |
| Total Noncurrent Liabilities | <u>10,179,469</u> | <u>966,531</u> |
| Total Liabilities | 12,769,517 | 1,511,212 |
| Net Position | | |
| Net investment in capital assets | 32,538,460 | 24,243,680 |
| Unrestricted | <u>26,380,498</u> | <u>4,279,511</u> |
| Total Net Position | <u>58,918,958</u> | <u>28,523,191</u> |
| Total Liabilities and Net Position | <u>\$ 71,688,475</u> | <u>\$ 30,034,403</u> |

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

County of Mecklenburg, Virginia
Statement of Activities
For the Year Ended June 30, 2013

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Services</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> | |
|---|----------------------|-----------------------------|---|---|--|------------------------|
| | | | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Primary Governmental Activities</u> | <u>Component Units</u> |
| Primary Government | | | | | | |
| Governmental Activities | | | | | | |
| General government administration | \$ 3,239,981 | \$ - | \$ 374,767 | \$ - | \$ (2,865,214) | |
| Judicial administration | 2,238,633 | 50,471 | 1,164,932 | - | (1,023,230) | |
| Public safety | 10,171,097 | 266,124 | 1,922,941 | - | (7,982,032) | |
| Public works | 2,824,810 | 358,479 | 14,827 | - | (2,451,504) | |
| Health and welfare | 4,538,984 | - | 2,970,419 | - | (1,568,565) | |
| Education - community college | 11,079 | - | - | - | (11,079) | |
| Education - public school system | 12,282,347 | - | - | - | (12,282,347) | |
| Parks, recreation, and cultural | 622,719 | - | 5,000 | - | (617,719) | |
| Community development - IDA of Mecklenburg County, Virginia | 2,419,605 | - | - | - | (2,419,605) | |
| Community development | 1,771,999 | - | 997,658 | - | (774,341) | |
| Interest on long-term debt | 358,141 | - | - | - | (358,141) | |
| Total Governmental Activities | 40,479,395 | 675,074 | 7,450,544 | - | (32,353,777) | |
| Total Primary Government | <u>\$ 40,479,395</u> | <u>\$ 675,074</u> | <u>\$ 7,450,544</u> | <u>\$ -</u> | <u>(32,353,777)</u> | |
| Component Units | | | | | | |
| School Board | \$ 42,878,690 | \$ 1,666,765 | \$ 29,608,832 | \$ - | | \$ (11,603,093) |
| IDA of Mecklenburg County, Virginia | 2,766,455 | - | 31,673 | - | | (2,734,782) |
| Total Component Units | <u>\$ 45,645,145</u> | <u>\$ 1,666,765</u> | <u>\$ 29,640,505</u> | <u>\$ -</u> | | <u>(14,337,875)</u> |
| General Revenues | | | | | | |
| Taxes | | | | | | |
| General property taxes, real and personal | | | | | 27,428,451 | - |
| Other local taxes | | | | | 4,934,162 | - |
| Payment from County of Mecklenburg, Virginia | | | | | | |
| Education | | | | | - | 12,282,347 |
| Community development - IDA of Mecklenburg County, VA | | | | | - | 2,419,605 |
| Noncategorical aid from state | | | | | 2,203,255 | - |
| Use of property | | | | | 56,690 | 18,811 |
| Investment earnings | | | | | 132,960 | 38,232 |
| Miscellaneous | | | | | 498,217 | 81,461 |
| Total General Revenues | | | | | <u>35,253,735</u> | <u>14,840,456</u> |
| Change in Net Position | | | | | 2,899,958 | 502,581 |
| Net Position - Beginning of Year | | | | | 54,645,345 | 28,020,610 |
| Prior Period Adjustment | | | | | 1,373,655 | - |
| Net Position - End of Year | | | | | <u>\$ 58,918,958</u> | <u>\$ 28,523,191</u> |

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

County of Mecklenburg, Virginia

Balance Sheet

Governmental Funds

At June 30, 2013

| | <u>General Fund</u> | <u>Capital Outlay Fund</u> | <u>DEQ and Landfill Funds</u> | <u>Comprehensive Services Fund</u> | <u>Economic Development Fund</u> | <u>Public Assistance Fund</u> | <u>Microsoft Capital Project</u> | <u>New School Facility</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------------------------|---------------------------------------|--|--|---------------------------------------|--|------------------------------------|---|---|
| Assets | | | | | | | | | | |
| Cash and investments | \$ 8,066,572 | \$9,864,682 | \$621,079 | \$ 1,286,998 | \$ 1,318,022 | \$ 964,784 | \$ 292,737 | \$5,539,745 | \$ 121,513 | \$ 28,076,132 |
| Receivables, net | 1,875,282 | - | - | - | - | 5 | - | - | 84 | 1,875,371 |
| Due from other governments | 569,840 | - | - | 116,639 | - | 180,378 | - | - | 85,145 | 952,002 |
| Total Assets | <u>\$ 10,511,694</u> | <u>\$9,864,682</u> | <u>\$621,079</u> | <u>\$ 1,403,637</u> | <u>\$ 1,318,022</u> | <u>\$ 1,145,167</u> | <u>\$ 292,737</u> | <u>\$5,539,745</u> | <u>\$ 206,742</u> | <u>\$ 30,903,505</u> |
| Liabilities | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 698,803 | \$ - | \$ - | \$ 194,909 | \$ - | \$ 10,043 | \$ - | \$ - | \$ 87,438 | \$ 991,193 |
| Due to other governments | 1,018,570 | - | - | - | - | - | - | - | - | 1,018,570 |
| Prepaid taxes | 58,013 | - | - | - | - | - | - | - | - | 58,013 |
| Other deferred revenues | 8,803 | - | - | - | - | - | - | - | - | 8,803 |
| Deferred revenue - property taxes | 1,448,330 | - | - | - | - | - | - | - | - | 1,448,330 |
| Total Liabilities | 3,232,519 | - | - | 194,909 | - | 10,043 | - | - | 87,438 | 3,524,909 |
| Fund Balance | | | | | | | | | | |
| Restricted | - | - | 120,000 | 1,208,728 | - | 1,135,124 | 292,737 | - | 83,730 | 2,840,319 |
| Committed | 3,239,284 | - | - | - | - | - | - | 5,539,745 | - | 8,779,029 |
| Assigned | 1,146,104 | 9,864,682 | 501,079 | - | 1,318,022 | - | - | - | 35,574 | 12,865,461 |
| Unassigned | 2,893,787 | - | - | - | - | - | - | - | - | 2,893,787 |
| Total Fund Balance | <u>7,279,175</u> | <u>9,864,682</u> | <u>621,079</u> | <u>1,208,728</u> | <u>1,318,022</u> | <u>1,135,124</u> | <u>292,737</u> | <u>5,539,745</u> | <u>119,304</u> | <u>27,378,596</u> |
| Total Liabilities and Fund Balance | <u>\$ 10,511,694</u> | <u>\$9,864,682</u> | <u>\$621,079</u> | <u>\$ 1,403,637</u> | <u>\$ 1,318,022</u> | <u>\$ 1,145,167</u> | <u>\$ 292,737</u> | <u>\$5,539,745</u> | <u>\$ 206,742</u> | <u>\$ 30,903,505</u> |

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

County of Mecklenburg, Virginia

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

At June 30, 2013

Total Fund Balances for Governmental Funds \$ 27,378,596

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

| | |
|---|------------------|
| Land | \$ 449,472 |
| Infrastructure - water and sewer | 10,492,326 |
| South Hill Elementary School, net of accumulated depreciation | 9,832,116 |
| Buildings and improvements, net of accumulated depreciation | 16,664,434 |
| Furniture, equipment, and vehicles, net of accumulated depreciation | <u>3,008,261</u> |

Total Capital Assets 40,446,609

Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Deferred revenue 1,448,330

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

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

| | |
|-------------------------|--------------------|
| Bonds and notes payable | (7,908,149) |
| Net OPEB asset | 338,361 |
| Landfill obligation | (1,637,601) |
| Compensated absences | <u>(1,147,188)</u> |

Total (10,354,577)

Total Net Position of Governmental Activities \$ 58,918,958

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

County of Mecklenburg, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2013

| | General Fund | Capital Outlay Fund | DEQ and Landfill Funds | Comprehensive Services Fund | Economic Development Fund | Public Assistance Fund | Microsoft Project | New School Facility | Other Governmental Funds | Total Governmental Funds |
|---|---------------|---------------------|------------------------|-----------------------------|---------------------------|------------------------|-------------------|---------------------|--------------------------|--------------------------|
| Revenues | | | | | | | | | | |
| Property taxes | \$ 27,353,776 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 27,353,776 |
| Other local taxes | 4,934,162 | - | - | - | - | - | - | - | - | 4,934,162 |
| Permits, privilege fees, and regulatory licenses | 308,137 | - | - | - | - | - | - | - | - | 308,137 |
| Fines and forfeitures | 242,310 | - | - | - | - | - | - | - | - | 242,310 |
| Use of money and property | 187,552 | - | - | - | - | - | 297 | - | 1,801 | 189,650 |
| Charges for services | 113,682 | - | - | - | - | - | - | - | 10,945 | 124,627 |
| Recovered costs | 100,650 | - | - | 44,908 | - | 7,594 | - | - | - | 153,152 |
| Miscellaneous | 166,525 | - | - | - | 225,940 | - | - | 140,483 | 4,115 | 537,063 |
| Payment from Component Unit School Board | - | - | - | - | - | - | - | 615,541 | - | 615,541 |
| <i>Intergovernmental</i> | | | | | | | | | | |
| Revenue from the Commonwealth of Virginia | 5,487,645 | - | - | 851,240 | - | 809,822 | 200,000 | - | 869 | 7,349,576 |
| Revenue from the Federal Government | 211,806 | - | - | - | 149,420 | 1,309,357 | - | - | 633,640 | 2,304,223 |
| Total Revenues | 39,106,245 | - | - | 896,148 | 375,360 | 2,126,773 | 200,297 | 756,024 | 651,370 | 44,112,217 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government administration | 3,082,931 | - | - | - | - | - | - | - | - | 3,082,931 |
| Judicial administration | 1,959,379 | - | - | - | - | - | - | - | 12,217 | 1,971,596 |
| Public safety | 9,216,202 | 736,372 | - | - | - | - | - | - | 54,130 | 10,006,704 |
| Public works | 2,207,366 | 14,031 | - | - | 630,207 | - | - | - | - | 2,851,604 |
| Health and welfare | 602,338 | - | - | 1,115,394 | - | 2,758,430 | - | - | - | 4,476,162 |
| Education - community college | 11,079 | - | - | - | - | - | - | - | - | 11,079 |
| Education - public school system | 11,946,371 | 40,000 | - | - | - | - | - | - | - | 11,986,371 |
| Education - capital outlay - elementary additions | - | - | - | - | - | - | - | 1,554,568 | - | 1,554,568 |
| Parks, recreation, and cultural | 490,819 | - | - | - | 131,900 | - | - | - | - | 622,719 |
| Community development - IDA of Meck. Cty., VA | 2,328,456 | - | - | - | 91,149 | - | - | - | - | 2,419,605 |
| Community development | 1,128,077 | - | - | - | 3,958 | - | 7,560 | - | 632,404 | 1,771,999 |
| Total Expenditures | 32,973,018 | 790,403 | - | 1,115,394 | 857,214 | 2,758,430 | 7,560 | 1,554,568 | 698,751 | 40,755,338 |
| Excess (Deficiency) of Revenues Over Expenditures | 6,133,227 | (790,403) | - | (219,246) | (481,854) | (631,657) | 192,737 | (798,544) | (47,381) | 3,356,879 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers in | 9,926 | 6,842,406 | - | 200,000 | 250,000 | 740,017 | 100,000 | 2,000,000 | - | 10,142,349 |
| Transfers out | (5,632,423) | (4,400,000) | - | - | (100,000) | - | - | - | (9,926) | (10,142,349) |
| Total Other Financing Sources (Uses) | (5,622,497) | 2,442,406 | - | 200,000 | 150,000 | 740,017 | 100,000 | 2,000,000 | (9,926) | - |
| Net Change in Fund Balance | 510,730 | 1,652,003 | - | (19,246) | (331,854) | 108,360 | 292,737 | 1,201,456 | (57,307) | 3,356,879 |
| Fund Balance - Beginning of Year | 11,106,734 | 8,212,679 | 621,079 | 1,227,974 | 1,649,876 | 1,026,764 | - | - | 176,611 | 24,021,717 |
| Prior Period Adjustment | (4,338,289) | - | - | - | - | - | - | 4,338,289 | - | - |
| Fund Balance - End of Year | \$ 7,279,175 | \$ 9,864,682 | \$ 621,079 | \$ 1,208,728 | \$ 1,318,022 | \$ 1,135,124 | \$ 292,737 | \$ 5,539,745 | \$ 119,304 | \$ 27,378,596 |

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

County of Mecklenburg, Virginia

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

Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 3,356,879

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 annual depreciation expense exceeded capital outlays and gains (losses) on disposition of capital assets in the current period. (647,227)

Revenues in the statement of activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the statement of activities. 74,675

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

Payments on debt paid for by the School Board
Net Adjustment 520,271

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

| | | |
|----------------------|----------------|------------------|
| Landfill obligation | \$ (546,088) | |
| Net OPEB obligation | 17,400 | |
| Compensated absences | <u>124,048</u> | |
| Net Adjustment | | <u>(404,640)</u> |

Change in Net Position of Governmental Activities \$ 2,899,958

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

County of Mecklenburg, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2013

| | Agency Funds |
|----------------------------|--------------------------------|
| Assets | |
| Cash and investments | \$ 948,347 |
| Due from other governments | 33,386 |
| Accounts receivable | <u>26,433</u> |
| Total Assets | <u><u>\$ 1,008,166</u></u> |
| Liabilities | |
| Accounts payable | \$ 48,137 |
| Amounts held for others | <u>960,029</u> |
| Total Liabilities | <u><u>\$ 1,008,166</u></u> |

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

County of Mecklenburg, Virginia

Combining Statement of Net Position - Component Units

At June 30, 2013

| | Component Unit School Board | Component Unit IDA of Mecklenburg County, Virginia | Total Component Units |
|---|--------------------------------------|---|-----------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 900,316 | \$ 1,725,225 | \$ 2,625,541 |
| Receivables, net | 30,526 | - | 30,526 |
| Due from other governments | 882,276 | - | 882,276 |
| Capital Assets | | | |
| Land and construction in progress | 1,765,707 | - | 1,765,707 |
| Other capital assets, net of accumulated depreciation | 19,268,813 | - | 19,268,813 |
| Capital Assets, Net | 21,034,520 | - | 21,034,520 |
| Other Assets | | | |
| Lease receivable | - | 743,171 | 743,171 |
| Note receivable | - | 624,096 | 624,096 |
| Land and buildings held for resale | - | 4,094,273 | 4,094,273 |
| Total Assets | <u>\$ 22,847,638</u> | <u>\$ 7,186,765</u> | <u>\$ 30,034,403</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued expenses | \$ 152,285 | \$ 138,335 | \$ 290,620 |
| <i>Due within one year</i> | | | |
| Bonds, loans, and capital leases payable | 199,668 | 54,393 | 254,061 |
| Noncurrent Liabilities | | | |
| Compensated absences | 170,417 | - | 170,417 |
| OPEB obligation | 165,062 | - | 165,062 |
| <i>Due in more than one year</i> | | | |
| Bonds, loans, and capital leases payable | 204,456 | 426,596 | 631,052 |
| Total Liabilities | 891,888 | 619,324 | 1,511,212 |
| Net Position | | | |
| Net investment in capital assets | 20,630,396 | 3,613,284 | 24,243,680 |
| Unrestricted | 1,325,354 | 2,954,157 | 4,279,511 |
| Total Net Position | <u>21,955,750</u> | <u>6,567,441</u> | <u>28,523,191</u> |
| Total Liabilities and Net Position | <u>\$ 22,847,638</u> | <u>\$ 7,186,765</u> | <u>\$ 30,034,403</u> |

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

County of Mecklenburg, Virginia
Combining Statement of Activities - Component Units
Year Ended June 30, 2013

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>School Board</u> <u>Net (Expense)</u> <u>Revenues and Changes in Net Position</u> | <u>IDA of Mecklenburg</u> <u>County, Virginia</u> <u>Net (Expense)</u> <u>Revenues and Changes in Net Position</u> | <u>Total</u> <u>Component</u> <u>Units</u> |
|--|----------------------|--|---|--|---|--|
| School Board | | | | | | |
| Education | \$ 40,776,141 | \$ 1,666,765 | \$ 29,608,832 | \$ (9,500,544) | | \$ (9,500,544) |
| Depreciation | 2,102,549 | - | - | (2,102,549) | | (2,102,549) |
| Total School Board | 42,878,690 | 1,666,765 | 29,608,832 | (11,603,093) | | (11,603,093) |
| IDA of Mecklenburg County, Virginia | | | | | | |
| Interest expense | 30,179 | - | - | | \$ (30,179) | (30,179) |
| Community development | 2,736,276 | - | 31,673 | | (2,704,603) | (2,704,603) |
| Total IDA of Mecklenburg County, Virginia | 2,766,455 | - | 31,673 | | (2,734,782) | (2,734,782) |
| Total Component Units | <u>\$ 45,645,145</u> | <u>\$ 1,666,765</u> | <u>\$ 29,640,505</u> | | | (14,337,875) |
| General Revenues | | | | | | |
| Payment from County of Mecklenburg, VA | | | | 12,282,347 | 2,419,605 | 14,701,952 |
| Use of property | | | | 12,457 | 6,354 | 18,811 |
| Interest and investment earnings | | | | 4,716 | 33,516 | 38,232 |
| Miscellaneous | | | | 79,326 | 2,135 | 81,461 |
| Total General Revenues | | | | 12,378,846 | 2,461,610 | 14,840,456 |
| Change in Net Position | | | | 775,753 | (273,172) | 502,581 |
| Net Position - Beginning of Year | | | | 21,179,997 | 6,840,613 | 28,020,610 |
| Net Position - End of Year | | | | <u>\$ 21,955,750</u> | <u>\$ 6,567,441</u> | <u>\$ 28,523,191</u> |

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

County of Mecklenburg, Virginia

Notes to Financial Statements

Year Ended June 30, 2013

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Mecklenburg, Virginia (the "County") was formed from part of Lunenburg County in 1764 and was legally established in 1765. There are five incorporated towns within the County: Boynton, the county seat, Chase City, Clarksville, LaCrosse, and South Hill. The County has a population of approximately 32,380 and is governed by an appointed County Administrator and a nine-member Board of Supervisors.

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

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

A. The Financial Reporting Entity

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

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

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

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

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

Inclusions in the Reporting Entity

Component Units

Mecklenburg County School Board

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

Industrial Development Authority of Mecklenburg County, Virginia

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Southside Regional Library

The Southside Regional Library provides library services to the County of Mecklenburg, Virginia. The participating localities provide annual contributions for operations based on book circulation. No one locality contributes more than 50 percent of the Library's funding nor can impose its will on the organization, and there is no financial benefit/burden relationship. The County appropriated to the Library \$357,092 in operating funds in fiscal year 2013. The County has no equity interest in the Library.

Southside Community Services Board

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

Southside Regional Public Service Authority

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

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

Mecklenburg-Brunswick Airport Commission

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The County's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the County in fiscal year 2013:

1. *Governmental Funds*

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

a. General Fund

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

b. Special Revenue Funds

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

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

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

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

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

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

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

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

c. Debt Service Funds

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

d. Capital Projects Funds

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

2. *Proprietary Funds*

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

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

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

a. Private Purpose Trust Funds

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

b. Agency Funds

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

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

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

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

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

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

4. *Component Units*

Mecklenburg County School Board

The Mecklenburg County School Board has the following funds:

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

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

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

Industrial Development Authority of Mecklenburg County, Virginia

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

C. Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and Component Unit School Board. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled by major category by the primary government.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions between the Board of Supervisors and School Board are conducted on the budget.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the Board of Supervisors. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The County legally adopted budgets for the following funds:

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

The County may adopt budgets for other funds, such as the Agency Funds, for use as a management control device over such funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30 for all County and School Board funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2013, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government and the School Board. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Board of Supervisors may legally amend the budget only by following procedures used in the adoption of the original budget. The Board of Supervisors must approve all appropriations and transfers of appropriated amounts.

E. Fund Balances

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

F. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at June 30, 2013 is composed of the following:

| | |
|---------------------------------|------------|
| General Fund - taxes receivable | \$ 315,088 |
|---------------------------------|------------|

G. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government and Component Units, and as assets in the government-wide financial statements to the extent the County and School Board's capitalization threshold of \$5,000 is met. The County and Component Units do not have any infrastructure in its capital assets since roads, streets, bridges, and

similar assets within its boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

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

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

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

H. Compensated Absences

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

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

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

I. Use of Estimates

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

J. Long-Term Obligations

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

2 Cash and Investments

Cash and Cash Equivalents

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

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

Deposits

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

Investments

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

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

The following is a summary of pooled cash and investments at June 30, 2013:

| | Carrying Amount | Market Value |
|---|----------------------------|-------------------------|
| Primary Government | | |
| Investments | \$ - | \$ - |
| Total Investments | - | <u>\$ -</u> |
| Total Deposits | <u>29,019,479</u> | |
| Total Deposits and Investments - Primary Government | 29,019,479 | |
| Cash on Hand | <u>5,000</u> | |
| Total - Primary Government | 29,024,479 | |
| Component Unit School Board | | |
| Total Investments | - | <u>\$ -</u> |
| Total Deposits | <u>900,316</u> | |
| Total - School Board | 900,316 | |
| Component Unit IDA of Mecklenburg County, Virginia | | |
| Total Investments | - | <u>\$ -</u> |
| Total Deposits | <u>1,725,225</u> | |
| Total - IDA of Mecklenburg County, Virginia | <u>1,725,225</u> | |
| Grand Total | <u>\$ 31,650,020</u> | |

The following is a summary and reconciliation of the pooled cash and investments at June 30, 2013:

| | Governmental Activities | Fiduciary Responsibilities | Total |
|---|------------------------------------|---------------------------------------|----------------------|
| Primary Government | | | |
| Cash and cash equivalents | \$ 28,076,132 | \$ - | \$ 28,076,132 |
| Cash and investments with fiscal agents | - | 948,347 | 948,347 |
| Total Primary Government | 28,076,132 | 948,347 | 29,024,479 |
| Component Unit School Board | | | |
| Cash and cash equivalents | 900,316 | - | 900,316 |
| Component Unit IDA of Mecklenburg County, Virginia | | | |
| Cash and cash equivalents | 1,725,225 | - | 1,725,225 |
| Grand Total | <u>\$ 30,701,673</u> | <u>\$ 948,347</u> | <u>\$ 31,650,020</u> |

3 Property Taxes

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

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

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

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

Property taxes for calendar year 2013 were levied by the County Board of Supervisors in April 2013 on the assessed value listed as of January 1, 2013.

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

4 Receivables

Receivables at June 30, 2013 consist of the following:

| | <u>Primary Government</u> | | | <u>Component Unit School Board</u> | <u>Component Unit IDA</u> | <u>Total Component Units</u> |
|------------------------------|--------------------------------|---------------------------|---------------------|--|-----------------------------------|--------------------------------------|
| | <u>Governmental Activities</u> | | | | | |
| | <u>General</u> | <u>Other Nonmajor</u> | <u>Total</u> | | | |
| Property taxes | \$ 2,103,285 | \$ - | \$ 2,103,285 | \$ - | \$ - | \$ - |
| Other | 87,085 | 89 | 87,174 | 30,526 | - | 30,526 |
| Total | 2,190,370 | 89 | 2,190,459 | 30,526 | - | 30,526 |
| Allowance for uncollectibles | (315,088) | - | (315,088) | - | - | - |
| Net Receivables | <u>\$ 1,875,282</u> | <u>\$ 89</u> | <u>\$ 1,875,371</u> | <u>\$ 30,526</u> | <u>\$ -</u> | <u>\$ 30,526</u> |

5 Due from Other Governmental Units

| | <u>Governmental Funds</u> | <u>Component Unit School Board</u> |
|--|-------------------------------|--|
| Commonwealth of Virginia | | |
| Local and State sales taxes | \$ 11,048 | \$ 737,017 |
| Compensation Board - constitutional officers | 328,719 | - |
| Communications tax | 93,328 | - |
| E-911 | 20,821 | - |
| Grantor's tax | 20,078 | - |
| Public assistance | 180,378 | - |
| Comprehensive services | 116,639 | - |
| Economic development funds | 122,015 | - |
| Other state funds | 58,976 | - |
| Federal Government | | |
| Title VI Flow through IDEA Special Ed | - | 11,938 |
| Title I | - | 110,251 |
| Title II | - | 19,344 |
| JROTC | - | 3,726 |
| Total | <u>\$ 952,002</u> | <u>\$ 882,276</u> |

6 Interfund Balances and Activity

Interfund activities are as follows:

Transfers To/From Other Funds

Primary Government

General Fund

| | <u>Transfer to</u> | <u>Transfer from</u> |
|-------------------------------------|--------------------|----------------------|
| To Public Assistance - Welfare Fund | \$ 740,017 | \$ - |
| To Comprehensive Services Fund | 200,000 | - |
| From Sheriff's Funds | - | 9,926 |
| To Microsoft Project | 100,000 | - |
| To New School Facility Fund | 600,000 | - |
| To Economic Development Fund | 250,000 | - |
| To Capital Outlay Fund | <u>3,842,406</u> | <u>-</u> |
| Total General Fund | 5,732,423 | 9,926 |

Public Assistance - Welfare Fund

| | | |
|-------------------|---|---------|
| From General Fund | - | 740,017 |
|-------------------|---|---------|

Sheriff's Fund

| | | |
|--------------------------------|-------|---|
| To General Fund for operations | 9,926 | - |
|--------------------------------|-------|---|

Comprehensive Services Funds

| | | |
|----------------------------------|---|---------|
| From General Fund for operations | - | 200,000 |
|----------------------------------|---|---------|

New School Facility Fund

| | | |
|--------------------------|---|-----------|
| From Capital Outlay Fund | - | 1,400,000 |
| From General Fund | - | 600,000 |

Microsoft Project

| | | |
|-------------------|---|---------|
| From General Fund | - | 100,000 |
|-------------------|---|---------|

Economic Development Fund

| | | |
|-------------------|---|---------|
| From General Fund | - | 250,000 |
|-------------------|---|---------|

Capital Outlay Fund

| | | |
|-----------------------------|-----------|------------------|
| To General Fund | 3,000,000 | - |
| To New School Facility Fund | 1,400,000 | - |
| From General Fund | <u>-</u> | <u>6,842,406</u> |

| | | |
|---|----------------------|----------------------|
| Total Transfers Within Primary Government | <u>\$ 10,142,349</u> | <u>\$ 10,142,349</u> |
|---|----------------------|----------------------|

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

| Transfers To/From Component Units | <u>Transfer to</u> | <u>Transfer from</u> |
|--|---------------------------|-----------------------------|
| <i>School Board</i> | | |
| General Fund | | |
| To School Fund for local appropriation | \$ 11,798,171 | \$ - |
| To School Textbook Fund for local appropriation | 148,200 | - |
| New School Facility | | |
| To School Board Component Unit | 1,554,568 | - |
| From School Board Component Unit | - | 615,541 |
| Capital Outlay Fund | | |
| To School Fund for local appropriation | 40,000 | - |
| School Board Component Unit | | |
| From General Fund for local appropriation | - | 11,798,171 |
| From New School Facility Fund | - | 1,554,568 |
| To New School Facility Fund | 615,541 | - |
| From Capital Outlay Fund for local appropriation | - | 40,000 |
| School Textbook Fund | | |
| From General Fund for local appropriation | - | 148,200 |
| Total Transfers Within Primary Government | <u>\$ 14,156,480</u> | <u>\$ 14,156,480</u> |
| <i>IDA of Mecklenburg County, Virginia</i> | | |
| General Fund | | |
| To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items | \$ 2,328,456 | \$ - |
| Economic Development Fund | | |
| To IDA of Mecklenburg County, Virginia for Microsoft Project county matching funds | 91,149 | - |
| Industrial Development Authority | | |
| From Economic Development Fund | - | 91,149 |
| From General Fund for economic stimulus | - | 2,328,456 |
| Total Transfers Within Primary Government | <u>\$ 2,419,605</u> | <u>\$ 2,419,605</u> |
| Total Transfers | <u>\$ 26,718,434</u> | <u>\$ 26,718,434</u> |

There were no interfund obligations in the Component Unit School Board.

7 Capital Assets

| | Balance July 1, 2012 | Increases | Decreases | Balance June 30, 2013 |
|--|----------------------------|--------------|-----------|-----------------------------|
| Primary Government | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land and land improvements | \$ 449,472 | \$ - | \$ - | \$ 449,472 |
| Total Capital Assets Not Being Depreciated | 449,472 | - | - | 449,472 |
| Other Capital Assets | | | | |
| Buildings and improvements | 20,470,523 | 30,532 | - | 20,501,055 |
| Infrastructure | 10,477,022 | 600,854 | - | 11,077,876 |
| School buildings and improvements | 11,674,384 | - | - | 11,674,384 |
| Furniture, equipment, and vehicles | 8,903,449 | 332,232 | 68,855 | 9,166,826 |
| Total Other Capital Assets | 51,525,378 | 963,618 | 68,855 | 52,420,141 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 3,392,572 | 444,049 | - | 3,836,621 |
| Infrastructure | 376,114 | 209,436 | - | 585,550 |
| South Hill Elementary School | 1,608,780 | 233,488 | - | 1,842,268 |
| Furniture, equipment, and vehicles | 5,503,548 | 685,026 | 30,009 | 6,158,565 |
| Total Accumulated Depreciation | 10,881,014 | 1,571,999 | 30,009 | 12,423,004 |
| Other Capital Assets, Net | 40,644,364 | (608,381) | 38,846 | 39,997,137 |
| Net Capital Assets | \$ 41,093,836 | \$ (608,381) | \$ 38,846 | \$ 40,446,609 |
| Depreciation expense was allocated as follows: | | | | |
| General government administration | \$ 180,326 | | | |
| Judicial administration | 358,982 | | | |
| Public safety | 419,057 | | | |
| Public works | 271,044 | | | |
| Education - public school system | 235,361 | | | |
| Health and welfare | 107,229 | | | |
| Total Depreciation Expense | \$ 1,571,999 | | | |

| | <u>Balance July 1, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2013</u> |
|---|-------------------------------------|------------------|------------------|--------------------------------------|
| Component Unit School Board | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land and land improvements | \$ 1,725,707 | \$ 40,000 | \$ - | \$ 1,765,707 |
| Total Capital Assets Not Being Depreciated | 1,725,707 | 40,000 | - | 1,765,707 |
| Other Capital Assets | | | | |
| Buildings and improvements | 34,461,013 | 1,554,568 | - | 36,015,581 |
| Furniture, equipment, and vehicles | 19,032,203 | 1,111,109 | 449,152 | 19,694,160 |
| Total Other Capital Assets | 53,493,216 | 2,665,677 | 449,152 | 55,709,741 |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 21,956,656 | 556,118 | - | 22,512,774 |
| Furniture, equipment, and vehicles | 13,054,057 | 1,311,070 | 436,973 | 13,928,154 |
| Total Accumulated Depreciation | 35,010,713 | 1,867,188 | 436,973 | 36,440,928 |
| Other Capital Assets, Net | 18,482,503 | 798,489 | 12,179 | 19,268,813 |
| Net Capital Assets | \$ 20,208,210 | \$ 838,489 | \$ 12,179 | \$ 21,034,520 |
| Depreciation expense allocated to education | | \$ 1,867,188 | | |
| Component Unit IDA of Mecklenburg County, Virginia | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Buildings and land held for resale | \$ 4,094,273 | \$ - | \$ - | \$ 4,094,273 |
| Other Capital Assets | | | | |
| Buildings and improvements | 1,250,000 | - | 1,250,000 | - |
| Less: Accumulated depreciation for | | | | |
| Buildings and improvements | 30,312 | - | 30,312 | - |
| Other Capital Assets, Net | 1,219,688 | - | 1,219,688 | - |
| Net Capital Assets | \$ 5,313,961 | \$ - | \$ 1,219,688 | \$ 4,094,273 |
| Depreciation expense for economic development | | \$ - | | |

8 Long-Term Debt

Primary Government

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

| <u>Year(s) Ended June 30.</u> | <u>Primary Government General Obligation Bonds</u> | |
|---------------------------------------|--|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 513,469 | \$ 353,747 |
| 2015 | 528,330 | 327,182 |
| 2016 | 543,446 | 299,852 |
| 2017 | 558,829 | 271,457 |
| 2018 | 577,998 | 243,331 |
| 2019-2023 | 3,137,922 | 793,276 |
| 2024-2028 | <u>1,785,759</u> | <u>142,655</u> |
| Total | 7,645,753 | 2,431,500 |
| Landfill obligation | 1,637,601 | - |
| OPEB obligation (asset) | (338,361) | - |
| Compensated absences | <u>1,147,188</u> | - |
| Total | 10,092,181 | <u>\$ 2,431,500</u> |
| Add: Unamortized Premium on Bond | <u>262,396</u> | |
| | <u>\$ 10,354,577</u> | |

Component Unit School Board

| <u>Year Ending June 30.</u> | <u>General Obligation Bonds</u> | |
|---------------------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> |
| SunTrust Equipment Lease | | |
| 2014 | \$ 199,668 | \$ 9,690 |
| 2015 | <u>204,456</u> | <u>4,902</u> |
| Total | 404,124 | 14,592 |
| OPEB obligation | 165,062 | - |
| Compensated absences | <u>170,417</u> | - |
| Total | <u>\$ 739,603</u> | <u>\$ 14,592</u> |

Component Unit IDA of Mecklenburg County, Virginia

| | | |
|-----------|-------------------|-------------------|
| 2014 | \$ 54,393 | \$ 25,883 |
| 2015 | 57,346 | 22,930 |
| 2016 | 60,465 | 19,812 |
| 2017 | 63,759 | 16,518 |
| 2018 | 46,554 | 13,381 |
| 2019-2023 | <u>198,472</u> | <u>24,191</u> |
| Total | <u>\$ 480,989</u> | <u>\$ 122,715</u> |

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2013:

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|-------------------|-------------------|--|--------------------------------------|
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| General Fund | | | | | |
| <i>Details of Long-Term Indebtedness</i> | | | | | |
| U.S. Bank, Virginia Public School Authority (VPSA) General Obligation School Bond, Series 2006, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$280,361 and \$372,067 with interest rates between 4.60% and 5.10% through January 2027. | \$ 5,099,603 | \$ - | \$ 308,850 | \$ 4,790,753 | \$ 313,469 |
| U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2003C, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$378,000 and \$338,415 with interest rates between 3.10% and 5.10% through January 2024. This bond had an original premium of \$250,000. | 3,045,000 | - | 190,000 | 2,855,000 | 200,000 |
| Landfill obligation | 1,091,513 | 546,088 | - | 1,637,601 | - |
| OPEB obligation (asset) | (320,961) | - | 17,400 | (338,361) | - |
| Compensated absences | <u>1,271,236</u> | <u>-</u> | <u>124,048</u> | <u>1,147,188</u> | <u>-</u> |
| | 10,186,391 | 546,088 | 640,298 | 10,092,181 | 513,469 |
| <i>Add</i> | | | | | |
| Unamortized Premium on Bond Series 2003 Bond | 150,000 | - | 12,500 | 137,500 | 12,500 |
| Unamortized Premium on Bond Series 2006 Bond | <u>133,817</u> | <u>-</u> | <u>8,921</u> | <u>124,896</u> | <u>8,921</u> |
| Total Long-Term Indebtedness - Primary Government | <u>\$ 10,470,208</u> | <u>\$ 546,088</u> | <u>\$ 661,719</u> | <u>\$ 10,354,577</u> | <u>\$ 534,890</u> |
| Component Unit School Board | | | | | |
| SunTrust Equipment Finance & Leasing Corp. Master Lease Agreement dated August 2, 2011 proceeds used to purchase buses for the schools. Annual payments due August of each year with interest at 2.3977% until August 2014. | \$ 599,117 | \$ - | \$ 194,993 | \$ 404,124 | \$ 199,668 |
| Compensated absences | 171,798 | - | 1,381 | 170,417 | - |
| OPEB obligation | <u>88,000</u> | <u>77,062</u> | <u>-</u> | <u>165,062</u> | <u>-</u> |
| Total Component Unit School Board | <u>\$ 858,915</u> | <u>\$ 77,062</u> | <u>\$ 196,374</u> | <u>\$ 739,603</u> | <u>\$ 199,668</u> |

| | <u>Balance</u> <u>July 1, 2012</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2013</u> | <u>Due Within</u> <u>One Year</u> |
|--|---------------------------------------|-----------------|------------------|--|--------------------------------------|
| Component Unit IDA of Mecklenburg County, Virginia | | | | | |
| <i>Riley B. Lowe</i> | | | | | |
| The Authority originally borrowed \$650,000 to purchase a building in Chase City, Virginia jointly with the Industrial Development Authority of the Town of Chase City, Virginia to be leased for twenty years to a local business with the option to purchase at any time. The original loan terms were modified effective April 1, 2012, reducing the interest rate from 7.00% to 6.00% and extending the term of payments. The loan is payable in monthly installments of \$4,840 through April 2022. | | | | | |
| | \$ 430,666 | \$ - | \$ 33,148 | \$ 397,518 | \$ 35,192 |
| <i>Lake Country Development Corporation</i> | | | | | |
| The Authority originally borrowed \$250,000 to purchase a building (Riley B. Lowe Building). The original loan terms were modified effective June 1, 2012, removing a balloon due date of July 2012 and extending the existing payment and interest terms through July 2017. The loan continues to be payable in monthly installments of \$1,849 at 4.00% interest. | | | | | |
| | <u>101,920</u> | <u>-</u> | <u>18,449</u> | <u>83,471</u> | <u>19,201</u> |
| Total Component Unit IDA of Mecklenburg County, Virginia | <u>\$ 532,586</u> | <u>\$ -</u> | <u>\$ 51,597</u> | <u>\$ 480,989</u> | <u>\$ 54,393</u> |

9 Claims, Judgments, and Compensated Absences

In accordance with NCGA Statement 4 "Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences," the County has accrued the liability arising from outstanding claims, judgments, and compensated absences. Each County employee earns sick leave at the rate of one day per month. Vacation pay begins with one day per month and increases with length of service. No benefits or pay are received for unused sick leave upon termination unless the employee has been with the County over five years and the employee receives only up to 30 days of unused sick leave. Accumulated vacation up to thirty-six days is paid upon termination. The County has outstanding accrued compensated absences totaling \$1,147,188 in the Governmental Activities. The Component Unit School Board has \$170,417 of compensated absences.

10 Deferred Revenues

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

Primary Government

| | <u>Unavailable</u> | <u>Unearned</u> | <u>Total</u> |
|--------------------------|---------------------|------------------|---------------------|
| Taxes | \$ 1,448,330 | \$ 58,013 | \$ 1,506,343 |
| Other prepaid revenues | - | 8,803 | 8,803 |
| Total Primary Government | <u>\$ 1,448,330</u> | <u>\$ 66,816</u> | <u>\$ 1,515,146</u> |

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

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

12 Defined Benefit Pension Plan

A. Plan Description

| | |
|--------------------------------|---|
| Name of Plan: | Virginia Retirement System (VRS) |
| Identification of Plan: | Agent and Cost-Sharing Multiple-Employer Defined Benefit 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. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, Virginia 23218-2500.

B. *Funding Policy*

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2013 was 13.64% of annual covered payroll. The Component Unit School Board's contribution rate for

non-professional employees for the fiscal year ended 2013 was 10.28% of annual covered payroll. The Component Unit School Board contributed \$2,531,804 to the teacher cost-sharing pool at a rate of 11.66%.

C. Annual Pension Cost

For fiscal year 2013, the County and School Board's annual pension cost of \$974,657 and \$85,392 for the County and the County School Board non-professionals, respectively, was equal to the County and School Board's required and actual contributions.

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

| Fiscal Year Ending | <u>County</u> | | | <u>Component Unit School Board</u> | | |
|-----------------------|--|--|---------------------------------------|--|--|---------------------------------------|
| | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
| June 30, 2011 | \$ 900,479 | 100.00% | \$ - | \$ 89,215 | 100.00% | \$ - |
| June 30, 2012 | 896,922 | 100.00% | - | 86,565 | 100.00% | - |
| June 30, 2013 | 974,657 | 100.00% | - | 85,392 | 100.00% | - |

The FY 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of **7.00%**, (b) projected salary increases ranging from **3.75% to 5.60%** per year for general government employees, **3.75% to 6.20%** per year for teachers, and **3.50% to 4.75%** for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of **2.50%** per year for Plan 1 employees and **2.25%** for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of **2.50%**. The actuarial value of the County's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

For the County, as of June 30, 2012, the most recent actuarial valuation date, the plan was 72.08% funded. The actuarial accrued liability for benefits was \$39,692,672, and the actuarial value of assets was \$28,610,938, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,081,734. The covered payroll (annual payroll of active employees covered by the plan) was \$8,177,519, and ratio of the UAAL to the covered payroll was 135.51%.

For the nonprofessional School Board, as of June 30, 2012, the most recent actuarial valuation date, the plan was 79.29% funded. The actuarial accrued liability for benefits was \$6,238,122, and the actuarial value of assets was \$4,946,004, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,292,118. The covered payroll (annual payroll of active employees covered by the plan) was \$1,296,324, and ratio of the UAAL to the covered payroll was 99.68%.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress for County and Component Unit School Board

| | (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
|--|----------------------------------|--|--|---------------------|------------------------|--|
| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
| County of Mecklenburg, Virginia | | | | | | |
| June 30, 2010 | \$27,283,169 | \$ 36,466,333 | \$ 9,183,164 | 74.82% | \$8,143,045 | 112.77% |
| June 30, 2011 | 28,318,141 | 38,032,407 | 9,714,266 | 74.46% | 8,186,770 | 118.66% |
| June 30, 2012 | 28,610,938 | 39,692,672 | 11,081,734 | 72.08% | 8,177,519 | 135.51% |
| Mecklenburg County School Board | | | | | | |
| June 30, 2010 | 5,036,036 | 5,869,694 | 833,658 | 85.80% | 1,503,321 | 55.45% |
| June 30, 2011 | 5,077,425 | 6,101,408 | 1,023,983 | 83.22% | 1,294,166 | 79.12% |
| June 30, 2012 | 4,946,004 | 6,238,122 | 1,292,118 | 79.29% | 1,296,324 | 99.68% |

Notes to Required Supplementary Information

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

| | <u>County</u> | <u>Component Unit School Board</u> |
|--|---|---|
| Valuation Date | June 30, 2012 | June 30, 2012 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level Percent of Pay, Open | Level Percent of Pay, Open |
| Payroll Growth Rate | 3.00% | 3.00% |
| | 29 years (decreasing by one each year in subsequent valuations until reaching 20 years) | 29 years (decreasing by one each year in subsequent valuations until reaching 20 years) |
| Remaining Amortization Period (Phase-in Impact of Change in Interest Rate) | | |
| Asset Valuation Method | 5-Year Smoothed Market Value | 5-Year Smoothed Market Value |
| Actuarial Assumptions | | |
| a. Investment rate of return* | 7.00% | 7.00% |
| b. Projected salary increases* | | |
| 1) Non-LEO Members | 3.75% to 5.60% | 3.75% to 5.60% |
| 2) LEO Members | 3.50% to 4.75% | 3.50% to 4.75% |
| c. Cost-of-living adjustments | | |
| 1) Prior Plan Members | 2.50% | 2.50% |
| 2) New Plan Members | 2.25% | 2.25% |

*Includes inflation of 2.50%

13 Assigned Fund Balances

Fund balances have been assigned for the following purposes:

| <u>Fund</u> | <u>Committed</u> | <u>Amount</u> |
|--------------------------|-------------------------------------|---------------|
| General Fund | PPTRA | \$ 115,812 |
| | Roof replacement | 2,846,497 |
| | 911 program | 267,738 |
| | Rochichi fund | 7,200 |
| | Treasurer's fund | 2,037 |
| | Subtotal - General Fund - Committed | 3,239,284 |
| New School Facility Fund | New school facilities | 5,539,745 |
| | Total Committed Funds | \$ 8,779,029 |

| <u>Fund</u> | <u>Assigned for</u> | <u>Amount</u> |
|---------------------------|--|---------------|
| General Fund | Equipment replacement | \$ 1,146,104 |
| Sheriff's Funds | Dare Fund | 198 |
| | Project Life Saver | 7,009 |
| | SRO Picnic Fund | 3,657 |
| | Sheriff's abandoned property | 1,208 |
| | Subtotal - Sheriff's Funds - Assigned | 12,072 |
| DEQ and Landfill Funds | Landfill reserve | 501,079 |
| | Subtotal - DEQ and Landfill Funds - Assigned | 501,079 |
| Economic Development Fund | Economic development | 1,318,022 |
| Capital Outlay Fund | Capital projects | 9,864,682 |
| Law Library Fund | Law library | 23,502 |
| | Total Assigned Funds | \$ 12,865,461 |

| <u>Fund</u> | <u>Restricted for</u> | <u>Amount</u> |
|-------------------------|-----------------------------|---------------|
| Public Assistance Funds | Public assistance | \$ 1,135,124 |
| DEQ and Landfill Funds | School fuel tanks | 20,000 |
| | County fuel tanks | 100,000 |
| | | 120,000 |
| Microsoft Project | Microsoft project | 292,737 |
| Comprehensive Services | Comprehensive services | 1,208,728 |
| Forfeiture Funds | Commonwealth's Attorney | 23,669 |
| | Sheriff's drug forfeitures | 5,806 |
| | State unwarranted | 40,600 |
| | Federal forfeiture funds | 11,857 |
| | MCSO seizure money funds | 870 |
| | Subtotal - Forfeiture Funds | 82,802 |
| Tiny Road | Housing project | 927 |
| Scattered Site Project | Housing project | 1 |
| | Total Restricted Funds | \$ 2,840,319 |

14 Legal Compliance

A. Expenditures in Excess of Appropriations

Expenditures did not exceed appropriations.

B. Fund Deficits

There were no fund deficits.

C. Computation of Legal Debt Margin

| | |
|---|-------------------------|
| Total Assessed Value of Taxed Real Estate | <u>\$ 3,683,341,600</u> |
| Debt Limit - 10 Percent of Total Assessed Value | \$ 368,334,160 |
| Amount of Debt Applicable to Debt Limit | |
| General obligation debt | <u>7,908,149</u> |
| Legal Debt Margin | <u>\$ 360,426,011</u> |

15 Surety Bond Information

The following constitutional officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2013:

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

16 Landfill Closure and Post Closure Costs

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

The County will recognize the remaining estimated cost of closure and post closure care of \$1,637,601 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has cash of \$621,079 held for these purposes. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

17 Appropriation to School from General Fund

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

| | |
|---|----------------------|
| School Board Appropriation in the Fund Financial Statements: | |
| From the General Fund | \$ 11,946,371 |
| From the Capital Outlay Fund | 40,000 |
| From the New School Facility Fund | 1,554,568 |
| To School Facility Fund from School | <u>(615,541)</u> |
| Net School Board Appropriation for the Fund Financial Statements | 12,925,398 |
| Adjustments for: | |
| Payment of principal and interest on construction loans | (878,412) |
| Depreciation on school building and other fixed assets | <u>235,361</u> |
| Adjusted School Board Appropriation in the Government-Wide Financial Statements | <u>\$ 12,282,347</u> |

18 Other Postemployment Benefits

Plan Description

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

Cash and Cash Equivalents

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

Funding Policy

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

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at January 1, 2013 and costs for the fiscal years through June 30, 2013 reflecting the unfunded approach, utilizing a discount rate of 4.00 percent, and amortizing the Unfunded Actuarial Accrued Liability as a level of percentage of payroll for 30 years. A summary of the net OPEB obligation is as follows:

| | <u>County</u> | <u>School Board</u> |
|--|----------------------------|--------------------------|
| Annual OPEB Cost (Expense) | | |
| Annual required contribution | \$ 149,000 | \$ 344,026 |
| Interest on OPEB obligation | (24,100) | 6,602 |
| Adjustment to ARC | <u>18,700</u> | <u>(102,207)</u> |
| Annual OPEB Cost (Expense) | 143,600 | 248,421 |
| Contributions Made | | |
| Contributions for fiscal year | <u>161,000</u> | <u>171,359</u> |
| Increase (Decrease) in Net OPEB Obligation | (17,400) | 77,062 |
| Net OPEB Obligation - Beginning of Year | <u>(320,961)</u> | <u>88,000</u> |
| Net OPEB Obligation - End of Year | <u><u>\$ (338,361)</u></u> | <u><u>\$ 165,062</u></u> |

Three-year trend information is as follows:

Primary Government - County

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Actual Contribution</u> | <u>Percent Funded</u> |
|--------------------------|-------------------------|----------------------------|-----------------------|
| 6/30/2011 | \$ 171,342 | \$ 476,700 | 278.16% |
| 6/30/2012 | 154,837 | 274,040 | 176.99% |
| 6/30/2013 | 143,600 | 161,000 | 112.12% |

Component Unit - School Board

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Actual Contribution</u> | <u>Percent Funded</u> |
|--------------------------|-------------------------|----------------------------|-----------------------|
| 12/31/2011 | \$ 243,000 | \$ 155,000 | 41.97% |
| 12/31/2012 | 252,462 | 175,400 | 54.03% |
| 12/31/2013 (estimate) | 341,268 | 171,359 | 50.21% |
| 12/31/2014 (estimate) | 347,202 | 168,046 | 48.40% |

Required Supplementary Information is as follows:

Primary Government - County

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

Component Unit - School Board

| <u>Valuation Date</u> | <u>Actuarial</u> | | <u>Liability (AAL) - Projected Unit Credit</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u> |
|-----------------------|------------------------|----------------|--|----------------------------------|---------------------------|----------------------------|--|
| | <u>Value of Assets</u> | <u>Accrued</u> | | | | | |
| | (a) | (b) | | | | | |
| 1/1/2011 | \$ - | \$ 2,534,100 | | \$ 2,534,100 | 0.00% | \$ 24,495,200 | 10.35% |
| 1/1/2012 | - | 2,534,100 | | 2,534,100 | 0.00% | 24,495,200 | 10.35% |
| 1/1/2013 | - | 3,256,408 | | 3,256,408 | 0.00% | 25,000,000 | 13.03% |
| 1/1/2014 | - | 3,358,062 | | 3,358,062 | 0.00% | 25,500,000 | 13.17% |

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

19 Prior Period Adjustment

Due to the implementation of GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," only specific deferred items belong in the Statement of Net Position. Therefore, deferred revenue for taxes is a reconciliation item between the government-wide statements and the fund statements from this point forward. The beginning balance for deferred taxes of \$1,373,655 needed to be an adjustment to unrestricted net position.

There was also a prior period adjustment from the General Fund to the New School Facility Fund for \$4,338,289 in order to establish the new fund as a capital projects fund that would stand on its own.

Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2013

General Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| General Property Taxes | | | | |
| Real property taxes | \$ 12,680,782 | \$ 12,680,782 | \$ 14,540,854 | \$ 1,860,072 |
| Mobile home taxes | 66,247 | 66,247 | 71,904 | 5,657 |
| Personal property taxes | 7,859,574 | 7,859,574 | 9,442,393 | 1,582,819 |
| Public service corporations | 733,495 | 733,495 | 1,004,590 | 271,095 |
| Machinery and tools taxes | 575,609 | 575,609 | 779,968 | 204,359 |
| Merchants' capital | 361,545 | 361,545 | 406,506 | 44,961 |
| Delinquent taxes - real estate | - | - | 224,457 | 224,457 |
| Delinquent taxes - personal property | - | - | 526,226 | 526,226 |
| Interest on taxes | 120,000 | 120,000 | 140,869 | 20,869 |
| Penalties on taxes | 195,000 | 195,000 | 216,009 | 21,009 |
| Total General Property Taxes | 22,592,252 | 22,592,252 | 27,353,776 | 4,761,524 |
| Other Local Taxes | | | | |
| Local sales and use taxes | 3,000,000 | 3,000,000 | 3,303,014 | 303,014 |
| Utility and consumption taxes | 502,000 | 502,000 | 598,265 | 96,265 |
| Business licenses | 1,000 | 1,000 | 1,712 | 712 |
| 911 local revenues | 112,090 | 125,758 | 132,646 | 6,888 |
| Bank stock franchise tax | 8,000 | 8,000 | 2,977 | (5,023) |
| Transient occupancy tax | 17,000 | 17,000 | 15,302 | (1,698) |
| Motor vehicle licenses | 605,500 | 605,500 | 621,459 | 15,959 |
| Tax on recordation and wills | 224,000 | 224,000 | 258,787 | 34,787 |
| Total Other Local Taxes | 4,469,590 | 4,483,258 | 4,934,162 | 450,904 |
| Permits, Privilege Fees, and Regulatory Licenses | | | | |
| Animal licenses | 28,800 | 28,800 | 34,220 | 5,420 |
| Other permits and licenses | - | - | 18,565 | 18,565 |
| Building permits | 120,775 | 120,775 | 255,352 | 134,577 |
| Total Permits, Privilege Fees, and Regulatory Licenses | 149,575 | 149,575 | 308,137 | 158,562 |
| Fines and Forfeitures | | | | |
| | 204,700 | 204,700 | 242,310 | 37,610 |
| Revenue from Use of Money and Property | | | | |
| Interest income | 125,000 | 125,000 | 130,862 | 5,862 |
| Rental income | 50,000 | 50,000 | 56,690 | 6,690 |
| Total Revenue from Use of Money and Property | 175,000 | 175,000 | 187,552 | 12,552 |
| Charges for Services | | | | |
| Sheriff's revenues | 7,900 | 7,900 | 14,942 | 7,042 |
| Courthouse maintenance fees and clerk | 31,800 | 31,800 | 31,955 | 155 |
| Commonwealth Attorney's fees | 2,700 | 2,700 | 7,571 | 4,871 |
| Sanitation, waste removal, and landfill charges | 75,000 | 75,000 | 50,342 | (24,658) |
| Other miscellaneous charges | 200 | 200 | 85 | (115) |
| Planning fees | 6,300 | 6,300 | 8,787 | 2,487 |
| Total Charges for Services | 123,900 | 123,900 | 113,682 | (10,218) |

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

| | Original Budget | Final Budget | Actual | |
|--|----------------------------|-------------------------|---------------|----------|
| Miscellaneous | | | | |
| Delinquent tax administrative fees | 100,000 | 100,000 | 57,118 | (42,882) |
| Other miscellaneous | 34,400 | 61,900 | 109,407 | 47,507 |
| Total Miscellaneous | 134,400 | 161,900 | 166,525 | 4,625 |
| Recovered Costs | 106,924 | 106,924 | 100,650 | (6,274) |
| Intergovernmental | | | | |
| <i>Revenue from the Commonwealth of Virginia</i> | | | | |
| <i>Non-Categorical Aid</i> | | | | |
| Rolling stock taxes - motor vehicle carriers tax | 17,000 | 17,000 | 16,009 | (991) |
| Auto rental tax | 40,000 | 40,000 | 5,058 | (34,942) |
| Personal Property Tax Relief Act | 1,454,006 | 1,454,006 | 1,454,006 | - |
| Receipt from state - Occoneechee Park | 5,000 | 5,000 | 5,581 | 581 |
| Communications tax from State | 520,000 | 520,000 | 590,295 | 70,295 |
| Mobile home titling tax | 60,000 | 60,000 | 65,843 | 5,843 |
| Recordation and grantors' tax - State | 60,000 | 60,000 | 66,463 | 6,463 |
| Total Non-Categorical Aid | 2,156,006 | 2,156,006 | 2,203,255 | 47,249 |
| <i>Categorical Aid</i> | | | | |
| <i>Shared Expenses</i> | | | | |
| Commonwealth's Attorney | 431,534 | 431,534 | 404,870 | (26,664) |
| Sheriff and Sheriff's auto | 1,478,988 | 1,478,988 | 1,497,981 | 18,993 |
| Commissioner of the Revenue | 101,960 | 101,960 | 102,127 | 167 |
| Treasurer | 102,308 | 102,308 | 102,719 | 411 |
| Electoral Board and General Registrar | 41,090 | 41,090 | 39,811 | (1,279) |
| Clerk of the Court | 302,293 | 302,293 | 312,395 | 10,102 |
| Jail operations | - | - | 19,936 | 19,936 |
| School security grant | 11,317 | 11,317 | 13,412 | 2,095 |
| PSAP Wireless | - | - | 39,841 | 39,841 |
| Deputies Lake Patrol Grant | 45,691 | 45,691 | 41,314 | (4,377) |
| Piedmont Court Services | 388,262 | 390,062 | 390,062 | - |
| Victim Witness Grant | 47,702 | 47,702 | 47,705 | 3 |
| Virginia Domestic Violence (VDVVF) | 40,000 | 40,000 | 40,000 | - |
| VJCCCA | 32,700 | 32,700 | 31,360 | (1,340) |
| Fire Program Grant | 60,000 | 67,172 | 67,172 | - |
| Emergency Services Grant | - | - | 6,884 | 6,884 |
| Emergency 911 Grant | - | 47,900 | 65,170 | 17,270 |
| Four for Life Grant | 35,000 | 35,000 | 30,368 | (4,632) |
| Plastic Pesticide Grant | 1,875 | 1,875 | 1,200 | (675) |
| Animal Friendly Plates Grant | 400 | 400 | 336 | (64) |
| Grant - Colonial Center for Performing Arts | - | 5,000 | 5,000 | - |
| Stormwater Management Grant | - | 8,412 | - | (8,412) |
| Litter Grant | 11,000 | 11,000 | 14,827 | 3,827 |
| Jury Witness Reimbursement | 3,000 | 3,000 | 9,900 | 6,900 |
| Total Categorical Aid | 3,135,120 | 3,205,404 | 3,284,390 | 78,986 |
| Total Revenue from the Commonwealth of Virginia | 5,291,126 | 5,361,410 | 5,487,645 | 126,235 |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| <i>Revenue from the Federal Government</i> | | | | |
| Ground transportation safety | 21,000 | 21,000 | 15,151 | (5,849) |
| Byrne Grant | 2,657 | 2,657 | - | (2,657) |
| CDBG Housing Grant | - | - | 14,956 | 14,956 |
| Stormwater Management Grant | - | 5,000 | - | (5,000) |
| Violence Against Women | 51,589 | 51,589 | 51,589 | - |
| Payment in lieu of taxes | 80,000 | 80,000 | 130,110 | 50,110 |
| Total Revenue from the Federal Government | <u>155,246</u> | <u>160,246</u> | <u>211,806</u> | <u>51,560</u> |
| Total Intergovernmental Revenue | <u>5,446,372</u> | <u>5,521,656</u> | <u>5,699,451</u> | <u>177,795</u> |
| Total Revenues | <u>33,402,713</u> | <u>33,519,165</u> | <u>39,106,245</u> | <u>5,587,080</u> |
| Expenditures | | | | |
| Current | | | | |
| <i>General Government Administration</i> | | | | |
| Board of Supervisors | 217,835 | 215,285 | 210,590 | 4,695 |
| County Administrator | 379,988 | 382,538 | 369,814 | 12,724 |
| Commissioner of Revenue | 609,155 | 603,309 | 579,089 | 24,220 |
| Treasurer | 614,715 | 614,458 | 579,607 | 34,851 |
| County Attorney and other legal | 175,000 | 166,405 | 165,795 | 610 |
| Data processing | 116,990 | 113,356 | 95,486 | 17,870 |
| Multipurpose | 70,000 | 70,000 | 69,461 | 539 |
| Equalization Board | 9,000 | 9,000 | 4,733 | 4,267 |
| Shared office expenses | 348,000 | 351,891 | 313,529 | 38,362 |
| Retirees hospitalization | 96,000 | 96,000 | 84,790 | 11,210 |
| Line of duty | 39,000 | 46,869 | 46,869 | - |
| Unemployment compensation | 28,000 | 28,000 | 12,812 | 15,188 |
| Annual OPEB contribution | 173,400 | 173,400 | 173,400 | - |
| Workman's compensation | 184,884 | 184,884 | 182,082 | 2,802 |
| Electoral Board | 62,652 | 61,872 | 59,831 | 2,041 |
| Registrar | <u>128,115</u> | <u>137,817</u> | <u>135,043</u> | <u>2,774</u> |
| Total General Government Administration | <u>3,252,734</u> | <u>3,255,084</u> | <u>3,082,931</u> | <u>172,153</u> |
| <i>Judicial Administration</i> | | | | |
| Circuit Court | 67,130 | 64,054 | 56,913 | 7,141 |
| General District Court | 3,586 | 3,586 | 1,664 | 1,922 |
| Juvenile and Domestic Relations Court | 208,370 | 281,326 | 279,630 | 1,696 |
| Pretrial Court | 126,699 | 115,130 | 106,169 | 8,961 |
| VJCCA | 33,100 | 24,471 | 24,303 | 168 |
| Victim Witness Program | 55,091 | 56,211 | 55,975 | 236 |
| Center for Violence | 7,000 | 7,000 | 7,000 | - |
| Piedmont Court Services - Corrections Act | 268,455 | 305,963 | 297,510 | 8,453 |
| Clerk of the Circuit Court | 607,040 | 579,536 | 552,970 | 26,566 |
| Commonwealth's Attorney | <u>641,676</u> | <u>620,511</u> | <u>577,245</u> | <u>43,266</u> |
| Total Judicial Administration | <u>2,018,147</u> | <u>2,057,788</u> | <u>1,959,379</u> | <u>98,409</u> |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| <i>Public Safety</i> | | | | |
| Sheriff's Department | 4,506,756 | 4,565,368 | 4,467,958 | 97,410 |
| Jail | 1,982,587 | 2,444,186 | 2,443,510 | 676 |
| Fire departments | 437,335 | 444,507 | 439,144 | 5,363 |
| Rescue squads | 339,928 | 365,197 | 365,197 | - |
| 911 Department | 957,633 | 1,101,055 | 1,046,929 | 54,126 |
| Emergency services | 51,405 | 51,781 | 48,615 | 3,166 |
| Inspections | 224,665 | 220,212 | 212,447 | 7,765 |
| Animal control | 200,665 | 203,695 | 188,682 | 15,013 |
| Medical Examiner | 500 | 500 | 220 | 280 |
| American Red Cross | <u>3,500</u> | <u>3,500</u> | <u>3,500</u> | <u>-</u> |
| Total Public Safety | 8,704,974 | 9,400,001 | 9,216,202 | 183,799 |
| <i>Public Works</i> | | | | |
| Refuse disposal | 1,848,769 | 1,782,937 | 1,571,535 | 211,402 |
| Roanoke River Service Authority | 10,000 | 10,000 | 10,000 | - |
| Maintenance of buildings and grounds | <u>701,770</u> | <u>682,430</u> | <u>625,831</u> | <u>56,599</u> |
| Total Public Works | 2,560,539 | 2,475,367 | 2,207,366 | 268,001 |
| <i>Health and Welfare</i> | | | | |
| Health department | 202,664 | 202,664 | 202,664 | - |
| Mental health | 128,169 | 128,169 | 128,169 | - |
| Comprehensive services | 46,342 | 53,668 | 52,721 | 947 |
| Lake Country Area Agency on Aging | 14,770 | 14,770 | 14,770 | - |
| Welfare and social services | <u>152,170</u> | <u>204,014</u> | <u>204,014</u> | <u>-</u> |
| Total Health and Welfare | 544,115 | 603,285 | 602,338 | 947 |
| <i>Education</i> | | | | |
| Community college | 11,079 | 11,079 | 11,079 | - |
| Appropriation to public school system | <u>11,931,356</u> | <u>11,931,356</u> | <u>11,946,371</u> | <u>(15,015)</u> |
| Total Education | 11,942,435 | 11,942,435 | 11,957,450 | (15,015) |
| <i>Parks, Recreation, and Cultural</i> | | | | |
| Regional library | 357,092 | 357,092 | 357,092 | - |
| Library hospitalization | 40,900 | 55,727 | 55,727 | - |
| Parks and Recreation | 52,500 | 52,500 | 52,500 | - |
| Cultural contributions | <u>20,500</u> | <u>25,500</u> | <u>25,500</u> | <u>-</u> |
| Total Parks, Recreation, and Cultural | 470,992 | 490,819 | 490,819 | - |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| <i>Community Development</i> | | | | |
| Miscellaneous community development | 120,409 | 120,409 | 113,509 | 6,900 |
| Town of Boynton | 27,000 | 27,000 | 27,000 | - |
| Payment to State of Virginia | 292,682 | 209,390 | 209,113 | 277 |
| Lake Gaston Weed Control | 116,000 | 116,000 | 116,000 | - |
| Airports | 51,943 | 51,943 | 51,943 | - |
| Economic development | 410,827 | 361,203 | 327,483 | 33,720 |
| Zoning | 120,441 | 124,534 | 107,949 | 16,585 |
| Other tax refunds | - | 288 | 288 | - |
| Industrial tax refunds - to Meck. IDA | 927,736 | 2,328,456 | 2,328,456 | - |
| Soil and Water Conservation District | 113,927 | 125,099 | 107,677 | 17,422 |
| Cooperative extension program | 75,950 | 76,278 | 67,115 | 9,163 |
| Total Community Development | 2,256,915 | 3,540,600 | 3,456,533 | 84,067 |
| Total Expenditures | 31,750,851 | 33,765,379 | 32,973,018 | 792,361 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,651,862 | (246,214) | 6,133,227 | 6,379,441 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 9,926 | 9,926 |
| Transfers (out) | (1,651,862) | (1,540,017) | (5,632,423) | (4,092,406) |
| Total Other Financing Sources (Uses) | (1,651,862) | (1,540,017) | (5,622,497) | (4,082,480) |
| Net Change in Fund Balance | - | (1,786,231) | 510,730 | 2,296,961 |
| From Surplus | - | 1,786,231 | - | (1,786,231) |
| Net Change in Fund Balance After Surplus | <u>\$ -</u> | <u>\$ -</u> | 510,730 | <u>\$ 510,730</u> |
| Fund Balance - Beginning of Year | | | 11,106,734 | |
| Prior Period Adjustment | | | (4,338,289) | |
| Fund Balance - End of Year | | | <u>\$ 7,279,175</u> | |

Capital Outlay Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues | \$ - | \$ - | \$ - | \$ - |
| Expenditures | | | | |
| Current | | | | |
| Education - School Board Component Unit | - | - | 40,000 | (40,000) |
| Public safety - regional jail | 988,372 | 988,372 | 736,372 | 252,000 |
| Public works - convenience center | 200,000 | 200,000 | - | 200,000 |
| Public works - other | 50,000 | 50,000 | 14,031 | 35,969 |
| Total Expenditures | <u>1,238,372</u> | <u>1,238,372</u> | <u>790,403</u> | <u>447,969</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (1,238,372) | (1,238,372) | (790,403) | 447,969 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 6,842,406 | 6,842,406 |
| Transfers (out) | <u>(1,440,000)</u> | <u>(1,440,000)</u> | <u>(4,400,000)</u> | <u>(2,960,000)</u> |
| Total Other Financing Sources (Uses) | <u>(1,440,000)</u> | <u>(1,440,000)</u> | <u>2,442,406</u> | <u>3,882,406</u> |
| Net Change in Fund Balance | (2,678,372) | (2,678,372) | 1,652,003 | 4,330,375 |
| From Surplus | <u>2,678,372</u> | <u>2,678,372</u> | - | <u>(2,678,372)</u> |
| Net Change in Fund Balance After Surplus | <u>\$ -</u> | <u>\$ -</u> | 1,652,003 | <u>\$ 1,652,003</u> |
| Fund Balance - Beginning of Year | | | <u>8,212,679</u> | |
| Fund Balance - End of Year | | | <u>\$ 9,864,682</u> | |

DEQ and Landfill Funds

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|--|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Charges for services | \$ - | \$ - | \$ - | \$ - |
| Revenue from use of money and property | - | - | - | - |
| Total Revenues | - | - | - | - |
| Expenditures | | | | |
| Current | | | | |
| Public works - expenses | <u>53,568</u> | <u>53,568</u> | - | \$ 53,568 |
| Total Expenditures | <u>53,568</u> | <u>53,568</u> | - | 53,568 |
| Net Change in Fund Balance | (53,568) | (53,568) | - | 53,568 |
| From Surplus | <u>53,568</u> | <u>53,568</u> | - | (53,568) |
| Net Change in Fund Balance After Surplus | <u>\$ -</u> | <u>\$ -</u> | - | <u>\$ -</u> |
| Fund Balance - Beginning of Year | | | <u>621,079</u> | |
| Fund Balance - End of Year | | | <u>\$ 621,079</u> | |

Public Assistance Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Recovered costs | \$ 20,018 | \$ 20,018 | \$ 7,594 | \$ (12,424) |
| Intergovernmental Revenues | | | | |
| Revenue from the Commonwealth of Virginia | 1,155,275 | 1,155,275 | 809,822 | (345,453) |
| Revenue from the Federal Government | <u>1,579,934</u> | <u>1,579,934</u> | <u>1,309,357</u> | <u>(270,577)</u> |
| Total Intergovernmental Revenues | <u>2,735,209</u> | <u>2,735,209</u> | <u>2,119,179</u> | <u>(616,030)</u> |
| Total Revenues | 2,755,227 | 2,755,227 | 2,126,773 | (628,454) |
| Expenditures | | | | |
| Current | | | | |
| Health and welfare | <u>3,499,762</u> | <u>3,499,762</u> | <u>2,758,430</u> | <u>741,332</u> |
| Total Expenditures | <u>3,499,762</u> | <u>3,499,762</u> | <u>2,758,430</u> | <u>741,332</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (744,535) | (744,535) | (631,657) | 112,878 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | <u>740,017</u> | <u>740,017</u> | <u>740,017</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>740,017</u> | <u>740,017</u> | <u>740,017</u> | <u>-</u> |
| Net Change in Fund Balance | (4,518) | (4,518) | 108,360 | 112,878 |
| From Surplus | <u>4,518</u> | <u>4,518</u> | <u>-</u> | <u>(4,518)</u> |
| Net Change in Fund Balance After Surplus | <u>\$ -</u> | <u>\$ -</u> | 108,360 | <u>\$ 108,360</u> |
| Fund Balance - Beginning of Year | | | <u>1,026,764</u> | |
| Fund Balance - End of Year | | | <u>\$ 1,135,124</u> | |

Comprehensive Services Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Recovered costs | \$ - | \$ - | \$ 44,908 | \$ 44,908 |
| Intergovernmental Revenues | | | | |
| Revenue from the Commonwealth of Virginia | <u>1,000,000</u> | <u>1,000,000</u> | <u>851,240</u> | <u>(148,760)</u> |
| Total Intergovernmental Revenues | <u>1,000,000</u> | <u>1,000,000</u> | <u>851,240</u> | <u>(148,760)</u> |
| Total Revenues | 1,000,000 | 1,000,000 | 896,148 | (103,852) |
| Expenditures | | | | |
| Current | | | | |
| Health and welfare | <u>1,200,000</u> | <u>1,200,000</u> | <u>1,115,394</u> | <u>84,606</u> |
| Total Expenditures | <u>1,200,000</u> | <u>1,200,000</u> | <u>1,115,394</u> | <u>84,606</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (200,000) | (200,000) | (219,246) | (19,246) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>200,000</u> | <u>200,000</u> | <u>200,000</u> | <u>-</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | (19,246) | <u>\$ (19,246)</u> |
| Fund Balance - Beginning of Year | | | <u>1,227,974</u> | |
| Fund Balance - End of Year | | | <u>\$ 1,208,728</u> | |

Economic Development Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|---------------------|---|
| Revenues | | | | |
| Miscellaneous local revenues | \$ 75,000 | \$ 75,000 | \$ 225,940 | \$ 150,940 |
| Intergovernmental Revenues | | | | |
| Revenue from the Commonwealth of Virginia TICR funds | <u>24,840</u> | <u>24,840</u> | <u>-</u> | <u>(24,840)</u> |
| Total Revenue from the Commonwealth of Virginia | 24,840 | 24,840 | - | (24,840) |
| Revenue from the Federal Government - EDA EDA funds | 137,773 | 137,773 | 137,773 | - |
| CDBG funds | <u>51,424</u> | <u>51,424</u> | <u>11,647</u> | <u>(39,777)</u> |
| Total Revenue from the Federal Government | <u>189,197</u> | <u>189,197</u> | <u>149,420</u> | <u>(39,777)</u> |
| Total Intergovernmental Revenues | <u>214,037</u> | <u>214,037</u> | <u>149,420</u> | <u>(64,617)</u> |
| Total Revenues | 289,037 | 289,037 | 375,360 | 86,323 |
| Expenditures | | | | |
| Current | | | | |
| Public works - 92 Waterline | 908,592 | 908,592 | 630,207 | 278,385 |
| Mecklenburg County IDA | - | - | 91,149 | (91,149) |
| MAMaC project expenses | 688,541 | 688,541 | 131,900 | 556,641 |
| Kinderton Technology Campus | <u>178,047</u> | <u>178,047</u> | <u>3,958</u> | <u>174,089</u> |
| Total Expenditures | <u>1,775,180</u> | <u>1,775,180</u> | <u>857,214</u> | <u>917,966</u> |
| Excess (Deficiency) of Revenues Over Expenditures | (1,486,143) | (1,486,143) | (481,854) | 1,004,289 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 250,000 | 250,000 |
| Transfers out | <u>-</u> | <u>-</u> | <u>(100,000)</u> | <u>(100,000)</u> |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>150,000</u> | <u>150,000</u> |
| Net Change in Fund Balance | (1,486,143) | (1,486,143) | (331,854) | 1,154,289 |
| From Surplus | <u>1,486,143</u> | <u>1,486,143</u> | <u>-</u> | <u>(1,486,143)</u> |
| Net Change in Fund Balance After Surplus | <u>\$ -</u> | <u>\$ -</u> | <u>(331,854)</u> | <u>\$ (331,854)</u> |
| Fund Balance - Beginning of Year | | | <u>1,649,876</u> | |
| Fund Balance - End of Year | | | <u>\$ 1,318,022</u> | |

Microsoft Project

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|-------------------|---|
| Revenues | | | | |
| Revenue from use of money and property | \$ - | \$ - | \$ 297 | \$ 297 |
| Intergovernmental Revenues | | | | |
| Revenue from the Commonwealth of Virginia | | | | |
| VTIF Funds | - | 900,000 | - | (900,000) |
| Tobacco Region Opportunity Funds (TROF) | - | 2,000,000 | - | (2,000,000) |
| Governor's Opportunity Funds (GOF) | - | 200,000 | 200,000 | - |
| Total Revenue from the Commonwealth of Virginia | - | 3,100,000 | 200,000 | (2,900,000) |
| Total Intergovernmental Revenues | - | 3,100,000 | 200,000 | (2,900,000) |
| Total Revenues | - | 3,100,000 | 200,297 | (2,899,703) |
| Expenditures | | | | |
| Current | | | | |
| Community Development - Microsoft | - | 3,200,000 | 7,560 | 3,192,440 |
| Total Expenditures | - | 3,200,000 | 7,560 | 3,192,440 |
| Excess (Deficiency) of Revenues Over Expenditures | - | (100,000) | 192,737 | 292,737 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 100,000 | 100,000 | - |
| Total Other Financing Sources (Uses) | - | 100,000 | 100,000 | - |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | 292,737 | <u>\$ 292,737</u> |
| Fund Balance - Beginning of Year | | | - | |
| Fund Balance - End of Year | | | <u>\$ 292,737</u> | |

New School Facility Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Variance With Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------|---|
| Revenues | | | | |
| Miscellaneous - From school activity funds | \$ - | \$ - | \$ 140,483 | \$ 140,483 |
| From School Board Component Unit | - | - | 615,541 | 615,541 |
| Total Revenues | - | - | 756,024 | 756,024 |
| Expenditures | | | | |
| Current | | | | |
| Education - Chase City Elementary additions | - | 2,023,000 | 431,865 | 1,591,135 |
| Education - Clarksville Elementary additions | - | 2,097,000 | 705,252 | 1,391,748 |
| Education - LaCrosse Elementary additions | - | 2,008,000 | 417,451 | 1,590,549 |
| Total Expenditures | - | 6,128,000 | 1,554,568 | 4,573,432 |
| Excess (Deficiency) of Revenues Over Expenditures | - | (6,128,000) | (798,544) | 5,329,456 |
| Other Financing Sources (Uses) | | | | |
| Transfer from other funds | - | 2,000,000 | 2,000,000 | - |
| Total Other Financing Sources (Uses) | - | 2,000,000 | 2,000,000 | - |
| Net Change in Fund Balance | \$ - | \$ (4,128,000) | 1,201,456 | \$ 5,329,456 |
| Fund Balance - Beginning of Year | | | | - |
| Prior Period Adjustment | | | 4,338,289 | |
| Fund Balance - End of Year | | | \$ 5,539,745 | |

Other Supplementary Information



County of Mecklenburg, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2013

| | <u>Law Library Fund</u> | <u>Sheriff's Funds</u> | <u>Drug Forfeiture Funds</u> | <u>Tiny Road Project</u> | <u>Scattered Site Project</u> | <u>Total Other Governmental Funds</u> |
|------------------------------------|-----------------------------|----------------------------|--------------------------------------|----------------------------------|---------------------------------------|---|
| Assets | | | | | | |
| Cash and investments | \$ 24,452 | \$ 12,072 | \$ 84,061 | \$ 927 | \$ 1 | \$ 121,513 |
| Accounts receivable | 84 | - | - | - | - | 84 |
| Due from other governments | - | - | - | 85,145 | - | 85,145 |
| Total Assets | <u>\$ 24,536</u> | <u>\$ 12,072</u> | <u>\$ 84,061</u> | <u>\$ 86,072</u> | <u>\$ 1</u> | <u>\$ 206,742</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 1,034 | \$ - | \$ 1,259 | \$ 85,145 | \$ - | \$ 87,438 |
| Total Liabilities | 1,034 | - | 1,259 | 85,145 | - | 87,438 |
| Fund Balance | | | | | | |
| Restricted | - | - | 82,802 | 927 | 1 | 83,730 |
| Assigned | <u>23,502</u> | <u>12,072</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>35,574</u> |
| Total Fund Balance | <u>23,502</u> | <u>12,072</u> | <u>82,802</u> | <u>927</u> | <u>1</u> | <u>119,304</u> |
| Total Liabilities and Fund Balance | <u>\$ 24,536</u> | <u>\$ 12,072</u> | <u>\$ 84,061</u> | <u>\$ 86,072</u> | <u>\$ 1</u> | <u>\$ 206,742</u> |

County of Mecklenburg, Virginia

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

Other Governmental Funds

At June 30, 2013

| | <u>CDBG Funds</u> | | | | | | <u>Total Other Governmental Funds</u> |
|--|---------------------------------|----------------------------|--------------------------------------|---------------------------------------|-----------------------------|------------------------------|---|
| | <u>Law Library Fund</u> | <u>Sheriff's Funds</u> | <u>Drug Forfeiture Funds</u> | <u>Scattered Site Project</u> | <u>Skipwith Housing</u> | <u>Tiny Road Project</u> | |
| Revenues | | | | | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | - | 1,013 | 788 | - | - | - | 1,801 |
| Charges for services | 10,945 | - | - | - | - | - | 10,945 |
| Miscellaneous | - | 4,115 | - | - | - | - | 4,115 |
| Intergovernmental | | | | | | | |
| From the Commonwealth of VA | - | - | 869 | - | - | - | 869 |
| From the Federal Government | - | - | 358 | 148,767 | 10,000 | 474,515 | 633,640 |
| Total Revenues | 10,945 | 5,128 | 2,015 | 148,767 | 10,000 | 474,515 | 651,370 |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| Judicial administration | 8,509 | - | 3,708 | - | - | - | 12,217 |
| Public safety | - | 1,892 | 52,238 | - | - | - | 54,130 |
| Community development | - | - | - | 148,766 | 10,050 | 473,588 | 632,404 |
| Total Expenditures | 8,509 | 1,892 | 55,946 | 148,766 | 10,050 | 473,588 | 698,751 |
| Excess (Deficiency) of Revenues Over Expenditures | 2,436 | 3,236 | (53,931) | 1 | (50) | 927 | (47,381) |
| Other Financing Sources (Uses) | | | | | | | |
| Transfers (out) | - | (9,926) | - | - | - | - | (9,926) |
| Total Other Financing Sources (Uses) | - | (9,926) | - | - | - | - | (9,926) |
| Net Change in Fund Balances | 2,436 | (6,690) | (53,931) | 1 | (50) | 927 | (57,307) |
| Fund Balance - Beginning of Year | 21,066 | 18,762 | 136,733 | - | 50 | - | 176,611 |
| Fund Balance - End of Year | \$ 23,502 | \$ 12,072 | \$ 82,802 | \$ 1 | \$ - | \$ 927 | \$ 119,304 |

County of Mecklenburg, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2013

| | <u>Special Welfare</u> | <u>Southside Regional Library</u> | <u>TransTech Marketing Alliance</u> | <u>Virginia's Retreat Fund</u> | <u>Thyne Project Memorial</u> | <u>County OPEB Fund</u> | <u>Totals</u> |
|----------------------------|----------------------------|---|---|--|---------------------------------------|---------------------------------|---------------------|
| Assets | | | | | | | |
| Cash | \$ 78,979 | \$ 87,669 | \$ 5,304 | \$ 46,769 | \$ 27,725 | \$ 701,901 | \$ 948,347 |
| Due from other governments | - | - | 33,386 | - | - | - | 33,386 |
| Accounts receivable | - | - | - | - | - | 26,433 | 26,433 |
| Total Assets | <u>\$ 78,979</u> | <u>\$ 87,669</u> | <u>\$ 38,690</u> | <u>\$ 46,769</u> | <u>\$ 27,725</u> | <u>\$ 728,334</u> | <u>\$ 1,008,166</u> |
| Liabilities | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 8,360 | \$ 39,777 | \$ - | \$ - | \$ 48,137 |
| Amounts held for others | <u>78,979</u> | <u>87,669</u> | <u>30,330</u> | <u>6,992</u> | <u>27,725</u> | <u>728,334</u> | <u>960,029</u> |
| Total Liabilities | <u>\$ 78,979</u> | <u>\$ 87,669</u> | <u>\$ 38,690</u> | <u>\$ 46,769</u> | <u>\$ 27,725</u> | <u>\$ 728,334</u> | <u>\$ 1,008,166</u> |

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2013

| | <u>School Operating Fund</u> | <u>School Food Services Fund</u> | <u>School Textbook Fund</u> | <u>Total Component Unit School Board</u> |
|------------------------------------|---|---|--|---|
| Assets | | | | |
| Cash and investments | \$ 6,635 | \$ 564,858 | \$ 328,823 | \$ 900,316 |
| Accounts receivable | 30,526 | - | - | 30,526 |
| Due from other governments | 882,276 | - | - | 882,276 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 919,437</u> | <u>\$ 564,858</u> | <u>\$ 328,823</u> | <u>\$ 1,813,118</u> |
| Liabilities | | | | |
| Accounts payable | \$ 147,064 | \$ 5,221 | \$ - | \$ 152,285 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | 147,064 | 5,221 | - | 152,285 |
| Fund Balance | | | | |
| Assigned | <u>772,373</u> | <u>559,637</u> | <u>328,823</u> | <u>1,660,833</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balance | <u>772,373</u> | <u>559,637</u> | <u>328,823</u> | <u>1,660,833</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities and Fund Balance | <u>\$ 919,437</u> | <u>\$ 564,858</u> | <u>\$ 328,823</u> | <u>\$ 1,813,118</u> |

County of Mecklenburg, Virginia

Component Unit School Board

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

At June 30, 2013

| | |
|--|--------------|
| Total Fund Balances for Governmental Funds | \$ 1,660,833 |
|--|--------------|

Total net position reported for governmental activities in the Statement of Net Position is different because:

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

| | |
|---|------------------|
| Land | \$ 1,765,707 |
| Buildings and improvements, net of depreciation | 13,502,807 |
| Furniture, equipment, and vehicles, net of depreciation | <u>5,766,006</u> |

| | |
|----------------------|------------|
| Total Capital Assets | 21,034,520 |
|----------------------|------------|

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

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

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

| | |
|----------------------|------------------|
| Compensated absences | (170,417) |
| Capital lease | (404,124) |
| OPEB obligation | <u>(165,062)</u> |

| | |
|-------|------------------|
| Total | <u>(739,603)</u> |
|-------|------------------|

| | |
|---|-----------------------------|
| Total Net Position of Governmental Activities | <u><u>\$ 21,955,750</u></u> |
|---|-----------------------------|

County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2013

| | School Operating Fund | School Food Services Fund | School Textbook Fund | Total Component Unit School Board |
|---|--------------------------------------|--|-------------------------------------|--|
| Revenues | | | | |
| Use of money and property | \$ 24,653 | \$ 3,805 | \$ 894 | \$ 29,352 |
| Charges for services | 1,142,723 | 521,369 | 2,673 | 1,666,765 |
| Rebates and refunds | 515,812 | - | - | 515,812 |
| Miscellaneous | 78,064 | 1,262 | - | 79,326 |
| Payments from Primary Government - Meck. County | 13,392,739 | - | 148,200 | 13,540,939 |
| Intergovernmental | | | | |
| From the Commonwealth of Virginia | 24,619,146 | 34,914 | 256,599 | 24,910,659 |
| From the Federal Government | <u>3,251,986</u> | <u>1,446,187</u> | <u>-</u> | <u>4,698,173</u> |
| Total Revenues | 43,025,123 | 2,007,537 | 408,366 | 45,441,026 |
| Expenditures | | | | |
| Education | | | | |
| Instruction | 31,393,178 | - | 288,499 | 31,681,677 |
| Technology | 1,512,447 | - | - | 1,512,447 |
| Administration, attendance, and health | 1,459,846 | - | - | 1,459,846 |
| Transportation | 2,867,648 | - | - | 2,867,648 |
| Operation and maintenance | 2,754,847 | - | - | 2,754,847 |
| School food service | - | 2,076,551 | - | 2,076,551 |
| To Primary Govt. - Mecklenburg County for | | | | |
| New School Facility | 615,541 | - | - | 615,541 |
| Capital outlay - elementary school additions | 1,554,568 | - | - | 1,554,568 |
| Debt service | <u>1,087,770</u> | <u>-</u> | <u>-</u> | <u>1,087,770</u> |
| Total Expenditures | <u>43,245,845</u> | <u>2,076,551</u> | <u>288,499</u> | <u>45,610,895</u> |
| Net Change in Fund Balances | (220,722) | (69,014) | 119,867 | (169,869) |
| Fund Balances - Beginning of Year | <u>993,095</u> | <u>628,651</u> | <u>208,956</u> | <u>1,830,702</u> |
| Fund Balances - End of Year | <u>\$ 772,373</u> | <u>\$ 559,637</u> | <u>\$ 328,823</u> | <u>\$ 1,660,833</u> |

County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2013

| | |
|-----------------------------|--------------|
| Net Change in Fund Balances | \$ (169,869) |
|-----------------------------|--------------|

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

826,310

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

| | | |
|--------------------------|-----------------|----------------|
| Compensated absences | \$ 1,381 | |
| Payment on capital lease | 194,993 | |
| OPEB obligation | <u>(77,062)</u> | |
| Net Adjustment | | <u>119,312</u> |

| | |
|---|--------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ 775,753</u></u> |
|---|--------------------------|

County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2013

Component Unit School Board

School Operating Fund

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|---|----------------------------|-------------------------|-------------------|---|
| School Fund | | | | |
| Revenues | | | | |
| Use of money and property | \$ - | \$ - | \$ 24,653 | \$ 24,653 |
| Charges for services | 843,092 | 843,092 | 1,142,723 | 299,631 |
| Rebates and refunds | 333,000 | 333,000 | 515,812 | 182,812 |
| Miscellaneous | 64,234 | 114,234 | 78,064 | (36,170) |
| Payment from Primary Govt. - Mecklenburg County Intergovernmental | 11,768,141 | 11,823,156 | 13,392,739 | 1,569,583 |
| From the Commonwealth of Virginia | 24,941,758 | 24,941,758 | 24,619,146 | (322,612) |
| From the Federal Government | <u>3,410,475</u> | <u>3,410,475</u> | <u>3,251,986</u> | <u>(158,489)</u> |
| Total Revenues | 41,360,700 | 41,465,715 | 43,025,123 | 1,559,408 |
| Expenditures | | | | |
| Current | | | | |
| <i>Education</i> | | | | |
| Instruction | 31,751,569 | 31,766,584 | 31,393,178 | 373,406 |
| Technology | 1,481,736 | 1,481,736 | 1,512,447 | (30,711) |
| Administration, attendance, and health | 1,399,124 | 1,449,124 | 1,459,846 | (10,722) |
| Transportation | 2,900,391 | 2,900,391 | 2,867,648 | 32,743 |
| Operation and maintenance | 2,729,199 | 2,769,199 | 2,754,847 | 14,352 |
| Capital outlay-elementary school additions | - | - | 1,554,568 | (1,554,568) |
| Debt service | <u>1,098,681</u> | <u>1,098,681</u> | <u>1,087,770</u> | <u>10,911</u> |
| Total Expenditures | <u>41,360,700</u> | <u>41,465,715</u> | <u>42,630,304</u> | <u>(1,164,589)</u> |
| Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources | - | - | 394,819 | 394,819 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers out | - | - | (615,541) | (615,541) |
| Total Other Financing Sources (Uses) | - | - | (615,541) | (615,541) |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | (220,722) | <u>\$ (220,722)</u> |
| Fund Balance - Beginning of Year | | | 993,095 | |
| Fund Balance - End of Year | | | <u>\$ 772,373</u> | |

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Positive (Negative)</u> |
|-----------------------------------|----------------------------|-------------------------|-------------------|---|
| School Food Services Fund | | | | |
| Revenues | | | | |
| Use of money and property | \$ - | \$ - | \$ 3,805 | \$ 3,805 |
| Charges for services | 1,018,602 | 1,018,602 | 521,369 | (497,233) |
| Miscellaneous | - | - | 1,263 | 1,263 |
| Intergovernmental | | | | |
| From the Commonwealth of Virginia | 35,495 | 35,495 | 34,913 | (582) |
| From the Federal Government | <u>1,306,603</u> | <u>1,306,603</u> | <u>1,446,187</u> | <u>139,584</u> |
| Total Revenues | 2,360,700 | 2,360,700 | 2,007,537 | (353,163) |
| Expenditures | | | | |
| Current | | | | |
| <i>Education</i> | | | | |
| School Food Service | <u>2,360,700</u> | <u>2,360,700</u> | <u>2,076,551</u> | <u>284,149</u> |
| Total Expenditures | <u>2,360,700</u> | <u>2,360,700</u> | <u>2,076,551</u> | <u>284,149</u> |
| Net Change in Fund Balances | <u>\$ -</u> | <u>\$ -</u> | (69,014) | <u>\$ (69,014)</u> |
| Fund Balance - Beginning of Year | | | <u>628,651</u> | |
| Fund Balance - End of Year | | | <u>\$ 559,637</u> | |

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Position

June 30, 2013

Assets**Current Assets**

| | |
|------|--------------|
| Cash | \$ 1,725,225 |
|------|--------------|

Noncurrent Assets**Capital Assets**

| | |
|--|-----------|
| Land and buildings held for resale (net) | 4,094,273 |
|--|-----------|

Other Noncurrent Assets

| | |
|------------------|----------------|
| Lease receivable | 743,171 |
| Note receivable | <u>624,096</u> |

| | |
|--------------|----------------------------|
| Total Assets | <u><u>\$ 7,186,765</u></u> |
|--------------|----------------------------|

Liabilities and Net Position**Liabilities****Current Liabilities**

| | |
|---------------------------------|---------------|
| Accounts payable | \$ 138,335 |
| Notes payable - current portion | <u>54,393</u> |
| Total Current Liabilities | 192,728 |

Long-Term Liabilities

| | |
|-------------------------------------|----------------|
| Note payable - less current portion | <u>426,596</u> |
| Total Long-Term Liabilities | <u>426,596</u> |

| | |
|-------------------|---------|
| Total Liabilities | 619,324 |
|-------------------|---------|

Net Position

| | |
|----------------------------|------------------|
| Invested in capital assets | 3,613,284 |
| Unrestricted | <u>2,954,157</u> |

| | |
|--------------------|------------------|
| Total Net Position | <u>6,567,441</u> |
|--------------------|------------------|

| | |
|------------------------------------|----------------------------|
| Total Liabilities and Net Position | <u><u>\$ 7,186,765</u></u> |
|------------------------------------|----------------------------|

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Activities

Year Ended June 30, 2013

Operating Revenues

| | |
|---|---------------|
| Contributions from Mecklenburg County, Virginia for | |
| Economic Stimulus Grant - industrial tax refund | \$ 2,419,605 |
| Reimbursement from Brunswick County, Virginia | 1,953 |
| Miscellaneous | 182 |
| Tobacco indemnification funds | <u>31,673</u> |
| Total Operating Revenues | 2,453,413 |

Operating Expenses

| | |
|---|------------------|
| Insurance | 2,300 |
| Legal and professional fees | 25,388 |
| Administrative | 2,030 |
| Utility companies | 4,933 |
| Donation to Longwood University | 10,000 |
| Payments to IDA of Brunswick County, Virginia | 26,651 |
| Repairs and maintenance | 4,954 |
| Miscellaneous | 2,092 |
| Depreciation expense | 26,042 |
| Payouts to businesses and stimulus grants | <u>2,631,886</u> |
| Total Operating Expenses | <u>2,736,276</u> |

Operating Loss (282,863)

Non-Operating Revenues (Expenses)

| | |
|--|-----------------|
| Interest income | 33,516 |
| Gain on sale of capital assets | 6,354 |
| Interest expense and loan closing fees | <u>(30,179)</u> |
| Net Non-Operating Revenues (Expenses) | <u>9,691</u> |

Change in Net Position (273,172)

Total Net Position - Beginning of Year 6,840,613Total Net Position - End of Year \$ 6,567,441

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Cash Flows

Year Ended June 30, 2013

Cash Flows from Operating Activities

| | |
|---|--------------------|
| Contributions from Mecklenburg County, Virginia | \$ 2,420,957 |
| Contributions from Brunswick County, Virginia | 1,953 |
| Payments received on leases receivable | 84,133 |
| Payments received on notes receivable | 54,115 |
| Miscellaneous | 182 |
| Tobacco indemnification funds | 31,673 |
| Payments to businesses and vendors | <u>(2,586,772)</u> |

Net Cash Provided by Operating Activities 6,241

Cash Flows from Capital and Related Financing Activities

| | |
|---------------------------|-----------------|
| Payments on notes payable | (51,597) |
| Sale of capital assets | 1,200,000 |
| Interest expense | <u>(30,179)</u> |

Net Cash Provided by Capital and Related Financing Activities 1,118,224

Cash Flows from Investing Activities

| | |
|-----------------|---------------|
| Interest income | <u>33,516</u> |
|-----------------|---------------|

Net Cash Provided by Investing Activities 33,516

Net Increase in Cash and Cash Equivalents 1,157,981

Cash and Cash Equivalents - Beginning of Year 567,244

Cash and Cash Equivalents - End of Year \$ 1,725,225

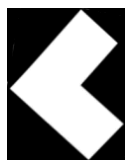
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities

| | |
|---|----------------|
| Operating loss | \$ (282,863) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| Depreciation expense | 26,042 |
| Changes in assets and liabilities | |
| Due from Mecklenburg County, Virginia | 1,352 |
| Leases receivable | 84,133 |
| Notes receivable | 54,115 |
| Accounts payable | <u>123,462</u> |

Net Cash Provided by Operating Activities \$ 6,241

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly N. Walker, CPA*

Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
December 30, 2013



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Kimberly N. Walker, CPA*

Sherwood H. Creedle, Emeritus

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

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

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

Report on Compliance for Each Major Federal Program

We have audited County of Mecklenburg, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Mecklenburg, Virginia's major federal programs for the year ended June 30, 2013. County of Mecklenburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Mecklenburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
December 30, 2013

County of Mecklenburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

| Federal Granting Agency/Recipient State Agency/ Grant Program | Federal Catalog Number | State Agency Number | Expenditures |
|--|---------------------------------------|------------------------------------|---------------------|
| U. S. Department of Commerce | | | |
| Direct Payments | | | |
| EDA - Economic Development Grant | 11.300 | N/A | \$ 137,773 |
| NOAA - Chesapeake Bay Studies | 11.457 | N/A | 2,589 |
| Subtotal - U. S. Department of Commerce | | | 140,362 |
| U. S. Department of Agriculture | | | |
| Direct Payments | | | |
| Bureau of Land Management | | | |
| Payments in Lieu of Taxes - Public Law | | | |
| (National Forest Acreage in the Localities) | 10.664 | N/A | 130,110 |
| Pass-Through Payments | | | |
| <i>State Department of Agriculture</i> | | | |
| Food Distribution - Schools | 10.555* | N/A | 145,961 |
| <i>Department of Social Services</i> | | | |
| Food Stamp Cluster | | | |
| Administration for Food Stamp Program | 10.561* | 765 | 341,717 |
| <i>Department of Education</i> | | | |
| Child Nutrition Cluster | | | |
| National School Lunch Program | 10.555* | 197 | 1,106,893 |
| School Breakfast Program | 10.553* | 197 | 300,251 |
| Child Nutrition Cluster Total | | | 1,407,144 |
| Fresh Fruit and Vegetables | 10.582 | 197 | 39,043 |
| Subtotal - U. S. Department of Agriculture | | | 2,063,975 |
| U. S. Department of Health and Human Services | | | |
| Pass-Through Payments | | | |
| <i>Department of Social Services</i> | | | |
| Child Care Cluster | | | |
| Child Care and Development Fund | 93.596 | 765 | 36,984 |
| Child Care Cluster Total | | | 36,984 |
| Family Preservation and Support Services | 93.556 | 765 | 17,305 |
| Temporary Assistance to Needy Families | 93.558* | 765 | 293,664 |
| Refugee and Entrant Assistance - State Admin. Programs | 93.566 | 765 | 1,103 |
| Low Income Home Energy Assistance | 93.568 | 765 | 20,119 |
| Child Welfare Services | 93.645 | 765 | 1,260 |
| Foster Care - Title IV-E | 93.658 | 765 | 119,992 |
| Adoption Assistance | 93.659 | 765 | 88,751 |
| Social Services Block Grant | 93.667 | 765 | 176,609 |
| Chafee Foster Care Independence Program | 93.674 | 765 | 1,104 |
| State Children's Insurance Program | 93.767 | 765 | 7,774 |
| Medical Assistance Program (Medicaid; Title XIX) | 93.778 | 765 | 202,975 |
| Subtotal - U. S. Department of Health and Human Services | | | 967,640 |

| Federal Granting Agency/Recipient State Agency/ Grant Program | Federal Catalog Number | State Agency Number | Expenditures |
|--|---------------------------------------|------------------------------------|---------------------|
| U. S. Department of Treasury | | | |
| Direct Payments | | | |
| Treasury Forfeiture Fund | 21.000 | N/A | <u>358</u> |
| Subtotal - U. S. Department of Treasury | | | 358 |
| U. S. Department of Justice | | | |
| Pass-Through Payments | | | |
| <i>Department of Criminal Justice Services</i> | | | |
| Violence Against Women Formula Grants | 16.588 | 140 | <u>51,589</u> |
| Subtotal - U. S. Department of Justice | | | 51,589 |
| U. S. Department of Education | | | |
| Pass-Through Payments | | | |
| <i>Department of Education</i> | | | |
| <i>Special Education Cluster</i> | | | |
| IDEA 611 Flow-Through | 84.027 | 197 | 1,138,624 |
| Preschool Handicapped | 84.173 | 197 | <u>61,063</u> |
| Special Education Cluster Total | | | 1,199,687 |
| <i>Title I Cluster</i> | | | |
| Title I | 84.010* | 197 | <u>1,406,349</u> |
| Title I Cluster Total | | | 1,406,349 |
| Title VI - Rural and Low Income Schools | 84.358 | 197 | 71,753 |
| Vocational Education/Federal Payments | 84.048 | 197 | 66,765 |
| ARRA Education Jobs Fund | 84.410 | 197 | 47,911 |
| Title IV Part B 21st Century | 84.287 | 197 | 158,526 |
| Federal Energy Regulation | 84.906 | 197 | 5,695 |
| Title II Part A | 84.367 | 197 | <u>289,948</u> |
| Subtotal - U. S. Department of Education | | | 3,246,634 |
| U. S. Department of Defense | | | |
| Pass-Through Payments | | | |
| <i>Department of Defense</i> | | | |
| Leasing of Federal Land | 12.112 | 197 | <u>2,763</u> |
| Subtotal - U. S. Department of Defense | | | 2,763 |
| U. S. Department of Transportation | | | |
| Pass-Through Payments | | | |
| <i>Department of Motor Vehicles</i> | | | |
| Alcohol Open Container | 20.607 | 510 | <u>15,151</u> |
| Subtotal - U. S. Department of Transportation | | | 15,151 |

| Federal Granting Agency/Recipient State Agency/ Grant Program | Federal Catalog Number | State Agency Number | Expenditures |
|--|---------------------------------------|------------------------------------|---------------------|
| U. S. Department of Housing and Urban Development | | | |
| Pass-Through Payments | | | |
| <i>Department of Housing and Community Development</i> | | | |
| Community Development Block Grants/State's Programs | 14.228* | 165 | <u>659,885</u> |
| Subtotal - U. S. Department of Housing and Urban Development | | | <u>659,885</u> |
| Grand Totals | | | <u>\$ 7,278,467</u> |

*Denotes Major Program

Notes to Schedule of Expenditures of Federal Awards

1. **Basis of Presentation**

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

2. **Commodities – Food Distribution**

Nonmonetary assistance in the form of food distribution amounting to \$145,961 for the schools is reported in the schedule as being received and disbursed.

County of Mecklenburg, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

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

2. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None

County of Mecklenburg, Virginia

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

FINANCIAL STATEMENTS

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Social Services

Finding 2012-1 – Food Stamp Program

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

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

Current Status: Agency Supervisors are monitoring for not only correct implementation of policy, but also for areas that may allow for fraud. They are looking for original signatures, areas that can be put in computer, allowed by the State, without supervisor approval, also switching of supervisors to allow for a different view of records and new supervisor signatures. Training has been conducted on internal theft and fraud and how to prevent such issues.