

COUNTY OF LUNENBURG, VIRGINIA



ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2014

COUNTY OF LUNENBURG, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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COUNTY OF LUNENBURG, VIRGINIA

Board of Supervisors

Edward W. Pennington, Chairperson

Robert G. Zava
Dr. Frank W. Bacon
David E. Wingold, Sr.

Charles R. Slayton
Alvester L. Edmonds
T. Wayne Hoover

Department of Social Services

Gail Berkley
Gordon Ashworth
Charles R. Slayton
Sheila Hawthorne-Loum

Jacqueline Moore
Louise T. Callis
Mary Beth Gregory

County School Board

Donald B. Carnes, Chairperson

Kathy P. Coffee
James W. Duffy
Ada A. Whitehead

Amy McClure
Beverley P. Hawthorne
Elizabeth R. Williams

Other Officials

Judge of the Circuit Court	Richard S. Blanton
Clerk of the Circuit Court	Gordon F. Erby
Commonwealth's Attorney	Robert E. Clement
Commissioner of the Revenue	Liz Y. Hamlett
Treasurer	Amona Currin
Sheriff	Arthur Townsend
Superintendent of Schools	Dora G. Wynn
Director of Social Services	Dorothy A. Newcomb
County Administrator	Tracy M. Gee

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FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 4-10, 58-59, and 60-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015, on our consideration of County of Lunenburg, 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 Lunenburg, Virginia's internal control over financial reporting and compliance.

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Richmond, Virginia
January 16, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**To the Honorable Members of the Board of Supervisors
To the Citizens of Lunenburg County
County of Lunenburg, Virginia**

As management of the County of Lunenburg, Virginia we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,670,816 (net position).

Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$174,857 (Exhibit 5) after making contributions totaling \$2,824,568 to the School Board.

- < As of the close of the current fiscal year; the County's funds reported ending fund balances of \$7,532,467, an increase of \$174,857 in comparison with the prior year.
- < At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,239,941, or 46% of total general fund expenditures and other uses.
- < The combined long-term obligations decreased by \$963,497 during the current fiscal year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Overview of the Financial Statements (Continued)

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

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

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

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for the discretely presented component units - School Board and Industrial Development Authority. Neither issues separate financial statements.

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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities and deferred inflows of resources by \$12,670,816 at the close of the most recent fiscal year. The following table summarizes the County's Statement of Net Position:

County of Lunenburg, Virginia's Net Position			
	Governmental Activities		
	2014	2013	
Current and other assets	\$ 11,041,250	\$ 10,745,254	
Capital assets	19,925,059	20,954,176	
Total assets	\$ 30,966,309	\$ 31,699,430	
Current liabilities	\$ 500,185	\$ 474,045	
Long-term liabilities outstanding	14,986,281	15,949,778	
Total liabilities	\$ 15,486,466	\$ 16,423,823	
Deferred inflows of resources	\$ 2,809,027	\$ 2,630,975	
Net position:			
Net investment in capital assets	\$ 5,177,139	\$ 5,211,158	
Unrestricted	7,493,677	7,433,474	
Total net position	\$ 12,670,816	\$ 12,644,632	

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Government-wide Financial Analysis (Continued)

The County's net position increased by \$26,184 during the current fiscal year. The following table summarizes the County's Statement of Activities:

County of Lunenburg, Virginia's Changes in Net Position			
	Governmental Activities		
	2014	2013	
Revenues:			
Program revenues:			
Charges for services	\$ 327,273	\$ 176,037	
Operating grants and contributions	3,389,093	3,824,968	
Capital grants and contributions	265,875	150,000	
General property taxes	5,438,422	5,253,842	
Other local taxes	891,323	870,733	
Grants and other contributions not restricted	1,296,880	1,300,097	
Other general revenues	332,751	159,315	
Payment from Lunenburg County School Board	61,896	105,162	
Gain on disposal of capital assets	-	3,479,802	
Total revenues	\$ 12,003,513	\$ 15,319,956	
Expenses:			
General government administration	\$ 945,210	\$ 938,136	
Judicial administration	882,734	852,876	
Public safety	2,459,725	2,167,835	
Public works	453,493	727,699	
Health and welfare	2,228,259	2,740,797	
Education	3,353,114	3,791,866	
Parks, recreation, and cultural	3,074	-	
Community development	1,083,840	571,048	
Interest and other fiscal charges	567,880	626,724	
Total expenses	\$ 11,977,329	\$ 12,416,981	
Change in net position	\$ 26,184	\$ 2,902,975	
Net position, beginning of year	12,644,632	9,741,657	
Net position, end of year	\$ 12,670,816	\$ 12,644,632	

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported fund balances of \$7,532,467, an increase of \$174,857 in comparison with the prior year. Approximately 67% of this total amount constitutes unassigned General Fund balance, which is available for spending at the County's discretion.

General Fund Budgetary Highlights

During the year, revenues and other sources exceeded budgetary estimates by \$144,990 and budgetary estimates were greater than expenditures and other uses by \$806,893. The resulting positive variance for change in fund balance was \$951,883.

Capital Asset and Debt Administration

< **Capital assets** - The County's investment in capital assets for its governmental operations as of June 30, 2014 amounts to \$19,925,059 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the County had total debt outstanding of \$14,527,822. Of this amount, \$9,578,984 comprises debt backed by the full faith and credit of the County. The remainder of the County's debt represents bonds secured solely by specified revenue sources (i.e., lease revenue bonds and capital leases).

The County's total debt decreased by \$1,020,798 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indexes.

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

The fiscal year 2015 budget increased by approximately 1.5 percent and all tax rates remained the same as in 2014.

Requests for Information

This financial report is designed to provide a general overview of the County of Lunenburg, Virginia's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Administrator, 11413 Courthouse Road, Lunenburg, Virginia 23952.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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County of Lunenburg, Virginia
Statement of Net Position
June 30, 2014

	Primary Government Governmental Activities	Component Units School Board	IDA
ASSETS			
Cash and cash equivalents	\$ 5,511,235	\$ 266,957	\$ 28,524
Investments	1,141,160	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	3,154,558	-	-
Accounts receivable	140,927	10,738	-
Due from other governmental units	1,093,370	528,888	-
Capital assets (net of accumulated depreciation):			
Land	284,304	37,807	-
Buildings and improvements	9,163,929	28,500	-
Equipment	897,841	413,857	-
Jointly owned assets	9,578,985	3,984,990	-
Total assets	<u>\$ 30,966,309</u>	<u>\$ 5,271,737</u>	<u>\$ 28,524</u>
LIABILITIES			
Accounts payable	\$ 63,796	\$ 41,219	\$ -
Accrued liabilities	82,164	-	-
Retainage payable	2,904	-	-
Accrued interest payable	196,867	-	-
Due to other governmental units	-	492,329	-
Unearned revenue	154,454	-	-
Long-term liabilities:			
Due within one year	973,325	-	-
Due in more than one year	14,012,956	141,846	-
Total liabilities	<u>\$ 15,486,466</u>	<u>\$ 675,394</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	\$ 2,809,027	\$ -	\$ -
Total deferred inflows of resources	<u>\$ 2,809,027</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	\$ 5,177,139	\$ 4,465,154	\$ -
Unrestricted	7,493,677	131,189	28,524
Total net position	<u>\$ 12,670,816</u>	<u>\$ 4,596,343</u>	<u>\$ 28,524</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 30,966,309</u>	<u>\$ 5,271,737</u>	<u>\$ 28,524</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units	
					Governmental	School Board	IDA
					Activities		
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 945,210	\$ -	\$ 184,874	\$ -	\$ (760,336)	\$ -	\$ -
Judicial administration	882,734	49,601	416,771	-	(416,362)	-	-
Public safety	2,459,725	43,561	860,919	210,544	(1,344,701)	-	-
Public works	453,493	231,159	-	-	(222,334)	-	-
Health and welfare	2,228,259	-	1,205,947	-	(1,022,312)	-	-
Education	3,353,114	-	569,849	-	(2,783,265)	-	-
Parks, recreation, and cultural	3,074	-	-	-	(3,074)	-	-
Community development	1,083,840	2,952	10,009	55,331	(1,015,548)	-	-
Interest on long-term debt	567,880	-	140,724	-	(427,156)	-	-
Total governmental activities	\$ 11,977,329	\$ 327,273	\$ 3,389,093	\$ 265,875	\$ (7,995,088)	\$ -	\$ -
Total primary government	\$ 11,977,329	\$ 327,273	\$ 3,389,093	\$ 265,875	\$ (7,995,088)	\$ -	\$ -
COMPONENT UNITS:							
School Board	\$ 15,855,904	\$ 440,839	\$ 12,287,044	\$ -	\$ -	\$ (3,128,021)	\$ -
IDA	112,299	37,878	-	-	-	-	(74,421)
Total component units	\$ 15,968,203	\$ 478,717	\$ 12,287,044	\$ -	\$ -	\$ (3,128,021)	\$ (74,421)
General revenues:							
General property taxes					\$ 5,438,422	\$ -	\$ -
Local sales and use taxes					389,566	-	-
Motor vehicle licenses					238,903	-	-
Utility taxes					181,524	-	-
Other local taxes					81,330	-	-
Unrestricted revenues from use of money and property					78,350	217	6
Miscellaneous					254,401	52	-
Grants and contributions not restricted to specific programs					1,296,880	-	-
Payment from Lunenburg County					-	3,001,607	-
Payment from Lunenburg County School Board					61,896	-	-
Total general revenues					\$ 8,021,272	\$ 3,001,876	\$ 6
Change in net position					\$ 26,184	\$ (126,145)	\$ (74,415)
Net position - beginning, as restated					12,644,632	4,722,488	102,939
Net position - ending					\$ 12,670,816	\$ 4,596,343	\$ 28,524

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

FUND FINANCIAL STATEMENTS

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County of Lunenburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>County Special Revenue</u>	<u>County Debt Service</u>	<u>County Capital Projects</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 5,140,783	\$ -	\$ 352,348	\$ 35,450	\$ 5,528,581
Investments	1,141,160	-	-	-	1,141,160
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,154,558	-	-	-	3,154,558
Accounts receivable	140,690	237	-	-	140,927
Due from other governmental units	1,093,370	-	-	-	1,093,370
Total assets	<u>\$ 10,670,561</u>	<u>\$ 237</u>	<u>\$ 352,348</u>	<u>\$ 35,450</u>	<u>\$ 11,058,596</u>
LIABILITIES					
Accounts payable	\$ 63,675	\$ 121	\$ -	\$ -	\$ 63,796
Accrued liabilities	2,164	80,000	-	-	82,164
Reconciled overdraft payable	-	17,346	-	-	17,346
Retainage payable	2,904	-	-	-	2,904
Unearned revenue	68,718	85,736	-	-	154,454
Total liabilities	<u>\$ 137,461</u>	<u>\$ 183,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 320,664</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	3,205,465	\$ -	\$ -	\$ -	\$ 3,205,465
Total deferred inflows of resources	<u>\$ 3,205,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,205,465</u>
FUND BALANCES					
Restricted	\$ -	\$ -	\$ -	\$ 35,450	\$ 35,450
Committed	2,087,694	-	352,348	-	2,440,042
Unassigned	5,239,941	(182,966)	-	-	5,056,975
Total fund balances	<u>\$ 7,327,635</u>	<u>\$ (182,966)</u>	<u>\$ 352,348</u>	<u>\$ 35,450</u>	<u>\$ 7,532,467</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,670,561</u>	<u>\$ 237</u>	<u>\$ 352,348</u>	<u>\$ 35,450</u>	<u>\$ 11,058,596</u>

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

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

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 7,532,467
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$28,846,029	
Accumulated depreciation	<u>(8,920,970)</u>	19,925,059

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	396,438
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:

Lease revenue bonds	\$ (4,931,000)	
General obligation bonds	(9,799,082)	
Capital lease	(17,838)	
Net pension obligation	(175,635)	
Compensated absences	(62,726)	
Accrued interest payable	<u>(196,867)</u>	(15,183,148)

Net position of governmental activities	<u><u>\$ 12,670,816</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	<u>County Special Revenue</u>	<u>County Debt Service</u>	<u>County Capital Projects</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 5,529,434	\$ -	\$ -	\$ -	\$ 5,529,434
Other local taxes	891,323	-	-	-	891,323
Permits, privilege fees, and regulatory licenses	41,096	-	-	-	41,096
Fines and forfeitures	22,864	-	-	-	22,864
Revenue from the use of money and property	58,701	19,557	-	92	78,350
Charges for services	262,289	1,024	-	-	263,313
Miscellaneous	55,400	93,760	105,241	-	254,401
Recovered costs	15,033	-	-	-	15,033
Intergovernmental:					
Lunenburg School Board	-	-	61,896	-	61,896
Commonwealth	3,958,453	79,172	-	-	4,037,625
Federal	768,086	5,413	140,724	-	914,223
Total revenues	<u>\$11,602,679</u>	<u>\$ 198,926</u>	<u>\$ 307,861</u>	<u>\$ 92</u>	<u>\$ 12,109,558</u>
EXPENDITURES					
Current:					
General government administration	\$ 925,521	\$ -	\$ -	\$ -	\$ 925,521
Judicial administration	638,264	-	-	-	638,264
Public safety	2,296,597	6,283	-	-	2,302,880
Public works	353,786	-	-	-	353,786
Health and welfare	2,217,030	-	-	-	2,217,030
Education	2,824,568	-	-	-	2,824,568
Community development	459,247	544,902	-	-	1,004,149
Capital projects	9,100	-	-	47,981	57,081
Debt service:					
Principal retirement	100,089	-	920,708	-	1,020,797
Interest and other fiscal charges	1,818	-	588,807	-	590,625
Total expenditures	<u>\$ 9,826,020</u>	<u>\$ 551,185</u>	<u>\$ 1,509,515</u>	<u>\$ 47,981</u>	<u>\$ 11,934,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,776,659</u>	<u>\$ (352,259)</u>	<u>\$ (1,201,654)</u>	<u>\$ (47,889)</u>	<u>\$ 174,857</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 13,000	\$ 2,000	\$ 1,554,002	\$ -	\$ 1,569,002
Transfers out	(1,556,002)	(13,000)	-	-	(1,569,002)
Total other financing sources (uses)	<u>\$ (1,543,002)</u>	<u>\$ (11,000)</u>	<u>\$ 1,554,002</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 233,657	\$ (363,259)	\$ 352,348	\$ (47,889)	\$ 174,857
Fund balances - beginning	7,093,978	180,293	-	83,339	7,357,610
Fund balances - ending	<u>\$ 7,327,635</u>	<u>\$ (182,966)</u>	<u>\$ 352,348</u>	<u>\$ 35,450</u>	<u>\$ 7,532,467</u>

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

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

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

Net change in fund balances - total governmental funds	\$	174,857
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital asset additions	\$ 240,992	
Transfer of joint tenancy assets	(177,039)	
Depreciation expense	<u>(1,093,070)</u>	(1,029,117)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.

-

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(91,012)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:

Principal retirement on lease revenue bonds	\$ 396,000	
Principal retirement on general obligation bonds	524,708	
Increase in net pension obligation	(86,803)	
Principal retirement on capital lease	<u>100,090</u>	933,995

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

(Increase) decrease in accrued interest payable	\$ 7,959	
Amortization of bond issuance premium	14,786	
(Increase) decrease in compensated absences	<u>14,716</u>	37,461

Change in net position of governmental activities	\$	<u>26,184</u>
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The notes to the financial statements are an integral part of this statement.

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 31,366
	<hr/>
LIABILITIES	
Amounts held for others	\$ 29,009
Amounts held for social services clients	2,357
Total liabilities	<hr/> \$ 31,366 <hr/>

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

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NOTES TO THE FINANCIAL STATEMENTS

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COUNTY OF LUNENBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2014

Note 1—Summary of Significant Accounting Policies:

The County of Lunenburg, Virginia (the "County") is governed by an elected seven member Board of Supervisors. The County provides a full range of services for its citizens. These services include police, sanitation services, recreational activities, cultural events, education, and social services.

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

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

Government-wide and Fund Financial Statements

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

A. Financial Reporting Entity

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

COUNTY OF LUNENBURG, VIRGINIA

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

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

B. Individual Component Unit Disclosures

Blended Component Units. The County has no blended component units at June 30, 2014.

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

The Industrial Development Authority of Lunenburg County is responsible for industrial and commercial development in the County. The Authority consists of five members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2014. The Industrial Development Authority of Lunenburg County does not issue a separate financial report.

C. Other Related Organizations Included in the County's Financial Report

Jointly Governed Organizations

The County, in conjunction with other localities, has created the Crossroads Community Services Board. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$13,250 to the Crossroads Community Services Board.

Complete financial statements of the jointly governed organizations may be obtained by contacting the County of Lunenburg, Virginia, Office of the Administrator, 11413 Courthouse Road, Lunenburg, VA 23952.

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund, County Special Revenue Fund, County Debt Service Fund, and County Capital Projects fund as major governmental funds.

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

Special Revenue Fund - The County Special Revenue Fund account for and reports the proceeds of specific revenue sources that are restricted, committed or assigned to expenditure for specified purposes other than debt service or capital projects.

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

Debt Service Fund - The County Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should also be used to report financial resources being accumulated for future debt service.

2. Fiduciary Funds (Trust and Agency Funds) - account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. These funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. The County reports the following Fiduciary Funds: Special Welfare and Cell Tower Escrow.

E. Cash and Cash Equivalents

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

COUNTY OF LUNENBURG, VIRGINIA

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

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

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements with a maturity date within three months of the date acquired by the government are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$369,438 at June 30, 2014 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5/June 5 (50% each date)	December 5
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

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

H. Capital Assets (Continued)

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings and improvements	40
Furniture, Vehicles, and Office Equipment	5-20
Buses	10

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Net Position

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

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

M. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reported a deferred inflows of resources for property taxes unavailable at June 30, 2014. The County has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the government funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

N. Net Position Flow Assumption

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

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COUNTY OF LUNENBURG, VIRGINIA

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

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

O. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

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

O. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

		Major Special Revenue Fund	Major Debt Service Fund	Major Capital Projects Fund	
	General Fund	County Special Revenue Fund	County Debt Service Fund	County Capital Projects	Total
Fund Balances:					
Restricted:					
School Construction	\$ -	\$ -	\$ -	\$ 35,450	\$ 35,450
Total Restricted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,450</u>	<u>\$ 35,450</u>
Committed:					
Landfill	\$ 1,532,159	\$ -	\$ -	\$ -	\$ 1,532,159
Voting machines	12,763	-	-	-	12,763
Debt service	-	-	352,348	-	352,348
E-911	542,772	-	-	-	542,772
Total Committed Fund Balance	<u>\$ 2,087,694</u>	<u>\$ -</u>	<u>\$ 352,348</u>	<u>\$ -</u>	<u>\$ 2,440,042</u>
Unassigned	\$ 5,239,941	\$ (182,966)	\$ -	\$ -	\$ 5,056,975
Total Fund Balances	<u><u>\$ 7,327,635</u></u>	<u><u>\$ (182,966)</u></u>	<u><u>\$ 352,348</u></u>	<u><u>\$ 35,450</u></u>	<u><u>\$ 7,532,467</u></u>

P. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 2—Stewardship, Compliance, and Accounting:

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

1. On or before March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. All appropriations expire as of June 30 each year.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2014.

Note 3—Deposits and Investments:

Deposits

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 3—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

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

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA	AA+	AA-
Money Market Mutual Fund	\$ 32,389	\$ -	\$ -	\$ -	\$ -
Corporate Issues	-	-	25,441	49,893	134,455
Municipal Issues	-	25,326	156,302	342,774	25,100
U.S. Government Issues	-	-	-	349,480	-
Total	<u>\$ 32,389</u>	<u>25,326</u>	<u>\$ 181,743</u>	<u>\$ 742,147</u>	<u>\$ 159,555</u>

Interest Rate Risk

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
Corporate Issues	\$ 209,789	\$ 75,639	\$ 134,150
Municipal Issues	549,502	455,801	93,701
U.S. Government Issues	349,480	244,556	104,924
Total	<u>\$ 1,108,771</u>	<u>\$ 775,996</u>	<u>\$ 332,775</u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 4—Due to/from Other Governments:

At June 30, 2014, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Other Local Governments:		
Lunenburg County School Board	\$ 492,329	\$ -
Commonwealth of Virginia:		
Local sales tax	67,339	-
Welfare	27,132	-
Rolling stock tax	4,841	-
Mobile home titling tax	4,720	-
State Sales Tax	-	299,679
VPSA technology funds	-	154,000
E911 grant	8,025	-
Constitutional officer reimbursements	105,807	-
Fire programs	4,716	-
Recordation tax	3,981	-
Victim witness grant	17,926	-
DMV grant	3,549	-
Juror payments	149	-
Comprehensive services act	278,385	-
Communications tax	34,979	-
Federal Government:		
School fund grants	-	75,209
Welfare	39,492	-
Total due from other governments	\$ <u>1,093,370</u>	\$ <u>528,888</u>

At June 30, 2014, amounts due to other local governments are as follows:

Other Local Governments:		
County of Lunenburg	\$ -	\$ 492,329
Total due from other governments	\$ <u>-</u>	\$ <u>492,329</u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 5—Capital Assets:

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

Primary Government:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 202,968	\$ 85,269	\$ 3,933	\$ 284,304
Jointly owned assets - construction in progress	1,960,890	47,981	2,008,871	-
Total capital assets not subject to depreciation	\$ 2,163,858	\$ 133,250	\$ 2,012,804	\$ 284,304
Capital assets subject to depreciation:				
Buildings and improvements	\$ 11,892,346	\$ -	\$ -	\$ 11,892,346
Machinery and equipment	3,506,762	111,675	1,213,082	2,405,355
Jointly owned assets	12,194,991	2,008,871	(60,162)	14,264,024
Total capital assets subject to depreciation	\$ 27,594,099	\$ 2,120,546	\$ 1,152,920	\$ 28,561,725
Accumulated depreciation:				
Buildings and improvements	\$ 2,396,664	\$ 331,753	\$ -	\$ 2,728,417
Machinery and equipment	2,325,819	394,777	1,213,082	1,507,514
Jointly owned assets	4,081,298	366,540	(237,201)	4,685,039
Total accumulated depreciation	\$ 8,803,781	\$ 1,093,070	\$ 975,881	\$ 8,920,970
Total capital assets being depreciated, net	\$ 18,790,318	\$ 1,027,476	\$ 177,039	\$ 19,640,755
Governmental activities capital assets, net	\$ 20,954,176	\$ 1,160,726	\$ 2,189,843	\$ 19,925,059

Component Unit - School Board:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 37,807	\$ -	\$ -	\$ 37,807
Total capital assets not subject to depreciation	\$ 37,807	\$ -	\$ -	\$ 37,807
Capital assets subject to depreciation:				
Buildings and improvements	\$ -	\$ 30,000	\$ -	\$ 30,000
Machinery and equipment	2,590,590	137,914	-	2,728,504
Jointly owned assets	5,994,194	-	60,162	5,934,032
Total capital assets subject to depreciation	\$ 8,584,784	\$ 167,914	\$ 60,162	\$ 8,692,536
Accumulated depreciation:				
Buildings and improvements	\$ -	\$ 1,500	\$ -	\$ 1,500
Machinery and equipment	2,142,800	171,847	-	2,314,647
Jointly owned assets	2,006,078	180,165	237,201	1,949,042
Total accumulated depreciation	\$ 4,148,878	\$ 353,512	\$ 237,201	\$ 4,265,189
Total capital assets being depreciated, net	\$ 4,435,906	\$ (185,598)	\$ (177,039)	\$ 4,427,347
Governmental activities capital assets, net	\$ 4,473,713	\$ (185,598)	\$ (177,039)	\$ 4,465,154

COUNTY OF LUNENBURG, VIRGINIA

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

Note 5—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	48,543
Judicial administration		234,717
Public safety		201,686
Public works		141,806
Health and welfare		24,921
Education		366,540
Parks, recreation and cultural		3,008
Community development		<u>71,849</u>
Total Governmental activities	\$	<u><u>1,093,070</u></u>
Component Unit School Board	\$	<u><u>353,512</u></u>

Note 6—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General	\$ 13,000	\$ 1,556,002
County special revenue	2,000	13,000
County debt service fund	<u>1,554,002</u>	<u>-</u>
Total Primary Government	\$ <u><u>1,569,002</u></u>	\$ <u><u>1,569,002</u></u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 6—Interfund Transfers: (Continued)

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

Note 7—Long-Term Obligations:

Primary Government:

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

	Balance at July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurred by County:					
Compensated absences	\$ 77,442	\$ -	\$ 14,716	\$ 62,726	\$ 6,273
Net pension obligation	88,832	289,687	202,884	175,635	-
Capital lease	117,928	-	100,090	17,838	23,563
Lease revenue bond	<u>5,327,000</u>	<u>-</u>	<u>396,000</u>	<u>4,931,000</u>	<u>404,000</u>
Total incurred by County	<u>\$ 5,611,202</u>	<u>\$ 289,687</u>	<u>\$ 713,690</u>	<u>\$ 5,187,199</u>	<u>\$ 433,836</u>
Incurred by School Board:					
General obligation bonds	\$ 10,103,692	\$ -	\$ 524,708	\$ 9,578,984	\$ 539,489
Issuance premium	<u>234,884</u>	<u>-</u>	<u>14,786</u>	<u>220,098</u>	<u>-</u>
Total incurred by School Board	<u>\$ 10,338,576</u>	<u>\$ -</u>	<u>\$ 539,494</u>	<u>\$ 9,799,082</u>	<u>\$ 539,489</u>
Total Governmental Activities Obligations	<u>\$ 15,949,778</u>	<u>\$ 289,687</u>	<u>\$ 1,253,184</u>	<u>\$ 14,986,281</u>	<u>\$ 973,325</u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	County Obligations	
	Lease Revenue Bond	
	Principal	Interest
2015	\$ 404,000	\$ 122,289
2016	415,000	112,270
2017	426,000	101,978
2018	436,000	91,413
2019	446,000	80,600
2020	457,000	69,539
2021	468,000	58,205
2022	1,879,000	46,599
Total	\$ <u>4,931,000</u>	\$ <u>682,893</u>

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COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

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

Year Ending June 30	School Obligations	
	General Obligation Bonds	
	Principal	Interest
2015	\$ 539,489	\$ 437,984
2016	560,168	418,534
2017	581,002	398,583
2018	602,009	377,932
2019	708,209	356,757
2020	729,722	335,045
2021	751,771	312,591
2022	774,177	289,367
2023	721,765	265,541
2024	743,859	241,813
2025	760,678	217,769
2026	777,735	193,004
2027	414,500	176,708
2028	336,200	106,271
2029	347,700	97,976
2030	115,000	89,250
2031	115,000	44,625
Total	\$ <u>9,578,984</u>	\$ <u>4,359,750</u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term indebtedness are as follows:

Incurring by County:

Capital Leases:

\$67,800 Capital lease issued August 10, 2011, secured by a leasehold interest in the equipment. Due in monthly installments of \$1,991 (principal plus interest) at 3.64% interest rate.	\$	5,936
\$51,670 Capital lease issued August 10, 2011, secured by a leasehold interest in the equipment. Due in monthly installments of \$1,482 (principal plus interest) at 2.09% interest rate.		4,431
\$83,325 Capital lease issued August 10, 2011, secured by a leasehold interest in the equipment. Due in monthly installments of \$2,505 (principal plus interest) at 3.64% interest rate.		<u>7,471</u>
Total Capital Leases	\$	<u>17,838</u>
<u>Lease Revenue Bond:</u>		
\$5,587,000 public facility lease revenue bond, Series 2012, issued January 31, 2012 due on varying installments of principal plus interest through February 1, 2022, interest at 2.48%.	\$	<u>4,931,000</u>
Net pension obligation	\$	<u>175,635</u>
Compensated absences (payable from the General Fund)	\$	<u>62,726</u>
Total incurred by County	\$	<u><u>5,187,199</u></u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term indebtedness are as follows: (Continued)

Incurred by School Board:

General Obligation Bonds:

\$5,856,256 School Bonds 2005A Series issued October 25, 2005, due in varying annual installments through January 15, 2006, interest at various rates.	\$	3,847,484
\$3,020,000 School Bonds 2005B Series issued October 25, 2005, due in varying annual installments through February 1, 2029, interest at 3.75%.		2,711,500
\$1,175,000 School Bonds issued July 8, 2010, due in varying annual installments through June 1, 2027.		1,070,000
\$2,100,000 Virginia Public School Authority bonds issued December 15, 2011, due in varying annual installments of principal and interest through December 1, 2030, interest at 4.25%.		1,950,000
Bond premium		<u>220,098</u>
Total Long-term Obligation Bonds	\$	<u>9,578,984</u>
Total Incurred by School Board	\$	<u>9,799,082</u>
Total General Obligations, Primary Government	\$	<u><u>14,986,281</u></u>

COUNTY OF LUNENBURG, VIRGINIA

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

Note 7—Long-Term Obligations: (Continued)

Component Unit-School Board:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Component Unit-School Board: Net OPEB obligation	\$ 94,782	\$ 92,364	45,300	\$ 141,846	\$ -
Total Component Unit-School Board	\$ 94,782	\$ 92,364	\$ 45,300	\$ 141,846	\$ -

Note 8—Capital Lease:

The government has entered into a lease agreement as lessee for financing the acquisition of the AS400 System. This lease agreement qualifies a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

	Primary Government
Asset:	
Equipment	\$ 204,795
Less: accumulated depreciation	122,877
Total	\$ 81,918

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2014, are as follows:

Year Ended June 30	Primary Government
2015	\$ 17,935
Total minimum lease payments	\$ 17,935
Less: amount representing interest	(97)
Present value of minimum lease payments	\$ 17,838

COUNTY OF LUNENBURG, VIRGINIA

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

Note 9—Unearned and Deferred/Unavailable Revenue:

Unearned and unavailable revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. The County reports deferred/unavailable revenue totaling \$3,205,465 and unearned revenue of \$154,454 at June 30, 2014 which is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$279,159 at June 30, 2014.

Deferred/Unavailable Property Tax Revenue - Deferred/unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$2,926,306 at June 30, 2014.

Unearned Revenue: - Unearned revenue represent unclaimed taxpayer land sale funds not available for funding of current expenditures totaling \$68,718 and unspent federal asset forfeiture funds totaling \$85,736.

Note 10—Commitments and Contingent Liabilities:

Federal programs in which the County and its discretely presented component units participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Litigation:

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 12 –Risk Management:

The County and Component Unit School Board are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County participates with other Virginia localities in public entity risk pools for the provision of insurance coverage. The County receives workers' compensation, liability and property loss coverage through the Virginia Association of Counties Group Self Insurance Risk Pool. The School Board receives its workers' compensation coverage from the School Systems of Virginia and all other coverage from commercial carriers. The County pays an annual premium to the pool for insurance through member premiums. There have been no reductions in any insurance coverage from the previous year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 13 –Pension Plan:

A. Plan Description

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

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

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

VRS – PLAN 1

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

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

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

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

Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. Retirement Contributions - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

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

6. Vesting - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

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

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

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

8. Average Final Compensation - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. Service Retirement Multiplier - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. Normal Retirement Age - Age 65.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

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

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

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

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

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

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

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

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2014.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 –Pension Plan (Continued):

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

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

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

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

VRS – PLAN 2

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

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

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

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

4. **Retirement Contributions** - Same as VRS Plan 1–Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1– Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1–Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1–Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2014.
10. **Normal Retirement Age** - Normal Social Security retirement age.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

- 11. Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

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

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

- 13. Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

- 14. Eligibility** - Same as VRS Plan 1–Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** - Same as VRS Plan 1–Refer to Section 15.

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

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

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

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

HYBRID RETIREMENT PLAN

- 1. Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

- The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

1. Plan Overview (Continued)

- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

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

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

6. Vesting

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

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

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

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

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

Distribution is not required by law until age 70½.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

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

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

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

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

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

10. Normal Retirement Age

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

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

11. Earliest Unreduced Retirement Eligibility

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

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

12. Earliest Reduced Retirement Eligibility

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

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 –Pension Plan (Continued):

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

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

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

Defined Contribution Component - Not Applicable.

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

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

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

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

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

17. Purchase of Prior Service

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

Defined Contribution Component - Not Applicable.

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County 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 and School Board's contribution rates for the fiscal year ended 2014 were 9.84% and 6.08% of annual covered payroll, respectively.

The Lunenburg County School Board professional employees current rate is 11.66%, 11.66% and 6.33% for fiscal year 2014, 2013, and 2012, respectively. The contribution requirements of plan members and Lunenburg County School Board are established and may be amended by the VRS Board of Trustees. The School Board's contributions to VRS for the years ending June 30, 2014, 2013, and 2012 were \$893,115, \$919,305, and \$517,162, respectively, and equal to the required contributions for each year.

C. Annual Pension Cost

The following table shows the components of the County's annual pension cost for the year, the amount actually contributed to the plan, and the changes in the County's net pension obligation.

Annual required contribution (ARC)	\$	289,687
Contributions made		202,884
Increase (decrease) in net pension obligation	\$	86,803
Net pension obligation - beginning of year		88,832
Net pension obligation - end of year	\$	175,635

For the fiscal year 2014, the County's annual pension cost of \$289,687 was not equal to the County's actual contribution of \$202,884.

Fiscal Year Ending	Three Year Trend Information - County		Net Pension Obligation
	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	
County:			
June 30, 2014	\$ 289,687	70.04%	\$ 175,635
June 30, 2013	207,627	70.04%	88,832
June 30, 2012	199,056	100%	-

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

C. Annual Pension Cost (Continued)

For fiscal year 2014, the School Board's annual pension cost of \$42,317 was not equal to the School Board's actual contributions of \$37,670.

Three Year Trend Information - School Board Non-Professional			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
School Board: Non-Professional:			
June 30, 2014	\$ 37,670	89.02%	\$ 9,317
June 30, 2013	37,852	89.02%	4,670
June 30, 2012	38,544	100%	-

(1) Employer portion only

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

COUNTY OF LUNENBURG, VIRGINIA

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

Note 13 – Pension Plan (Continued):

D. Funded Status and Funding Progress:

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 74.81% funded. The actuarial accrued liability for benefits was \$11,389,092, and the actuarial value of assets was \$8,520,249, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,868,843. The covered payroll (annual payroll of active employees covered by the plan) was \$1,980,749, and ratio of the UAAL to the covered payroll was 144.84%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 94.34% funded. The actuarial accrued liability for benefits was \$2,084,543, and the actuarial value of assets was \$1,966,551, resulting in an unfunded actuarial accrued liability (UAAL) of \$117,992. The covered payroll (annual payroll of active employees covered by the plan) was \$610,111, and ratio of the UAAL to the covered payroll was 19.34%.

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

Note 14 – Surety Bonds:

The following surety bonds covered constitutional officers and County employees at June 30, 2014:

	<u>Amount</u>
Division of Risk Management Surety Bond:	
Commonwealth Funds	
Gordon F. Erby, Clerk of the Circuit Court	\$ 150,000
Amona Currin, Treasurer	400,000
Liz Y. Hamlett, Commissioner of the Revenue	3,000
Arthur Townsend, Sheriff	30,000
VACo Risk Management Programs:	
Thomas Palmore, Clerk of the Board	10,000
Kathy Wray, Clerk of Textbook Fund	10,000
Mary B. Leistra, Deputy Clerk of the Board	10,000
Dora Wynn, School Superintendent	10,000
All School Board Employees-blanket bond	2,500
Western Surety Company:	
Dorothy A. Newcomb, Director of Social Services	100,000
VA Risk Pool:	
All Social Services Employees-Blanket Bond	1,000,000

COUNTY OF LUNENBURG, VIRGINIA

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

Note 15 – Other Postemployment Benefits-Health Insurance:

A. Plan Description

Beginning in fiscal year 2009, the School Board implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. The standard addresses how local governments should account for and report their costs related to postemployment health care and other non-pension benefits, such as the School Board retiree health benefit subsidy. Historically, the School Board subsidy was funded on a pay-as-you-go basis, but GASB Statement No. 45 requires that the School Board accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the School Board. This funding methodology mirrors the funding approach used for pension benefits.

Health benefits include medical and dental. The retirees are responsible for 100% of the premiums. Benefits end at the age of 65.

B. Funding Policy

The School Board's retirees pay 100% of the premiums. The Schools currently have 10 retirees and dependents on their plan.

C. Annual OPEB Cost and Net OPEB Obligation

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The School Board has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

COUNTY OF LUNENBURG, VIRGINIA

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

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

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

The estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retired employees by the School Board. The following table shows the components of the School Board's annual OPEB cost for the year, the estimated amount contributed to the plan, and changes in the School Board's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	94,200
Interest on net OPEB obligation		3,317
Adjustment to annual required contribution		(5,153)
Annual OPEB cost (expense)	\$	<u>92,364</u>
Contributions made		<u>(45,300)</u>
Increase in net OPEB obligation		47,064
Net OPEB obligation-beginning of year		94,782
Net OPEB obligation-end of year	\$	<u><u>141,846</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Schools:			
6/30/2012	\$ 69,200	79.77%	\$ 48,420
6/30/2013	90,062	48.52%	94,782
6/30/2014	92,364	49.05%	141,846

COUNTY OF LUNENBURG, VIRGINIA

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

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

D. Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the School Board's actuarial accrued liability for benefits was \$850,600, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$8,681,400, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.80%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

Cost Method

In the January 1, 2013, the most recent actuarial valuation, the projected unit credit method with level dollar amount amortization was used.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation and assumed that participants begin to retire when they become eligible to receive healthcare benefits.

Mortality-Life expectancies were based on mortality tables from the RP-2000 Combined Healthy mortality tables for males and females projected to 2010 using scale AA.

Coverage elections-The actuary assumed that 30% of eligible retirees who qualify will elect coverage and 30% of employees who elect coverage will elect to cover a spouse.

COUNTY OF LUNENBURG, VIRGINIA

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

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

E. Actuarial Methods and Assumptions (Continued)

Cost Method (Continued)

Healthcare cost trend rate –Medical trend rates consistent with information from the Getzen Trend Model, Milliman’s *Health Cost Guidelines* and actuarial judgment were used. These trend rates do not include the effects of changes in demographics of the covered group. Health Cost trend assumptions under the Getzen Trend model include a 7.70% rate graded to 4.80% over 70 years.

Based on the historical and expected returns of the School Board’s short-term investment portfolio, a discount rate of 3.50% was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2013 was thirty years.

Note 16 – Other PostEmployment Benefits-Health Insurance Credit:

A. Plan Description

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

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

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 13.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board’s contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were \$85,022, \$87,515, and \$49,020, respectively and equaled the required contributions for each year.

COUNTY OF LUNENBURG, VIRGINIA

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

Note 17 – Beginning Net Position Restatement:

Net position was restated as of July 1, 2013 as follows:

		<u>Primary Government Governmental Activities</u>
Net position/fund balance as previously reported at June 30, 2013	\$	15,145,743
Adjustment to correct reporting for 2nd half of 2013 uncollected taxes in the prior year		<u>(2,501,111)</u>
Net position/fund balance as restated at July 1, 2013	\$	<u><u>12,644,632</u></u>

Note 18 – Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

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

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

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 5,563,585	\$ 5,563,585	\$ 5,529,434	\$ (34,151)
Other local taxes	699,500	699,500	891,323	191,823
Permits, privilege fees, and regulatory licenses	36,425	36,425	41,096	4,671
Fines and forfeitures	55,420	56,577	22,864	(33,713)
Revenue from the use of money and property	70,000	70,000	58,701	(11,299)
Charges for services	265,296	350,296	262,289	(88,007)
Miscellaneous	20,500	20,500	55,400	34,900
Recovered costs	-	-	15,033	15,033
Intergovernmental:				
Commonwealth	3,646,903	3,901,617	3,958,453	56,836
Federal	735,189	759,189	768,086	8,897
Total revenues	<u>\$ 11,092,818</u>	<u>\$ 11,457,689</u>	<u>\$ 11,602,679</u>	<u>\$ 144,990</u>
EXPENDITURES				
Current:				
General government administration	\$ 891,316	\$ 937,426	\$ 925,521	\$ 11,905
Judicial administration	636,078	656,949	638,264	18,685
Public safety	2,080,745	2,278,356	2,296,597	(18,241)
Public works	866,198	908,698	353,786	554,912
Health and welfare	2,072,900	2,397,400	2,217,030	180,370
Education	2,887,268	2,887,268	2,824,568	62,700
Community development	460,714	460,714	459,247	1,467
Nondepartmental	85,162	85,162	-	85,162
Capital projects	25,000	25,000	9,100	15,900
Debt service:				
Principal retirement	100,089	100,089	100,089	-
Interest and other fiscal charges	1,818	1,818	1,818	-
Total expenditures	<u>\$ 10,107,288</u>	<u>\$ 10,738,880</u>	<u>\$ 9,826,020</u>	<u>\$ 912,860</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 985,530</u>	<u>\$ 718,809</u>	<u>\$ 1,776,659</u>	<u>\$ 1,057,850</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 13,000	\$ 13,000	\$ 13,000	\$ -
Transfers out	(1,450,035)	(1,450,035)	(1,556,002)	(105,967)
Total other financing sources (uses)	<u>\$ (1,437,035)</u>	<u>\$ (1,437,035)</u>	<u>\$ (1,543,002)</u>	<u>\$ (105,967)</u>
Net change in fund balances	\$ (451,505)	\$ (718,226)	\$ 233,657	\$ 951,883
Fund balances - beginning	451,505	722,756	7,093,978	6,371,222
Fund balances - ending	<u>\$ -</u>	<u>\$ 4,530</u>	<u>\$ 7,327,635</u>	<u>\$ 7,323,105</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 21,000	\$ 21,000	\$ 19,557	\$ (1,443)
Charges for services	1,000	1,000	1,024	24
Miscellaneous	47,800	47,800	93,760	45,960
Intergovernmental:				
Commonwealth	1,030,627	1,030,627	79,172	(951,455)
Federal	175,622	175,622	5,413	(170,209)
Total revenues	<u>\$ 1,276,049</u>	<u>\$ 1,276,049</u>	<u>\$ 198,926</u>	<u>\$ (1,077,123)</u>
EXPENDITURES				
Current:				
Judicial administration	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Public safety	16,900	16,900	6,283	10,617
Community development	1,324,649	1,329,179	544,902	784,277
Total expenditures	<u>\$ 1,342,549</u>	<u>\$ 1,347,079</u>	<u>\$ 551,185</u>	<u>\$ 795,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (66,500)</u>	<u>\$ (71,030)</u>	<u>\$ (352,259)</u>	<u>\$ (281,229)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Transfers out	(13,000)	(13,000)	(13,000)	-
Total other financing sources (uses)	<u>\$ (11,000)</u>	<u>\$ (11,000)</u>	<u>\$ (11,000)</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ (77,500)</u>	<u>\$ (82,030)</u>	<u>\$ (363,259)</u>	<u>\$ (281,229)</u>
Fund balances - beginning	77,500	82,030	180,293	98,263
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (182,966)</u>	<u>\$ (182,966)</u>

County of Lunenburg, Virginia

Schedule of Pension Funding Progress

For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
County:						
6/30/2013	\$ 8,520,249	\$ 11,389,092	\$ 2,868,843	74.81%	\$ 1,980,749	144.84%
6/30/2012	8,425,843	11,848,466	3,422,623	71.11%	2,159,600	158.48%
6/30/2011	8,591,601	11,298,845	2,707,244	76.04%	2,073,550	130.56%
6/30/2010	8,476,586	10,960,885	2,484,299	77.33%	2,151,666	115.46%
6/30/2009	8,661,357	10,119,407	1,458,050	85.59%	2,295,316	63.52%
6/30/2008	8,597,453	9,808,123	1,210,670	87.66%	2,305,173	52.52%
6/30/2007	7,803,838	8,694,484	890,646	89.76%	2,484,267	35.85%
6/30/2006	6,937,067	6,824,870	(112,197)	101.64%	1,989,633	-5.64%
6/30/2005	6,444,066	6,921,374	477,308	93.10%	1,904,059	25.07%
6/30/2004	6,207,632	5,860,399	(347,233)	105.93%	2,022,227	-17.17%
School Board Non-Professionals:						
6/30/2013	\$ 1,966,551	\$ 2,084,543	\$ 117,992	94.34%	\$ 610,111	19.34%
6/30/2012	1,887,975	2,128,832	240,857	88.69%	625,063	38.53%
6/30/2011	1,861,218	1,996,153	134,935	93.24%	631,482	21.37%
6/30/2010	1,819,679	2,037,276	217,597	89.32%	676,124	32.18%
6/30/2009	1,788,680	1,838,302	49,622	97.30%	697,500	7.11%
6/30/2008	1,806,988	1,835,642	28,654	98.44%	724,927	3.95%
6/30/2007	1,608,962	1,613,978	5,016	99.69%	709,429	0.71%
6/30/2006	1,391,349	1,460,314	68,965	95.28%	676,728	10.19%
6/30/2005	1,271,916	1,372,535	100,619	92.67%	651,643	15.44%
6/30/2004	1,257,074	1,205,371	(51,703)	104.29%	644,622	-8.02%

County of Lunenburg, Virginia
Schedule of OPEB Funding Progress - Retiree Healthcare Plan
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
School Board:						
1/1/2013	\$ -	\$ 850,600	\$ 850,600	0.00%	\$ 8,681,400	9.80%
1/1/2011	-	571,600	571,600	0.00%	6,051,700	9.45%
1/1/2009	-	648,500	648,500	0.00%	6,281,700	10.32%

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 105,241	\$ 105,241
Intergovernmental:				
Lunenburg School Board	-	-	61,896	61,896
Federal	143,000	143,000	140,724	(2,276)
Total revenues	<u>\$ 143,000</u>	<u>\$ 143,000</u>	<u>\$ 307,861</u>	<u>\$ 164,861</u>
EXPENDITURES				
Debt service:				
Principal retirement	\$ 920,708	\$ 920,708	\$ 920,708	\$ -
Interest and other fiscal charges	670,327	670,327	588,807	81,520
Total expenditures	<u>\$ 1,591,035</u>	<u>\$ 1,591,035</u>	<u>\$ 1,509,515</u>	<u>\$ 81,520</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,448,035)</u>	<u>\$ (1,448,035)</u>	<u>\$ (1,201,654)</u>	<u>\$ 246,381</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,448,035	\$ 1,448,035	\$ 1,554,002	\$ 105,967
Total other financing sources (uses)	<u>\$ 1,448,035</u>	<u>\$ 1,448,035</u>	<u>\$ 1,554,002</u>	<u>\$ 105,967</u>
Net change in fund balances	\$ -	\$ -	\$ 352,348	\$ 352,348
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,348</u>	<u>\$ 352,348</u>

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 92	\$ 92
Total revenues	\$ -	\$ -	\$ 92	\$ 92
EXPENDITURES				
Capital projects	\$ -	\$ 48,000	\$ 47,981	\$ 19
Total expenditures	\$ -	\$ 48,000	\$ 47,981	\$ 19
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (48,000)	\$ (47,889)	\$ 111
Net change in fund balances	\$ -	\$ (48,000)	\$ (47,889)	\$ 111
Fund balances - beginning	-	48,000	83,339	35,339
Fund balances - ending	\$ -	\$ -	\$ 35,450	\$ 35,450

County of Lunenburg, Virginia

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ <u>4,841</u>	\$ <u>15,102</u>	\$ <u>17,586</u>	\$ <u>2,357</u>
Liabilities:				
Amounts held for social services clients	\$ <u>4,841</u>	\$ <u>15,102</u>	\$ <u>17,586</u>	\$ <u>2,357</u>
Cell Tower Escrow:				
Assets:				
Cash and cash equivalents	\$ <u>18,974</u>	\$ <u>34,000</u>	\$ <u>23,965</u>	\$ <u>29,009</u>
Liabilities:				
Amounts held for others	\$ <u>18,974</u>	\$ <u>34,000</u>	\$ <u>23,965</u>	\$ <u>29,009</u>
Total liabilities	\$ <u>18,974</u>	\$ <u>34,000</u>	\$ <u>23,965</u>	\$ <u>29,009</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>23,815</u>	\$ <u>49,102</u>	\$ <u>41,551</u>	\$ <u>31,366</u>
Total assets	\$ <u>23,815</u>	\$ <u>49,102</u>	\$ <u>41,551</u>	\$ <u>31,366</u>
Liabilities:				
Amounts held for others	\$ <u>18,974</u>	\$ <u>34,000</u>	\$ <u>23,965</u>	\$ <u>29,009</u>
Amounts held for social services clients	<u>4,841</u>	<u>15,102</u>	<u>17,586</u>	<u>2,357</u>
Total liabilities	\$ <u>23,815</u>	\$ <u>49,102</u>	\$ <u>41,551</u>	\$ <u>31,366</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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

	<u>School Operating Fund</u>	<u>School Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 266,957	\$ 266,957
Receivables (net of allowance for uncollectibles):			
Accounts receivable	10,738	-	10,738
Due from other governmental units	522,810	6,078	528,888
Total assets	<u>\$ 533,548</u>	<u>\$ 273,035</u>	<u>\$ 806,583</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 41,219	\$ -	\$ 41,219
Due to other governmental units	492,329	-	492,329
Total liabilities	<u>\$ 533,548</u>	<u>\$ -</u>	<u>\$ 533,548</u>
Fund balances:			
Assigned	\$ -	\$ 273,035	\$ 273,035
Total fund balances	<u>\$ -</u>	<u>\$ 273,035</u>	<u>\$ 273,035</u>
Total liabilities and fund balances	<u>\$ 533,548</u>	<u>\$ 273,035</u>	<u>\$ 806,583</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Total fund balances per above			\$ 273,035
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost		\$ 8,730,343	
Accumulated depreciation		<u>(4,265,189)</u>	4,465,154
Long-term liabilities, including net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the funds.			
			(141,846)
Net position of governmental activities			<u>\$ 4,596,343</u>

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

	School Operating Fund	School Special Revenue Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 217	\$ 217
Charges for services	219,819	221,020	440,839
Miscellaneous	52	-	52
Intergovernmental:			
Local government	2,824,568	-	2,824,568
Commonwealth	10,304,075	16,058	10,320,133
Federal	1,310,251	656,660	1,966,911
Total revenues	<u>\$ 14,658,765</u>	<u>\$ 893,955</u>	<u>\$ 15,552,720</u>
EXPENDITURES			
Current:			
Education	\$ 14,658,765	\$ 964,477	\$ 15,623,242
Total expenditures	<u>\$ 14,658,765</u>	<u>\$ 964,477</u>	<u>\$ 15,623,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (70,522)</u>	<u>\$ (70,522)</u>
Net change in fund balances	\$ -	\$ (70,522)	\$ (70,522)
Fund balances - beginning	-	343,557	343,557
Fund balances - ending	<u>\$ -</u>	<u>\$ 273,035</u>	<u>\$ 273,035</u>

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

Net change in fund balances - total governmental funds - per above \$ (70,522)

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

Capital outlay	\$ 167,914	
Transfer of joint tenancy assets	177,039	
Depreciation expense	<u>(353,512)</u>	(8,559)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. (47,064)

Change in net position of governmental activities \$ (126,145)

County of Lunenburg, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 600	\$ 600	\$ -	\$ (600)
Charges for services	55,104	55,104	219,819	164,715
Miscellaneous	202,749	232,749	52	(232,697)
Intergovernmental:				
Local government	2,887,268	2,887,268	2,824,568	(62,700)
Commonwealth	10,020,154	10,302,260	10,304,075	1,815
Federal	1,617,159	1,799,097	1,310,251	(488,846)
Total revenues	<u>\$ 14,783,034</u>	<u>\$ 15,277,078</u>	<u>\$ 14,658,765</u>	<u>\$ (618,313)</u>
EXPENDITURES				
Current:				
Education	\$ 14,684,719	\$ 15,178,763	\$ 14,658,765	\$ 519,998
Total expenditures	<u>\$ 14,684,719</u>	<u>\$ 15,178,763</u>	<u>\$ 14,658,765</u>	<u>\$ 519,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 98,315</u>	<u>\$ 98,315</u>	<u>\$ -</u>	<u>\$ (98,315)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(98,315)	(98,315)	-	98,315
Total other financing sources (uses)	<u>\$ (98,315)</u>	<u>\$ (98,315)</u>	<u>\$ -</u>	<u>\$ 98,315</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

School Special Revenue Fund				
Budgeted Amounts			Variance with Final Budget Positive (Negative)	
<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>	
\$ -	\$ -	\$ 217	\$ 217	
263,375	263,375	221,020	(42,355)	
-	-	-	-	
-	-	-	-	
10,200	10,200	16,058	5,858	
626,870	626,870	656,660	29,790	
\$ 900,445	\$ 900,445	\$ 893,955	\$ (6,490)	
\$ 998,760	\$ 998,760	\$ 964,477	\$ 34,283	
\$ 998,760	\$ 998,760	\$ 964,477	\$ 34,283	
\$ (98,315)	\$ (98,315)	\$ (70,522)	\$ 27,793	
\$ 98,315	\$ 98,315	\$ -	\$ (98,315)	
-	-	-	-	
\$ 98,315	\$ 98,315	\$ -	\$ (98,315)	
\$ -	\$ -	\$ (70,522)	\$ (70,522)	
-	-	343,557	343,557	
\$ -	\$ -	\$ 273,035	\$ 273,035	

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*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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County of Lunenburg, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2014

ASSETS

Current assets:

Cash and cash equivalents

\$ 28,524

Total assets

\$ 28,524**NET POSITION**

Unrestricted

\$ 28,524

Total net position

\$ 28,524

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

OPERATING REVENUES

Charges for services:

Contributions from local government

\$ 29,489

Miscellaneous

8,389

Total operating revenues

\$ 37,878**OPERATING EXPENSES**

Other charges

\$ 825

Tax incentives

28,644

Total operating expenses

\$ 29,469

Operating income (loss)

\$ 8,409**NONOPERATING REVENUES (EXPENSES)**

Interest income

\$ 6

Loss on equipment lease

(82,830)

Total nonoperating revenues (expenses)

\$ (82,824)

Change in net position

\$ (74,415)

Total net position - beginning

102,939

Total net position - ending

\$ 28,524

County of Lunenburg, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 37,878
Payments for operating activities	(29,469)
Net cash provided by (used for) operating activities	<u>\$ 8,409</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 6
Net cash provided by (used for) investing activities	<u>\$ 6</u>

Net increase (decrease) in cash and cash equivalents	\$ 8,415
--	----------

Cash and cash equivalents - beginning	20,109
Cash and cash equivalents - ending	<u><u>\$ 28,524</u></u>

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SUPPORTING SCHEDULES

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

Schedule 1
Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 3,147,000	\$ 3,147,000	\$ 3,165,919	\$ 18,919
Real and personal public service corporation taxes	97,585	97,585	255,611	158,026
Personal property taxes	1,859,500	1,859,500	1,641,146	(218,354)
Mobile home taxes	24,000	24,000	21,987	(2,013)
Machinery and tools taxes	249,500	249,500	250,377	877
Merchant's capital taxes	66,000	66,000	68,510	2,510
Penalties	65,000	65,000	80,031	15,031
Interest	55,000	55,000	45,853	(9,147)
Total general property taxes	<u>\$ 5,563,585</u>	<u>\$ 5,563,585</u>	<u>\$ 5,529,434</u>	<u>\$ (34,151)</u>
Other local taxes:				
Local sales and use taxes	\$ 300,000	\$ 300,000	\$ 389,566	\$ 89,566
Utility taxes	155,000	155,000	181,524	26,524
Consumption tax	25,000	25,000	24,650	(350)
Motor vehicle licenses	176,500	176,500	238,903	62,403
Taxes on recordation and wills	43,000	43,000	56,680	13,680
Total other local taxes	<u>\$ 699,500</u>	<u>\$ 699,500</u>	<u>\$ 891,323</u>	<u>\$ 191,823</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 7,750	\$ 7,750	\$ 7,335	\$ (415)
Transfer fees	375	375	395	20
Permits and other licenses	28,300	28,300	33,366	5,066
Total permits, privilege fees, and regulatory licenses	<u>\$ 36,425</u>	<u>\$ 36,425</u>	<u>\$ 41,096</u>	<u>\$ 4,671</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 55,420	\$ 56,577	\$ 22,864	\$ (33,713)
Total fines and forfeitures	<u>\$ 55,420</u>	<u>\$ 56,577</u>	<u>\$ 22,864</u>	<u>\$ (33,713)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 36,000	\$ 36,000	\$ 26,212	\$ (9,788)
Revenue from use of property	34,000	34,000	32,489	(1,511)
Total revenue from use of money and property	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 58,701</u>	<u>\$ (11,299)</u>
Charges for services:				
Excess fees of clerk	\$ -	\$ -	\$ 5,586	\$ 5,586
Sheriff's fees	646	646	646	-
Courthouse security fees	-	-	17,907	17,907
Landfill fees	261,000	346,000	231,159	(114,841)
Charges for Commonwealth's Attorney	1,000	1,000	2,220	1,220
Charges for correction and detention	150	150	1,819	1,669
Document reproduction costs	2,500	2,500	2,952	452
Total charges for services	<u>\$ 265,296</u>	<u>\$ 350,296</u>	<u>\$ 262,289</u>	<u>\$ (88,007)</u>
Miscellaneous revenue:				
Miscellaneous	\$ 20,500	\$ 20,500	\$ 55,400	\$ 34,900
Total miscellaneous revenue	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 55,400</u>	<u>\$ 34,900</u>
Recovered costs:				
School resource officer	\$ -	\$ -	\$ 15,033	\$ 15,033
Total recovered costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,033</u>	<u>\$ 15,033</u>
Total revenue from local sources	<u>\$ 6,710,726</u>	<u>\$ 6,796,883</u>	<u>\$ 6,876,140</u>	<u>\$ 79,257</u>

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

Schedule 1
Page 2 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 143,000	\$ 153,000	\$ 207,586	\$ 54,586
Mobile home titling tax	18,000	18,000	18,269	269
Rolling stock tax	-	-	4,845	4,845
Recordation tax	2,000	2,000	17,948	15,948
Personal property tax relief funds	1,048,232	1,048,232	1,048,232	-
Total noncategorical aid	\$ 1,211,232	\$ 1,221,232	\$ 1,296,880	\$ 75,648
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 212,430	\$ 212,430	\$ 184,578	\$ (27,852)
Sheriff	698,122	698,122	696,739	(1,383)
Commissioner of revenue	76,259	76,259	70,930	(5,329)
Treasurer	76,709	76,709	77,696	987
Registrar/electoral board	38,000	38,000	36,248	(1,752)
Clerk of the Circuit Court	177,799	197,513	200,209	2,696
Total shared expenses	\$ 1,279,319	\$ 1,299,033	\$ 1,266,400	\$ (32,633)
Other categorical aid:				
Public assistance and welfare administration	\$ 358,770	\$ 358,770	\$ 336,430	\$ (22,340)
VJCCA juvenile reimbursement	-	-	4,626	4,626
Animal friendly plates	100	100	91	(9)
Comprehensive services act	645,000	870,000	869,517	(483)
School resource officer	15,502	15,502	-	(15,502)
Emergency medical services	11,500	11,500	11,871	371
Victim-witness grant	37,420	37,420	27,267	(10,153)
E-911 wireless	25,000	25,000	51,307	26,307
E-911 equipment grant	28,500	28,500	28,428	(72)
Criminal justice technology grant	2,060	2,060	-	(2,060)
Litter control	8,500	8,500	7,480	(1,020)
Fire programs fund	24,000	24,000	58,156	34,156
Total other categorical aid	\$ 1,156,352	\$ 1,381,352	\$ 1,395,173	\$ 13,821
Total categorical aid	\$ 2,435,671	\$ 2,680,385	\$ 2,661,573	\$ (18,812)
Total revenue from the Commonwealth	\$ 3,646,903	\$ 3,901,617	\$ 3,958,453	\$ 56,836
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 607,689	\$ 631,689	\$ 569,849	\$ (61,840)
Byrne JAG funds	20,000	20,000	1,854	(18,146)
LEMP grant	7,500	7,500	-	(7,500)
FEMA/Homeland Security grants	100,000	100,000	182,116	82,116
Transportation safety grant	-	-	14,267	14,267
Total categorical aid	\$ 735,189	\$ 759,189	\$ 768,086	\$ 8,897
Total revenue from the federal government	\$ 735,189	\$ 759,189	\$ 768,086	\$ 8,897
Total General Fund	\$ 11,092,818	\$ 11,457,689	\$ 11,602,679	\$ 144,990

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

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
County Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 105	\$ 105
Revenue from the use of property	21,000	21,000	19,452	(1,548)
Total revenue from use of money and property	\$ 21,000	\$ 21,000	\$ 19,557	\$ (1,443)
Charges for services:				
Law Library	\$ 1,000	\$ 1,000	\$ 1,024	\$ 24
Total charges for services	\$ 1,000	\$ 1,000	\$ 1,024	\$ 24
Miscellaneous revenue:				
Miscellaneous	\$ 47,800	\$ 47,800	\$ 93,760	\$ 45,960
Total miscellaneous revenue	\$ 47,800	\$ 47,800	\$ 93,760	\$ 45,960
Total revenue from local sources	\$ 69,800	\$ 69,800	\$ 114,341	\$ 44,541
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Aviation fees	\$ 28,000	\$ 28,000	\$ 2,529	\$ (25,471)
Tobacco funds	988,527	988,527	55,331	(933,196)
VDOT grant	-	-	20,791	20,791
Forfeited assets	14,100	14,100	521	(13,579)
Total categorical aid	\$ 1,030,627	\$ 1,030,627	\$ 79,172	\$ (951,455)
Total revenue from the Commonwealth	\$ 1,030,627	\$ 1,030,627	\$ 79,172	\$ (951,455)
Revenue from the federal government:				
Categorical aid:				
Forfeited assets	\$ -	\$ -	\$ 5,413	\$ 5,413
CDBG	90,000	90,000	-	(90,000)
TEA 21 grant	85,622	85,622	-	(85,622)
Total categorical aid	\$ 175,622	\$ 175,622	\$ 5,413	\$ (170,209)
Total revenue from the federal government	\$ 175,622	\$ 175,622	\$ 5,413	\$ (170,209)
Total County Special Revenue Fund	\$ 1,276,049	\$ 1,276,049	\$ 198,926	\$ (1,077,123)
Debt Service Fund:				
County Debt Service Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Miscellaneous	\$ -	\$ -	\$ 105,241	\$ 105,241
Total miscellaneous revenue	\$ -	\$ -	\$ 105,241	\$ 105,241
Intergovernmental:				
Revenues from local governments:				
Contribution from Lunenburg School Board	\$ -	\$ -	\$ 61,896	\$ 61,896
Total revenues from local governments	\$ -	\$ -	\$ 61,896	\$ 61,896
Revenue from the federal government:				
Categorical aid:				
QZAB subsidy	\$ 143,000	\$ 143,000	\$ 140,724	\$ (2,276)
Total categorical aid	\$ 143,000	\$ 143,000	\$ 140,724	\$ (2,276)
Total revenue from the federal government	\$ 143,000	\$ 143,000	\$ 140,724	\$ (2,276)
Total County Debt Service Fund	\$ 143,000	\$ 143,000	\$ 307,861	\$ 164,861

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 92	\$ 92
Total revenue from use of money and property	\$ -	\$ -	\$ 92	\$ 92
Total revenue from local sources	\$ -	\$ -	\$ 92	\$ 92
Total County Capital Projects Fund	\$ -	\$ -	\$ 92	\$ 92
Total Primary Government	\$ 12,511,867	\$ 12,876,738	\$ 12,109,558	\$ (767,180)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 600	\$ 600	\$ -	\$ (600)
Total revenue from use of money and property	\$ 600	\$ 600	\$ -	\$ (600)
Charges for services:				
Charges for education	\$ 55,104	\$ 55,104	\$ 219,819	\$ 164,715
Total charges for services	\$ 55,104	\$ 55,104	\$ 219,819	\$ 164,715
Miscellaneous revenue:				
Miscellaneous	\$ 202,749	\$ 232,749	\$ 52	\$ (232,697)
Total miscellaneous revenue	\$ 202,749	\$ 232,749	\$ 52	\$ (232,697)
Total revenue from local sources	\$ 258,453	\$ 288,453	\$ 219,871	\$ (68,582)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Lunenburg, Virginia	\$ 2,887,268	\$ 2,887,268	\$ 2,824,568	\$ (62,700)
Total revenues from local governments	\$ 2,887,268	\$ 2,887,268	\$ 2,824,568	\$ (62,700)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 1,725,853	\$ 1,725,853	\$ 1,674,155	\$ (51,698)
Basic school aid	4,758,912	4,993,018	4,964,489	(28,529)
Remedial summer education	82,271	82,271	88,627	6,356
Regular foster care	2,891	2,891	-	(2,891)
Foster care - special education	-	-	2,063	2,063
Gifted and talented	50,250	50,250	51,659	1,409
Remedial education	255,619	255,619	262,788	7,169
Special education	651,065	651,065	669,324	18,259
Textbook payment	98,020	98,020	100,769	2,749
GED funding	7,859	7,859	8,754	895
Vocational education	186,799	186,799	192,038	5,239
School fringes	847,695	847,695	871,469	23,774
Early reading intervention	20,976	20,976	27,968	6,992

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Homebound	\$ 23,395	\$ 23,395	\$ 23,209	\$ (186)
Vocational education - equipment	6,556	6,556	4,950	(1,606)
Adult education	2,754	2,754	-	(2,754)
Compensation supplement	121,208	121,208	124,522	3,314
Effective school-wide discipline	-	-	7,286	7,286
School security grant	-	48,000	37,390	(10,610)
Mentor teacher program	-	-	1,136	1,136
At risk payments	320,296	320,296	329,236	8,940
Technology funds	180,000	180,000	180,000	-
Primary class size	355,695	355,695	380,176	24,481
Standards of Learning algebra readiness	31,075	31,075	30,964	(111)
Tobacco settlement	19,000	19,000	-	(19,000)
Occupation preparation	-	-	668	668
Preschool initiative	214,992	214,992	214,992	-
English as a second language	56,973	56,973	53,857	(3,116)
Other state funds	-	-	1,586	1,586
Total categorical aid	<u>\$ 10,020,154</u>	<u>\$ 10,302,260</u>	<u>\$ 10,304,075</u>	<u>\$ 1,815</u>
 Total revenue from the Commonwealth	 <u>\$ 10,020,154</u>	 <u>\$ 10,302,260</u>	 <u>\$ 10,304,075</u>	 <u>\$ 1,815</u>
 Revenue from the federal government:				
Categorical aid:				
Title I	\$ 754,956	\$ 909,430	\$ 550,070	\$ (359,360)
AP tests	-	-	270	270
Title VI-Rural	39,580	67,044	34,685	(32,359)
Title VIB	418,530	418,530	398,655	(19,875)
Preschool special education	12,385	12,385	10,006	(2,379)
21st century learning grant	155,000	155,000	115,744	(39,256)
Title II, part a-teacher quality	153,708	153,708	122,386	(31,322)
Carl Perkins Grant	38,000	38,000	38,413	413
JROTC	45,000	45,000	40,022	(4,978)
Total categorical aid	<u>\$ 1,617,159</u>	<u>\$ 1,799,097</u>	<u>\$ 1,310,251</u>	<u>\$ (488,846)</u>
 Total revenue from the federal government	 <u>\$ 1,617,159</u>	 <u>\$ 1,799,097</u>	 <u>\$ 1,310,251</u>	 <u>\$ (488,846)</u>
 Total School Operating Fund	 <u>\$ 14,783,034</u>	 <u>\$ 15,277,078</u>	 <u>\$ 14,658,765</u>	 <u>\$ (618,313)</u>

County of Lunenburg, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Special Revenue Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 217	\$ 217
Total revenue from use of money and property	\$ -	\$ -	\$ 217	\$ 217
Charges for services:				
Cafeteria sales	\$ 263,375	\$ 263,375	\$ 221,020	\$ (42,355)
Total charges for services	\$ 263,375	\$ 263,375	\$ 221,020	\$ (42,355)
Total revenue from local sources	\$ 263,375	\$ 263,375	\$ 221,237	\$ (42,138)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 10,200	\$ 10,200	\$ 16,058	\$ 5,858
Total categorical aid	\$ 10,200	\$ 10,200	\$ 16,058	\$ 5,858
Total revenue from the Commonwealth	\$ 10,200	\$ 10,200	\$ 16,058	\$ 5,858
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 626,870	\$ 626,870	\$ 599,383	\$ (27,487)
Commodities	-	-	57,277	57,277
Total categorical aid	\$ 626,870	\$ 626,870	\$ 656,660	\$ 29,790
Total revenue from the federal government	\$ 626,870	\$ 626,870	\$ 656,660	\$ 29,790
Total School Special Revenue Fund	\$ 900,445	\$ 900,445	\$ 893,955	\$ (6,490)
Total Discretely Presented Component Unit - School Board	\$ 15,683,479	\$ 16,177,523	\$ 15,552,720	\$ (624,803)

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 47,120	\$ 47,120	\$ 42,153	\$ 4,967
General and financial administration:				
County administrator	\$ 201,628	\$ 201,628	\$ 201,617	\$ 11
Professional services	100,000	100,000	109,412	(9,412)
Commissioner of revenue	196,303	196,303	179,386	16,917
Treasurer	209,242	209,242	198,481	10,761
Other general and financial administration	40,293	86,403	104,620	(18,217)
Total general and financial administration	\$ 747,466	\$ 793,576	\$ 793,516	\$ 60
Board of elections:				
Electoral board and officials	\$ 22,945	\$ 22,945	\$ 23,591	\$ (646)
Voting machine	5,000	5,000	686	4,314
Registrar	68,785	68,785	65,575	3,210
Total board of elections	\$ 96,730	\$ 96,730	\$ 89,852	\$ 6,878
Total general government administration	\$ 891,316	\$ 937,426	\$ 925,521	\$ 11,905
Judicial administration:				
Courts:				
Circuit court	\$ 12,242	\$ 12,242	\$ 12,639	\$ (397)
General district court	4,900	4,900	3,473	1,427
Special Magistrates	1,425	1,425	845	580
Juvenile and domestic relations court	52,547	52,547	67,411	(14,864)
Victim witness	39,014	39,014	38,805	209
Courthouse security	15,170	16,327	16,327	-
Clerk of the circuit court	253,204	272,918	272,635	283
Total courts	\$ 378,502	\$ 399,373	\$ 412,135	\$ (12,762)
Commonwealth's attorney:				
Commonwealth's attorney	\$ 257,576	\$ 257,576	\$ 226,129	\$ 31,447
Total commonwealth's attorney	\$ 257,576	\$ 257,576	\$ 226,129	\$ 31,447
Total judicial administration	\$ 636,078	\$ 656,949	\$ 638,264	\$ 18,685
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 1,139,388	\$ 1,139,388	\$ 1,088,593	\$ 50,795
Total law enforcement and traffic control	\$ 1,139,388	\$ 1,139,388	\$ 1,088,593	\$ 50,795
Fire and rescue services:				
Fire department	\$ 389,440	\$ 434,314	\$ 513,685	\$ (79,371)
Total fire and rescue services	\$ 389,440	\$ 434,314	\$ 513,685	\$ (79,371)
Correction and detention:				
Payments to Regional Jail	\$ 280,000	\$ 379,237	\$ 379,237	\$ -
Total correction and detention	\$ 280,000	\$ 379,237	\$ 379,237	\$ -
Inspections:				
Building	\$ 84,964	\$ 84,964	\$ 80,947	\$ 4,017
Total inspections	\$ 84,964	\$ 84,964	\$ 80,947	\$ 4,017

County of Lunenburg, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Other protection:				
Animal control	\$ 60,000	\$ 102,500	\$ 98,509	\$ 3,991
E-911	126,353	136,353	134,526	1,827
Medical examiner	600	1,600	1,100	500
Total other protection	<u>\$ 186,953</u>	<u>\$ 240,453</u>	<u>\$ 234,135</u>	<u>\$ 6,318</u>
Total public safety	<u>\$ 2,080,745</u>	<u>\$ 2,278,356</u>	<u>\$ 2,296,597</u>	<u>\$ (18,241)</u>
Public works:				
Sanitation and waste removal:				
Refuse collection	\$ 116,500	\$ 116,500	\$ 57,717	\$ 58,783
Convenience sites	520,000	562,500	106,607	455,893
Total sanitation and waste removal	<u>\$ 636,500</u>	<u>\$ 679,000</u>	<u>\$ 164,324</u>	<u>\$ 514,676</u>
Maintenance of general buildings and grounds:				
General properties	\$ 229,698	\$ 229,698	\$ 189,462	\$ 40,236
Total maintenance of general buildings and grounds	<u>\$ 229,698</u>	<u>\$ 229,698</u>	<u>\$ 189,462</u>	<u>\$ 40,236</u>
Total public works	<u>\$ 866,198</u>	<u>\$ 908,698</u>	<u>\$ 353,786</u>	<u>\$ 554,912</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 114,100	\$ 114,100	\$ 89,405	\$ 24,695
Total health	<u>\$ 114,100</u>	<u>\$ 114,100</u>	<u>\$ 89,405</u>	<u>\$ 24,695</u>
Mental health and mental retardation:				
Crossroads Board	\$ 53,000	\$ 53,000	\$ 13,250	\$ 39,750
Total mental health and mental retardation	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ 13,250</u>	<u>\$ 39,750</u>
Welfare:				
Public assistance and welfare administration	\$ 1,105,800	\$ 1,105,800	\$ 990,778	\$ 115,022
Comprehensive services act	800,000	1,124,500	1,123,597	903
Total welfare	<u>\$ 1,905,800</u>	<u>\$ 2,230,300</u>	<u>\$ 2,114,375</u>	<u>\$ 115,925</u>
Total health and welfare	<u>\$ 2,072,900</u>	<u>\$ 2,397,400</u>	<u>\$ 2,217,030</u>	<u>\$ 180,370</u>
Education:				
Other instructional costs:				
Contribution to County School Board	\$ 2,887,268	\$ 2,887,268	\$ 2,824,568	\$ 62,700
Total education	<u>\$ 2,887,268</u>	<u>\$ 2,887,268</u>	<u>\$ 2,824,568</u>	<u>\$ 62,700</u>
Community development:				
Planning and community development:				
Planning and community development	\$ 287,331	\$ 287,331	\$ 288,517	\$ (1,186)
Economic development	75,117	75,117	73,019	2,098
Contribution to IDA - tax incentives	30,000	30,000	29,488	512
Total planning and community development	<u>\$ 392,448</u>	<u>\$ 392,448</u>	<u>\$ 391,024</u>	<u>\$ 1,424</u>

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

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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development: (Continued)				
Cooperative extension program:				
Extension office	\$ 68,266	\$ 68,266	\$ 68,223	\$ 43
Total cooperative extension program	\$ 68,266	\$ 68,266	\$ 68,223	\$ 43
Total community development	\$ 460,714	\$ 460,714	\$ 459,247	\$ 1,467
Nondepartmental:				
Contingencies	\$ 85,162	\$ 85,162	\$ -	\$ 85,162
Total nondepartmental	\$ 85,162	\$ 85,162	\$ -	\$ 85,162
Capital projects:				
Capital improvements	\$ 25,000	\$ 25,000	\$ 9,100	\$ 15,900
Total capital projects	\$ 25,000	\$ 25,000	\$ 9,100	\$ 15,900
Debt service:				
Principal retirement	\$ 100,089	\$ 100,089	\$ 100,089	\$ -
Interest and other fiscal charges	1,818	1,818	1,818	-
Total debt service	\$ 101,907	\$ 101,907	\$ 101,907	\$ -
Total General Fund	\$ 10,107,288	\$ 10,738,880	\$ 9,826,020	\$ 912,860
Special Revenue Fund:				
County Special Revenue Fund:				
Judicial Administration:				
Law Library	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Total judicial administration	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Public Safety:				
Sheriff:				
Project lifesaver	\$ 2,800	\$ 2,800	\$ 2,021	\$ 779
Asset forfeiture	14,100	14,100	4,262	9,838
Total Sheriff	\$ 16,900	\$ 16,900	\$ 6,283	\$ 10,617
Total public safety	\$ 16,900	\$ 16,900	\$ 6,283	\$ 10,617
Community Development:				
Airport	\$ 49,000	\$ 53,530	\$ 34,309	\$ 19,221
Economic development	1,275,649	1,275,649	510,593	765,056
Total community development	\$ 1,324,649	\$ 1,329,179	\$ 544,902	\$ 784,277
Total County Special Revenue Fund	\$ 1,342,549	\$ 1,347,079	\$ 551,185	\$ 795,894
Debt Service Fund:				
County Debt Service Fund:				
Debt service:				
Principal retirement	\$ 920,708	\$ 920,708	\$ 920,708	\$ -
Interest and other fiscal charges	670,327	670,327	588,807	81,520
Total debt service	\$ 1,591,035	\$ 1,591,035	\$ 1,509,515	\$ 81,520
Total County Debt Service Fund	\$ 1,591,035	\$ 1,591,035	\$ 1,509,515	\$ 81,520

County of Lunenburg, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
School capital projects	\$ -	\$ 48,000	\$ 47,981	\$ 19
Total capital projects	\$ -	\$ 48,000	\$ 47,981	\$ 19
 Total County Capital Projects Fund	 \$ -	 \$ 48,000	 \$ 47,981	 \$ 19
 Total Primary Government	 \$ 13,040,872	 \$ 13,724,994	 \$ 11,934,701	 \$ 1,790,293
 Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 11,309,615	\$ 11,663,659	\$ 11,322,485	\$ 341,174
Administration, health, and attendance	812,446	812,446	703,901	108,545
Pupil transportation	1,093,719	1,093,719	1,083,732	9,987
Operation and maintenance of school plant	1,407,043	1,547,043	1,486,751	60,292
Contribution to County of Lunenburg, Virginia	61,896	61,896	61,896	-
 Total education	 \$ 14,684,719	 \$ 15,178,763	 \$ 14,658,765	 \$ 519,998
 Total School Operating Fund	 \$ 14,684,719	 \$ 15,178,763	 \$ 14,658,765	 \$ 519,998
 School Special Revenue Fund:				
Education:				
Textbooks purchased	\$ 98,315	\$ 98,315	\$ 52,691	\$ 45,624
Administration of school food program	900,445	900,445	854,509	45,936
Commodities	-	-	57,277	(57,277)
Total school food services	\$ 998,760	\$ 998,760	\$ 964,477	\$ 34,283
 Total education	 \$ 998,760	 \$ 998,760	 \$ 964,477	 \$ 34,283
 Total School Special Revenue Fund	 \$ 998,760	 \$ 998,760	 \$ 964,477	 \$ 34,283
 Total Discretely Presented Component Unit - School Board	 \$ 15,683,479	 \$ 16,177,523	 \$ 15,623,242	 \$ 554,281

OTHER STATISTICAL INFORMATION

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

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2005	\$ 821,357	\$ 301,582	\$ 1,402,678	\$ 643,099	\$ 1,678,087
2006	872,726	552,728	1,539,548	691,477	1,424,581
2007	1,047,248	749,998	1,548,950	57,215	1,629,418
2008	1,267,311	788,780	1,589,530	1,066,336	2,139,340
2009	1,060,810	1,012,121	1,680,314	1,813,739	2,345,844
2010	1,158,659	770,596	1,851,410	1,434,191	2,058,065
2011	993,543	786,302	1,796,683	1,349,351	2,426,380
2012	1,202,736	842,594	1,855,943	1,490,600	2,530,373
2013	938,136	852,876	2,167,835	727,699	2,740,797
2014	945,210	882,734	2,459,725	453,493	2,228,259

Table 1

Education		Parks, Recreation, and Cultural	Community Development	Interest on Long- Term Debt	Total	
\$	5,099,231	\$ -	\$ 229,148	\$ 897,251	\$	11,072,433
	5,193,378	-	717,798	1,115,450		12,107,686
	3,762,143	138,242	486,207	815,530		10,234,951
	3,722,611	-	1,178,275	743,397		12,495,580
	3,343,586	-	1,150,648	706,413		13,113,475
	3,622,849	133,242	487,960	677,615		12,194,587
	3,687,691	138,749	408,819	705,728		12,293,246
	3,853,703	-	833,964	808,152		13,418,065
	3,791,866	-	571,048	626,724		12,416,981
	3,353,114	3,074	1,083,840	567,880		11,977,329

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

PROGRAM REVENUES				
Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
2005	\$ 205,685	\$ 2,483,908	\$ -	
2006	229,564	2,984,437	126,231	
2007	177,896	3,488,400	126,669	
2008	192,836	4,197,951	126,396	
2009	152,202	3,524,726	-	
2010	287,780	4,197,527	-	
2011	206,780	3,614,913	-	
2012	221,790	4,638,023	-	
2013	176,037	3,824,968	150,000	
2014	327,273	3,389,093	265,875	

Table 2

GENERAL REVENUES						
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total	
\$ 3,925,402	\$ 1,068,937	\$ 298,052	\$ 91,906	\$ 1,495,288	\$ 9,569,178	
4,148,559	1,021,693	531,082	144,720	2,613,337	11,799,623	
4,930,611	1,135,295	563,960	533,121	1,153,669	12,109,621	
5,141,240	1,104,475	373,171	507,423	1,115,543	12,759,035	
5,558,933	889,096	260,983	87,021	1,099,010	11,571,971	
5,394,155	640,729	166,291	144,487	1,287,101	12,118,070	
5,355,045	611,393	120,417	349,526	1,311,378	11,569,452	
8,451,150	781,842	81,293	69,459	1,281,254	15,524,811	
5,253,842	870,733	95,930	63,385	1,300,097	11,734,992	
5,438,422	891,323	78,350	316,297	1,296,880	12,003,513	

County of Lunenburg, Virginia
General Governmental Expenditures by Function (1,3)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
2005	\$ 819,600	\$ 501,053	\$ 1,443,311	\$ 642,081	\$ 1,713,322
2006	863,887	551,471	1,427,408	744,635	1,432,282
2007	997,795	606,384	1,654,741	756,233	1,616,950
2008	1,061,929	535,879	1,599,390	1,027,727	2,161,754
2009	994,533	574,202	1,696,089	1,159,999	2,294,238
2010	1,106,845	563,350	2,556,889	1,036,023	2,058,513
2011	963,722	551,585	1,754,985	1,033,137	2,433,176
2012	1,345,432	607,878	1,782,118	1,021,773	2,518,865
2013	874,407	608,687	2,140,351	669,769	2,678,632
2014	925,521	638,264	2,302,880	353,786	2,217,030

- (1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Unit - School Board.
(2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.
(3) Excludes Capital Projects.

Table 3

Education (2)	Parks, Recreation, and Cultural	Community Development	Debt Service	Total
\$ 15,514,113	\$ 133,242	\$ 232,576	\$ 1,065,081	\$ 22,064,379
16,567,203	-	700,643	1,421,129	23,708,658
17,269,676	138,242	469,824	1,711,642	25,221,487
17,049,964	-	1,158,703	1,678,318	26,273,664
17,553,259	-	1,144,920	1,613,638	27,030,878
16,871,972	133,242	484,086	1,638,396	26,449,316
16,977,943	138,749	388,843	1,672,947	25,915,087
16,977,828	-	1,699,913	7,360,005	33,313,812
16,047,752	-	608,583	1,951,091	25,579,272
15,623,242	-	1,004,149	1,611,422	24,676,294

County of Lunenburg, Virginia
General Governmental Revenues by Source (1,3)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property
2005	\$ 4,210,219	\$ 1,026,258	\$ 44,038	\$ 4,993	\$ 190,128
2006	4,320,849	1,021,693	45,875	10,885	531,082
2007	4,802,442	1,089,242	43,599	10,135	406,627
2008	5,037,134	1,104,475	37,001	10,642	281,880
2009	5,490,039	845,816	44,260	12,235	247,754
2010	5,311,432	640,729	30,566	22,632	165,380
2011	5,321,103	611,393	27,228	39,532	117,435
2012	8,206,738	781,842	25,682	35,644	77,669
2013	5,459,029	870,733	33,417	28,770	93,394
2014	5,529,434	891,323	41,096	22,864	78,475

- (1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Unit - School Board.
- (2) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board and contribution from the Discretely Presented Component Unit - School Board to the Primary Government.
- (3) Excludes Capital Projects.

Table 4

	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$	698,101	\$ 91,906	\$ 133,292	\$ 15,115,748	\$ 21,514,683
	690,619	144,720	101,053	18,132,238	24,999,014
	683,611	33,121	120,700	18,431,238	25,620,715
	763,611	507,573	77,972	18,885,606	26,705,894
	526,005	188,646	68,324	19,037,845	26,460,924
	540,584	242,927	38,257	18,997,195	25,989,702
	504,953	349,526	29,765	18,113,790	25,114,725
	653,868	69,459	41,436	19,627,967	29,520,305
	504,883	63,385	-	17,662,296	24,715,907
	704,152	254,453	15,033	17,238,892	24,775,722

Table 5

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

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1,3)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
2005	\$ 5,189,115	\$ 4,852,095	93.51%	\$ 293,097	\$ 5,145,192	99.15%	\$ 533,038	10.27%
2006	5,441,786	5,229,548	96.10%	147,596	5,377,144	98.81%	452,639	8.32%
2007	5,742,724	5,717,372	99.56%	161,591	5,878,963	102.37%	421,739	7.34%
2008	5,008,531	4,787,234	95.58%	118,147	4,905,381	97.94%	361,653	7.22%
2009	5,519,039	5,305,586	96.13%	161,618	5,467,204	99.06%	541,743	9.82%
2010	6,330,617	6,103,459	96.41%	248,538	6,351,997	100.34%	588,010	9.29%
2011	6,370,760	6,092,933	95.64%	263,411	6,356,344	99.77%	625,605	9.82%
2012	9,659,019	8,782,078	90.92%	334,995	9,117,073	94.39%	815,009	8.44%
2013	6,438,614	6,180,897	96.00%	192,453	6,373,350	98.99%	635,351	9.87%
2014	6,607,245	6,303,703	95.41%	148,079	6,451,782	97.65%	581,286	8.80%

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years and first half of current tax year beginning in 2012.

(3) Includes Personal Property Tax Relief

Table 6

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Merchant's Capital	Public Utility (2)		
					Real Estate	Personal Property	Total
2005	\$ 555,524,533	\$ 72,186,971	\$ 16,474,960	\$ 3,842,560	\$ 31,591,620	-	\$ 679,620,644
2006	561,941,100	79,390,477	17,569,810	4,181,950	30,228,596	-	693,311,933
2007	575,891,527	91,503,605	8,434,150	5,477,320	26,527,334	-	707,833,936
2008	588,071,913	92,209,376	9,725,364	5,572,380	26,479,654	-	722,058,687
2009	863,350,500	97,694,733	11,243,016	5,074,250	35,750,483	-	1,013,112,982
2010	871,988,824	86,504,098	12,637,030	4,588,940	34,579,627	-	1,010,298,519
2011	879,151,906	87,813,973	13,991,880	4,841,700	35,132,126	-	1,020,931,585
2012	843,252,361	91,125,404	14,272,974	5,751,715	40,076,714	-	994,479,168
2013	846,178,987	82,009,152	14,174,109	5,896,290	40,076,714	-	988,335,252
2014	854,073,900	84,582,007	15,757,159	6,553,264	44,843,992	-	1,005,810,322

(1) Real estate is assessed at 100% of fair market value.

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

Table 7

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

Fiscal Year	Real Estate		Personal Property	Machinery and Tools	Merchant's Capital	
2005	\$	0.42	\$ 3.50	\$ 1.80	\$	1.20
2006		0.42	3.50	1.80		1.20
2007		0.44	3.50	1.80		1.20
2008		0.46	3.60	1.80		1.20
2009		0.33	3.60	1.80		1.20
2010		0.33	3.60	1.80		1.20
2011		0.33	3.60	1.80		1.20
2012		0.38	3.60	1.80		1.20
2013		0.38	3.60	1.80		1.20
2014		0.38	3.60	1.80		1.20

(1) Per \$100 of assessed value.

Table 8

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2005	13,146	\$ 679,620,644	\$ 13,451,833	\$ 13,451,833	1.98%	\$ 1,023
2006	13,146	693,311,933	11,784,293	11,784,293	1.70%	896
2007	13,146	707,833,936	11,182,568	11,182,568	1.58%	851
2008	13,146	722,058,687	10,544,174	10,544,174	1.46%	802
2009	13,146	1,013,112,982	9,888,846	9,888,846	0.98%	752
2010	13,146	1,010,298,519	9,207,323	9,207,323	0.91%	700
2011	12,914	1,020,931,585	9,674,469	9,674,469	0.95%	749
2012	12,914	994,479,168	11,038,870	11,038,870	1.11%	855
2013	12,914	988,335,252	10,103,692	10,103,692	1.02%	782
2014	12,914	1,005,810,322	9,578,984	9,578,984	0.95%	742

(1) Weldon Cooper Center for Public Service for 2000 and 2010 Census.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes related premiums on bonds, revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absences.

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COMPLIANCE

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Lunenburg Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Lunenburg, Virginia's basic financial statements, and have issued our report thereon dated January 16, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Lunenburg 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 Lunenburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Lunenburg, 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 Lunenburg, 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.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
January 16, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the Board of Supervisors
County of Lunenburg
Lunenburg, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of County of Lunenburg, 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 Lunenburg, 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 Lunenburg, 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.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line.

Richmond, Virginia
January 16, 2015

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 577
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	112,726
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	595
Low Income Home Energy Assistance	93.568	0600409/0600410	12,023
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	14,786
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	781
Foster Care - Title IV-E	93.658	1100109/1100110	65,049
Adoption Assistance	93.659	1120109/1120110	55,321
Social Services Block Grant	93.667	1000109/1000110	104,376
Chafee Foster Care Independence Program	93.674	9150109/9150110	3,530
Children's Health Insurance Program	93.767	0540109/0540110	2,913
Medical Assistance Program	93.778	1200109/1200110	91,107
Total Department of Health and Human Services			<u>\$ 463,784</u>
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
State Homeland Security Program	97.073	77501-52708	<u>\$ 182,116</u>
Total Department of Homeland Security			<u>\$ 182,116</u>
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture and Consumer Services:			
Food Distribution	10.555	17901-45707	\$ 57,277
Department of Education:			
National School Lunch Program	10.555	17901-40623	434,822
Total CFDA# 10.555			<u>\$ 492,099</u>
Department of Education:			
School Breakfast Program	10.553	17901-40591	\$ 164,561
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010109/0010100	<u>106,065</u>
Total Department of Agriculture			<u>\$ 762,725</u>
Department of the Treasury:			
Direct payments:			
Forfeited Assets	21.000	N/A	<u>\$ 5,413</u>
Total Department of Treasury			<u>\$ 5,413</u>

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-71100/71200	\$ 1,854
Total Department of Justice			\$ 1,854
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	60507-59393/50184	\$ 14,267
Total Department of Transportation			\$ 14,267
Department of Defense:			
Direct Payments:			
JROTC	12.xxx	N/A	\$ 40,022
Total Department of Defense			\$ 40,022
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	17901-42901	\$ 550,070
Special Education Cluster:			
Special Education Grants to States	84.027	17901-43071	398,655
Special Education Preschool Grants	84.173	17901-62521	10,006
Career and Technical Education - Basic Grants to States	84.048	17901-61095	38,413
Twenty-First Century Community Learning Centers	84.287	17901-60565	115,744
Improving Teacher Quality - State Grants	84.367	17901-61480	122,386
Rural Education	84.358	17901-43481	34,685
Advanced Placement Program	84.330	17901-60957	270
Total Department of Education			\$ 1,270,229
Total Expenditures of Federal Awards			\$ 2,740,410

See accompanying notes to schedule of expenditures of federal awards.

County of Lunenburg, Virginia

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

Note A - Basis of Presentation

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

Note B - Summary of Significant Accounting Policies

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

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

Note C - Food Donation

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

Note D - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ 768,086
County Debt Service Fund	140,724
County Special Revenue Fund	5,413
Total primary government	<u>\$ 914,223</u>

Component Unit School Board:

School Operating Fund	\$ 1,310,251
School Special Revenue Fund	656,660
Total component unit school board	<u>\$ 1,966,911</u>

Total expenditures of federal awards per basic financial statements	<u>\$ 2,881,134</u>
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BAB's subsidy	<u>\$ (140,724)</u>
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Total expenditures of federal awards per the Schedule of Expenditures of Federal Awards	<u><u>\$ 2,740,410</u></u>
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County of Lunenburg, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiency(ies) identified? _____ yes ☒ none reported

Noncompliance material to financial statements noted? _____ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ☒ no

Significant deficiency(ies) identified? _____ yes ☒ none reported

Type of auditors' report issued on compliance
for major programs: unmodified

Any audit findings disclosed that are required to be
reported in accordance with section .510(a) of
Circular A-133? _____ yes ☒ no

Identification of major programs:

CFDA Number(s)
10.553/10.555
84.010
84.027/84.173

Name of Federal Program or Cluster
Child Nutrition Cluster
Title I Grants to Local Educational Agencies
Special Education Cluster (IDEA)

Dollar threshold used to distinguish between type A
and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes ☒ no

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

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Status of Prior Audit Findings

There were no prior year audit findings.

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