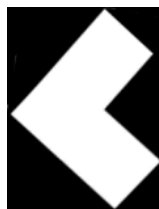


County of Henry, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2016



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

County of Henry, Virginia

Table of Contents

Year Ended June 30, 2016

	Pages
FINANCIAL SECTION	
Independent Auditor's Report	i-ii
Management's Discussion and Analysis	1-9
Basic Financial Statements	
Exhibits	
Government-Wide Financial Statements	
1 Statement of Net Position	10
2 Statement of Activities	11
Fund Financial Statements	
3 Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12-13
4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14-15
5 Statement of Net Position – Proprietary Funds	16
6 Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	17
7 Statement of Cash Flows – Proprietary Funds	18
8 Statement of Fiduciary Assets and Liabilities	19
Notes to the Financial Statements	20-68
Required Supplementary Information	
Exhibit	
9 Budgetary Comparison Schedule – General Fund, Comprehensive Services Act Fund, E-911 Central Dispatch Fund, Law Library Fund, Fieldale Sanitary District Fund, Special Grant Projects Fund, Henry County School Board – School Fund, Henry County School Board – School Textbook Fund, Henry County School Board – School Cafeteria Fund	69-82
Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios	83-84
Schedule of Employer's Share of Net Pension Liability – VRS Teacher Retirement Plan	85
Schedule of Employer Contributions	86

	Pages
Notes to Required Supplementary Information	87

Other Supplementary Information

Schedules

1	Combining Balance Sheet – Component Unit - School Board	88
2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit – School Board	89
3	Statement of Net Position – Component Unit – Industrial Development Authority	90
4	Statement of Revenues, Expenses, and Changes in Net Position – Component Unit – Industrial Development Authority	91
5	Statement of Cash Flows – Component Unit – Industrial Development Authority	92
6	Balance Sheet – Component Unit – Henry-Martinsville Social Services	93
7	Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit – Henry-Martinsville Social Services	94
8	Statement of Revenues, Expenditures, and Changes in Fund Balances – Agency Fund – Gateway Streetscape Foundation, Inc.	95

OTHER INFORMATION SECTION

Tables

1	General Governmental Revenues by Source – Last Ten Fiscal Years	96
2	General Governmental Expenditures by Function – Last Ten Fiscal Years	97
3	Assessed Value of Taxable Property – Last Ten Fiscal Years and Property Tax Rates – Last Ten Fiscal Years	98
4	Property Tax Levies and Collections – Last Ten Fiscal Years	99
5	Ratio of Net General Obligation Bonded Debt to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita – Last Ten Fiscal Years	100
6	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures – Last Ten Fiscal Years	101

COMPLIANCE (SINGLE AUDIT) SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	102-103
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	104-105
Report on Compliance with Commonwealth of Virginia's Laws, Regulations, Contracts, and Grants	106-107
Schedule of Expenditures of Federal Awards	108-110
Notes to Schedule of Expenditures of Federal Awards	111-112
Schedule of Findings and Questioned Costs	113

FINANCIAL SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Sherwood H. Creedle, Emeritus*

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Henry, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Henry, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of June 30, 2016, and the respective changes in financial position and 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 on pages 1-9 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer's share of net pension liability – VRS teacher retirement plan, schedule of employer contributions, and notes to required supplementary information on pages 69–87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Henry, Virginia's basic financial statements. The combining and individual nonmajor fund and component unit financial statements and other information section 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2017, on our consideration of the County of Henry, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Henry, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Henry, Virginia presents the following discussion and analysis as an overview of the County of Henry, Virginia's financial activities for the fiscal year ending June 30, 2016. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the County, excluding its Component Units, exceeded its liabilities and deferred inflows of resources by \$48,022,871. Of this amount, \$31,555,909 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the County's governmental activities were \$50,077,008 and expenses amounted to \$56,061,999. The County's total net position decreased \$5,984,991.
- For business-type activities, revenues were \$168,726 and expenses were \$182,851. The net position decreased by \$14,125.

Highlights for Fund Financial Statements

- As of June 30, 2016, the County's Governmental Funds reported combined fund balances of \$35,977,891, an increase of \$1,986,316 in comparison with the prior year. Approximately 72.9 percent of the combined fund balances, \$26,214,068, is available to meet the County's current and future needs based on fund classifications explained in the notes to the financial statements.
- The General Fund reported a fund balance of \$35,527,048, an increase of \$2,009,611 from June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education. Philpott Marina activities represent the business-type activities.

Furthermore, the government-wide financial statements include legally separate entities, the school board and the Industrial Development Authority, for which the County is financially accountable. The County is the fiscal agent for the Henry-Martinsville Social Services, which is supported by funds from the Federal government, Commonwealth of Virginia, County General Fund, and the City of Martinsville, Virginia. Financial information for component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single aggregated presentation.

The County has three types of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects Funds, all of which are considered to be major funds.

Proprietary Funds – The County uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information. The County uses an Internal Service Fund to account for financing of goods and services provided by one department or agency to other departments or agencies of the County government.

Fiduciary Funds – The County is the trustee, or fiduciary, for the County's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position As of June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 43,984,123	\$ 39,040,992	\$ 35,761	\$ 23,163	\$ 44,019,884	\$ 39,064,155
Capital assets (net)	39,502,358	40,821,378	1,275,645	1,304,173	40,778,003	42,125,551
Deferred Outflows of Resources	<u>1,622,731</u>	<u>1,548,868</u>	<u>-</u>	<u>-</u>	<u>1,622,731</u>	<u>1,548,868</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 85,109,212</u>	<u>\$ 81,411,238</u>	<u>\$ 1,311,406</u>	<u>\$ 1,327,336</u>	<u>\$ 86,420,618</u>	<u>\$ 82,738,574</u>
Liabilities						
Other liabilities	\$ 3,503,986	\$ 1,844,706	\$ 44,155	\$ 45,960	\$ 3,548,141	\$ 1,890,666
Long-term liabilities	31,569,793	22,180,926	-	-	31,569,793	22,180,926
Total Liabilities	35,073,779	24,025,632	44,155	45,960	35,117,934	24,071,592
Deferred Inflows of Resources	<u>2,012,562</u>	<u>3,377,744</u>	<u>-</u>	<u>-</u>	<u>2,012,562</u>	<u>3,377,744</u>
Net Position						
Net investment in capital assets	16,466,962	26,282,828	1,275,645	1,304,173	17,742,607	27,587,001
Unrestricted	31,555,909	27,725,034	(8,394)	(22,797)	31,547,515	27,702,237
Total Net Position	<u>48,022,871</u>	<u>54,007,862</u>	<u>1,267,251</u>	<u>1,281,376</u>	<u>49,290,122</u>	<u>55,289,238</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 85,109,212</u>	<u>\$ 81,411,238</u>	<u>\$ 1,311,406</u>	<u>\$ 1,327,336</u>	<u>\$ 86,420,618</u>	<u>\$ 82,738,574</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's Primary Government reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,290,122 at June 30, 2016. The portion of the reporting entity's net position, \$17,742,607, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for services	\$ 628,499	\$ 618,121	\$ 140,014	\$ 141,672	\$ 768,513	\$ 759,793
Grants and contributions	8,368,671	8,479,662	21,534	2,250	8,390,205	8,481,912
General Revenues						
General property taxes, real and personal	24,182,144	23,873,675	-	-	24,182,144	23,873,675
Other taxes	12,219,982	12,004,009	-	-	12,219,982	12,004,009
Noncategorical aid from state	4,216,541	4,261,284	-	-	4,216,541	4,261,284
Use of property	-	404,003	-	-	-	404,003
Investment earnings	425,548	337,956	-	-	425,548	337,956
Miscellaneous	35,623	85,617	-	-	35,623	85,617
Transfers in	-	-	7,178	80,719	7,178	80,719
Total Revenues	50,077,008	50,064,327	168,726	224,641	50,245,734	50,288,968
Expenses						
General government administration	2,865,218	2,399,547	-	-	2,865,218	2,399,547
Judicial administration	2,887,147	2,737,624	-	-	2,887,147	2,737,624
Public safety	13,829,138	13,444,771	-	-	13,829,138	13,444,771
Public works	3,336,704	3,845,173	-	-	3,336,704	3,845,173
Health and welfare	1,935,401	2,012,887	-	-	1,935,401	2,012,887
Education	25,606,619	13,135,006	-	-	25,606,619	13,135,006
Parks, recreation, and cultural	2,002,699	1,929,984	182,851	182,480	2,185,550	2,112,464
Community development	2,843,856	2,589,076	-	-	2,843,856	2,589,076
Interest on long-term debt	748,039	591,831	-	-	748,039	591,831
Transfers out	7,178	80,719	-	-	7,178	80,719
Total Expenses	56,061,999	42,766,618	182,851	182,480	56,244,850	42,949,098
Increase (Decrease) in Net Position	(5,984,991)	7,297,709	(14,125)	42,161	(5,999,116)	7,339,870
Beginning Net Position	54,007,862	46,710,153	1,281,376	1,239,215	55,289,238	47,949,368
Ending Net Position	\$48,022,871	\$54,007,862	\$1,267,251	\$ 1,281,376	\$49,290,122	\$55,289,238

Governmental activities decreased the County's net position by \$5,984,991 for fiscal year 2016. Revenues from governmental activities totaled \$50,077,008. General property taxes comprise the largest source of these revenues, totaling \$24,182,144 or 48.2 percent of all governmental activities revenue. Business-type activities revenues totaled \$168,726 and expenses totaled \$182,851 decreasing the net position by \$14,125.

The total cost of all governmental activities for this fiscal year was \$56,061,999. Education was the County's largest program with expenses totaling \$25,606,619. Public safety, which totals \$13,829,138, represents the second largest expense.

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

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>		<u>2015</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 2,865,218	\$ (2,428,660)	\$ 2,399,547	\$ (1,972,027)
Judicial administration	2,887,147	(1,614,522)	2,737,624	(1,485,123)
Public safety	13,829,138	(7,513,235)	13,444,771	(7,464,737)
Public works	3,336,704	(3,228,579)	3,845,173	(3,695,298)
Health and welfare	1,935,401	(1,518,668)	2,012,887	(1,359,439)
Parks, recreation, and cultural	2,002,699	(1,965,261)	1,929,984	(1,889,117)
Community development	2,843,856	(2,434,068)	2,589,076	(1,995,538)
Education	25,606,619	(25,606,619)	13,135,006	(13,135,006)
Interest on long-term debt	<u>748,039</u>	<u>(748,039)</u>	<u>591,831</u>	<u>(591,831)</u>
Total	<u>\$ 56,054,821</u>	<u>\$ (47,057,651)</u>	<u>\$ 42,685,899</u>	<u>\$ (33,588,116)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2016, the County's Governmental Funds reported a combined ending fund balance of \$35,977,891. The unassigned fund balance is \$26,214,068 which is available for spending at the government's discretion. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 53.5 percent of total fund expenditures.

- The General Fund contributed operating funds to finance the component units as follows: \$17,443,577 School Board operations, \$1,631,420 to finance the Industrial Development Authority, and \$519,342 to the Social Services Board.

The Special Grant Projects Fund has a total fund balance of \$218,613, all of which is assigned for ongoing and future grant projects.

BUDGETARY HIGHLIGHTS

General Fund

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

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>			<u>2015</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 23,501,356	\$ 23,501,356	\$ 24,025,389	\$ 22,956,023	\$ 22,956,023	\$ 23,871,330
Other	14,897,157	15,278,950	16,498,636	14,695,819	15,137,958	16,023,568
Intergovernmental	10,302,735	14,238,156	11,568,883	10,117,663	14,772,032	11,475,765
Total	48,701,248	53,018,462	52,092,908	47,769,505	52,866,013	51,370,663
Expenditures	47,405,232	61,418,335	48,968,997	46,632,795	61,449,261	47,089,173
Excess (Deficiency) of Revenues Over Expenditures	1,296,016	(8,399,873)	3,123,911	1,136,710	(8,583,248)	4,281,490
Other Financing Sources (Uses)						
Proceeds of capital leases	-	-	-	-	-	193,612
Transfers in (out)	(1,296,016)	(1,398,094)	(1,114,300)	(1,136,710)	(1,176,881)	(1,050,642)
Total	(1,296,016)	(1,398,094)	(1,114,300)	(1,136,710)	(1,176,881)	(857,030)
Net Change in Fund Balance Before Transfer from Surplus	-	(9,797,967)	2,009,611	-	(9,760,129)	3,424,460
Transfer from Surplus Funds	-	9,797,967	-	-	9,760,129	-
Change in Fund Balance	\$ -	\$ -	\$ 2,009,611	\$ -	\$ -	\$ 3,424,460

Final amended budget revenues were more than the original budget by \$4,317,214.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$14,013,103 primarily because appropriations carried forward on encumbrances, open grants, and incomplete capital projects plus additional money appropriated to the School Board.

Actual revenues were less than final budget amounts by \$925,554, or 1.7 percent, while actual expenditures were \$12,449,338, or 20.3 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2016, the County's net investment in capital assets totals \$16,466,962, which is net capital assets less related debt for governmental activities and \$1,275,645 for business-type activities.

During fiscal year 2016, the County's net capital assets (including additions, decreases, and depreciation) decreased \$570,422 for governmental activities, decreased \$28,528 for business-type activities; increased \$1,930,607 for the School Board; decreased \$1,261 for the IDA; and increased \$1,647 for Social Services as summarized in the following tables:

Change in Capital Assets

Primary Government

Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 2,926,097	\$ 169,164	\$ 3,095,261
Construction in process	-	136,800	136,800
Buildings and improvements	25,082,690	(1,862,858)	23,219,832
Furniture, equipment, and vehicles	13,207,401	5,338,787	18,546,188
Total Capital Assets	41,216,188	3,781,893	44,998,081
Less: Accumulated depreciation and amortization	(23,079,025)	(4,352,315)	(27,431,340)
Total Capital Assets, Net Before Allocation of Schools	\$ 18,137,163	\$ (570,422)	17,566,741
Allocation of net school buildings with outstanding debt			21,935,617
Total Capital Assets, Net			<u>\$ 39,502,358</u>

Business-Type Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 51,876	\$ -	\$ 51,876
Buildings and improvements	1,182,485	28,712	1,211,197
Furniture, equipment, and vehicles	140,158	-	140,158
Total Capital Assets	1,374,519	28,712	1,403,231
Less: Accumulated depreciation and amortization	(70,346)	(57,240)	(127,586)
Total Capital Assets, Net	<u>\$ 1,304,173</u>	<u>\$ (28,528)</u>	<u>\$ 1,275,645</u>

Component Units

School Board

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 787,516	\$ 614,227	\$ 1,401,743
Construction in process	645,042	1,358,415	2,003,457
Buildings and improvements	78,512,899	1,601,215	80,114,114
Furniture, equipment, and vehicles	11,838,030	425,357	12,263,387
Total Capital Assets	91,783,537	3,999,214	95,782,701
Less: Accumulated depreciation and amortization	(45,337,883)	(2,068,607)	(47,406,490)
Total Capital Assets, Net Before Allocation to County	\$ 46,445,654	\$ 1,930,607	48,376,211
Allocation of net school buildings with outstanding debt			(21,935,617)
Total Capital Assets, Net			<u>\$ 26,440,594</u>

Note: School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off.

IDA

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Equipment	\$ 4,446,364	\$ (4,440,059)	\$ 6,305
Total Capital Assets	4,446,364	(4,440,059)	6,305
Less: Accumulated depreciation and amortization	(4,441,425)	4,438,798	(2,627)
Total Capital Assets, Net	<u>\$ 4,939</u>	<u>\$ (1,261)</u>	<u>\$ 3,678</u>

Henry-Martinsville Social Services

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Machinery and equipment	\$ 259,101	\$ 13,691	\$ 272,792
Less: Accumulated depreciation and amortization	(208,061)	(12,044)	(220,105)
Total Capital Assets, Net	<u>\$ 51,040</u>	<u>\$ 1,647</u>	<u>\$ 52,687</u>

Long-Term Debt

As of June 30, 2016, the County's long-term obligations, excluding the Component Units, total \$25,582,835.

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Governmental Activities			
General obligation bonds	\$ 10,568,839	\$ (767,618)	\$ 9,801,221
Lease Revenue Bond 2015	-	10,000,000	10,000,000
Capital leases	126,279	(61,781)	64,498
Literary Fund loans	1,779,398	(541,289)	1,238,109
Recovery Zone bonds	1,665,000	(90,000)	1,575,000
Landfill obligation	260,423	2,344	262,767
Compensated absences	2,238,118	46,554	2,284,672
LT Agreement	126,400	(19,200)	107,200
	16,764,457	8,569,010	25,333,467
Add: Premiums	272,634	(23,266)	249,368
Total Governmental Activities	<u>\$ 17,037,091</u>	<u>\$ 8,545,744</u>	<u>\$ 25,582,835</u>

General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

More detailed information on the County's long-term obligations is presented in Note 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the County of Henry, Virginia in June 2016 was 5.7 percent, a decrease of 1.6 percent from June 2015. This compares unfavorably to the state's rate of 4.0 percent and the national rate of 5.1 percent.
- According to the 2010 U.S. Census, the population in Henry County, Virginia was 54,151, a decrease of 6.5%, since the 2000 U.S. Census. The latest estimate by University of Virginia Weldon Cooper Center for Public Service is a population of 53,560, a decrease of 1.09% from 2010 U.S. census.
- The per capita income in Henry County, Virginia was \$32,546, compared to \$50,345 for the state, according to the latest available estimates from the U.S. Department of Commerce Bureau of Economic Analysis.

The fiscal year 2017 Adopted Budget anticipates General Fund revenues and expenditures to be \$49,600,300, a 1.85 percent increase over the fiscal year 2016 original budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the County of Henry, Director of Finance, P. O. Box 7, Collinsville, Virginia 24078-0007, telephone 276-634-4630, or visit the County's website at www.henrycountyva.gov.

BASIC FINANCIAL STATEMENTS



County of Henry, Virginia

Statement of Net Position

At June 30, 2016

	<u>Primary Government</u>				<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
Assets						
Cash	\$ 36,625,236	\$ 200	\$ 36,625,436	\$ 1,936,932	\$ 125,044	\$ 74,123
Cash - restricted	-	-	-	8,461,093	-	-
Receivables, net	4,741,889	227	4,742,116	345,051	1,514,732	3,426
Due from County of Henry, Virginia - primary government	-	-	-	1,540,866	510,269	-
Due from other funds	-	27,415	27,415	-	-	-
Due from other governments/agencies	2,541,842	-	2,541,842	2,844,811	-	728,524
Inventory	28,851	7,919	36,770	-	32,936,148	-
Notes receivable	-	-	-	-	676,360	-
Net OPEB prepaid liability	46,305	-	46,305	50,815	-	84,197
Capital Assets						
Land and construction in progress	3,232,061	47,842	3,279,903	3,405,200	-	-
Other capital assets, net of accumulated depreciation	36,270,297	1,227,803	37,498,100	23,035,394	3,678	52,687
Capital Assets, Net	39,502,358	1,275,645	40,778,003	26,440,594	3,678	52,687
Deferred Outflows of Resources						
Deferred outflows - VRS pension liability	1,622,731	-	1,622,731	5,291,751	-	332,367
Total Assets and Deferred Outflows of Resources	<u>\$ 85,109,212</u>	<u>\$ 1,311,406</u>	<u>\$ 86,420,618</u>	<u>\$ 46,911,913</u>	<u>\$ 35,766,231</u>	<u>\$ 1,275,324</u>
Liabilities						
Accounts payable	\$ 549,213	\$ 814	\$ 550,027	\$ 1,014,237	\$ 794,918	\$ -
Accrued payroll and other liabilities	272,318	4,165	276,483	3,858,908	-	41,540
Accrued interest	305,082	-	305,082	-	30,941	-
Claims payable	1,048,500	-	1,048,500	-	-	-
Unearned rents	-	39,176	39,176	-	-	-
Due to other governments/agencies	14,856	-	14,856	-	1,412,379	-
Due to other funds	27,415	-	27,415	-	-	-
Due to component units	1,286,602	-	1,286,602	-	-	-
Due to County of Henry, Virginia - primary government	-	-	-	-	-	764,533
Long-Term Liabilities						
<i>Due within one year</i>						
Bonds, loans, other	1,753,019	-	1,753,019	77,866	453,031	3,396
<i>Due in more than one year</i>						
Landfill obligation	236,490	-	236,490	-	-	-
Compensated absences	2,056,205	-	2,056,205	700,789	-	336,223
VRS net pension liability	5,986,958	-	5,986,958	59,862,897	-	1,226,244
Bonds, capital leases, and loans payable, net of premiums	21,537,121	-	21,537,121	-	3,932,156	-
Total Liabilities	35,073,779	44,155	35,117,934	65,514,697	6,623,425	2,371,936
Deferred Inflows of Resources						
Unexpended grants payable	506,051	-	506,051	180,951	350,000	-
Deferred inflows VRS net pension liability	1,506,511	-	1,506,511	6,510,165	-	308,562
Total Deferred Inflows of Resources	2,012,562	-	2,012,562	6,691,116	350,000	308,562
Net Position						
Net investment in capital assets	16,466,962	1,275,645	17,742,607	18,021,180	3,678	52,687
Restricted for capital project	-	-	-	8,370,300	-	-
Unrestricted (deficit)	31,555,909	(8,394)	31,547,515	(51,685,380)	28,789,128	(1,457,861)
Total Net Position (Deficit)	<u>48,022,871</u>	<u>1,267,251</u>	<u>49,290,122</u>	<u>(25,293,900)</u>	<u>28,792,806</u>	<u>(1,405,174)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 85,109,212</u>	<u>\$ 1,311,406</u>	<u>\$ 86,420,618</u>	<u>\$ 46,911,913</u>	<u>\$ 35,766,231</u>	<u>\$ 1,275,324</u>

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

County of Henry, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	School Board	Component Units Industrial Development Authority	Henry-Martinsville Social Services
Primary Government										
Governmental Activities										
General government administration	\$ 2,865,218	\$ 23,348	\$ 413,210	\$ -	\$ (2,428,660)		\$ (2,428,660)			
Judicial administration	2,887,147	116,364	1,156,261	-	(1,614,522)		(1,614,522)			
Public safety	13,829,138	364,375	5,951,528	-	(7,513,235)		(7,513,235)			
Public works	3,336,704	86,974	21,151	-	(3,228,579)		(3,228,579)			
Health and welfare	1,935,401	-	416,733	-	(1,518,668)		(1,518,668)			
Parks, recreation, and cultural	2,002,699	37,438	-	-	(1,965,261)		(1,965,261)			
Community development	2,843,856	-	409,788	-	(2,434,068)		(2,434,068)			
Education - local school	25,550,008	-	-	-	(25,550,008)		(25,550,008)			
Education - community college	56,611	-	-	-	(56,611)		(56,611)			
Interest on long-term debt	748,039	-	-	-	(748,039)		(748,039)			
Total Governmental Activities	56,054,821	628,499	8,368,671	-	(47,057,651)		(47,057,651)			
Business-Type Activities										
Philpott Marina										
Parks, Recreation, and Cultural	182,851	140,014	21,534	-		\$ (21,303)	(21,303)			
Total Business-Type Activities	182,851	140,014	21,534	-		(21,303)	(21,303)			
Total Primary Government	\$ 56,237,672	\$ 768,513	\$ 8,390,205	\$ -			(47,078,954)			
Component Units										
School Board										
Instruction	\$ 42,728,432	\$ 549,013	\$ 46,153,149	\$ -				\$ 3,973,730		
Administration, attendance, and health	2,794,681	-	-	-				(2,794,681)		
Pupil transportation	4,980,556	-	-	-				(4,980,556)		
Operation and maintenance	5,534,576	-	-	-				(5,534,576)		
School food service - cafeterias	4,328,938	671,738	3,877,235	-				220,035		
Special grants	8,293,498	-	8,293,498	-				-		
Facilities	1,659,000	-	-	-				(1,659,000)		
Technology	2,342,745	-	-	-				(2,342,745)		
Total School Board	72,662,426	1,220,751	58,323,882	-				(13,117,793)		
Industrial Development Authority										
Economic development	1,163,300	-	1,819,400	-					\$ 656,100	
Interest	106,579	-	-	-					(106,579)	
Total Industrial Development Authority	1,269,879	-	1,819,400	-					549,521	
Henry-Martinsville Social Services										
Health and welfare	6,168,002	-	5,828,593	-						\$ (339,409)
Total - Component Units	\$ 80,100,307	\$ 1,220,751	\$ 65,971,875	\$ -						(12,907,681)
General Revenues										
Unrestricted										
General property taxes					24,182,144	-	24,182,144	-	-	-
Other local taxes					12,219,982	-	12,219,982	-	-	-
Payments - County of Henry, Virginia					-	-	-	25,550,008	1,631,420	519,342
Use of property					-	-	-	49,979	-	-
Investment income					425,548	-	425,548	38,009	60,516	-
Miscellaneous					35,623	-	35,623	937,052	2,931,851	23,614
Noncategorical aid from state					4,216,541	-	4,216,541	-	-	-
Transfers in (out)					(7,178)	7,178	-	-	-	-
Total General Revenues and Transfers					41,072,660	7,178	41,079,838	26,575,048	4,623,787	542,956
Change in Net Position					(5,984,991)	(14,125)	(5,999,116)	13,457,255	5,173,308	203,547
Net Position (Deficit) - Beginning of Year					54,007,862	1,281,376	55,289,238	(38,751,155)	23,619,498	(1,608,721)
Net Position (Deficit) - End of Year					\$ 48,022,871	\$ 1,267,251	\$ 49,290,122	\$ (25,293,900)	\$ 28,792,806	\$ (1,405,174)

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

County of Henry, Virginia

Balance Sheet

Governmental Funds

At June 30, 2016

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
Assets							
Cash	\$34,611,652	\$ -	\$ -	\$ -	\$ 111,452	\$ -	\$ 34,723,104
Receivables - net							
Taxes	1,541,456	-	-	-	-	-	1,541,456
Licenses	47,909	-	-	-	-	-	47,909
Accounts	1,228,537	-	1,247	2,247	-	-	1,232,031
Due from other funds	491,926	-	-	121,800	-	629,585	1,243,311
Due from component units	1,164,407	-	-	-	-	-	1,164,407
Due from other governments/agencies	1,889,788	120,135	425,481	-	-	106,438	2,541,842
Inventory	28,851	-	-	-	-	-	28,851
Total Assets	<u>\$41,004,526</u>	<u>\$ 120,135</u>	<u>\$ 426,728</u>	<u>\$ 124,047</u>	<u>\$ 111,452</u>	<u>\$ 736,023</u>	<u>\$ 42,522,911</u>
Liabilities							
Accounts payable	\$ 490,671	\$ 35,891	\$ 3,056	\$ 1,447	\$ 1,398	\$ 13,530	\$ 545,993
Accrued liabilities	255,904	712	15,702	-	-	-	272,318
Due to other governments/agencies	14,856	-	-	-	-	-	14,856
Due to other funds	778,800	83,532	407,970	-	424	-	1,270,726
Due to component units	<u>2,451,009</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,451,009</u>
Total Liabilities	3,991,240	120,135	426,728	1,447	1,822	13,530	4,554,902
Deferred Inflows of Resources							
Unavailable revenue - unearned grants	2,171	-	-	-	-	503,880	506,051
Unavailable revenue - taxes and licenses	<u>1,484,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,484,067</u>
Total Deferred Inflows of Resources	1,486,238	-	-	-	-	503,880	1,990,118
Fund Balances							
Nonspendable fund balance	28,851	-	-	-	-	-	28,851
Restricted fund balance	604,099	-	-	122,600	109,630	-	836,329
Committed fund balance	3,451,949	-	-	-	-	-	3,451,949
Assigned fund balance	5,228,081	-	-	-	-	218,613	5,446,694
Unassigned fund balance	<u>26,214,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,214,068</u>
Total Fund Balances	<u>35,527,048</u>	<u>-</u>	<u>-</u>	<u>122,600</u>	<u>109,630</u>	<u>218,613</u>	<u>35,977,891</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$41,004,526</u>	<u>\$ 120,135</u>	<u>\$ 426,728</u>	<u>\$ 124,047</u>	<u>\$ 111,452</u>	<u>\$ 736,023</u>	<u>\$ 42,522,911</u>

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

County of Henry, Virginia

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

At June 30, 2016

Total Fund Balances for Governmental Funds		\$ 35,977,891
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land and construction in progress	\$ 3,061,360	
School assets associated with debt held by County	21,935,617	
Buildings and improvements, net of accumulated depreciation	10,213,705	
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>4,291,676</u>	
Total Capital Assets		39,502,358
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - taxes and licenses		1,484,067
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,622,731	
Deferred inflows of resources related to pensions	<u>(1,506,511)</u>	
Total Deferred Outflows and Inflows of Resources		116,220
Internal service funds are used by the County to charge the cost of health insurance benefits to individual funds and the component units. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		
		2,770,905
Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds, capital leases, and notes payable with related premiums	(23,035,396)	
Accrued interest payable	(305,082)	
OPEB (obligation) asset	46,305	
Net VRS pension liability	(5,986,958)	
Landfill closure and post-closure liability	(262,767)	
Compensated absences	<u>(2,284,672)</u>	
Total		<u>(31,828,570)</u>
Total Net Position of Governmental Activities		<u>\$ 48,022,871</u>

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

County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2016

	General Fund	Comprehensive Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
Revenues							
General property taxes	\$ 24,025,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,025,389
Other local taxes	12,219,982	-	-	-	-	-	12,219,982
Permits, privilege fees, and regulatory licenses	64,192	-	-	-	-	-	64,192
Fines and forfeitures	171,390	-	-	-	-	-	171,390
Use of money and property	820,430	-	-	-	1,190	-	821,620
Charges for services	384,643	-	-	8,274	-	-	392,917
Miscellaneous	35,623	-	-	-	-	-	35,623
Recovered costs	2,802,376	42,251	424,101	5,679	-	7,525	3,281,932
<i>Intergovernmental</i>							
Revenue from the Commonwealth of Virginia	10,548,299	322,099	509,621	-	-	-	11,380,019
Revenue from the Federal Government	<u>1,020,584</u>	<u>18,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,392</u>	<u>1,205,193</u>
Total Revenues	52,092,908	382,567	933,722	13,953	1,190	173,917	53,598,257
Expenditures							
Current							
General government administration	3,138,381	-	-	-	-	-	3,138,381
Judicial administration	2,879,013	-	-	16,903	-	-	2,895,916
Public safety	13,615,200	-	1,817,262	-	-	-	15,432,462
Public works	3,456,106	-	-	-	17,031	-	3,473,137
Health and welfare - social services component unit	519,342	-	-	-	-	-	519,342
Health and welfare	778,570	605,204	-	-	-	-	1,383,774
Education - community college	56,611	-	-	-	-	-	56,611
Education - school board component unit	17,443,577	-	-	-	-	-	17,443,577
Parks, recreation, and cultural	1,832,590	-	-	-	-	-	1,832,590
Community development - IDA component unit	1,631,420	-	-	-	-	-	1,631,420
Community development	1,983,094	-	-	-	-	179,366	2,162,460
Nondepartmental	93,018	-	-	-	-	-	93,018
<i>Debt service</i>							
Principal	61,781	-	-	-	-	-	61,781
Interest	5,552	-	-	-	-	-	5,552
Capital outlay	<u>1,474,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,474,742</u>
Total Expenditures	<u>48,968,997</u>	<u>605,204</u>	<u>1,817,262</u>	<u>16,903</u>	<u>17,031</u>	<u>179,366</u>	<u>51,604,763</u>
Excess (Deficiency) of Revenues Over Expenditures	3,123,911	(222,637)	(883,540)	(2,950)	(15,841)	(5,449)	1,993,494
Other Financing Sources (Uses)							
Transfers in	-	222,637	883,540	-	-	945	1,107,122
Transfers out	<u>(1,114,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,114,300)</u>
Total Other Financing Sources (Uses)	<u>(1,114,300)</u>	<u>222,637</u>	<u>883,540</u>	<u>-</u>	<u>-</u>	<u>945</u>	<u>(7,178)</u>
Net Change in Fund Balances	2,009,611	-	-	(2,950)	(15,841)	(4,504)	1,986,316
Fund Balances - Beginning of Year	<u>33,517,437</u>	<u>-</u>	<u>-</u>	<u>125,550</u>	<u>125,471</u>	<u>223,117</u>	<u>33,991,575</u>
Fund Balances - End of Year	<u>\$ 35,527,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,600</u>	<u>\$ 109,630</u>	<u>\$ 218,613</u>	<u>\$ 35,977,891</u>

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

County of Henry, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds		\$ 1,986,316
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.		
Net capital outlays and dispositions of assets	\$ 1,206,013	
Depreciation expense	<u>(1,776,435)</u>	(570,422)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts recorded as revenues in the fund statements versus the Statement of Activities on a year-to-year basis.		
		156,755
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.		
Proceeds from new debt	(10,000,000)	
Tower lease	19,200	
Repayment of principal and adjustment to bond premiums	1,483,954	
Change in accrued interest	<u>(111,027)</u>	
Net Adjustment		(8,607,873)
Change in allocation of school's capital assets (new school buildings) that have debt held and payable by the County associated with the buildings.		
Change in net school assets allocated to County	<u>(748,598)</u>	(748,598)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Pension contributions	73,863	
Cost of benefits earned net of employee contributions	<u>908,077</u>	981,940
Internal service funds are used by the County to charge the cost of health insurance benefits. This is the net income from these funds.		
		818,373
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:		
OPEB obligation	47,416	
Landfill obligation - closure monitoring	(2,344)	
Compensated absences	<u>(46,554)</u>	
Net Adjustment		<u>(1,482)</u>
Change in Net Position of Governmental Activities		<u>\$ (5,984,991)</u>

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

County of Henry, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2016

	Business-Type Activities - Enterprise Fund Philpott Marina Fund #51	Internal Service Fund Self-insurance Fund #58
Assets		
Current Assets		
Cash	\$ 200	\$ 1,902,132
Receivables, net	227	1,920,493
Inventory	7,919	-
Due from General Fund	<u>27,415</u>	<u>-</u>
Total Current Assets	35,761	3,822,625
Noncurrent Assets		
Capital assets, net	<u>1,275,645</u>	<u>-</u>
Total Noncurrent Assets	<u>1,275,645</u>	<u>-</u>
Total Assets	<u>\$ 1,311,406</u>	<u>\$ 3,822,625</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 814	\$ 3,220
Accrued payroll and other liabilities	4,165	-
Claims payable	-	1,048,500
Unearned rents	<u>39,176</u>	<u>-</u>
Total Current Liabilities	<u>44,155</u>	<u>1,051,720</u>
Total Liabilities	44,155	1,051,720
Net Position		
Net investment in capital assets	1,275,645	-
Unrestricted (deficit)	<u>(8,394)</u>	<u>2,770,905</u>
Total Net Position	<u>1,267,251</u>	<u>2,770,905</u>
Total Liabilities and Net Position	<u>\$ 1,311,406</u>	<u>\$ 3,822,625</u>

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

County of Henry, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2016

	Business-Type Activities - <u>Enterprise Fund</u> <u>Philpott Marina</u> <u>Fund #51</u>	<u>Internal</u> <u>Service Fund</u> <u>Self-insurance</u> <u>Fund #58</u>
Operating Revenues		
Charges for services, premiums collected	\$ -	\$ 11,410,750
Charges for services, net - fuel and store sales	75,391	-
Charges for services, net - rentals	64,623	-
Federal operating grant	<u>21,534</u>	<u>-</u>
Total Operating Revenues	161,548	11,410,750
Operating Expenses		
Personal services	47,934	-
Fringe benefits	5,087	-
Repairs and maintenance	3,631	-
Food and store purchases for resale	21,100	-
Fuel purchases for resale	33,326	-
Utilities	9,649	-
Office expenses	3,220	-
Insurance	704	-
Other supplies and charges	257	-
Small construction and equipment purchases	703	-
Depreciation	57,240	-
Insurance claims paid and transaction fees	<u>-</u>	<u>10,605,626</u>
Total Operating Expenses	<u>182,851</u>	<u>10,605,626</u>
Operating Income (Loss)	(21,303)	805,124
Nonoperating Revenues (Expenses)		
Interest income	<u>-</u>	<u>13,249</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>13,249</u>
Income (Loss) Before Transfers	(21,303)	818,373
Operating Transfers In	<u>7,178</u>	<u>-</u>
Net Operating Transfers	<u>7,178</u>	<u>-</u>
Change in Net Position	(14,125)	818,373
Total Net Position - Beginning of Year	<u>1,281,376</u>	<u>1,952,532</u>
Total Net Position - End of Year	<u>\$ 1,267,251</u>	<u>\$ 2,770,905</u>

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

County of Henry, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

	Business-Type Activities - Enterprise Fund Philpott Marina Fund #51	Internal Service Fund Self-insurance Fund #58
Cash Flows from Operating Activities		
Receipts from customers	\$ 138,754	\$ 12,167,023
Receipts from federal grants	23,784	-
Payments for personnel and related costs	(51,964)	-
Payments to suppliers and other operating costs	<u>(73,040)</u>	<u>(10,340,806)</u>
Net Cash Provided by Operating Activities	37,534	1,826,217
Cash Flows from Noncapital Financing Activities		
Payments on Due to/Due from General Fund	(16,000)	(1,000,000)
Net transfers from other funds	<u>7,178</u>	<u>-</u>
Net Cash Used in Noncapital Financing Activities	(8,822)	(1,000,000)
Cash Flows from Capital and Related Financing Activities		
Purchases and construction of capital assets	<u>(28,712)</u>	<u>-</u>
Net Cash Used in Capital and Related Financing Activities	(28,712)	-
Cash Flows from Investing Activities		
Interest income	<u>-</u>	<u>13,249</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>13,249</u>
Net Increase in Cash and Cash Equivalents	-	839,466
Cash and Cash Equivalents - Beginning of Year	<u>200</u>	<u>1,062,666</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 200</u></u>	<u><u>\$ 1,902,132</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (21,303)	\$ 805,124
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>		
Depreciation expense	57,240	-
<i>Changes in assets and liabilities</i>		
Receivables, net	164	756,273
Due from Federal Government	2,250	-
Inventory	988	-
Accounts payable	(1,438)	264,820
Accrued expenses and payroll liabilities	1,057	-
Unearned rents	<u>(1,424)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 37,534</u></u>	<u><u>\$ 1,826,217</u></u>

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

County of Henry, Virginia

Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2016

Agency Funds

	<u>Special Welfare</u>	<u>Gateway Streetscape Foundation, Inc.</u>	<u>Jail Inmate</u>	<u>OPEB Trust</u>	<u>Total</u>
Assets					
Cash	\$ 5,767	\$ 75,063	\$ 98,682	\$ 2,064,827	\$ 2,244,339
Accounts receivable	-	204	-	-	204
Due from other governmental unit	-	14,856	-	-	14,856
Capital assets, net	-	1,552	-	-	1,552
Total Assets	<u>\$ 5,767</u>	<u>\$ 91,675</u>	<u>\$ 98,682</u>	<u>\$ 2,064,827</u>	<u>\$ 2,260,951</u>
Liabilities					
Accounts payable and accrued expenses	\$ -	\$ 11,252	\$ -	\$ -	\$ 11,252
Amounts held for others	<u>5,767</u>	<u>80,423</u>	<u>98,682</u>	<u>2,064,827</u>	<u>2,249,699</u>
Total Liabilities	<u>\$ 5,767</u>	<u>\$ 91,675</u>	<u>\$ 98,682</u>	<u>\$ 2,064,827</u>	<u>\$ 2,260,951</u>

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

County of Henry, Virginia

Notes to the Financial Statements

Year Ended June 30, 2016

1 Summary of Significant Accounting Policies

Narrative Profile

The County of Henry, Virginia (the "County") has a population of approximately 54,151 living within an area of 382 square miles. The County is located in the foothills of the Blue Ridge Mountains, in the southern Piedmont region of Virginia. The borders are shared with Patrick County to the west, Franklin County to the north, Pittsylvania County to the east, and the North Carolina line to the south.

The County was named for Patrick Henry, who lived there from 1780 to 1784. They originally were part of Pittsylvania County, but then went on their own in 1777.

The County of Henry, Virginia (the "County") is governed under the County Administration-Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and cultural, community development, and education.

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

1-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 Henry, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Individual Component Unit Disclosures

Discretely Presented Component Units

Henry County School Board

Henry County School Board (the “School Board”) is organized as an independently governed school system for operating the public schools in the County. Citizens of the County elect school board members. The School Board is financially dependent on appropriations by the County Board of Supervisors for current operations, with any surplus funds returned to the County annually. In addition, major capital improvements are financed by long-term debt issued by the County. In accordance with requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, the School Board is considered to be a major component unit of the County. The government-wide statements are shown on the Statement of Net Position and the Statement of Activities, and the School Board governmental fund combining statements are shown in the Other Supplementary Information section.

Industrial Development Authority of Henry County, Virginia

The Industrial Development Authority of Henry County, Virginia (the “IDA”) operates as an enterprise activity by assisting local industry with bond financing. The IDA is a legally separate organization; however, the Board of Supervisors of the County appoints all of the IDA’s Board, and the County is legally obligated for the debts of the IDA. The IDA is presented as a discretely presented component unit for reporting purposes. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position and the governmental fund statements are shown in the Other Supplementary Information section.

Henry-Martinsville Social Services Board

The Henry-Martinsville Social Services Board (the “HMSS”) operates the Department of Social Services for both the County and the City. This joint entity was established June 1, 1997. Of the nine Board members, the County appoints six. The County is financially accountable for HMSS because it appoints a majority of the Board members and because the County is legally obligated to finance the deficits of, and provide financial support to, the Board. The County and the City have an agreement in which the City will reimburse the County for their share of administrative, operating, and maintenance costs that are unreimbursed by state or federal grants. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the governmental fund statements are shown in the Other Supplementary Information section. These entities are collectively included and referred to as the “County.”

Exclusions from the Reporting Entity

Related Organization

Henry County Public Service Authority

The primary function of Henry County Public Service Authority (the “HCPSA”) is to provide water and sewer services to areas of the County. The HCPSA Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for HCPSA comes from state and federal grants as well as

from charges for services. The County provides some financial assistance, but HCPSA is not financially dependent on the County. The Board of Supervisors appoints a Board member to the HCPSA from each County district. While not a component unit of the County, HCPSA is considered to be a related organization since the County has determinable ongoing financial interests in or responsibilities for HCPSA. The County contributed \$406,800 to the Authority for fire hydrant rental during the year.

1-B. Financial Reporting Model

The County's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, required and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the County and its discretely presented component units at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and for each identifiable activity of the business-type activities of the County. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

1-C. Financial Statement Presentation

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

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:

- *General Fund*

The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes. A significant part of the General Fund's revenue is transferred to other funds and component units, principally to finance the operations of the County's Public Schools.

- *Special Revenue Funds*

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

- *Comprehensive Services Act Fund*

The Comprehensive Services Act Fund accounts for revenue derived from the Commonwealth of Virginia for the care of the localities' special needs children. This special revenue fund is considered a major governmental fund for reporting purposes.

- *E-911 Central Dispatch Fund*

The E-911 Central Dispatch Fund accounts for the financial transactions associated with the operation of the County's 911 Emergency Services Center. Revenues are primarily derived from reimbursements from the City of Martinsville, Virginia, County of Henry, Virginia, the State Compensation Board, and Virginia Wireless Board. This special revenue fund is considered a major governmental fund for reporting purposes.

- *Law Library Fund*

The Law Library Fund accounts for revenue received from other funds for the use of the library. This special revenue fund is considered a major governmental fund for reporting purposes.

- *Fieldale Sanitary District Fund*

Fieldale Sanitary District – This fund accounted for money held in trust for the benefit of the Fieldale Sanitary District through June 30, 2013. Effective July 1, 2013, the Fieldale Sanitary District Board gifted to the County the remaining cash assets of the District. These funds are accounted for as a special revenue fund to be used for street lights and curb maintenance for the community of Fieldale.

- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has one enterprise fund at this time, Philpott Marina Fund, which accounts for activities of the Marina for recreational use by the citizens of Henry County and the surrounding area. The Component Unit – IDA Fund is also accounted for as a proprietary fund.

- **Internal Service Funds** – Internal service funds account for financing of goods and services provided by one department or agency to other departments or agencies of the County government. Internal service funds consist of the following:

- *Self-Insurance*

This fund accounts for costs associated with providing health insurance benefits to employees of the County, School Board, and Social Services and with managing claims pertaining thereto.

- **Capital Projects Funds** – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital Projects Funds include the following:

- *Special Grant Projects Fund*

The Special Grant Projects Fund accounts for all financial resources used for recording activity for CDBG and related type grants. This fund is considered a major governmental fund for reporting purposes.

- **Fiduciary Funds (Agency Funds)** – Fiduciary 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. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The County maintains the following fiduciary funds:

- **Special Welfare Fund** – The Special Welfare Fund is used to reimburse the Comprehensive Service Act Fund, State Agencies, and others for expenses incurred on behalf of Henry-Martinsville Social Services welfare clients. Income is derived primarily from the Social Security Administration and other local organizations on behalf of the Social Services' clients.
- **Gateway Streetscape Foundation, Inc.** – This fund is used to account for the funds of a local nonprofit organization whose purpose is to improve the Community's aesthetic value by planting flowers and trees on major roadways.

- Jail Inmate Fund – This fund is comprised of cash on inmates of the Henry County Jail at the time of their arrest or contributions to them from their family members. These funds can only be used for the health and welfare of specific County inmates.
- OPEB Trust Fund – This fund is comprised of the money held in trust to fund post-retiree benefits of health insurance for the County, the School Board, and Henry-Martinsville Social Services.

Component Unit (Henry County School Board)

The Henry County School Board has the following funds:

School Fund – The School Fund accounts for the general operations and activities of the schools with the exception of the textbook purchases and cafeteria operations.

School Textbook Fund – The School Textbook Fund handles purchases of textbooks for the school system.

School Cafeteria Fund – The School Cafeteria Fund accounts for all school cafeteria operations including federal and state grants, meal charges, and food purchases.

1-D. Measurement Focus and Basis of Accounting

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.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, judicial administration, 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 expenditures. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The County operates a cash and investment pool which most funds utilize. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements 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, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 *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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

The County levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the County Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of Henry County. The Commonwealth of Virginia assesses public utility property. Neither the County nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and real estate is reassessed every four years. The Commissioner of Revenue prorates billings for property incomplete as of January 1, but completed during the year. Any taxes paid after the due date is subject to a 10 percent penalty and an 8 percent interest charge.

Real estate taxes are billed annually and due by December 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10 percent per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance.

Personal property tax assessments on tangible business property are based on a declining graduated percent of cost based on year of acquisition. All motor vehicles are based on 100 percent of loan value of the property as of January 1 of each year. Personal property taxes do not create a lien on property; however, County vehicle decals, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes. Any taxes paid after the due date is subject to a 10 percent penalty and an 8 percent interest charge.

Property taxes receivable are included as unavailable revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period.

Any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the County receives taxpayers' payments in fiscal year 2016 from the State for its share of the local personal property tax payment (for personal use motor vehicles), with the remainder collected by the County.

1-E-4 *Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

Capital outlays are recorded as expenditures of the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds and as assets in the government-wide financial statements to the extent the County's capitalization thresholds are met. The capitalization thresholds for capitalizing capital assets are \$5,000 and \$100,000 for building additions. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation is recorded on general capital assets on a government-wide basis.

In the fund financial statements, maintenance, repairs, and minor equipment costs are charged to operations when incurred. Expenditures that meet the County's capitalization policy and materially change capacities or extend useful lives are capitalized in the government-wide financial statements. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings	15-40 years
Equipment	3-15 years

1-E-6 Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

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 until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Property taxes receivable but not collected in a 60-day period is unavailable and included as deferred inflow.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and Virginia Retirement System (VRS) Teacher Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's and VRS Teacher Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

1-E-9 Other Postemployment Benefits Plans

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to financial statements present required schedules of funding progress that includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

1-E-10 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – 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 of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for Philpott Marina. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets.

1-E-12 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-13 Long-Term Obligations

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

1-E-14 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-15 Encumbrances

Encumbrance accounting, the recording of purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General, Comprehensive Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds.

1-E-16 Land and Building – Held for Sale

The IDA has land and building that are held for resale to potential industries in the County. The assets are recorded at cost. Periodically, incidental rent is received for the use of these facilities.

1-E-17 Adoption of New GASB Statements

During the fiscal year ended June 30, 2016, the County adopted the following GASB statements:

- Statement No. 72, “Fair Value Measurement and Application”
- Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”
- Statement No. 77, “Tax Abatement Disclosures”

The adoption of these statements had no effect on the current financial statements.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Board of Supervisors annually adopts budgets for the various funds of the primary government and component units. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended and unencumbered appropriations lapse at the end of each fiscal year except as allowed by the Appropriations Resolution.

Budgetary Data

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

1. Prior to April 18, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.
8. The County Administrator is authorized to transfer budgeted amounts within general government departments subject to limitations set in the Appropriations Resolution; however, the School Board and Henry-Martinsville Social Services are authorized to transfer budgeted amounts within each of their respective budget categories.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations at the fund level.

Fund Deficits

The following are reporting a deficit in net position, primarily due to the requirement to report the VRS net pension liability:

<u>Fund</u>	<u>Amount</u>
School Board	\$ (25,293,900)
Henry-Martinsville Social Services	\$ (1,405,174)

3 Deposits and Investments

Deposits

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

Investments

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

The County has invested bond proceeds subject to rebate of arbitrage earnings in SNAP. SNAP is an open-end management investment company registered with the SEC designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. This program provides comprehensive investment management, accounting, and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt financing of Virginia counties, cities, and towns.

Interest Rate Risk

At year end, the County is only invested in SNAP, which has a dollar weighted average portfolio maturity of 90 days and money market funds which are readily available.

Custodial Credit Risk

As required by the Code of Virginia, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all of the County's investments are held in a bank's trust department in the County's name by the County's designated custodian. All investment activity during the year was in securities of the type held at year end.

The above items are reflected in the statements as follows:

Component Units

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry- Martinsville Social Services</u>	<u>Total</u>
Fund Statements						
Deposits and Investments						
Petty cash	\$ 1,525	\$ -	\$ -	\$ -	\$ -	\$ 1,525
Deposits	36,623,911	2,244,339	10,398,025	125,044	74,123	49,465,442
	<u>\$ 36,625,436</u>	<u>\$ 2,244,339</u>	<u>\$ 10,398,025</u>	<u>\$ 125,044</u>	<u>\$ 74,123</u>	<u>\$ 49,466,967</u>
Statement of Net Position						
Deposits and Investments						
Cash and cash equivalents	\$ 36,625,436	\$ -	\$ 10,398,025	\$ 125,044	\$ 74,123	\$ 47,222,628
Fiduciary fund cash	-	2,244,339	-	-	-	2,244,339
	<u>\$ 36,625,436</u>	<u>\$ 2,244,339</u>	<u>\$ 10,398,025</u>	<u>\$ 125,044</u>	<u>\$ 74,123</u>	<u>\$ 49,466,967</u>

Credit Risk

State statute requires that obligations of the Commonwealth of Virginia and its political subdivisions have a debt rating of at least AA by Standard & Poor's (S&P) or equivalent by Moody's Investors Service (Moody's). Repurchase agreements are collateralized by Treasury or Agency obligations of which the market value is at least 102 percent of the purchase price of the agreement. Commercial paper must be issued by an entity incorporated in the U.S. and rated at least A-1 by S&P and P-1 by Moody's. Corporate notes and bonds have a rating of at least AA by S&P and Aa by Moody's. Money market mutual funds must trade on a constant net position value and invest solely in securities otherwise eligible for investment under these guidelines.

Concentration of Credit Risk

Although the intent of the County is to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the County places no limit on the amount it may invest in any one issuer.

4 Receivables

Receivables at June 30, 2016 consist of the following:

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>	<u>Agency Funds</u>
Accounts Receivable						
Property taxes	\$ 2,776,267	\$ -	\$ -	\$ -	\$ -	\$ -
Business licenses	47,909	-	-	-	-	-
Meals taxes	31,932	-	-	-	-	-
Other miscellaneous	<u>3,120,592</u>	<u>227</u>	<u>345,051</u>	<u>1,514,732</u>	<u>3,426</u>	<u>204</u>
Total	5,976,700	227	345,051	1,514,732	3,426	204
Allow ance for uncollectibles	<u>(1,234,811)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 4,741,889</u>	<u>\$ 227</u>	<u>\$ 345,051</u>	<u>\$ 1,514,732</u>	<u>\$ 3,426</u>	<u>\$ 204</u>
Notes Receivable						
Notes receivable	\$ -	\$ -	\$ -	\$ 1,516,299	\$ -	\$ -
Allow ance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(839,939)</u>	<u>-</u>	<u>-</u>
Net Notes Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 676,360</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The Self-Insurance Fund receivable of \$1,920,493 is in Governmental Activities per GASB 34 for Exhibit 1.

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
County of Henry, Virginia		
General Fund (for operations or construction costs)		
From General Fund to Central Dispatch Fund	\$ -	\$ 883,540
From General Fund to Special Grant Projects Fund	-	945
From General Fund to Philpott Marina Fund	-	7,178
From General Fund to Comprehensive Services Fund	-	222,637
Comprehensive Services Act Fund		
From General Fund to Comprehensive Services Fund	222,637	-
Special Grant Projects Fund		
From General Fund to Special Grant Projects Fund	945	-
Central Dispatch Fund		
From General Fund to Central Dispatch Fund	<u>883,540</u>	<u>-</u>
Subtotal - Governmental Funds	1,107,122	1,114,300
Proprietary Fund - Philpott Marina Fund		
From General Fund to Philpott Marina Fund	<u>7,178</u>	<u>-</u>
	<u>\$ 1,114,300</u>	<u>\$ 1,114,300</u>

6 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2016 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
County of Henry, Virginia to Component Units		
Primary Government - County of Henry, Virginia		
To Component Unit - Social Services	\$ -	\$ 519,342
To Component Unit - Industrial Development Authority	-	1,631,420
To Component Unit - School Board	-	17,443,577
Component Unit - Social Services		
From Primary Government - County of Henry, Virginia	519,342	-
Component Unit - Industrial Development Authority		
From Primary Government - County of Henry, Virginia	1,631,420	-
Component Unit - School Board		
From Primary Government - County of Henry, Virginia	17,443,577	-
	<u>\$ 19,594,339</u>	<u>\$ 19,594,339</u>
Component Unit - School Board - Transfers		
School Fund		
From School to School Textbook Fund	\$ -	\$ 514,612
School Textbook Fund		
From School to School Textbook Fund	514,612	-
	<u>\$ 514,612</u>	<u>\$ 514,612</u>

The remainder of this page is left blank intentionally.

7 Due from/to Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2016 are as follows:

	<u>Due From</u>	<u>Due To</u>
County of Henry, Virginia		
Governmental Funds		
General Fund to Philpott Marina	\$ -	\$ 27,415
Comprehensive Services Act Fund to General Fund	83,532	83,532
E-911 Central Dispatch Fund to General Fund	407,970	407,970
Fieldale Sanitary District to General Fund	424	424
Law Library Fund from General Fund	121,800	121,800
Special Grant Projects Fund from General Fund	<u>629,585</u>	<u>629,585</u>
	1,243,311	1,270,726
Proprietary Funds		
Philpott Marina from General Fund	<u>27,415</u>	<u>-</u>
Totals	<u>\$ 1,270,726</u>	<u>\$ 1,270,726</u>
Primary Government and Component Units - Interfund Accounts		
Primary Government		
Due from Industrial Development Authority to County	\$ 200,551	\$ -
Due from County to Regional Industrial Site Project	-	710,820
Due from Social Services to County	764,533	-
Due to School Fund from County	-	1,740,189
Due from School Cafeteria Fund to County	<u>199,323</u>	<u>-</u>
Total	<u>1,164,407</u>	2,451,009
Net Due from Component Units to Primary Government	(1,286,602)	
Component Unit - Industrial Development Authority		
Due from Industrial Development Authority to County	-	200,551
Due from County to Regional Industrial Site Project	<u>710,820</u>	<u>-</u>
Total	710,820	<u>200,551</u>
Net Due to Primary Government from Component Unit IDA		(510,269)
Component Unit - Social Services		
Due from Social Services to County	<u>-</u>	<u>764,533</u>
Total	-	<u>764,533</u>
Net Due to Primary Government from Component Unit Social Services		764,533
Component Unit - School Board		
Due from School Cafeteria Fund to County	-	199,323
Due to School Fund from County	<u>1,740,189</u>	<u>-</u>
Total	<u>1,740,189</u>	<u>199,323</u>
Net Due from Primary Government from Component Unit School Board	<u>1,540,866</u>	
Total Net Due from/to Primary Government and Component Units	<u>\$ 254,264</u>	<u>\$ 254,264</u>

8 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2016, are as follows:

	Governmental Activities	School Board	Henry- Martinsville Social Services
Commonwealth of Virginia			
State and local sales taxes	\$ 726,230	\$ 1,396,488	\$ -
Communications tax	366,990	-	-
Auto rental tax	4,407	-	-
Mobile home tax	23,581	-	-
Compensation Board	508,697	-	-
Recordation tax	11,164	-	-
Comprehensive services	120,135	-	-
911 funds	25,207	-	-
FEMA/VDEM PSA generator grant	33,894	-	-
Transportation grants	2,870		
Other reimbursements	14,280	27,179	-
Public assistance	-	-	168,389
	<u>1,837,455</u>	<u>1,423,667</u>	<u>168,389</u>
Federal Government			
Title VIB Flow-Through	-	285,188	-
Title VI Rural and Low Income	-	87,020	-
Preschool Handicapped	-	16,277	-
Title I	-	565,066	-
Title II	-	55,580	-
School food program	-	80,024	-
CTE federal payments - Carl Perkins	-	279,742	-
Law enforcement	28,589	-	-
Emergency services	26,164	-	-
Development grants - special projects	106,438	-	-
FEMA/VDEM PSA generator grant	127,101	-	-
Transportation grants	3,996	-	-
Public assistance	-	-	288,256
Other reimbursements	<u>11,825</u>	<u>52,247</u>	<u>-</u>
	304,113	1,421,144	288,256
Other Governmental Entities			
City of Martinsville, VA - 911 funds	400,274	-	-
Social Services operations - City of Martinsville, VA	-	-	271,879
	<u>\$ 2,541,842</u>	<u>\$ 2,844,811</u>	<u>\$ 728,524</u>

9 Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2015	Transfer from Component Units	Increases	Decreases	Balance June 30, 2016
Capital Assets Not Being Depreciated					
Land and land improvements	\$ 2,926,097	\$ -	\$ 427,104	\$ 257,940	\$ 3,095,261
Construction in progress	-	-	136,800	-	136,800
Total Capital Assets Not Being Depreciated	2,926,097	-	563,904	257,940	3,232,061
Capital Assets, Depreciable					
Buildings and improvements	25,082,690	-	21,297	1,884,155	23,219,832
Furniture, equipment, and vehicles	13,207,401	4,446,421	1,419,516	527,150	18,546,188
Total Capital Assets - Depreciable	38,290,091	4,446,421	1,440,813	2,411,305	41,766,020
Less: Accumulated depreciation for					
Land and land improvements	161,440	-	33,751	24,490	170,701
Buildings and improvements	13,747,200	-	621,864	1,362,937	13,006,127
Furniture, equipment, and vehicles	9,170,385	4,443,558	1,120,820	480,251	14,254,512
Total Accumulated Depreciation	23,079,025	4,443,558	1,776,435	1,867,678	27,431,340
Other Capital Assets, Net	15,211,066	2,863	(335,622)	543,627	14,334,680
Net Capital Assets before Allocation from School	\$ 18,137,163	\$ 2,863	\$ 228,282	\$ 801,567	17,566,741
Add: Net school buildings allocated to County with outstanding debt					21,935,617
Net Capital Assets					<u>\$ 39,502,358</u>

Depreciation expense was allocated as follows:

General government administration	\$ 243,536
Judicial administration	237,888
Public safety	1,043,824
Public works	74,696
Health and welfare	42,535
Parks, recreation, and cultural	133,956
Total Depreciation Expense	<u>\$ 1,776,435</u>

Business-Type Activities

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 51,876	\$ -	\$ -	\$ 51,876
Total Capital Assets Not Being Depreciated	51,876	-	-	51,876
Capital Assets, Depreciable				
Buildings and improvements	1,182,485	-	-	1,182,485
Furniture, equipment, and vehicles	<u>140,158</u>	<u>28,712</u>	<u>-</u>	<u>168,870</u>
Total Capital Assets - Depreciable	1,322,643	28,712	-	1,351,355
Less: Accumulated depreciation for				
Land and land improvements	2,305	1,729	-	4,034
Buildings and improvements	49,753	39,417	-	89,170
Furniture, equipment, and vehicles	<u>18,288</u>	<u>16,094</u>	<u>-</u>	<u>34,382</u>
Total Accumulated Depreciation	<u>70,346</u>	<u>57,240</u>	<u>-</u>	<u>127,586</u>
Other Capital Assets, Net	<u>1,252,297</u>	<u>(28,528)</u>	<u>-</u>	<u>1,223,769</u>
Net Capital Assets	<u>\$ 1,304,173</u>	<u>\$ (28,528)</u>	<u>\$ -</u>	<u>\$ 1,275,645</u>
Depreciation expense was allocated as follows:				
Marina expenses	<u>\$ 57,240</u>			
Total Depreciation Expense	<u>\$ 57,240</u>			

The remainder of this page is left blank intentionally.

Component Unit - School Board

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 787,516	\$ 614,227	\$ -	\$ 1,401,743
Construction in progress - school renovations	<u>645,042</u>	<u>1,358,415</u>	<u>-</u>	<u>2,003,457</u>
Total Capital Assets Not Being Depreciated	1,432,558	1,972,642	-	3,405,200
Capital Assets, Depreciable				
Buildings and improvements	78,512,899	1,601,215	-	80,114,114
Furniture and equipment	<u>11,838,030</u>	<u>748,118</u>	<u>322,761</u>	<u>12,263,387</u>
Total Capital Assets, Depreciable	90,350,929	2,349,333	322,761	92,377,501
Less: Accumulated depreciation for				
Land and land improvements	14,733	-	-	14,733
Buildings and improvements	36,104,863	1,673,776	-	37,778,639
Furniture and equipment	<u>9,218,287</u>	<u>717,592</u>	<u>322,761</u>	<u>9,613,118</u>
Total Accumulated Depreciation	<u>45,337,883</u>	<u>2,391,368</u>	<u>322,761</u>	<u>47,406,490</u>
Other Capital Assets, Net	<u>45,013,046</u>	<u>(42,035)</u>	<u>-</u>	<u>44,971,011</u>
Net Capital Assets before Allocation to County	<u>\$46,445,604</u>	<u>\$ 1,930,607</u>	<u>\$ -</u>	<u>48,376,211</u>
Less: Net school buildings allocated to County with outstanding debt				<u>(21,935,617)</u>
Net Capital Assets				<u>\$ 26,440,594</u>

Component Unit - IDA

	Balance July 1, 2015	Increases	Transfer to Henry County/ Decreases	Balance June 30, 2016
Capital Assets - Depreciable				
Equipment	\$ 4,446,364	\$ -	\$ 4,440,059	\$ 6,305
Total Capital Assets - Depreciable	4,446,364	-	4,440,059	6,305
Less: Accumulated depreciation for				
Equipment	<u>4,441,425</u>	<u>1,261</u>	<u>4,440,059</u>	<u>2,627</u>
Total Accumulated Depreciation	<u>4,441,425</u>	<u>1,261</u>	<u>4,440,059</u>	<u>2,627</u>
Net Capital Assets	<u>\$ 4,939</u>	<u>\$ (1,261)</u>	<u>\$ -</u>	<u>\$ 3,678</u>

Component Unit - Henry-Martinsville Social Services

	Balance July 1, 2015	Increases	Transfer to Henry County/ Decreases	Balance June 30, 2016
Other Capital Assets				
Machinery and equipment	\$ 259,101	\$ 20,052	\$ 6,361	\$ 272,792
Total Other Capital Assets	259,101	20,052	6,361	272,792
Less: Accumulated depreciation for				
Machinery and equipment	208,061	16,179	4,135	220,105
Total Accumulated Depreciation	208,061	16,179	4,135	220,105
Other Capital Assets, Net	51,040	3,873	2,226	52,687
Net Capital Assets	\$ 51,040	\$ 3,873	\$ 2,226	\$ 52,687

10 Compensated Absences

County employees earn vacation based on length of service and sick leave at the rate of one day per month. Twenty-five percent of the amount for unused sick leave is paid for upon termination. All accumulated unused vacation is paid upon termination.

11 Long-Term Debt

A. Bonds Payable

The schedule below represents long-term debt payable at June 30, 2016:

Primary Government

Description	Original Issue	Next Annual Amount	Interest Rate %	Maturity	Outstanding June 30, 2016
Va. Public School Authority Bonds - 2007B	\$ 2,711,471	\$ 128,638	5.10	2028	\$ 1,784,594
Va. Public School Authority Bonds - 2006	6,009,728	297,383	4.60-5.10	2027	3,641,615
Va. Public School Authority Bonds - 2005	2,342,487	116,201	4.60-5.10	2026	1,315,012
VML/VACO Recovery Zone Bonds - 2010	2,000,000	90,000	2.00-6.57	2030	1,575,000
VPSA QSCB Recovery Act Bonds - 2011	3,400,000	142,800	0.00	2027	3,060,000
Capital Lease - Government Capital - 2014	193,612	64,498	4.397	2016	64,498
Lease Revenue Bonds - 2015	10,000,000	75,000	2.50	2036	10,000,000
Sanville Elementary Literary Loan - 1998	2,080,772	104,039	2.00	2018	208,070
Laurel Park Literary Loan - 1998	1,387,370	69,500	2.00	2018	136,370
Rich Acres Literary Loan - 1998	2,462,218	122,750	2.00	2018	252,718
Stanleytown Literary Loan - 1998	2,425,951	120,000	2.00	2018	265,951
Fieldale-Collinsville Literary Loan - 1998	2,500,000	125,000	2.00	2019	375,000
					<u>\$ 22,678,828</u>

Component Unit - Industrial Development Authority

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2016</u>
Public Improvement Bond - Series 2007	\$ 4,000,000	\$ 453,031	3.79	2018	\$ 923,232
Series 2013 Lease Revenue Bonds	3,500,000	-	1.95	2018	3,461,955
					<u>\$ 4,385,187</u>

B. Governmental Obligation

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Position for the year ended June 30, 2016:

Primary Government

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Capital leases - County	\$ 126,279	\$ -	\$ 61,781	\$ 64,498	\$ 64,498
Subtotal - County	126,279	-	61,781	64,498	64,498
General obligations bonds - public schools	10,568,839	-	767,618	9,801,221	685,022
Lease Revenue Bond 2015	-	10,000,000	-	10,000,000	75,000
Literary Fund loans	1,779,398	-	541,289	1,238,109	541,289
Recovery Zone bonds	1,665,000	-	90,000	1,575,000	90,000
Subtotal - School-related debt	14,013,237	10,000,000	1,398,907	22,614,330	1,391,311
Subtotal - County and school	14,139,516	10,000,000	1,460,688	22,678,828	1,455,809
Add: Bond premiums	272,634	-	23,266	249,368	23,266
Subtotal after premiums	14,412,150	10,000,000	1,483,954	22,928,196	1,479,075
 Note payable to Verizon (Tower)	 126,400	 -	 19,200	 107,200	 19,200
 Landfill closure monitoring	 260,423	 2,344	 -	 262,767	 26,277
Compensated absences	2,238,118	46,554	-	2,284,672	228,467
	<u>\$ 17,037,091</u>	<u>\$ 10,048,898</u>	<u>\$ 1,503,154</u>	<u>\$ 25,582,835</u>	<u>\$ 1,753,019</u>

Compensated absences expenses are allocated by department and by fund. The change in compensated absences for the Statement of Activities is charged to general government.

Debt service on the preceding long-term debt in future years is as follows:

Primary Government

Fiscal Year Ending June 30.	Capital Leases and Lease Revenue Bonds		General Obligation Bonds School Board		Recovery Zone Bonds and Literary Fund Loans		Totals		Long-Term Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 139,498	\$ 279,919	\$ 685,022	\$ 305,278	\$ 631,289	\$ 78,477	\$ 1,455,809	\$ 663,674	\$ 19,200	\$ -
2018	100,000	248,125	673,867	278,632	666,820	65,006	1,440,687	591,763	19,200	-
2019	439,000	245,625	940,985	252,515	220,000	50,774	1,599,985	548,914	19,200	-
2020	450,000	234,650	987,886	225,614	100,000	45,482	1,537,886	505,746	19,200	-
2021	461,000	223,400	933,414	198,086	100,000	42,542	1,494,414	464,028	19,200	-
2022-2026	2,484,000	938,250	4,590,896	553,438	565,000	158,820	7,639,896	1,650,508	11,200	-
2027-2031	2,811,000	611,775	989,151	25,964	530,000	50,110	4,330,151	687,849	-	-
2032-2036	3,180,000	242,425	-	-	-	-	3,180,000	242,425	-	-
	<u>\$ 10,064,498</u>	<u>\$ 3,024,169</u>	<u>\$ 9,801,221</u>	<u>\$ 1,839,527</u>	<u>\$ 2,813,109</u>	<u>\$ 491,211</u>	<u>\$ 22,678,828</u>	<u>\$ 5,354,907</u>	<u>\$ 107,200</u>	<u>\$ -</u>

C. Long-Term Agreement

The County entered into a long-term agreement with Verizon in 2008 for construction and renovations made to a tower. The agreement was for \$265,600 and will be paid back over approximately 14 years in lieu of Verizon paying rent. The annual amount is \$19,200.

D. Component Units

Following is a summary of the changes in long-term liabilities that are recorded in the component units for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
School Board					
Compensated absences	\$ 762,759	\$ 15,896	\$ -	\$ 778,655	\$ 77,866
Total	<u>\$ 762,759</u>	<u>\$ 15,896</u>	<u>\$ -</u>	<u>\$ 778,655</u>	<u>\$ 77,866</u>
Industrial Development Authority					
Series 2013 Lease Revenue Bonds	\$ 3,441,955	\$ 20,000	\$ -	\$ 3,461,955	\$ -
Public Improvement Bond - Series 2007	1,359,721	-	436,489	923,232	453,031
Total	<u>\$ 4,801,676</u>	<u>\$ 20,000</u>	<u>\$ 436,489</u>	<u>\$ 4,385,187</u>	<u>\$ 453,031</u>
Henry-Martinsville Social Services					
Compensated absences	\$ 337,341	\$ 2,278	\$ -	\$ 339,619	\$ 3,396
Total	<u>\$ 337,341</u>	<u>\$ 2,278</u>	<u>\$ -</u>	<u>\$ 339,619</u>	<u>\$ 3,396</u>

Estimated principal maturities for future years ended June 30 follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 453,031	\$ 93,914
2018	470,201	76,418
2019	<u>3,461,955</u>	<u>33,754</u>
	<u>\$4,385,187</u>	<u>\$ 204,086</u>

12 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2016 is determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>School</u> <u>Board</u>	<u>Industrial</u> <u>Development</u> <u>Authority</u>	<u>Social</u> <u>Services</u>
Net Investment in Capital Assets					
Cost of capital assets	\$ 66,933,698	\$ 1,403,231	\$ 73,847,084	\$ 6,305	\$ 272,792
Less: Accumulated depreciation	<u>(27,431,340)</u>	<u>(127,586)</u>	<u>(47,406,490)</u>	<u>(2,627)</u>	<u>(220,105)</u>
Book value	39,502,358	1,275,645	26,440,594	3,678	52,687
Less: Restricted cash for capital projects	-	-	(8,419,414)	-	-
Less: Capital related debt	<u>(22,786,028)</u>	-	-	-	-
Less: Bond premiums	<u>(249,368)</u>	-	-	-	-
Net Investment in Capital Assets	<u>\$ 16,466,962</u>	<u>\$ 1,275,645</u>	<u>\$ 18,021,180</u>	<u>\$ 3,678</u>	<u>\$ 52,687</u>

13 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes and other local taxes and licenses are comprised of the following:

Governmental Funds

General Fund

Delinquent taxes not collected within 60 days	\$ 1,384,251
Other liabilities	19,975
Delinquent business licenses	47,909
Delinquent meals taxes	<u>31,932</u>
Total Unavailable Revenue - Taxes and Licenses	1,484,067
Unearned grants	<u>2,171</u>
Total General Fund	1,486,238

Special Projects Fund

Unearned grants	<u>503,880</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 1,990,118</u>

Governmental Activities - Primary Government

Unearned grants	\$ 506,051
Deferred inflows for VRS pension liability	<u>1,506,511</u>
Total Deferred Inflows of Resources -	
Governmental Activities	<u>\$ 2,012,562</u>

School Board - Fund Basis

Unearned grants	\$ 139,284
Held for scholarships	<u>41,667</u>
	<u>\$ 180,951</u>

School Board - Component Unit - Governmental Activities

Unearned grants	\$ 139,284
Held for scholarships	<u>41,667</u>
Deferred inflows for VRS pension liability	<u>6,510,165</u>
	<u>\$ 6,691,116</u>

Industrial Development Authority

Unearned grants	<u>\$ 350,000</u>
-----------------	-------------------

Henry-Martinsville Social Services

Deferred inflows for VRS pension liability	<u>\$ 308,562</u>
--	-------------------

14 Risk Management

The County is 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 joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool and Virginia Association of Counties Group Self-Insurance Risk Pool, both public entity risk pools currently operating as a common risk management and insurance program for participating local governments. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The component units carry commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

15 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the 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.

16 Litigation

At June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

17 Performance Agreements

The County has signed performance agreements with various companies that have located within the County. As part of many of these agreements, the County has agreed to pay cash incentives to the companies. As of June 30, 2016, the County had no outstanding commitments for future payments under these agreements.

18 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Property	<u>\$ 2,874,491,189</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 287,449,119
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>22,678,828</u>
Legal Debt Margin - June 30, 2016	<u>\$ 264,770,291</u>

Note: Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes capital leases, landfill closure, postretirement health care benefits, and compensated absences.

19 Surety Bond Information

The following constitutional officers and County employees are covered by Surety Bonds issued in the amounts shown at June 30, 2016:

Treasurer	\$ 750,000
Commissioner of Revenue	3,000
Clerk of Circuit Court	124,000
Sheriff	30,000
Employees of above officers - blanket bond	1,000,000
County Administrator	1,000,000
Employees of County and Board members - blanket bond	1,000,000
Clerk of the School Board	10,000
Director of Public Welfare	100,000
Employees of Social Services - blanket bond	100,000

20 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

	<u>School Board</u>
Appropriation from General Fund	\$ 17,443,577
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	748,598
Adjustment for the net allocation of internal service self-insurance fund services and costs	(569,334)
Adjustment for long-term debt paid by School on buildings owned by the County until the debt is paid off	(2,072,833)
Adjustment for new debt borrowed for school buildings	<u>10,000,000</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 25,550,008</u>

21 Pension Plan

Plan Description

All full-time, salaried permanent (professional) employees of the political subdivision and public school divisions are automatically covered by VRS Retirement Plan and VRS Teacher Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees and employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

The remainder of this page is left blank intentionally.

RETIREMENT PLAN PROVISIONS

PLAN 1

About Plan 1

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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS 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 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.

Political Subdivision Employees Only:

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

PLAN 2

About Plan 2

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 Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

Eligible 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 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.

Political Subdivision Employees Only:

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

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

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

- Political subdivision employees*
- School division employees
- Members in Plan 1 or 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

**Non-Eligible Members*

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Political Subdivision Employees Only:

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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but 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.

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.

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.

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

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.

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 Contributions Component:

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

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. Plan 1 or 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 Contributions 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.

PLAN 1

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.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

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 and school division members is 1.70%.

Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.

Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members and school division members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

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 70 1/2.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

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.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

The retirement multiplier for the defined benefit component is 1.00%.

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

Sheriffs and regional jail superintendents: Not applicable.

Political subdivision hazardous duty employees: Not applicable.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Political subdivisions hazardous duty employees:
Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of creditable service.

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%.

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.

PLAN 2
Normal Retirement Age

Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Reduced Retirement Eligibility

Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Same as Plan 1.

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%.

Eligibility:

Same as Plan 1

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:

Same as Plan 2.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Political subdivisions hazardous duty employees:
Not applicable.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as Plan 1 and Plan 2

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The political subdivision 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.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

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

School division: N/A

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 towards 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.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

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.

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

School division: N/A

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions and school divisions (including Plan 1 and 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.

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

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government - County</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	219	218
Inactive members:		
Vested inactive members	46	18
Non-vested inactive members	53	37
Inactive members active elsewhere in VRS	<u>125</u>	<u>41</u>
Total inactive members	224	96
Active members	<u>375</u>	<u>184</u>
Total covered employees	<u>818</u>	<u>498</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been 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 5.00%-member contribution. This could be phased in over a period of 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.

If the employer used the certified rate: The County's political subdivision contractually required contribution rate for the year ended June 30, 2016 was 12.58% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The school board – general employees' contribution rate was 14.06%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision for the County employees were \$1,955,098 and \$1,866,106 for the years ended June 30, 2016 and June 30, 2015, respectively.

For the school board – general employees, employer contributions were \$353,928 and \$361,881 for the years ended June 30, 2016 and June 30, 2015, respectively.

Each school divisions - teachers contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, which combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contribution to the pension plan from the school division - teachers were \$4,937,823 and \$5,015,024 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees and School Division - Teachers

The total pension liability for General Employees in the Political Subdivision's Retirement Plan and VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

	<u>General Employees</u>	<u>Teachers</u>
Inflation	2.5 percent	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation *	7.0 percent, net of pension plan investment expense, including inflation *

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 for general employees, males set forward 4 years and females were set back 2 years and for school divisions, males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 for general employees, males set forward 1 year and for school divisions, males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 for general employees, males set back 3 years and for school divisions, males set back 1 year and no provision for future mortality improvement for general employees or school divisions.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

School Divisions:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U. S. Equity	19.50%	6.46%	1.26%
Developed Non U. S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	<u>1.00%</u>	-1.50%	<u>-0.02%</u>
Total	<u>100.00%</u>		5.83%
	Inflation		<u>2.50%</u>
*Expected arithmetic nominal return			<u>8.33%</u>

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan and school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers and school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Primary Government - County

(Includes Component Unit - Henry-Martinsville Social Services)

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 70,417,910	\$ 64,221,857	\$ 6,196,053
Changes for the Year			
Service cost	1,825,934	-	1,825,934
Interest	4,793,088	-	4,793,088
Differences between expected and actual experience	(139,048)	-	(139,048)
Contributions - employer	-	1,860,929	(1,860,929)
Contributions - employee	-	736,140	(736,140)
Net investment income	-	2,906,849	(2,906,849)
Benefit payments, including refunds of employee contributions	(3,890,440)	(3,890,440)	-
Administrative expenses	-	(40,480)	40,480
Other changes	-	(613)	613
Net Changes	<u>2,589,534</u>	<u>1,572,385</u>	<u>1,017,149</u>
Balances at June 30, 2015	<u>\$ 73,007,444</u>	<u>\$ 65,794,242</u>	<u>\$ 7,213,202</u>

NOTE: This Net Pension Liability is allocated between the Primary Government Henry County and the Component Unit Henry - Martinsville Social Services.

The remainder of this page is left blank intentionally.

**Component Unit School Board -
General Employees**

		<u>Increase (Decrease)</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 17,878,820	\$ 16,723,090	\$ 1,155,730
Changes for the Year			
Service cost	369,148	-	369,148
Interest	1,209,211	-	1,209,211
Differences between expected and actual experience	(128,520)	-	(128,520)
Contributions - employer	-	359,989	(359,989)
Contributions - employee	-	160,477	(160,477)
Net investment income	-	747,117	(747,117)
Benefit payments, including refunds of employee contributions	(1,208,758)	(1,208,758)	-
Administrative expenses	-	(10,754)	10,754
Other changes	-	(157)	157
Net Changes	241,081	47,914	193,167
Balances at June 30, 2015	<u>\$ 18,119,901</u>	<u>\$ 16,771,004</u>	<u>\$ 1,348,897</u>

Component Unit School Board - Teacher Pool

	<u>Increase (Decrease) Net Pension Liability (a) - (b)</u>
Balance at June 30, 2014	\$ 57,636,000
Changes for the Year	
Contributions - employer for 2015	(5,011,944)
Employer pension expense for 2015	3,904,000
Revenue allocation for 2015	(897,000)
Other adjustments	17,944
Change in deferred inflows of resources	<u>2,865,000</u>
Net Changes	<u>878,000</u>
Balance at June 30, 2015	<u>\$ 58,514,000</u>

Sensitivity of the Political Subdivision's and School Division's – Teacher Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the political subdivision's and school division's - teachers proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the political subdivision's and school division's - teachers proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Primary Government - County (includes Component Unit - Henry-Martinsville Social Services)			
Political subdivision's			
Net Pension Liability	\$ 16,735,542	\$ 7,213,202	\$ (708,323)
Component Unit School Board - General Employees			
	\$ 3,168,339	\$ 1,348,897	\$ (203,527)
School division's proportionate share of the VRS Teacher Employee Retirement Plan			
Net Pension Liability	\$ 85,630,000	\$ 58,514,000	\$ 36,192,000

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the County's political subdivision recognized pension expense of \$766,860.

For the year ended June 30, 2016, the school board - general employees recognized pension expense of \$45,893.

At June 30, 2016, the school division - teachers reported a liability of \$58,514,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .46490% as compared to .47694% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$3,904,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the political subdivision and school division - teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Primary Government - County
(Includes Component Unit - Henry-Martinsville
Social Services)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 103,935
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,711,138
Employer contributions subsequent to the measurement date	<u>1,955,098</u>	<u>-</u>
Total - County and Social Services	<u>\$ 1,955,098</u>	<u>\$ 1,815,073</u>

Note: Amounts allocated between the Primary Government and the Component Unit – Henry-Martinsville Social Services.

Component Unit School Board - General Employees

Differences between expected and actual experience	\$ -	\$ 69,566
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	453,599
Employer contributions subsequent to the measurement date	<u>353,928</u>	<u>-</u>
Total	<u>\$ 353,928</u>	<u>\$ 523,165</u>

Component Unit School Board - Teachers

Differences between expected and actual experience	\$ -	\$ 806,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,583,000
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	1,598,000
Employer contributions subsequent to the measurement date	<u>4,937,823</u>	<u>-</u>
Total	<u>\$ 4,937,823</u>	<u>\$ 5,987,000</u>

\$1,622,731 for the County, \$332,367 for social services and \$5,291,751 reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended
June 30,**

**Primary Government -
County (Includes Component Unit -
Henry-Martinsville Social Services)**

2017	\$ (708,291)
2018	(708,291)
2019	(706,886)
2020	308,395
2021	-
Thereafter	-

**Component Unit School Board -
General Employees**

2017	\$ (236,756)
2018	(188,414)
2019	(177,802)
2020	79,807
2021	-
Thereafter	-

**Component Unit School Board -
Teachers**

2017	\$ (1,968,000)
2018	(1,968,000)
2019	(1,968,000)
2020	148,000
2021	(231,000)
Thereafter	-

Pension Plan Fiduciary Net Position

Detailed information about the Virginia Retirement System's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

22 Other Postemployment Benefits (OPEB)—Healthcare

Plan Description

County of Henry, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses.

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
County			
06/30/14	\$ 78,758	21.1%	\$ (17,187)
06/30/15	86,728	78.9%	1,111
06/30/16	90,993	152.1%	(46,305)
School Board			
06/30/14	\$ 371,147	55.1%	\$ (195,708)
06/30/15	387,321	72.3%	(88,475)
06/30/16	406,314	90.7%	(50,815)
Henry-Martinsville Social Services			
06/30/14	\$ 16,044	71.0%	\$ (85,483)
06/30/15	16,130	73.1%	(81,140)
06/30/16	17,359	117.6%	(84,197)

Following are disclosures for the County's postemployment benefits:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Plan Assets</u> (a)	<u>Accrued Liability</u> (b)	<u>Unfunded Liability</u> (b-a)	<u>Normal Cost</u> (c)	<u>Funded Ratio</u> (a)/(b)	<u>Covered Payroll</u> (d)	<u>Unfunded % of Payroll</u> (b-a)/(d)
County							
7/1/2012	\$ 204,236	\$ 1,048,660	\$ 844,424	\$ 28,939	19.5%	\$ 11,575,609	7.3%
7/1/2014	419,244	1,242,903	823,659	33,460	33.7%	10,590,336	7.8%
7/1/2014 (Rollforward)	465,625	1,339,503	873,878	34,297	34.8%	10,855,094	8.1%
School Board							
7/1/2012	\$ 880,618	\$ 4,692,414	\$ 3,811,796	\$ 128,511	18.8%	\$ 36,977,558	10.3%
7/1/2014	1,347,368	5,168,842	3,821,474	142,006	26.1%	36,110,104	10.6%
7/1/2014 (Rollforward)	1,375,405	5,418,761	4,043,356	145,556	25.4%	37,012,857	10.9%
Henry-Martinsville Social Services							
7/1/2012	\$ 120,054	\$ 255,195	\$ 135,141	\$ 7,942	47.0%	\$ 2,678,643	5.0%
7/1/2014	148,176	286,110	137,934	8,075	51.8%	2,978,532	4.6%
7/1/2014 (Rollforward)	150,804	304,028	153,224	8,277	49.6%	3,052,995	5.0%

Schedule of Contributions

	<u>FYE</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>% Contributed</u>
County				
June 30, 2014	\$	78,758	\$ 16,656	21.1%
June 30, 2015		86,728	68,430	78.9%
June 30, 2016		90,993	138,409	152.1%

School Board				
June 30, 2014	\$	371,147	\$ 204,408	55.1%
June 30, 2015		387,321	280,088	72.3%
June 30, 2016		406,314	368,654	90.7%

Henry-Martinsville Social Services				
June 30, 2014	\$	16,044	\$ 11,398	71.0%
June 30, 2015		16,130	11,787	73.1%
June 30, 2016		17,359	20,416	117.6%

Annual Pension OPEB Cost Summary

<u>Plan Year</u>	<u>Beginning of Year Net OPEB Obligation</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Interest</u>	<u>Annual Cost Adjustment</u>	<u>Total</u>	<u>Contributions</u>	<u>End of Year Net OPEB Obligation</u>	<u>Interest Rate</u>	<u>Amort. Period</u>
County									
2013-14	\$ (79,289)	\$ 79,677	\$ (5,947)	\$ 5,028	\$ 78,758	\$ 16,656	\$ (17,187)	7.50%	30
2014-15	(17,187)	86,927	(1,289)	1,090	86,728	68,430	1,111	7.50%	30
2015-16	1,111	90,980	83	(70)	90,993	138,409	(46,305)	7.50%	30
School Board									
2013-14	\$ (362,447)	\$ 375,344	\$ (27,183)	\$ 22,986	\$ 371,147	\$ 204,408	\$ (195,708)	7.50%	30
2014-15	(195,708)	389,587	(14,678)	12,412	387,321	280,088	(88,475)	7.50%	30
2015-16	(88,475)	407,339	(6,636)	5,611	406,314	368,654	(50,815)	7.50%	30
Henry-Martinsville Social Services									
2013-14	\$ (90,129)	\$ 17,088	\$ (6,760)	\$ 5,716	\$ 16,044	\$ 11,398	\$ (85,483)	7.50%	30
2014-15	(85,483)	17,120	(6,411)	5,421	16,130	11,787	(81,140)	7.50%	30
2015-16	(81,140)	18,299	(6,086)	5,146	17,359	20,416	(84,197)	7.50%	30

Virginia Retirement System (VRS)

Plan Description

County of Henry, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses through the Virginia Retirement System (VRS) Health Insurance Credit Program.

Summary of Main Benefit Provisions as Interpreted for Valuation Purposes

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be \$1.50 per year of creditable service, which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees are eligible to receive a maximum monthly credit of \$45.

If an eligible employee has worked for more than one employer in VRS, for the purpose of this valuation, their most current (or last) employer assumes full liability for that employee.

REQUIRED SUPPLEMENTARY INFORMATION

Health Insurance Credit Program

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
		Actuarial Accrued				
Actuarial Valuation Date	Actuarial Value of Assets	Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 274,887	\$ 231,877	\$ (43,010)	118.55%	\$ 4,510,688	-0.95%
June 30, 2014	301,886	244,329	(57,557)	123.56%	5,153,028	-1.12%
June 30, 2015	302,669	259,531	(43,138)	116.62%	5,243,165	-0.82%

Valuation Date June 30, 2015

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Pay, Closed

Remaining Amortization Period 19-28 Years

Asset Valuation Method Market Value of Assets

Actuarial Assumptions

Investment Rate of Return¹ 7.00%

Payroll Growth Rate 3.00%

¹Includes inflation at 2.5%

23 Fund Balances – Governmental Funds

As of June 30, 2016, fund balances are composed of the following:

		<u>Primary Government</u>				
	<u>General Fund</u>	<u>E-911 Central Dispatch Fund</u>	<u>Law Library Fund</u>	<u>Fieldale Sanitary District Fund</u>	<u>Special Grant Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable - inventory	\$ 28,851	\$ -	\$ -	\$ -	\$ -	\$ 28,851
Restricted for specific use	604,099	-	122,600	109,630	-	836,329
Committed to special projects	3,451,949	-	-	-	-	3,451,949
Assigned for specific projects	5,228,081	-	-	-	218,613	5,446,694
Unassigned	26,214,068	-	-	-	-	26,214,068
	<u>\$ 35,527,048</u>	<u>\$ -</u>	<u>\$ 122,600</u>	<u>\$ 109,630</u>	<u>\$ 218,613</u>	<u>\$ 35,977,891</u>

24 Landfill Post-Closure Care Cost

The County maintains a landfill, which was closed in 1993. In accordance with state and federal laws and regulations, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions at the site for a minimum of ten years after closure. The County is currently in compliance with the landfill gas regulations and is no longer required to operate an active system and reverted back to quarterly monitoring in fiscal year 2015. The County is currently in compliance with the groundwater protection standards and, as such, DEQ has allowed the County to stop groundwater monitoring. The County anticipates applying to DEQ later this year for termination of post-closure care.

The \$262,767 reported as landfill post-closure care liability at June 30, 2016 represents what it would cost to perform all future post-closure care. Also, actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

25 Notes Receivable – Component Unit

The Component Unit – Industrial Development Authority had a note receivable from a Company in the amount of \$1,516,299 as of June 30, 2016. The Company had been making payments in accordance with a bankruptcy decree from 1999. In 2007 with the Company coming out of bankruptcy and still owing the Industrial Development Authority a substantial amount of money on the note, the County filed a lawsuit against the shareholders, co-obligors of the note. In December 2008, the County, the Company, and co-obligors reached a settlement agreement. This agreement calls for monthly payments beginning January 1, 2009 of \$25,000 plus accrued interest. The County has granted temporary reduction in the amount of \$25,000 at times due to economic conditions. The interest rate can vary from 3 to 5 percent depending on the total payments the Company makes on an annual basis. The interest rate was at 5 percent from July 1, 2013 to December 31, 2013 and 3.50 percent from January 1, 2014 to June 30, 2016. As a part of the agreement, the co-obligors executed documents giving the County a third priority lien and security interest in certain real estate holdings on which the Company operates.

26 Revenue Sharing Agreements

The County of Henry, Virginia and the Henry County Industrial Development Authority have entered into three revenue sharing agreements with the City of Martinsville, Virginia.

Two of the agreements, one dated April 30, 2002 and one dated August 31, 2009, are related to the Patriot Centre Industrial Park. The third dated September 25, 2007 is related to the Commonwealth Crossing Business Centre Industrial Park and land currently being referred to as the Bryant Property which is located adjacent to the Patriot Centre Industrial Park.

All these agreements state that the County agrees when a business locates on one of the designated sites in these industrial parks, it will pay the City one-third of all revenues generated from real estate, personal property, machinery & tools, and consumer utility taxes. No revenues will be shared until such time the County has recovered the cumulative costs of developing and maintaining the parks.

In the past few years, several businesses have located on revenue sharing lots in the Patriot Centre Industrial Park. Based on the existing businesses, it is estimated it will be more than ten years before the County recovers its costs in order to share revenues.

There are currently no businesses located in the Commonwealth Crossing Business Centre; therefore, the County has not yet started to recover its cost related to this Industrial Park.

REQUIRED SUPPLEMENTARY INFORMATION



County of Henry, Virginia
Budgetary Comparison Schedule
Year Ended June 30, 2016
General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Property taxes - all years	\$ 23,076,356	\$ 23,076,356	\$ 23,563,573	\$ 487,217
Penalties - all tax years	250,000	250,000	266,431	16,431
Interest - all tax years	175,000	175,000	195,385	20,385
Total General Property Taxes	23,501,356	23,501,356	24,025,389	524,033
Other Local Taxes				
Local sales and use taxes	3,858,000	3,858,000	4,343,969	485,969
Consumer utility tax	2,680,000	2,680,000	2,649,405	(30,595)
Business license taxes	1,555,000	1,555,000	1,624,217	69,217
Motor vehicle licenses	880,000	880,000	877,227	(2,773)
Bank franchise taxes	172,000	172,000	214,093	42,093
Transient occupancy taxes	106,000	106,000	119,252	13,252
Taxes on recordation and wills	193,000	193,000	214,059	21,059
Restaurant food taxes	1,976,000	1,976,000	2,177,760	201,760
Total Other Local Taxes	11,420,000	11,420,000	12,219,982	799,982
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	10,000	10,000	11,635	1,635
Building and related permits	48,000	48,000	45,921	(2,079)
Other permits, licenses, and fees	5,500	5,500	6,636	1,136
Total Permits, Privilege Fees, and Regulatory Licenses	63,500	63,500	64,192	692
Fines and Forfeitures				
Court fines and forfeitures	196,850	196,850	171,390	(25,460)
Revenue from Use of Money and Property				
Revenue from use of money	300,000	300,000	411,109	111,109
Revenue from use of property	327,888	327,888	409,321	81,433
Total Revenue from Use of Money and Property	627,888	627,888	820,430	192,542
Charges for Services				
Sheriff fees	22,454	22,454	30,767	8,313
Commonwealth's attorney	4,500	4,500	6,118	1,618
County and hired attorneys	85,000	85,000	101,972	16,972
Law enforcement and traffic control	-	-	51,381	51,381
Charges for sanitation and waste removal	67,859	67,859	68,100	241
Treasurer's administrative collection fees	10,000	10,000	10,528	528
Parks and recreation	43,000	43,000	37,438	(5,562)
Utility bill collection	18,000	18,000	18,874	874
Jail monitoring	14,000	32,000	46,645	14,645
Miscellaneous other charges for services	3,900	10,626	12,820	2,194
Total Charges for Services	268,713	293,439	384,643	91,204

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Recovered Costs				
Jail costs - Commonwealth of Virginia	274,838	274,838	377,876	103,038
Inmate housing fees	-	49,265	49,265	-
Salary - court secretary	21,000	21,000	20,753	(247)
City share of extension services	6,925	6,925	7,756	831
School share of school resource officer	179,122	191,162	195,908	4,746
EMS fees for service	675,000	675,000	770,033	95,033
M/HC Economic Development Corporation	771,216	905,933	905,750	(183)
Harvest Foundation Grant	-	20,000	20,000	-
Local and special grants	-	16,641	16,177	(464)
Transportation grants	59,756	77,752	66,271	(11,481)
Other recovered costs	-	32,527	37,786	5,259
Insurance recoveries	-	13,860	42,542	28,682
Miscellaneous refunds	262,349	322,370	292,259	(30,111)
Total Recovered Costs	2,250,206	2,607,273	2,802,376	195,103
Miscellaneous	70,000	70,000	35,623	(34,377)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	45,000	45,000	45,560	560
Mobile home titling tax	40,000	40,000	71,328	31,328
Tax on deeds	59,000	59,000	53,261	(5,739)
Auto rental sales tax	35,000	35,000	27,807	(7,193)
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
Communication tax	2,325,000	2,325,000	2,246,757	(78,243)
Total Noncategorical Aid	4,275,828	4,275,828	4,216,541	(59,287)
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	571,864	571,864	588,585	16,721
Sheriff	4,378,962	4,378,962	4,369,479	(9,483)
Commissioner of the Revenue	175,967	175,967	175,967	-
Treasurer	168,363	168,363	168,359	(4)
Electoral Board and General Registrar	46,500	46,500	65,189	18,689
Clerk of Circuit Court	440,518	440,518	448,725	8,207
Total Categorical Aid	5,782,174	5,782,174	5,816,304	34,130
<i>Other Categorical Aid</i>				
Emergency services grant	-	59,884	58,971	(913)
Fire programs fund	-	169,273	169,273	-
Victim witness program	27,416	27,416	27,105	(311)
Law enforcement grants	-	37,960	37,960	-
Transportation grant funds	35,258	33,858	33,858	-
Litter control program	20,920	20,920	21,151	231
State EMS Two for Life funds	-	53,672	53,672	-
Other state grants and awards	-	87,067	69,125	(17,942)
Tobacco Indemnification money	-	2,262,449	4,289	(2,258,160)
Asset forfeiture funds	-	112,237	40,050	(72,187)
Total Other Categorical Aid	83,594	2,864,736	515,454	(2,349,282)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	10,141,596	12,922,738	10,548,299	(2,374,439)
Revenue from the Federal Government				
Payments in lieu of taxes	3,000	3,000	3,695	695
Emergency services	26,164	671,247	530,221	(141,026)
Law enforcement grants	-	107,030	63,956	(43,074)
Victim Witness Program	82,248	95,423	91,846	(3,577)
Asset forfeiture funds	-	72,955	49,200	(23,755)
Other federal grants	-	301,154	239,107	(62,047)
Transportation grants	49,727	64,609	42,559	(22,050)
Total Revenue from the Federal Government	161,139	1,315,418	1,020,584	(294,834)
Total Intergovernmental Revenue	10,302,735	14,238,156	11,568,883	(2,669,273)
Total Revenues	48,701,248	53,018,462	52,092,908	(925,554)
Expenditures				
Current				
<i>General Government Administration</i>				
Board of Supervisors	126,716	153,716	119,144	34,572
County Administrator	341,426	341,426	342,925	(1,499)
Independent auditor	57,500	57,500	36,799	20,701
Human resources/training	60,282	60,282	52,815	7,467
County Attorney	166,180	166,180	174,230	(8,050)
Commissioner of Revenue	550,074	550,074	545,296	4,778
Assessors	162,775	162,775	159,243	3,532
Treasurer	578,382	581,559	558,067	23,492
Finance	370,094	370,329	364,894	5,435
Information services	323,041	323,041	297,661	25,380
Central purchasing	209,783	212,964	210,581	2,383
Board of Elections - registrar	256,647	299,411	276,726	22,685
Total General Government Administration	3,202,900	3,279,257	3,138,381	140,876
<i>Judicial Administration</i>				
Circuit Court	95,702	95,702	81,804	13,898
General District Court	17,086	17,086	10,631	6,455
Magistrates	2,850	2,850	3,049	(199)
Juvenile and Domestic Relations	9,124	9,124	7,632	1,492
Clerk of the Circuit Court	739,173	741,593	722,159	19,434
Sheriff Civil and Court Security	1,077,950	1,077,950	1,073,522	4,428
Victim/Witness Assist	148,885	162,060	157,800	4,260
Commonwealth's Attorney	822,701	822,701	822,416	285
Total Judicial Administration	2,913,471	2,929,066	2,879,013	50,053

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Law enforcement and traffic control	5,942,138	6,035,283	5,870,360	164,923
Law enforcement and traffic control - grants	-	107,030	63,956	43,074
School resource officer	179,122	229,122	233,868	(4,746)
Fire and rescue services	951,910	1,474,902	1,220,670	254,232
Emergency services training	204,027	215,047	190,293	24,754
Emergency services operations	1,048,790	1,159,214	1,101,917	57,297
FEMA Safer Grant	175,616	684,335	661,612	22,723
Emergency services grant	-	159,209	4,780	154,429
Fire prevention	291,903	292,503	287,466	5,037
Correction and detention	2,862,566	2,920,993	2,893,424	27,569
Correction and detention grants	-	15,561	2,165	13,396
Probation	326,100	326,100	307,712	18,388
Code enforcement	340,647	444,558	346,302	98,256
Public safety	125,074	130,934	123,139	7,795
Electronic monitoring	10,226	28,226	22,086	6,140
Animal control	189,444	197,266	183,151	14,115
Asset forfeiture	-	185,192	90,632	94,560
SPCA	11,667	11,667	11,667	-
Total Public Safety	12,659,230	14,617,142	13,615,200	1,001,942
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	9,000	13,053	8,970	4,083
Refuse collection	1,698,715	1,700,227	1,583,296	116,931
Refuse disposal - closure maintenance	13,000	13,000	7,042	5,958
<i>Maintenance of buildings and grounds</i>				
General engineering	289,817	289,817	284,931	4,886
Communication equipment	73,811	79,707	66,239	13,468
Administrative building	430,960	433,560	395,576	37,984
Courthouse	351,954	352,714	303,618	49,096
Sheriff's office	57,450	57,450	44,766	12,684
Jail	292,250	295,720	262,633	33,087
Other	304,747	318,083	276,175	41,908
Social services and health department	90,082	80,982	74,784	6,198
Dupont property	158,285	158,285	148,076	10,209
Total Maintenance of Buildings and Grounds	2,049,356	2,066,318	1,856,798	209,520
Total Public Works	3,770,071	3,792,598	3,456,106	336,492
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	604,966	604,966	519,342	85,624
Health Department	293,429	293,429	293,429	-
Mental health and retardation	119,000	119,000	119,000	-
Transportation grants	154,788	192,678	150,628	42,050
Property tax relief for the elderly	80,000	80,000	83,807	(3,807)
Group home services	124,111	124,111	119,598	4,513
Other welfare and social services	13,500	13,500	12,108	1,392
Total Health and Welfare	1,389,794	1,427,684	1,297,912	129,772

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Education</i>				
Contributions to community colleges	56,611	56,611	56,611	-
Contributions to component unit - school board	<u>16,952,895</u>	<u>21,431,298</u>	<u>17,443,577</u>	<u>3,987,721</u>
Total Education	17,009,506	21,487,909	17,500,188	3,987,721
<i>Parks, Recreation, and Cultural</i>				
Parks, recreation, and cultural	1,037,887	1,085,514	1,017,738	67,776
Cultural enrichment	103,588	103,588	103,588	-
Library	<u>711,264</u>	<u>711,264</u>	<u>711,264</u>	<u>-</u>
Total Parks, Recreation, and Cultural	1,852,739	1,900,366	1,832,590	67,776
<i>Community Development</i>				
Planning and community development	293,155	293,155	291,469	1,686
Engineering and mapping	271,595	273,688	263,764	9,924
M/HC Economic Development Corporation - payroll related	771,216	771,216	771,033	183
M/HC Economic Development Corporation	460,500	460,500	460,500	-
Cooperative extension program	55,614	58,927	58,791	136
Henry County Industrial Development Authority	1,430,091	4,623,114	1,631,420	2,991,694
Other community and economic development	<u>143,962</u>	<u>208,669</u>	<u>137,537</u>	<u>71,132</u>
Total Community Development	3,426,133	6,689,269	3,614,514	3,074,755
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	153,113	153,113	93,018	60,095
Contingency reserve	<u>200,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Nondepartmental	353,113	203,113	93,018	110,095
<i>Capital Projects</i>				
Henry County PSA for water and sewer projects	-	2,677,165	4,765	2,672,400
Other miscellaneous capital projects	<u>760,875</u>	<u>2,347,366</u>	<u>1,469,977</u>	<u>877,389</u>
Total Capital Projects	760,875	5,024,531	1,474,742	3,549,789
<i>Debt Service</i>				
Principal	61,848	61,781	61,781	-
Interest and other costs	<u>5,552</u>	<u>5,619</u>	<u>5,552</u>	<u>67</u>
Total Debt Service	<u>67,400</u>	<u>67,400</u>	<u>67,333</u>	<u>67</u>
Total Expenditures	<u>47,405,232</u>	<u>61,418,335</u>	<u>48,968,997</u>	<u>12,449,338</u>
Excess (Deficiency) of Revenues Over Expenditures	1,296,016	(8,399,873)	3,123,911	11,523,784
Other Financing Sources (Uses)				
Transfers to other funds	<u>(1,296,016)</u>	<u>(1,398,094)</u>	<u>(1,114,300)</u>	<u>283,794</u>
Total Other Financing Sources (Uses)	<u>(1,296,016)</u>	<u>(1,398,094)</u>	<u>(1,114,300)</u>	<u>283,794</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(9,797,967)	2,009,611	11,807,578
Transfer from Surplus Funds	<u>-</u>	<u>9,797,967</u>	<u>-</u>	<u>(9,797,967)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	2,009,611	<u>\$ 2,009,611</u>
Fund Balance - Beginning of Year			<u>33,517,437</u>	
Fund Balance - End of Year			<u>\$35,527,048</u>	

Comprehensive Services Act Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ 42,251	\$ 42,251	\$ 42,251	\$ -
Intergovernmental				
Revenue from the Commonwealth of Virginia	652,295	652,295	322,099	(330,196)
Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>18,217</u>	<u>18,217</u>
Total Intergovernmental Revenue	<u>652,295</u>	<u>652,295</u>	<u>340,316</u>	<u>(311,979)</u>
Total Revenues	694,546	694,546	382,567	(311,979)
Expenditures				
Current				
<i>Health and Welfare</i>				
Welfare and social services	<u>1,058,857</u>	<u>1,058,857</u>	<u>605,204</u>	<u>453,653</u>
Total Expenditures	<u>1,058,857</u>	<u>1,058,857</u>	<u>605,204</u>	<u>453,653</u>
Excess (Deficiency) of Revenues Over Expenditures	(364,311)	(364,311)	(222,637)	141,674
Other Financing Sources (Uses)				
Transfers in	<u>364,311</u>	<u>364,311</u>	<u>222,637</u>	<u>(141,674)</u>
Total Other Financing Sources (Uses)	<u>364,311</u>	<u>364,311</u>	<u>222,637</u>	<u>(141,674)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

E-911 Central Dispatch Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Local Revenues				
Recovered costs	\$ 438,992	\$ 445,466	\$ 424,101	\$ (21,365)
Total Local Revenues	438,992	445,466	424,101	(21,365)
Intergovernmental				
Revenue from the Commonwealth of Virginia	474,952	482,552	509,621	27,069
Total Intergovernmental Revenues	474,952	482,552	509,621	27,069
Total Revenues	913,944	928,018	933,722	5,704
Expenditures				
Current				
Public safety	1,845,649	1,874,830	1,817,262	57,568
Total Expenditures	1,845,649	1,874,830	1,817,262	57,568
Net Change in Fund Balance Before Transfers	(931,705)	(946,812)	(883,540)	63,272
Transfer from Other Funds	931,705	946,812	883,540	(63,272)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

Law Library Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 7,000	\$ 7,000	\$ 8,274	\$ 1,274
Recovered costs	<u>6,000</u>	<u>6,000</u>	<u>5,679</u>	<u>(321)</u>
Total Revenues	13,000	13,000	13,953	953
Expenditures				
Current				
Judicial administration	<u>31,500</u>	<u>31,500</u>	<u>16,903</u>	<u>14,597</u>
Total Expenditures	<u>31,500</u>	<u>31,500</u>	<u>16,903</u>	<u>14,597</u>
Net Change in Fund Balance Before Transfer from Surplus	(18,500)	(18,500)	(2,950)	15,550
Transfer from Surplus Funds	<u>18,500</u>	<u>18,500</u>	<u>-</u>	<u>(18,500)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(2,950)	<u>\$ (2,950)</u>
Fund Balance - Beginning of Year			<u>125,550</u>	
Fund Balance - End of Year			<u>\$ 122,600</u>	

Fieldale Sanitary District Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from use of money and property	\$ 750	\$ 750	\$ 1,190	\$ 440
Total Revenues	750	750	1,190	440
Expenditures				
Current				
Public works	20,500	20,500	17,031	3,469
Total Expenditures	20,500	20,500	17,031	3,469
Net Change in Fund Balance Before Transfer from Surplus	(19,750)	(19,750)	(15,841)	3,909
Transfer from Surplus Funds	19,750	19,750	-	(19,750)
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(15,841)	<u>\$ (15,841)</u>
Fund Balance - Beginning of Year			125,471	
Fund Balance - End of Year			<u>\$ 109,630</u>	

Special Grant Projects Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ -	\$ 1,135,780	\$ 7,525	\$ (1,128,255)
Intergovernmental				
Revenue from the Commonwealth of Virginia	-	228,000	-	(228,000)
Revenue from the Federal Government	-	2,360,148	166,392	(2,193,756)
Total Intergovernmental	-	2,588,148	166,392	(2,421,756)
Total Revenues	-	3,723,928	173,917	(3,550,011)
Expenditures				
Current				
Community development	-	3,821,022	179,366	3,641,656
Total Expenditures	-	3,821,022	179,366	3,641,656
Net Change in Fund Balance Before Transfers	-	(97,094)	(5,449)	91,645
Transfer from Other Funds	-	78,221	945	(77,276)
Net Change in Fund Balance Before Transfer from Surplus	-	(18,873)	(4,504)	14,369
Transfer from Surplus Funds	-	18,873	-	(18,873)
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(4,504)	<u>\$ (4,504)</u>
Fund Balance - Beginning of Year			223,117	
Fund Balance - End of Year			<u>\$ 218,613</u>	

Henry County School Board
School Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ 36,000	\$ 84,112	\$ 75,893	\$ (8,219)
Charges for services	56,500	621,440	549,013	(72,427)
Recovered costs	407,000	515,663	492,425	(23,238)
Miscellaneous				
Harvest Foundation	-	489,005	444,212	(44,793)
Other miscellaneous	350,500	350,500	350,244	(256)
Payment from Primary Government - Henry County	16,952,895	21,431,298	17,443,577	(3,987,721)
Intergovernmental				
Revenue from the Commonwealth of Virginia	45,663,156	48,634,765	48,525,008	(109,757)
Educational Technology - Commonwealth of Virginia	492,000	556,800	480,801	(75,999)
Revenue from the Federal Government	9,653,000	6,697,972	5,440,838	(1,257,134)
QSCB federal loan interest subsidy	-	-	142,596	142,596
Total Intergovernmental Revenues	<u>55,808,156</u>	<u>55,889,537</u>	<u>54,589,243</u>	<u>(1,300,294)</u>
Total Revenues	73,611,051	79,381,555	73,944,607	(5,436,948)
Expenditures				
Instruction	44,411,324	46,551,798	45,147,748	1,404,050
Administration, attendance, and health	2,932,345	2,939,607	2,906,198	33,409
Pupil transportation	5,213,234	5,880,570	5,127,694	752,876
Operation and maintenance	6,187,569	6,268,745	5,672,730	596,015
Facilities	284,000	12,943,803	3,521,478	9,422,325
Special grants	9,800,000	9,800,000	8,275,150	1,524,850
Technology	2,171,494	2,349,322	2,335,864	13,458
Contingency reserve	100,000	48,702	-	48,702
Debt Service				
Principal	1,398,907	1,398,907	1,398,907	-
Interest and other charges	<u>600,826</u>	<u>688,749</u>	<u>673,926</u>	<u>14,823</u>
Total Expenditures	<u>73,099,699</u>	<u>88,870,203</u>	<u>75,059,695</u>	<u>13,810,508</u>
Excess (Deficiency) of Revenues Over Expenditures	511,352	(9,488,648)	(1,115,088)	8,373,560
Other Financing Sources (Uses)				
Proceeds of loans	-	10,000,000	10,000,000	-
Transfers in (out)	<u>(511,352)</u>	<u>(511,352)</u>	<u>(514,612)</u>	<u>(3,260)</u>
Total Other Financing Sources (Uses)	<u>(511,352)</u>	<u>9,488,648</u>	<u>9,485,388</u>	<u>(3,260)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	8,370,300	<u>\$ 8,370,300</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ 8,370,300</u>	

Henry County School Board
School Textbook Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from the use of money and property	\$ -	\$ -	\$ 12,095	\$ 12,095
Total Revenues	-	-	12,095	12,095
Expenditures				
Textbooks	<u>686,768</u>	<u>703,114</u>	<u>419,624</u>	<u>283,490</u>
Total Expenditures	<u>686,768</u>	<u>703,114</u>	<u>419,624</u>	<u>283,490</u>
Excess (Deficiency) of Revenues Over Expenditures	(686,768)	(703,114)	(407,529)	295,585
Other Financing Sources (Uses)				
Transfers in (out)	<u>511,352</u>	<u>511,352</u>	<u>514,612</u>	<u>3,260</u>
Total Other Financing Sources (Uses)	<u>511,352</u>	<u>511,352</u>	<u>514,612</u>	<u>3,260</u>
Net Change in Fund Balance	(175,416)	(191,762)	107,083	298,845
Transfer from Surplus Funds	<u>175,416</u>	<u>191,762</u>	-	<u>(191,762)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	107,083	<u>\$ 107,083</u>
Fund Balance - Beginning of Year			<u>911,680</u>	
Fund Balance - End of Year			<u>\$ 1,018,763</u>	

Henry County School Board
School Cafeteria Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ 805,930	\$ 1,039,763	\$ 671,738	\$ (368,025)
Intergovernmental				
Revenue from the Commonwealth of Virginia	114,500	114,500	133,245	18,745
Revenue from the Federal Government	<u>3,401,408</u>	<u>3,401,408</u>	<u>3,743,990</u>	<u>342,582</u>
Total Intergovernmental Revenues	<u>3,515,908</u>	<u>3,515,908</u>	<u>3,877,235</u>	<u>361,327</u>
Total Revenues	4,321,838	4,555,671	4,548,973	(6,698)
Expenditures				
Cafeteria	<u>4,321,838</u>	<u>4,555,671</u>	<u>4,410,692</u>	<u>144,979</u>
Total Expenditures	<u>4,321,838</u>	<u>4,555,671</u>	<u>4,410,692</u>	<u>144,979</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	138,281	<u>\$ 138,281</u>
Fund Balance - Beginning of Year			<u>547,313</u>	
Fund Balance - End of Year			<u>\$ 685,594</u>	

County of Henry, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

Year Ended June 30, 2016

Primary Government (Includes Component Unit - Henry-Martinsville Social Services)

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 1,825,934	\$ 1,744,503
Interest	4,793,088	4,595,301
Changes of benefit terms	-	-
Differences between expected and actual experience	(139,048)	-
Changes in assumptions	-	-
Benefit Payments, including refunds of employee contributions	<u>(3,890,440)</u>	<u>(3,138,102)</u>
Net change in total pension liability	2,589,534	3,201,702
Total pension liability - beginning	<u>70,417,910</u>	<u>67,216,208</u>
Total pension liability - ending (a)	<u>\$ 73,007,444</u>	<u>\$ 70,417,910</u>
 Plan fiduciary net position		
Contributions - employer	\$ 1,860,929	\$ 1,851,310
Contributions - employee	736,140	720,333
Net investment income	2,906,849	8,808,287
Benefit Payments, including refunds of employee contributions	<u>(3,890,440)</u>	<u>(3,138,102)</u>
Administrative expense	(40,480)	(47,504)
Other	<u>(613)</u>	<u>464</u>
Net change in plan fiduciary net position	1,572,385	8,194,788
Plan fiduciary net position - beginning	<u>64,221,857</u>	<u>56,027,069</u>
Plan fiduciary net position - ending (b)	<u>\$ 65,794,242</u>	<u>\$ 64,221,857</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 7,213,202</u>	<u>\$ 6,196,053</u>
 Plan fiduciary net position as a percentage of the total Pension liability	90.12%	91.20%
 Covered payroll	\$ 14,834,279	\$ 14,700,626
 Political subdivision's net pension liability as a percentage of covered payroll	48.63%	42.15%

NOTE: Primary Government figures include the Component Unit - Henry-Martinsville Social Services.

County of Henry, Virginia

Schedule of Changes in the Political Subdivision's Net Pension Liability and Related Ratios

Year Ended June 30, 2016

School Board General Employees

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 369,148	\$ 381,575
Interest	1,209,211	1,183,231
Changes of benefit terms	-	-
Differences between expected and actual experience	(128,520)	-
Changes in assumptions	-	-
Benefit Payments, including refunds of employee contributions	<u>(1,208,758)</u>	<u>(1,178,562)</u>
Net change in total pension liability	241,081	386,244
Total pension liability - beginning	<u>17,878,820</u>	<u>17,492,576</u>
Total pension liability - ending (a)	<u>\$ 18,119,901</u>	<u>\$ 17,878,820</u>
 Plan fiduciary net position		
Contributions - employer	\$ 359,989	\$ 374,408
Contributions - employee	160,477	164,972
Net investment income	747,117	2,319,132
Benefit Payments, including refunds of employee contributions	(1,208,758)	(1,178,562)
Administrative expense	(10,754)	(12,938)
Other	<u>(157)</u>	<u>123</u>
Net change in plan fiduciary net position	47,914	1,667,135
Plan fiduciary net position - beginning	<u>16,723,090</u>	<u>15,055,955</u>
Plan fiduciary net position - ending (b)	<u>\$ 16,771,004</u>	<u>\$ 16,723,090</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 1,348,897</u>	<u>\$ 1,155,730</u>
 Plan fiduciary net position as a percentage of the total Pension liability	92.56%	93.54%
 Covered payroll	\$ 3,254,767	\$ 3,304,105
 Political subdivision's net pension liability as a percentage of covered payroll	41.44%	34.98%

County of Henry, Virginia

**Schedule of Employer's Share of Net Pension Liability
VRS Teacher Retirement Plan**

For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.46490%	0.47694%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 58,514,000	\$ 57,636,000
Employer's Covered Payroll	\$ 34,564,083	\$ 34,824,957
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	169.291%	165.502%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

County of Henry, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2007 through 2016

Date	Contributions in Relation to					Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)		
Primary Government -						
County (Includes Component Unit - Henry-Martinsville Social Services)						
2016	\$ 1,955,098	\$ 1,955,098	\$ -	\$ 15,541,311	12.58%	
2015	1,866,106	1,866,106	-	14,834,279	12.58%	
2014	N/A	N/A	N/A	N/A	N/A	
2013	N/A	N/A	N/A	N/A	N/A	
2012	N/A	N/A	N/A	N/A	N/A	
2011	N/A	N/A	N/A	N/A	N/A	
2010	N/A	N/A	N/A	N/A	N/A	
2009	N/A	N/A	N/A	N/A	N/A	
2008	N/A	N/A	N/A	N/A	N/A	
2007	N/A	N/A	N/A	N/A	N/A	
Component Unit School Board -						
General Employees						
2016	353,928	353,928	-	3,179,921	11.13%	
2015	361,881	361,881	-	3,254,767	11.12%	
2014	N/A	N/A	N/A	N/A	N/A	
2013	N/A	N/A	N/A	N/A	N/A	
2012	N/A	N/A	N/A	N/A	N/A	
2011	N/A	N/A	N/A	N/A	N/A	
2010	N/A	N/A	N/A	N/A	N/A	
2009	N/A	N/A	N/A	N/A	N/A	
2008	N/A	N/A	N/A	N/A	N/A	
2007	N/A	N/A	N/A	N/A	N/A	
Teachers						
2016	4,937,114	4,937,114	-	35,114,607	14.06%	
2015	5,015,024	5,015,024	-	34,564,083	14.51%	
2014	N/A	N/A	N/A	N/A	N/A	
2013	N/A	N/A	N/A	N/A	N/A	
2012	N/A	N/A	N/A	N/A	N/A	
2011	N/A	N/A	N/A	N/A	N/A	
2010	N/A	N/A	N/A	N/A	N/A	
2009	N/A	N/A	N/A	N/A	N/A	
2008	N/A	N/A	N/A	N/A	N/A	
2007	N/A	N/A	N/A	N/A	N/A	

Note: This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

County of Henry, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

School Division – VRS Teacher Retirement Plan:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

OTHER SUPPLEMENTARY INFORMATION



County of Henry, Virginia
Combining Balance Sheet
Component Unit - School Board
Year Ended June 30, 2016

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
Assets				
Cash	\$ 9,046	\$ 1,018,763	\$ 909,123	\$ 1,936,932
Cash - restricted	8,461,093	-	-	8,461,093
Receivables - net	334,136	-	10,915	345,051
Due from primary government	1,740,189	-	-	1,740,189
Due from other governments	2,764,787	-	80,024	2,844,811
Total Assets	<u>\$ 13,309,251</u>	<u>\$ 1,018,763</u>	<u>\$ 1,000,062</u>	<u>\$ 15,328,076</u>
Liabilities				
Accounts payable	\$ 1,011,344	\$ -	\$ 2,893	\$ 1,014,237
Accrued salaries and benefits	3,746,656	-	112,252	3,858,908
Due to primary government	-	-	199,323	199,323
Total Liabilities	4,758,000	-	314,468	5,072,468
Deferred Inflows of Resources				
Unexpended grants	180,951	-	-	180,951
Fund Balances				
Restricted	8,370,300	-	685,594	9,055,894
Assigned	-	1,018,763	-	1,018,763
Total Fund Balances	<u>8,370,300</u>	<u>1,018,763</u>	<u>685,594</u>	<u>10,074,657</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,309,251</u>	<u>\$ 1,018,763</u>	<u>\$ 1,000,062</u>	<u>\$ 15,328,076</u>
Fund Balances - per above				\$ 10,074,657
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				26,440,594
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.				
Deferred outflows related to pensions				5,291,751
Deferred inflows related to pensions				(6,510,165)
The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.				50,815
The net VRS pension liability is a long-term liability related to pensions that is applicable to future periods and, therefore, is not reported in the funds.				(59,862,897)
Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.				(778,655)
Net Position of Governmental Activities				<u>\$ (25,293,900)</u>

County of Henry, Virginia

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

Component Unit - School Board

Year Ended June 30, 2016

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
Revenues				
Revenue from use of money and property	\$ 75,893	\$ 12,095	\$ -	\$ 87,988
Charges for services	549,013	-	671,738	1,220,751
Recovered costs	492,425	-	-	492,425
Miscellaneous	794,456	-	-	794,456
Intergovernmental				
County of Henry, Virginia	17,443,577	-	-	17,443,577
Commonwealth of Virginia	49,005,809	-	133,245	49,139,054
Federal	5,440,838	-	3,743,990	9,184,828
QSCB federal loan interest subsidy	<u>142,596</u>	<u>-</u>	<u>-</u>	<u>142,596</u>
Total Revenues	73,944,607	12,095	4,548,973	78,505,675
Expenditures				
Current				
Instruction	45,147,748	419,624	-	45,567,372
Administration, attendance, and health	2,906,198	-	-	2,906,198
Pupil transportation	5,127,694	-	-	5,127,694
Operation and maintenance	5,672,730	-	-	5,672,730
Cafeteria - school food service	-	-	4,410,692	4,410,692
Facilities	3,521,478	-	-	3,521,478
Special grants	8,275,150	-	-	8,275,150
Technology	2,335,864	-	-	2,335,864
Debt Service				
Principal	1,398,907	-	-	1,398,907
Interest and other charges	<u>673,926</u>	<u>-</u>	<u>-</u>	<u>673,926</u>
Total Expenditures	<u>75,059,695</u>	<u>419,624</u>	<u>4,410,692</u>	<u>79,890,011</u>
Excess (Deficiency) of Expenditures Over Revenues	(1,115,088)	(407,529)	138,281	(1,384,336)
Other Financing Sources (Uses)				
Proceeds of loans	10,000,000	-	-	10,000,000
Transfers in	-	514,612	-	514,612
Transfers out	<u>(514,612)</u>	<u>-</u>	<u>-</u>	<u>(514,612)</u>
Total Other Financing Sources (Uses)	<u>9,485,388</u>	<u>514,612</u>	<u>-</u>	<u>10,000,000</u>
Net Change in Fund Balances	8,370,300	107,083	138,281	8,615,664
Fund Balances - Beginning of Year	<u>-</u>	<u>911,680</u>	<u>547,313</u>	<u>1,458,993</u>
Fund Balances - End of Year	<u>\$ 8,370,300</u>	<u>\$ 1,018,763</u>	<u>\$ 685,594</u>	<u>\$ 10,074,657</u>
Net Change in Fund Balances - per above				\$ 8,615,664
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposition was less than capital outlays.				1,930,607
Construction related to renovation of school buildings is part of the County Primary Government since the debt is in the County name. However, the school building belongs to the County until such time the debt is paid off. All debt payments paid by the School Board are adjusted and shown as being paid by the County.				748,598
Governmental funds use the modified accrual basis of accounting whereas the Statement of Activities for the Governmental Type statements use the full accrual method in reporting expenses and liabilities. Therefore, the following adjustment reflects the net changes in the following accounts:				
Change in Compensated Absences				(15,896)
Change in Net OPEB Asset				(37,660)
Change in VRS Deferred Inflows				3,372,263
Change in VRS Deferred Outflows				(85,154)
Change in Net VRS pension liability				<u>(1,071,167)</u>
Change in Net Position of Governmental Activities				<u>\$ 13,457,255</u>

County of Henry, Virginia

Statement of Net Position

Component Unit - Industrial Development Authority

At June 30, 2016

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Assets			
Current Assets			
Cash	\$ -	\$ 125,044	\$ 125,044
Due from primary government - Henry County, VA	710,820	-	710,820
Receivables - net	1,481,368	33,364	1,514,732
Inventory	18,662,578	14,273,570	32,936,148
Total Current Assets	20,854,766	14,431,978	35,286,744
Noncurrent Assets			
Fixed assets, net of accumulated depreciation	-	3,678	3,678
Notes receivables - net	-	676,360	676,360
Total Noncurrent Assets	-	680,038	680,038
Total Assets	<u>\$ 20,854,766</u>	<u>\$ 15,112,016</u>	<u>\$ 35,966,782</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 779,808	\$ 15,110	\$ 794,918
Accrued interest payable	-	30,941	30,941
Current portion of long-term debt	-	453,031	453,031
Total Current Liabilities	779,808	499,082	1,278,890
Long-Term Liabilities			
Long-term debt - due in more than one year	-	3,932,156	3,932,156
Due to other governmental unit	1,412,379	-	1,412,379
Due to primary government - Henry County, VA	-	200,551	200,551
Total Long-Term Liabilities	1,412,379	4,132,707	5,545,086
Total Liabilities	2,192,187	4,631,789	6,823,976
Deferred Inflows of Resources			
Unexpended grants payable	-	350,000	350,000
Net Position			
Net investment in capital assets	-	3,678	3,678
Unrestricted	18,662,579	10,126,549	28,789,128
Total Net Position	18,662,579	10,130,227	28,792,806
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 20,854,766</u>	<u>\$ 15,112,016</u>	<u>\$ 35,966,782</u>

County of Henry, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Component Unit - Industrial Development Authority

Year Ended June 30, 2016

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Operating Revenues			
Payment from primary government	\$ 483,815	\$ 1,147,605	\$ 1,631,420
Tobacco Indemnification revenues	1,419,400	100,000	1,519,400
Governor's Opportunity Fund	-	300,000	300,000
Harvest Foundation	2,459,885	-	2,459,885
EDC share of costs	-	205,534	205,534
City of Martinsville, Virginia share of costs	<u>241,915</u>	<u>24,517</u>	<u>266,432</u>
Total Operating Revenues	4,605,015	1,777,656	6,382,671
Operating Expenses			
Economic development	-	1,162,039	1,162,039
Depreciation	<u>-</u>	<u>1,261</u>	<u>1,261</u>
Total Operating Expenses	<u>-</u>	<u>1,163,300</u>	<u>1,163,300</u>
Operating Income	4,605,015	614,356	5,219,371
Nonoperating Revenues (Expenses)			
Interest income	-	60,516	60,516
Interest expense and bond issue costs	<u>-</u>	<u>(106,579)</u>	<u>(106,579)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(46,063)</u>	<u>(46,063)</u>
Change in Net Position	4,605,015	568,293	5,173,308
Total Net Position - Beginning of Year	<u>14,057,564</u>	<u>9,561,934</u>	<u>23,619,498</u>
Total Net Position - End of Year	<u>\$ 18,662,579</u>	<u>\$ 10,130,227</u>	<u>\$ 28,792,806</u>

County of Henry, Virginia

Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2016

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
Cash Flows from Operating Activities			
Receipts from primary government	\$ 483,815	\$ 1,147,605	\$ 1,631,420
Receipts from City of Martinsville, Virginia	1,666,700	-	1,666,700
Other miscellaneous receipts	-	588,525	588,525
Harvest Foundation	2,000,000	-	2,000,000
State grants	2,576,775	400,000	2,976,775
Purchase of inventory for resale	(3,848,406)	(133,064)	(3,981,470)
Cash paid for economic development	-	(1,520,885)	(1,520,885)
Net Cash Provided by Operating Activities	2,878,884	482,181	3,361,065
Cash Flows from Noncapital Financing Activities			
Payments on Due to / Due from accounts from primary government	(2,878,884)	(309,067)	(3,187,951)
Net Cash Used in Noncapital Financing Activities	(2,878,884)	(309,067)	(3,187,951)
Cash Flows from Capital and Related Financing Activities			
Principal proceeds received from long-term debt	-	20,000	20,000
Payments of principal on long-term debt	-	(436,489)	(436,489)
Interest payments on long-term debt	-	(106,400)	(106,400)
Net Cash Used in Capital and Related Financing Activities	-	(522,889)	(522,889)
Cash Flows from Investing Activities			
Interest income	-	60,516	60,516
Net Cash Provided by Investing Activities	-	60,516	60,516
Net Decrease in Cash and Cash Equivalents	-	(289,259)	(289,259)
Cash and Cash Equivalents - Beginning of Year	-	414,303	414,303
Cash and Cash Equivalents - End of Year	\$ -	\$ 125,044	\$ 125,044
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 4,605,015	\$ 614,356	\$ 5,219,371
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>			
Depreciation	-	1,261	1,261
<i>Changes in Assets and Liabilities</i>			
Receivables	697,490	307,123	1,004,613
Due to/from other governments	-	52,650	52,650
Due to/from City of Martinsville, Virginia	1,424,785	-	1,424,785
Inventory	(4,605,014)	(133,064)	(4,738,078)
Unexpended grants payable	-	98,701	98,701
Accounts payable	756,608	(458,846)	297,762
Net Cash Provided by Operating Activities	\$ 2,878,884	\$ 482,181	\$ 3,361,065
Noncash Transactions - Transfer of Fixed Assets to County of Henry, Virginia since Related Debt is Paid Off			
Fixed assets - Communication System	\$ -	\$ (4,440,059)	\$ (4,440,059)
Accumulated depreciation - Communication System	\$ -	\$ (4,440,059)	\$ (4,440,059)

County of Henry, Virginia

Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2016

Assets

Cash	\$ 74,123
Accounts receivable, net	3,426
Due from other governments	<u>728,524</u>
Total Assets	<u>\$ 806,073</u>

Liabilities and Fund Balance**Liabilities**

Accrued liabilities	\$ 41,540
Due to County of Henry, Virginia	<u>764,533</u>
Total Liabilities	806,073

Fund Balance

	-
Total Liabilities and Fund Balance	<u>\$ 806,073</u>

Fund Balance - per above	\$ -
--------------------------	------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	52,687
---	--------

The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.	84,197
---	--------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	332,367
Deferred inflows related to pensions	(308,562)

The net VRS pension liability is a long-term liability related to pensions that is applicable to future periods and, therefore, is not reported in the funds.	(1,226,244)
---	-------------

Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	<u>(339,619)</u>
---	------------------

Net Position (Deficit) of Governmental Activities	<u><u>\$(1,405,174)</u></u>
---	-----------------------------

County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Component Unit - Henry-Martinsville Social Services

Year Ended June 30, 2016

Revenues

Payments from County of Henry, Virginia	\$ 519,342
Payments from City of Martinsville, Virginia	298,073
Miscellaneous refunds and revenues	23,614

Intergovernmental

Revenue from the Commonwealth of Virginia	1,993,756
Revenue from the Federal Government	<u>3,536,764</u>

Total Intergovernmental	<u>5,530,520</u>
-------------------------	------------------

Total Revenues	6,371,549
----------------	-----------

Expenditures

Health and welfare	<u>6,371,549</u>
--------------------	------------------

Net Change in Fund Balance	-
----------------------------	---

Fund Balance - Beginning of Year	<u>-</u>
----------------------------------	----------

Fund Balance - End of Year	<u><u>\$ -</u></u>
----------------------------	--------------------

Net Change in Fund Balance - per above	\$ -
--	------

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

	1,647
--	-------

Governmental funds use the modified accrual basis of accounting whereas the Statement of Activities for the Governmental Type statements use the full accrual method in reporting expenses and liabilities. Therefore, the following adjustment reflects the net changes in the following accounts:

Change in Compensated Absences	(2,278)
Change in Net OPEB Asset	3,057
Change in VRS Deferred Inflows	358,907
Change in VRS Deferred Outflows	15,129
Change in Net VRS pension liability	<u>(172,915)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 203,547</u></u>
---	--------------------------

County of Henry, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Agency Fund - Gateway Streetscape Foundation, Inc.

Year Ended June 30, 2016

Revenues

Interest income	\$ 118
Donations	4,252
County of Henry, Virginia contribution	19,992
City of Martinsville, Virginia contribution	19,090
Local grants	22,951
Federal grants	15,000
Miscellaneous	<u>6,636</u>

Total Revenues	88,039
----------------	--------

Expenditures

Salaries	38,084
Fringe benefits	5,416
Professional services	970
Depreciation	1,035
Other	<u>29,989</u>

Total Expenditures	<u>75,494</u>
--------------------	---------------

Net Change in Amounts Held for Others	12,545
---------------------------------------	--------

Amounts Held for Others - Beginning of Year	<u>67,878</u>
---	---------------

Amounts Held for Others - End of Year	<u>\$ 80,423</u>
---------------------------------------	------------------

OTHER INFORMATION SECTION



Table 1

County of Henry, Virginia

General Governmental Revenues by Source⁽¹⁾⁽²⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
2007	\$21,847,876	\$14,330,730	\$ 116,515	\$ 203,468	\$ 1,417,852	\$ 2,215,871	\$ 1,647,418	\$ 2,633,972	\$ 69,824,695	\$114,238,397
2008	21,256,169	11,996,247	100,628	208,384	1,045,777	2,356,744	1,528,184	3,227,325	73,789,646	115,509,104
2009	21,673,232	11,342,729	104,741	203,667	644,544	2,225,489	1,776,220	2,825,788	78,266,772	119,063,182
2010	21,654,940	11,222,729	71,864	202,580	1,369,419	2,153,388	2,050,650	3,095,842	73,978,745	115,800,157
2011	21,018,605	11,478,570	73,618	195,181	808,886	1,921,648	1,863,200	2,918,353	75,507,581	115,785,642
2012	21,323,023	11,428,075	65,347	163,957	711,338	1,895,145	2,011,196	3,744,985	73,962,487	115,305,553
2013	22,057,534	11,423,797	71,268	238,381	875,927	1,799,395	1,971,581	3,482,607	72,004,445	113,924,935
2014	23,277,658	11,449,845	67,111	199,043	668,693	1,701,181	2,182,125	3,258,893	71,996,224	114,800,773
2015	23,871,330	12,004,009	61,302	191,984	863,945	1,744,070	994,556	3,547,875	75,295,664	118,574,735
2016	24,025,389	12,219,982	64,192	171,390	909,608	1,613,667	853,693	3,774,357	76,880,284	120,512,562

⁽¹⁾ Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

⁽²⁾ Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from intergovernmental revenues.

Table 2

County of Henry, Virginia

General Governmental Expenditures by Function⁽¹⁾⁽²⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Gov. Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Projects⁽³⁾</u>	<u>Total</u>
2007	\$ 2,841,009	\$ 2,381,242	\$ 10,921,945	\$ 3,182,094	\$ 7,145,129	\$ 80,903,238	\$ 1,718,770	\$ 3,247,917	\$ 12,822	\$ 2,211,316	\$ 2,969,089	\$ 117,534,571
2008	2,957,629	2,595,729	11,566,312	3,550,417	7,639,331	81,419,251	1,756,762	5,008,458	20,103	2,710,262	2,225,500	121,449,754
2009	2,937,885	2,526,546	12,866,694	3,152,799	8,029,924	78,213,843	1,792,030	4,390,487	88,832	3,617,838	1,740,706	119,357,584
2010	2,887,154	2,482,649	12,241,610	3,071,751	7,967,127	76,139,038	1,752,236	2,798,099	48,338	3,474,700	2,382,271	115,244,973
2011	2,933,146	2,500,200	13,261,320	3,330,174	7,613,384	71,466,806	1,713,172	3,416,240	4,650	2,583,513	2,149,577	110,972,182
2012	2,941,801	2,491,649	13,046,844	3,121,304	7,798,792	78,781,597	1,746,487	2,910,237	74,988	2,790,336	2,649,852	118,353,887
2013	2,961,920	2,638,640	13,865,659	3,307,047	7,556,889	74,235,340	1,997,811	4,185,859	149,833	2,727,331	392,263	114,018,592
2014	3,022,708	2,727,076	14,610,351	3,328,411	7,602,105	73,570,985	1,762,935	3,337,157	14,401	2,808,718	344,113	113,128,960
2015	3,237,857	2,815,603	15,040,016	3,504,274	7,862,544	73,673,586	1,805,145	3,377,000	83,661	2,850,907	1,164,019	115,414,612
2016	3,138,381	2,895,916	15,432,462	3,473,137	7,755,323	77,873,789	1,832,590	3,793,880	93,018	2,140,166	1,474,742	119,903,404

⁽¹⁾ Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

⁽²⁾ Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from the respective function.

⁽³⁾ Capital projects included on schedule starting fiscal year 2007.

Table 3

County of Henry, Virginia

Assessed Value of Taxable Property

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Total</u>
2007	\$ 2,474,852,700	\$ 361,648,966	\$ 36,723,110	\$ 329,586,082	\$ 127,296,205	\$ 3,330,107,063
2008	2,488,039,444	345,073,303	32,921,111	314,957,563	121,445,558	3,302,436,979
2009	2,517,050,185	364,278,309	32,545,185	314,962,269	117,198,478	3,346,034,426
2010	2,959,808,261	340,139,112	27,630,435	322,826,723	134,488,696	3,784,893,227
2011	2,960,170,435	342,974,030	27,318,696	328,036,218	149,576,812	3,808,076,191
2012	2,968,408,913	353,755,049	27,404,565	280,113,782	142,520,626	3,772,202,935
2013	2,987,070,870	358,575,743	27,320,870	262,429,189	149,525,937	3,784,922,609
2014	2,858,290,984	372,927,906	23,448,770	287,966,081	150,385,203	3,693,018,944
2015	2,865,947,336	386,921,487	24,055,943	293,438,784	160,532,186	3,730,895,736
2016	2,874,491,189	394,241,419	24,105,123	301,949,527	168,148,943	3,762,936,201

Property Tax Rates - Last Ten Fiscal Years

Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Equipment/ Machinery and Tools</u>
2007	\$ 0.54	\$ 1.48	\$ 0.54	\$ 1.19
2008	0.54	1.48	0.54	1.19
2009	0.54	1.48	0.54	1.19
2010	0.46	1.48	0.46	1.19
2011	0.46	1.48	0.46	1.19
2012	0.46	1.48	0.46	1.48
2013	0.46	1.48	0.46	1.48
2014	0.488	1.48	0.488	1.48
2015	0.488	1.48	0.488	1.48
2016	0.488	1.48	0.488	1.48

County of Henry, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2007	\$ 23,288,657	\$ 22,273,650	95.64%	\$ 904,648	\$ 23,178,298	99.53%	\$ 3,468,909	14.90%
2008	22,887,615	21,986,728	96.06%	655,530	22,642,258	98.93%	3,470,897	15.16%
2009	23,299,439	22,271,371	95.59%	778,839	23,050,210	98.93%	3,623,359	15.55%
2010	22,984,112	22,025,810	95.83%	978,941	23,004,751	100.09%	3,499,486	15.23%
2011	23,165,358	21,919,693	94.62%	1,166,778	23,086,471	99.66%	3,054,362	13.19%
2012	22,739,964	21,732,919	95.57%	991,384	22,724,303	99.93%	2,956,764	13.00%
2013	23,746,769	22,741,314	95.77%	940,165	23,681,479	99.73%	3,038,563	12.80%
2014	24,580,458	23,559,604	95.84%	1,019,691	24,579,295	99.99%	3,151,339	12.82%
2015	24,957,730	24,023,981	96.26%	1,143,857	25,167,838	100.84%	3,018,626	12.09%
2016	25,272,038	24,321,388	96.24%	1,014,013	25,335,401	100.25%	2,776,267	10.99%

Table 5

County of Henry, Virginia

Ratio of Net General Obligation Bonded Debt
to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u> ⁽¹⁾	<u>Assessed Value</u> ⁽²⁾	<u>Net Bonded Debt</u> ⁽³⁾	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2007	57,930	\$3,330,107,063	\$ 21,122,673	0.63%	\$ 365
2008	57,930	3,302,436,979	22,089,515	0.67%	381
2009	57,930	3,346,034,426	20,205,360	0.60%	349
2010	57,930	3,784,893,227	20,382,763	0.54%	352
2011	54,151	3,808,076,191	22,022,461	0.58%	407
2012	54,151	3,772,202,935	20,143,789	0.53%	372
2013	54,151	3,869,287,960	18,221,319	0.47%	336
2014	54,151	3,693,018,944	16,145,808	0.44%	298
2015	54,151	3,730,895,736	14,139,516	0.38%	261
2016	54,151	3,762,936,201	22,678,828	0.60%	419

⁽¹⁾ Weldon Cooper Center, University of Virginia, Latest Census Records.

⁽²⁾ From Table 3.

⁽³⁾ Includes all long-term general obligation bonded debt, bond anticipation notes, Literary Fund loans, and Recovery Zone bonds. Excludes compensated absences, OPEB obligation, and landfill closure monitoring liability.

Table 6

County of Henry, Virginia

Ratio of Annual Debt Service Expenditures for General Bonded Debt
to Total General Governmental Expenditures⁽¹⁾⁽²⁾

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
2007	\$1,486,022	\$ 725,294	\$2,211,316	\$ 117,534,571	1.88%
2008	1,744,629	965,633	2,710,262	121,449,754	2.23%
2009	1,884,155	1,022,165	2,906,320	119,357,584	2.43%
2010	1,822,155	940,585	2,762,740	115,244,973	2.40%
2011	1,760,302	823,211	2,583,513	110,972,182	2.33%
2012	1,878,672	911,664	2,790,336	118,353,887	2.36%
2013	1,922,470	804,861	2,727,331	114,018,592	2.39%
2014	2,075,511	733,207	2,808,718	113,128,960	2.48%
2015	2,199,904	651,003	2,850,907	115,414,612	2.47%
2016	1,460,688	679,478	2,140,166	119,903,404	1.78%

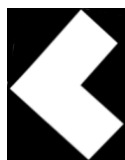
Amounts taken from Table 2.

⁽¹⁾ Excludes debt service payments on short-term notes payable.

⁽²⁾ Excludes Component Unit - Industrial Development Authority debt.

COMPLIANCE SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Sherwood H. Creedle, Emeritus*

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

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

To the Board of Supervisors
County of Henry, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Henry, Virginia's basic financial statements, and have issued our report thereon dated February 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Henry, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Henry, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Henry, 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 the County of Henry, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

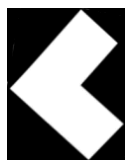
Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 1, 2017



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Sherwood H. Creedle, Emeritus*

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors
County of Henry, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Henry, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Henry, Virginia's major federal programs for the year ended June 30, 2016. County of Henry, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Henry, 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Henry, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Henry, 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, 2016.

Report on Internal Control Over Compliance

Management of the County of Henry, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Henry, 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Henry, 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.

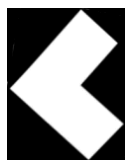
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 1, 2017



**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Sherwood H. Creedle, Emeritus*

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

REPORT ON COMPLIANCE WITH COMMONWEALTH OF VIRGINIA'S LAWS, REGULATIONS, CONTRACTS, AND GRANTS

To the Board of Supervisors
County of Henry, Virginia

We have audited the financial statements of the County of Henry, Virginia, as of and for the year ended June 30, 2016, and have issued our report thereon dated February 1, 2017.

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

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Henry, Virginia, is the responsibility of the County of Henry, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Henry, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

Budget and Appropriation Laws
Cash and Investments
Conflicts of Interest
Retirement Systems
Debt Provisions
Procurement
Unclaimed Property
Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Henry, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Henry, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 1, 2017

County of Henry, Virginia
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
PRIMARY GOVERNMENT			
U. S. Department of Interior			
Direct Payments			
Payments in Lieu of Taxes - Public Law	15.226	N/A	\$ 3,695
Pass-Through Payments			
<i>Department of Health</i>			
Clean Vessel Act	15.616	601	21,534
Subtotal - U. S. Department of Interior			25,229
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Transportation - VDOT</i>	20.205	501	3,780
<i>Department of Motor Vehicles</i>			
Ground transportation and other law enforcement	20.607	530	27,711
Ground transportation and other law enforcement	20.600	530	11,454
National Priority Safety Programs	20.616	530	759
Subtotal - U. S. Department of Transportation			43,704
U. S. Department of Agriculture			
Direct Payments			
Voting Access for Individuals with Disabilities Grant	93.617	132	3,500
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Southern Area Agency on Aging</i>			
Transportation Grant - Special Programs for Aging Title III B	93.044	N/A	42,559
Subtotal - U. S. Department of Health and Human Services			42,559
U. S. Department of Justice			
Direct Payments			
Equitable Sharing Program - Asset Forfeiture Sheriff	16.922	N/A	49,200
JAG grants	16.738	N/A	14,839
Bulletproof vests	16.607	N/A	9,193
Pass-Through Payments			
<i>Department of Criminal Justice Services - Victim witness</i>	16.575	140	91,846
Subtotal - U. S. Department of Justice			165,078
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Community Development Block Grant - States Program	14.228	165	162,612
U. S. Department of Homeland Security			
Direct Payments			
FEMA-SAFER (Staffing for Adequate Fire & Emergency Response)	97.083	N/A	504,057
Pass-Through Payments			
<i>Department of Emergency Management</i>			
Emergency Preparedness	97.042	127	26,164
Emergency Response and Recovery - Hazard Mitigation	97.039	127	235,607
Subtotal - U. S. Department of Homeland Security			765,828

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Social services block grant	93.667	765	<u>18,217</u>
Total - Primary Government			1,226,727
HENRY-MARTINSVILLE SOCIAL SERVICES			
U. S. Department of Agriculture			
Pass-Through Payments			
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	<u>554,865</u>
Total Food Stamp Cluster			554,865
SNAP Employment and Training Pilots	10.596	765	<u>5,431</u>
Subtotal - U. S. Department of Agriculture			560,296
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Child care and development fund	93.596	765	<u>102,911</u>
Total Child Care Cluster			102,911
<i>Department of Social Services</i>			
Temporary assistance for needy families	93.558	765	729,653
Family preservation and support	93.556	765	29,098
Refugee and entrant assistance	93.566	765	705
Low income home energy assistance	93.568	765	72,915
Child welfare services	93.645	765	3,225
Foster care - Title IV-E	93.658	765	445,339
Adoption assistance	93.659	765	313,739
Chafee foster care independence program	93.674	765	4,981
State children's insurance program	93.767	765	30,791
Social services block grant	93.667	765	424,944
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	<u>818,167</u>
Subtotal - U. S. Department of Health and Human Services			<u>2,976,468</u>
Total - Henry-Martinsville Social Services			3,536,764

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
SCHOOL BOARD			
U. S. Department of Agriculture			
Direct Payments			
<i>Department of Education</i>			
USDA Summer Feed Program (part of Child Nutrition Cluster)	10.559	N/A	148,022
Pass-Through Payments			
<i>Department of Education</i>			
Food distribution - donated commodities	10.559	197	1,725
Food distribution - donated commodities	10.555	197	258,755
Fresh Fruit and Vegetables	10.582	197	95,972
Child Nutrition Cluster			
School Breakfast Program	10.553	197	1,164,463
National School Lunch Program	10.555	197	2,335,533
Total Child Nutrition Cluster			3,499,996
Subtotal - U. S. Department of Agriculture			4,004,470
U. S. Department of Education			
Pass-Through Payments			
<i>Department of Education</i>			
Special Education Cluster			
IDEA 611 Flow-Through	84.027	197	1,985,304
Preschool Handicapped Allocations	84.173	197	84,434
Total Special Education Cluster			2,069,738
Title I Cluster			
Title I grants to local education agencies	84.010	197	2,500,927
Adult education - state administered basic grant program	84.002	197	132,516
Vocational education (Carl Perkins) - CTE federal payments	84.048	197	159,459
Title III - Language Acquisition	84.365	197	53,208
AP testing fees - comprehensive school reform	84.330	197	2,000
Title VI Part B Rural and Low Income	84.358	197	180,011
Title II, Part A - Improving Teacher Quality	84.367	197	342,979
Subtotal - U. S. Department of Education			5,440,838
Subtotal - School Board			9,445,308
Grand Totals			\$ 14,208,799

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Henry, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Henry, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Henry, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$260,480 at the time received were consumed during the year ended June 30, 2016. These commodities were included in the determination of federal awards expended during the year ended June 30, 2016.

4. Relationship to Financial Statements

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

Intergovernmental Federal Revenues per the Basic Financial Statements

Primary Government

General Fund	\$ 1,020,584
Comprehensive Services Act Fund	18,217
Special Grant Projects Fund	166,392
Enterprise Fund - Philpott Marina	<u>21,534</u>

Total Primary Government 1,226,727

Component Units

School Operating Fund	5,440,838
School Cafeteria Fund	<u>3,743,990</u>

Total Component Unit - School Board 9,184,828

Henry-Martinsville Social Services 3,536,764

Grand Total - Federal Expenditures 13,948,319

Add: Amounts Reported on Schedule of Expenditures of Federal Awards
Not in Financial Statements

School Cafeteria Fund - Food Commodities 260,480

Total Federal Expenditures per Basic Financial Statements \$ 14,208,799

Total Federal Expenditures per the Schedule of Expenditures of Federal Awards \$ 14,208,799

County of Henry, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

CFDA Number(s)

Name of Federal Program or Cluster

10.553, 10.555, and 10.559

Child Nutrition Cluster

84.010

Title I Cluster

93.778

Medical Assistance Program

93.558

Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

None

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None