

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF HALIFAX COUNTY, VIRGINIA**

(A Component Unit of the County of Halifax, Virginia)

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

**DIRECTORS**

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Robert Bates

Butch Blanks

Mattie Cowan

Chad Francis

Chris Lumsden

Nancy Pool

Jeremy Satterfield

**OFFICERS**

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Butch Blanks	Chairman
Chad Francis	Vice-Chairman
Mattie Cowan	Secretary-Treasurer
Matt Leonard	Executive Director

## TABLE OF CONTENTS

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	<u>Page</u>
Independent Auditors' Report .....	1-2
 <i>Basic Financial Statements:</i>	
Statement of Net Position .....	3
Statement of Revenues, Expenses and Changes in Net Position .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements.....	6-34
 <b>Required Supplementary Information:</b>	
Schedule of Authority's Proportionate Share of the Net Pension Liability .....	35
Schedule of Employer Contributions.....	36
Notes to Required Supplementary Information .....	37
Schedule of OPEB Funding Progress .....	38
 <i>Compliance:</i>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	39-40

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS  
INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
SOUTH BOSTON, VIRGINIA

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Halifax County, Virginia (the "Authority"), a component unit of the County of Halifax, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Halifax County, Virginia's basic financial statements as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion 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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority'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 opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Industrial Development Authority of Halifax County, Virginia, as of June 30, 2017, and the 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 schedules related to pension and OPEB funding on pages 36-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Management has omitted management's discussion and analysis, as it has in prior years, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### *Report on Summarized Comparative Information*

We have previously audited Industrial Development Authority of Halifax County, Virginia's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of the Industrial Development Authority of Halifax County, 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 Industrial Development Authority of Halifax County, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

January 22, 2018

- Basic Financial Statements -

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Statement of Net Position  
At June 30, 2017  
(With Comparative Totals for the Prior Year)

	At June 30,	
	2017	2016
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 2,455,519	\$ 2,330,404
Grants receivable	80,897	-
Property held for resale	2,553,098	2,666,598
Total current assets	<u>\$ 5,089,514</u>	<u>\$ 4,997,002</u>
Noncurrent Assets:		
Note receivable	\$ 51,755	\$ 51,755
Capital Assets:		
Land and improvements	1,328,342	1,328,342
Construction in progress	1,714,259	1,632,790
Property, plant and equipment	43,391,089	43,360,109
Accumulated depreciation	(11,432,261)	(10,068,065)
Total capital assets	<u>\$ 35,001,429</u>	<u>\$ 36,253,176</u>
Total noncurrent assets	<u>\$ 35,053,184</u>	<u>\$ 36,304,931</u>
Total assets	<u>\$ 40,142,698</u>	<u>\$ 41,301,933</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension contributions subsequent to measurement date	\$ 16,123	\$ 22,986
Difference between actual and expected pension returns	25,569	-
Difference between actual and expected pension experience	2,687	4,432
Total deferred outflows of resources	<u>\$ 44,379</u>	<u>\$ 27,418</u>
Total assets and deferred outflows of resources	<u>\$ 40,187,077</u>	<u>\$ 41,329,351</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 103,004	\$ 23,197
Unearned lease revenue	99,360	-
Long-term obligations - current portion	920,549	956,234
Total current liabilities	<u>\$ 1,122,913</u>	<u>\$ 979,431</u>
Noncurrent liabilities:		
Advance from Halifax County	\$ 249,400	\$ 249,400
Long-term obligations - net of current portion	7,942,932	9,137,653
Total noncurrent liabilities	<u>\$ 8,192,332</u>	<u>\$ 9,387,053</u>
Total liabilities	<u>\$ 9,315,245</u>	<u>\$ 10,366,484</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Items related to measurement of net pension liability	\$ 2,494	\$ 27,038
<b>Net Position:</b>		
Net investment in capital assets	\$ 26,244,534	\$ 26,218,990
Unrestricted	4,624,804	4,716,839
Total net position	<u>\$ 30,869,338</u>	<u>\$ 30,935,829</u>
Total net liabilities, deferred inflows of resources and net position	<u>\$ 40,187,077</u>	<u>\$ 41,329,351</u>

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2017  
(With Comparative Totals for the Prior Year)

	Year Ended June 30,	
	2017	2016
Operating Revenues:		
County of Halifax, Virginia contributions	\$ 523,149	\$ 537,273
Sale of land inventory	294,183	-
Lease revenue	1,841,422	1,792,306
Other revenues	138	144
Total operating revenues	<u>\$ 2,658,892</u>	<u>\$ 2,329,723</u>
Operating Expenses:		
Personnel services	\$ 256,315	\$ 244,470
Fringe benefits	82,387	38,179
Contractual services	63,363	119,087
Other charges	554,291	546,736
Contributions to industry	387,388	514,242
Depreciation expense	1,377,516	1,373,052
Total operating expenses	<u>\$ 2,721,260</u>	<u>\$ 2,835,766</u>
Operating income (loss)	<u>\$ (62,368)</u>	<u>\$ (506,043)</u>
Nonoperating Revenues (Expenses):		
Interest income	18,245	17,162
Gain (loss) on disposal of capital assets	-	(40,500)
Interest expense	(435,802)	(504,206)
Total nonoperating revenues (expenses)	<u>\$ (417,557)</u>	<u>\$ (527,544)</u>
Income (loss) before contributions and grants	<u>\$ (479,925)</u>	<u>\$ (1,033,587)</u>
Capital contributions and construction grants:		
Tobacco Indemnification Community Revitalization Commission	\$ 375,996	\$ 649,639
Federal grants	37,438	249,332
Total capital contributions and construction grants	<u>\$ 413,434</u>	<u>\$ 898,971</u>
Change in net position	\$ (66,491)	\$ (134,616)
Net position, beginning of year	30,935,829	31,070,445
Net position, end of year	<u><u>\$ 30,869,338</u></u>	<u><u>\$ 30,935,829</u></u>

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Statement of Cash Flows  
Year Ended June 30, 2017  
(With Comparative Totals for the Prior Year)

	Year Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Receipts from lessees and agencies	\$ 2,758,114	\$ 2,134,059
Receipts from others	138	144
Payments to suppliers	(537,847)	(677,469)
Payments to industries	(273,888)	(514,242)
Payments to employees/fringe benefit providers	(333,322)	(298,883)
Net cash provided by (used for) operating activities	<u>\$ 1,613,195</u>	<u>\$ 643,609</u>
Cash flows from noncapital financing activities:		
Grants received	<u>\$ 332,537</u>	<u>\$ 942,063</u>
Cash flows from capital and related financing activities:		
Purchases of property, plant and equipment	\$ (125,769)	\$ (1,317,069)
Principal payments on bonds and credit line	(1,277,291)	(4,088,173)
Proceeds from issuances of notes and loans payable	-	3,952,664
Interest payments on indebtedness	(435,802)	(504,206)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,838,862)</u>	<u>\$ (1,956,784)</u>
Cash flows from investing activities:		
Interest received	<u>\$ 18,245</u>	<u>\$ 17,162</u>
Increase (decrease) in cash and cash equivalents	\$ 125,115	\$ (353,950)
Cash and cash equivalents at beginning of year	<u>2,330,404</u>	<u>2,684,354</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,455,519</u></u>	<u><u>\$ 2,330,404</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ (62,368)	\$ (506,043)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation expense	1,377,516	1,373,052
Changes in operating assets and liabilities:		
Decrease in rent receivable	-	3,200
Decrease in land and buildings held for resale	113,500	-
Increase (Decrease) in accounts payable	79,807	(11,646)
Increase (decrease) in unearned lease revenue	99,360	(198,720)
(Increase) decrease in pension deferred outflows of resources	(16,961)	(6,038)
Increase (decrease) in pension deferred inflows of resources	(24,544)	(33,930)
Increase (decrease) in net pension liability	43,964	23,927
Increase in net OPEB obligation	300	300
Increase (Decrease) in compensated absences	2,621	(493)
Net cash provided by (used for) operating activities	<u><u>\$ 1,613,195</u></u>	<u><u>\$ 643,609</u></u>
Supplemental non-cash disclosure:		
Disposal of property and equipment, net of accumulated depreciation	<u><u>\$ -</u></u>	<u><u>\$ 40,500</u></u>

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. The Financial Reporting Entity**

Industrial Development Authority of Halifax County, Virginia was created as a political subdivision of the Commonwealth of Virginia by ordinance of the Board of Supervisors on March 1, 1971 pursuant to the provisions of the Industrial Development and Revenue Bond Act, Chapter 49, Section 15.2-4900 et. seq. of the Code of Virginia (1950), as amended. The Authority is governed by seven directors appointed by the Board of Supervisors. It is authorized to acquire, own, lease and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Virginia.

In addition, the Authority is authorized to issue revenue bonds for the purpose of obtaining and constructing facilities. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for which facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof. The bonds are payable solely from revenues generated from the lease of the facilities constructed and may be secured by a deed of trust on those facilities.

For financial reporting purposes, in conformance with the principles of the Governmental Accounting Standards Board, Industrial Development Authority of Halifax County, Virginia is a component unit of the County of Halifax. The Authority is also classified as a component unit because its members are appointed by the Board of Supervisors and the County provides significant funding to the Authority. Thus, the County is financially accountable for the Authority. The Authority is reported as a discretely presented component unit in the County's financial report.

**B. Financial Statement Presentation**

The basic financial statements and required supplementary information presented by the Authority consist of:

- Enterprise fund financial statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Schedule of Authority's Proportionate Share of the Net Pension Liability
- Schedule of Employer Contributions
- Notes to Required Supplementary Information
- Schedule of OPEB Funding Progress

**C. Measurement Focus and Basis of Accounting**

Industrial Development Authority of Halifax County, Virginia operates as an enterprise fund, and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

The Authority distinguishes *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are sale of property held for resale, charges to industries for bond fees and lease revenue. Operating expenses include contributions to industries, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Cash and Cash Equivalents**

The Authority's cash and cash equivalents consist of demand deposits and investments with the Local Government Investment Pool, all of which are readily convertible to known amounts of cash.

**E. Inventory**

The Authority expenses all materials and supplies when purchased. Any items on hand at year-end are not material in amount and therefore are not shown in the financial statements. However, the Authority does consider its holdings of land held in industrial parks for resale as inventory. Inventory is stated at the lower of cost or market.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. The costs of constructing industrial parks to be resold are not considered to be capital assets, but instead are recorded as inventory.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the current or previous fiscal year.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Equipment	5
Vehicles	5

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**G. Use of Estimates**

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

**H. Net Position**

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

**I. Net Position Flow Assumption**

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

**J. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. Contributions to the pension plan made during the current year and subsequent to the net pension asset/liability measurement date, which will be recognized as an increase to/reduction of the net pension asset/liability next fiscal year. The other item is the difference between the actual and expected pension experience. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on this item, reference the pension note.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

L. Pensions

For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

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

Investments:

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

The Authority does not have a formal investment policy.

Credit Risk of Debt Securities:

The Authority's rated debt investments as of June 30, 2017 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using Standard and Poor's rating scale.

<u>Authority's Rated Debt Investments' Values</u>	
	<u>Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 3,937
Total	\$ 3,937

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)**

Interest Rate Risk:

<u>Investment Type</u>	<u>Investment Maturity*</u>	
	<u>Fair Value</u>	<u>Less than 1</u>
Local Government Investment Pool	\$ 3,937	\$ 3,937
Total investments	\$ 3,937	\$ 3,937

\*Weighted average maturity in years

External Investment Pools:

The fair values of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio under the provisions of GASB 79. There are no withdrawal limitations or restrictions imposed on participants.

**NOTE 3 - NOTES RECEIVABLE:**

The Authority is due \$51,755 as of June 30, 2017 for overpayment of tobacco grants. The industry is making various monthly payments to the IDA to satisfy the note with no interest.

**NOTE 4 - LAND AND BUILDINGS HELD FOR RESALE:**

The Authority's investment in land and buildings held for resale is summarized below:

PRN # 16970 - Southern Virginia Technology Park	\$	872,856
PRN # 15836, 15837, 34219 - Sinai Industrial Park		39,026
PRN # 21134 - Purcell site		177,933
PRN # 33035 - Motorplex		860,409
PRN # 27573 - Presto land		28,897
PRN # 27576 - IDA first addition		20,279
PRN # 15843 - Lot 9		17,777
PRN # 12778 - Flex-Tec land and building		498,433
PRN # 33728 - Pambid land		37,488
Total land and buildings held for resale	\$	<u>2,553,098</u>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 5 - ADVANCES FROM THE COUNTY OF HALIFAX:**

Temporary advances from the County of Halifax for the purchase of capital items such as land and buildings are recorded as liabilities to be repaid from the sale of land and other revenues of the Authority. Advances made for operating expenditures of the Authority have been treated as expenditures of the County. Advances for purchases have been made as follows to the Authority:

10-2-78 Shell Building (Sinai site)	\$	125,000
10-5-78 150.524 acres of land (Route 58 site)		215,000
		<u>340,000</u>
	\$	340,000
Less repayment in year ended June 30, 1982		(20,000)
Less repayment in year ended June 30, 1985		(70,600)
		<u>(70,600)</u>
	\$	<u>249,400</u>

**NOTE 6 - COMPENSATED ABSENCES:**

The Authority's full-time employees earn vacation and sick leave each month at a scheduled rate in accordance with their years of service. Accumulated unpaid vacation and other compensatory leave amounts are accrued when incurred. Upon separation of service with the Authority, employees are compensated for unused vacation leave. At June 30, 2017 the liability for accrued vacation leave was \$13,247.

**NOTE 7 - LONG-TERM OBLIGATIONS:**

Changes in long-term obligations:

	<u>Balance</u>			<u>Balance</u>	
	<u>July 1,</u>	<u>Issuances/</u>	<u>Retirements/</u>	<u>June 30,</u>	<u>Due Within</u>
	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>	<u>One Year</u>
Notes payable	\$ 10,034,186	\$ -	\$ 1,277,291	\$ 8,756,895	\$ 919,224
Net OPEB obligation	2,300	600	300	2,600	-
Net pension liability	46,775	96,873	52,909	90,739	-
Compensated absences	10,626	17,422	14,801	13,247	1,325
	<u>10,034,186</u>	<u>114,895</u>	<u>1,345,301</u>	<u>8,863,481</u>	<u>920,549</u>
Total	<u>\$ 10,093,887</u>	<u>\$ 114,895</u>	<u>\$ 1,345,301</u>	<u>\$ 8,863,481</u>	<u>\$ 920,549</u>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 7 - LONG-TERM OBLIGATIONS: (CONTINUED)**

Annual requirements to amortize the Authority's long-term obligations and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 919,224	\$ 379,082
2019	963,347	334,681
2020	1,009,175	288,575
2021	1,058,119	239,353
2022	1,109,005	188,190
2023-2027	2,505,175	414,798
2028-2032	1,192,850	102,049
Total	<u>\$ 8,756,895</u>	<u>\$ 1,946,727</u>

Details of the Authority's long-term obligations are as follows:

	<u>Amount outstanding</u>	<u>Amount due within one year</u>
Notes and loans payable:		
PRN # 33233 - \$7,650,000 4.85% Interest Note Payable dated September 30, 2013 payable to American National Bank with final maturity on October 10, 2023. Principal and interest payments of \$80,951 are due monthly from January 10, 2014 through October 10, 2023.	\$ 5,276,614	\$ 728,166
PRN # 32682 - \$3,572,664 4.0% Interest Note Payable dated June 15, 2016 payable to Carter Bank and Trust with final maturity on August 1, 2031. Principal and interest payments of \$26,427 are due monthly from September 1, 2016 through August 1, 2031.	3,410,281	184,058
\$210,000 3.97% Interest Note Payable dated September 14, 2011 payable to The Town of South Boston, due in annual principal installments of \$14,000, beginning on September 14, 2012 with final maturity on September 14, 2026. The Halifax Tourism Department is paying this note and the IDA is legally responsible for 50% of the note. The South Boston IDA is legally responsible for the other 50%.	70,000	7,000
Total notes and loans payable	\$ 8,756,895	\$ 919,224
Net OPEB obligation	2,600	-
Net pension liability	90,739	-
Compensated absences	13,247	1,325
Total long-term obligations	<u>\$ 8,863,481</u>	<u>\$ 920,549</u>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 8 - CONTINGENCIES AND EVENTS OF DEFAULT:**

Obligations under the revenue bonds issued to date are secured by lease proceeds on the underlying properties and the Authority retains no liability on pass-through leases. However, the Authority and the County of Halifax, Virginia may choose at their option to assume responsibility for the bonds in the event of default by lessees to preserve the credit rating of the Authority for future issues.

**NOTE 9 - PENSION PLAN:**

*Plan Description*

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. However, one other entity, Region 2000 Services Authority, participates in the VRS plan and reports their proportionate information on the basis of a cost-sharing plan. 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 - 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:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b>  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.</p>	<p><b>About Plan 2</b>  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.</p>	<p><b>About the Hybrid Retirement Plan</b>  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")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li> </ul>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
		<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Eligible Members</b>  Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b>  VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b>  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.</p> <p><b>Hybrid Opt-In Election</b>  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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p>	<p><b>Eligible Members</b>  Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• 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.</li> </ul> <p><b>*Non-Eligible Members</b>  Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Hybrid Opt-In Election (Cont.)</b></p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p><b>Hybrid Opt-In Election (Cont.)</b></p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>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.</p>	<p><b>*Non-Eligible Members (Cont.)</b></p> <p>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.</p>
<p><b>Retirement Contributions</b></p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of 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.</p>	<p><b>Retirement Contributions</b></p> <p>Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p><b>Retirement Contributions</b></p> <p>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.</p>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
 (A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
 At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b>                      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.</p>	<p><b>Creditable Service</b>                      Same as Plan 1.</p>	<p><b>Creditable Service</b>  <u><b>Defined Benefit Component:</b></u>                      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.</p> <p><u><b>Defined Contributions Component:</b></u>                      Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
 (A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
 At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b>            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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>            Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>            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.</p> <p><u><b>Defined Contributions Component:</b></u>            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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
 (A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
 At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)  <u>Defined Contributions Component: (Cont.)</u>            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.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b>            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.</p>	<p><b>Calculating the Benefit</b>            See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b>  <u>Defined Benefit Component:</u>            See definition under Plan 1.</p>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit (Cont.)</b>  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.</p>	<p><b>Calculating the Benefit (Cont.)</b></p>	<p><b>Calculating the Benefit (Cont.)</b>  <u><b>Defined Contribution Component:</b></u>  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.</p>
<p><b>Average Final Compensation</b>  A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b>  Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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.</p>	<p><b>Service Retirement Multiplier</b>  <b>VRS:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b>  <u><b>Defined Benefit Component:</b></u>  <b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b>Defined Contribution Component:</b>  Not applicable.</p>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Normal Retirement Age</b>  VRS: Age 65.</p> <p><b>Political subdivisions hazardous duty employees: Age 60.</b></p>	<p><b>Normal Retirement Age</b>  VRS: Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees: Same as Plan 1.</b></p>	<p><b>Normal Retirement Age</b>  <u><b>Defined Benefit Component:</b></u>  VRS: Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees: Not applicable.</b></p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b>  VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>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.</b></p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees: Same as Plan 1.</b></p>	<p><b>Earliest Unreduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees: Not applicable.</b></p> <p><u><b>Defined Contribution Component:</b></u>  Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b>  VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b>  <u><b>Defined Benefit Component:</b></u>  VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
 (A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
 At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility (Cont.)</b></p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b>            Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>            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%.</p> <p><b><u>Eligibility:</u></b>            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.</p> <p>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.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>            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%.</p> <p><b><u>Eligibility:</u></b>            Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <b><u>Defined Benefit Component:</u></b>            Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b>            Not applicable.</p> <p><b><u>Eligibility:</u></b>            Same as Plan 1 and Plan 2.</p>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>  The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>  Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u>  Same as Plan 1 and Plan 2.</p>

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Plan Description (Continued)*

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Disability Coverage</b>  Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b>  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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b>  Employees of political subdivisions (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.</p> <p>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.</p>
<p><b>Purchase of Prior Service</b>  Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b>  Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u>  Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• 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.</li> </ul> <p><u><b>Defined Contribution Component:</b></u>  Not applicable.</p>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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**NOTE 9 - PENSION PLAN: (CONTINUED)**

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

*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 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.

The Authority's contractually required contribution rate for the year ended June 30, 2017 was 7.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$16,123 and \$22,986 for the years ended June 30, 2017 and June 30, 2016, respectively.

*Net Pension Liability*

At June 30, 2017, the Authority reported a liability of \$90,739 for its proportionate share of the net pension liability. The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016. The Authority's proportionate share of the same was calculated using pension contributions for the year ending June 30, 2016 as a basis for allocation. At June 30, 2016 and 2015, the Authority's proportion was 2.96%.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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NOTE 9 - PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees*

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, 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 with males set forward 4 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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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NOTE 9 - PENSION PLAN: (CONTINUED)

*Actuarial Assumptions - General Employees: (Continued)*

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 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, 2015 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 - 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

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*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	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
		Inflation	2.50%
		*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%.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

*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 System 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 Authority 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 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.

*Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Authority's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the Authority's 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:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Net Pension Liability (Asset)	\$ 228,672	\$ 90,739	\$ (23,970)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

For the year ended June 30, 2017, the Authority recognized pension expense of \$16,561.

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,687	\$ 2,494
Net difference between projected and actual earnings on pension plan investments	25,569	-
Employer contributions subsequent to the measurement date	16,123	-
Total	\$ 44,379	\$ 2,494

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 9 - PENSION PLAN: (CONTINUED)**

\$16,123 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. 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:

<u>Year ended June 30</u>	
2018	\$ 670
2019	(132)
2020	14,715
2021	10,510
2022	-
Thereafter	-

**NOTE 10 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTS:**

The Authority leases office and industrial space to tenants in Authority owned buildings.

The Authority has received approval from the Commonwealth for grants for public works and infrastructure development in the Southern Virginia Technology Park. Grant proceeds will be received on a reimbursement basis. The following amounts had been expended, but not yet reimbursed, at year-end:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Receivable from Commonwealth:		
Tobacco Indemnification Community Revitalization Commission	\$ 80,897	\$ -
Total Grants Receivable	<u>\$ 80,897</u>	<u>\$ -</u>

**NOTE 11 - RISK MANAGEMENT:**

The Authority 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 Authority participates in the various insurance policies of the County of Halifax, Virginia for all required coverage.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 12 - CAPITAL ASSETS:**

A summary of changes in capital assets for the year follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and improvements	\$ 1,328,342	\$ -	\$ -	\$ 1,328,342
Construction in progress	1,632,790	81,469	-	1,714,259
Total capital assets not being depreciated	<u>\$ 2,961,132</u>	<u>\$ 81,469</u>	<u>\$ -</u>	<u>\$ 3,042,601</u>
Other Capital Assets:				
Building and improvements	\$ 40,522,892	\$ -	\$ 13,320	\$ 40,509,572
Equipment	2,808,176	-	-	2,808,176
Vehicles	29,041	44,300	-	73,341
Total other capital assets	<u>\$ 43,360,109</u>	<u>\$ 44,300</u>	<u>\$ 13,320</u>	<u>\$ 43,391,089</u>
Accumulated depreciation:				
Building and improvements	\$ (8,582,416)	\$ (1,121,318)	\$ (13,320)	\$ (9,690,414)
Equipment	(1,456,608)	(247,338)	-	(1,703,946)
Vehicles	(29,041)	(8,860)	-	(37,901)
Total accumulated depreciation	<u>\$ (10,068,065)</u>	<u>\$ (1,377,516)</u>	<u>\$ (13,320)</u>	<u>\$ (11,432,261)</u>
Other capital assets, net	<u>\$ 33,292,044</u>	<u>\$ (1,333,216)</u>	<u>\$ -</u>	<u>\$ 31,958,828</u>
Capital assets, net	<u><u>\$ 36,253,176</u></u>	<u><u>\$ (1,251,747)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,001,429</u></u>

**NOTE 13 - CONDUIT DEBT OBLIGATIONS:**

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the State, nor any political subdivision thereof, is obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued by the Authority include the following:

<u>Description</u>	<u>Original Issue</u>	<u>Outstanding June 30, 2017</u>
Industrial Development Authority of Halifax County, Hospital Refunding Revenue Bonds, Series 2004, issued August 11, 2004 (Refinance outstanding bonds)	\$ 14,483,460	\$ -
Total	<u><u>\$ 14,483,460</u></u>	<u><u>\$ -</u></u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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**NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM:**

Background:

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

Plan Description:

The Halifax Industrial Development Authority offers eligible retirees post-retirement medical coverage if they retire directly from the Authority with at least fifteen years of continuous service and are eligible to receive an early or regular retirement benefit from the Virginia Retirement System (VRS). The retirees' dependents can receive benefits under the plan with the premium to be paid by the retiree. Health benefits include medical and dental coverage. The retirees are responsible for 100% of the premium that is paid directly to the subscriber. Benefits end at the age of 65 or when retirees become eligible for Medicare.

Funding Policy:

The Authority establishes employer contribution rates for plan participants as part of the budgetary process each year. The Authority also determines how the plan will be funded each year, whether they will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees pay the full premium for health insurance coverage. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65 and retirees are covered by a Medicare Eligible supplement. Surviving spouses are not allowed access to the plan.

Annual OPEB Cost and Net OPEB Obligation:

The Authority's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Authority has elected to calculate the ARC as the normal cost plus amortization of the unfunded portion of actuarial accrued liability in compliance with GASB 45 parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

**NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

Annual OPEB Cost and Net OPEB Obligation: (Continued)

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

Annual required contribution	\$ 600
Interest on OPEB obligation	100
Adjustment to annual required contribution	(100)
Annual OPEB cost (expense)	<u>\$ 600</u>
Contribution made during FY 2017	<u>(300)</u>
Increase in net OPEB obligation	\$ 300
Net OPEB obligation - beginning of year	<u>2,300</u>
Net OPEB obligation - end of year	<u><u>\$ 2,600</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2015	\$ 400	0%	\$ 2,000
June 30, 2016	300	0%	2,300
June 30, 2017	300	0%	2,600

Funded Status and Funding Progress:

The funded status of the plan as of July 1, 2016, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 16,551
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	16,551
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	182,037
UAAL as a percentage of covered payroll	9.09%

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Notes to Financial Statements  
At June 30, 2017 (continued)

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**NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS PROGRAM: (CONTINUED)**

Funded Status and Funding Progress: (Continued)

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

Actuarial Methods and Assumptions:

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

The following simplifying assumptions were made:

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

*Mortality*-Life expectancies were based on mortality tables from the 1994 Group Annuity Mortality Tables for males and females with a one year setback in pre-retirement for males and females.

*Coverage elections*-The actuarial assumed that 35% of current actives of the Authority will elect medical coverage when they retire and that 5% of retirees who elect coverage will cover a spouse.

Based on the historical and expected returns of the Authority's short-term investment portfolio, a discount of 4.25% was used. In addition, the projected unit credit actuarial cost method was used. The healthcare trend rate is 7% graded down to 5%. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at July 1, 2016 was thirty years.

- Required Supplementary Information -

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA

(A Component Unit of the County of Halifax, Virginia)

Schedule of Authority's Proportionate Share of the Net Pension Liability

For the Years Ended June 30, 2015 through June 30, 2017

Date (1)	Proportion of the Net Pension Liability (NPL) (2)	Proportionate Share of the NPL (3)	Covered Payroll (4)	Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) (5)	Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (6)
2016	2.9630%	\$ 90,739	\$ 249,134	36.42%	91.72%
2015	2.9630%	46,775	227,840	20.53%	95.56%
2014	2.9630%	22,848	230,587	9.91%	97.75%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
(A Component Unit of the County of Halifax, Virginia)

Schedule of Employer Contributions  
For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	\$ 16,123	\$ 16,123	-	\$ 253,881	6.35%
2016	22,986	22,986	-	249,134	9.23%
2015	21,380	21,380	-	227,840	9.38%
2014	16,333	16,333	-	230,587	7.08%
2013	20,098	20,098	-	185,406	10.84%
2012	21,599	21,599	-	254,405	8.49%
2011	24,572	24,572	-	224,402	10.95%
2010	17,085	17,085	-	231,191	7.39%
2009	14,799	14,799	-	200,257	7.39%
2008	17,224	17,224	-	229,043	7.52%

Contributions are from Authority records.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**  
(A Component Unit of the County of Halifax, Virginia)

Notes to Required Supplementary Information  
For the Year Ended June 30, 2017

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**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 is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are 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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA**

(A Component Unit of the County of Halifax, Virginia)

Schedule of OPEB Funding Progress

Last Three Years

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Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2012	\$ -	\$ 5,600	\$ 5,600	0.00%	\$ 279,163	2.01%
7/1/2014	-	17,562	17,562	0.00%	240,481	7.30%
7/1/2016	-	16,551	16,551	0.00%	182,037	9.09%

- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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TO THE BOARD OF DIRECTORS  
INDUSTRIAL DEVELOPMENT AUTHORITY OF HALIFAX COUNTY, VIRGINIA  
SOUTH BOSTON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Industrial Development Authority of Halifax County, Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Halifax County, Virginia's basic financial statements and have issued our report thereon dated January 22, 2018.

### Internal Control Over Financial Reporting

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

### Purpose of this Report

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

*Robinson, Farmer, Cox Associates*  
Charlottesville, Virginia  
January 22, 2018