County of Mecklenburg, Virginia Comprehensive Annual Financial Report Year Ended June 30, 2017



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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors County of Mecklenburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the County of Mecklenburg, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of June 30, 2017, and the respective changes in financial position 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 1-8 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 66-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mecklenburg, Virginia's basic financial statements. The combining nonmajor fund and component units' financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations 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 nonmajor fund and component units' 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 nonmajor fund and component units' financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the County of Mecklenburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Mecklenburg, Virginia's internal control over financial reporting and compliance.

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

Crudle, Jones & alga, P.C.

South Hill, Virginia November 13, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Mecklenburg, Virginia presents the following discussion and analysis as an overview of the County of Mecklenburg, Virginia's financial activities for the fiscal year ending June 30, 2017. 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 \$78,417,562. Of this amount, \$41,327,880 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 \$73,324,736 and expenses amounted to \$62,875,489. The County's total net position increased \$10,449,247.

Highlights for Fund Financial Statements

- As of June 30, 2017, the County's Governmental Funds reported combined fund balances of \$49,146,599, an increase of \$6,016,338 in comparison with the prior year. Approximately 12 percent of the combined fund balances, \$5,919,584, is unassigned and available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$12,220,660, an increase of \$638,603 from June 30, 2016.

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.

<u>Statement of Net Position</u>: 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.

<u>Statement of Activities</u>: 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 governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development.

Furthermore, the government-wide financial statements include the Mecklenburg County Public Schools in its annual financial report. Although legally separate, this component unit is important because the County is financially accountable for it. It also includes the Industrial Development Authority of Mecklenburg County, Virginia because it appoints its Board of Directors.

Fund Financial Statements

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.

The County has two 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 Fund, Capital Outlay Fund, DEQ and Landfill Funds, Comprehensive Services Fund, Economic Development Fund, Public Assistance Fund, Microsoft Capital Project, and New School Funds, all of which are considered to be major funds. Data from the other County non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

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, 2017 and 2016

	_	overnment tal Activities	Compon	ent Units	Total Reporting Entity		
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u> 2016</u>	
Assets							
Current and other assets	\$ 51,457,245	\$ 45,265,055	\$ 2,980,800	\$ 2,856,435	\$ 54,438,045	\$ 48,121,490	
Capital assets (net)	42,768,073	39,743,259	32,733,403	31,455,698	75,501,476	71,198,957	
Other noncurrent assets		456,737	409,616	935,336	409,616	1,392,073	
Total Assets	94,225,318	85,465,051	36,123,819	35,247,469	130,349,137	120,712,520	
Deferred Outflows of Resources	1,735,780	1,039,441	6,305,758	3,177,984	8,041,538	4,217,425	
Total Assets and Deferred							
Outflows of Resources	\$95,961,098	\$ 86,504,492	\$42,429,577	\$ 38,425,453	<u>\$ 138,390,675</u>	\$ 124,929,945	
Liabilities							
Current liabilities	\$ 2,053,470	\$ 1,827,229	\$ 930,007	\$ 1,023,164	\$ 2,983,477	\$ 2,850,393	
Noncurrent liabilities	14,167,694	13,939,679	44,456,836	38,916,448	58,624,530	52,856,127	
Total Liabilities	16,221,164	15,766,908	45,386,843	39,939,612	61,608,007	55,706,520	
Deferred Inflows of Resources	1,322,372	1,169,999	3,652,477	5,956,154	4,974,849	7,126,153	
Net Position							
Net investment in capital assets	37,089,682	33,484,618	30,011,993	29,112,747	67,101,675	62,597,365	
Unrestricted	41,327,880	36,082,967	(36,621,736)	(36,583,060)	4,706,144	(500,093)	
Total Net Position (Deficit)	78,417,562	69,567,585	(6,609,743)	(7,470,313)	71,807,819	62,097,272	
Total Liabilities, Deferred Inflows							
of Resources, and Net Position	\$ 95,961,098	\$ 86,504,492	\$42,429,577	\$ 38,425,453	\$ 138,390,675	\$ 124,929,945	

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 reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71,807,819 at June 30, 2017. The portion of the reporting entity's net position, \$67,101,675, 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, 2017 and 2016

	Primary Government Governmental Activities		Compone	ent Units	<u>Total</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>		
Revenues								
Program Revenues								
Charges for services	\$ 977,049	\$ 1,086,867	\$ 765,373	\$ 1,594,786	\$ 1,742,422	\$ 2,681,653		
Operating and capital grants	9,126,644	10,269,605	30,936,927	30,517,787	40,063,571	40,787,392		
General Revenues								
General property taxes, real and personal	54,134,184	42,766,364	-	-	54,134,184	42,766,364		
Other taxes	6,352,391	7,480,963	-	-	6,352,391	7,480,963		
Payment from County of Mecklenburg,								
Virginia								
Education	-	-	12,810,098	13,380,860	12,810,098	13,380,860		
IDA of Mecklenburg County, Virginia	-	-	23,460,508	15,161,545	23,460,508	15,161,545		
Noncategorical aid from state	2,136,091	2,103,636	-	-	2,136,091	2,103,636		
Use of property	57,479	21,074	42,384	-	99,863	21,074		
Investment earnings	189,091	90,366	9,549	25,770	198,640	116,136		
Miscellaneous	351,807	332,461	652,489	524,042	1,004,296	856,503		
Total Revenues	73,324,736	64,151,336	68,677,328	61,204,790	142,002,064	125,356,126		
Expenses								
General government administration	3,533,361	3,284,067	_	-	3,533,361	3,284,067		
Judicial administration	2,375,856	2,407,229	_	-	2,375,856	2,407,229		
Public safety	10,913,894	10,834,721	_	-	10,913,894	10,834,721		
Public w orks	2,601,167	2,616,114	_	-	2,601,167	2,616,114		
Health and welfare	4,929,066	5,334,563	_	-	4,929,066	5,334,563		
Education - community college	13,246	12,253	_	-	13,246	12,253		
Education	12,810,098	13,380,860	45,373,434	45,399,108	58,183,532	58,779,968		
Parks, recreation, and cultural	700,149	673,804	_	-	700,149	673,804		
Community development - IDA of Mecklenburg								
County, Virginia	23,460,508	15,161,545	22,443,324	15,059,992	45,903,832	30,221,537		
Community development	1,288,109	3,979,382	_	-	1,288,109	3,979,382		
Interest on long-term debt	250,035	278,401			250,035	278,401		
Total Expenses	62,875,489	57,962,939	67,816,758	60,459,100	130,692,247	118,422,039		
Increase in Net Position	10,449,247	6,188,397	860,570	745,690	11,309,817	6,934,087		
Beginning Net Position (Deficit)	69,567,585	63,379,188	(7,470,313)	(8,216,003)	62,097,272	55,163,185		
Restatement of OPEB for Primary Government	(1,599,270)				(1,599,270)			
Ending Net Position (Deficit)	\$78,417,562	\$69,567,585	\$ (6,609,743)	\$ (7,470,313)	\$ 71,807,819	\$62,097,272		

Governmental activities, exclusive of the Component Unit School Board, increased the County's net position by \$10,449,247 for fiscal year 2017. Revenues from governmental activities totaled \$73,324,736. Property taxes comprise the largest source of these revenues, totaling \$54,134,184 or 73.8 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$62,875,489. Community development was the County's largest program with expenses totaling \$23,460,508. Education, which totals \$12,810,098, 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, 2017 and 2016

		20	17		<u>2016</u>			
		Total Cost		Net Cost	Total Cost	Net Cost		
	<u>0</u>	f Services	<u>c</u>	of Services	of Services	of Services		
General government administration	\$	3,533,361	\$	(3,119,825)	\$ 3,284,067	\$ (2,853,032)		
Judicial administration		2,375,856		(932,522)	2,407,229	(1,073,387)		
Public safety		10,913,894		(8,697,136)	10,834,721	(7,824,825)		
Public works		2,601,167		(2,028,075)	2,616,114	(2,544,279)		
Health and welfare		4,929,066		(1,525,090)	5,334,563	(1,802,313)		
Education		12,823,344		(12,823,344)	13,393,113	(13,393,113)		
Parks, recreation, and cultural		700,149		(513,124)	673,804	(494,004)		
Community development		24,748,617		(22,882,645)	19,140,927	(16,343,113)		
Interest on long-term debt	_	250,035		(250,035)	278,401	(278,401)		
Total	\$	62,875,489	\$	(52,771,796)	\$57,962,939	\$ (46,606,467)		

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2017, the County's Governmental Funds reported a combined ending fund balance of \$49,146,599. Approximately 12.04 percent, or \$5,919,584, is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$5,919,584. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 10.2 percent of total fund expenditures.

 The General Fund contributed \$14,187,807 in operating funds to finance the Schools' operations and \$21,848,392 to the Industrial Development Authority of Mecklenburg County, Virginia.

The Capital Outlay Fund which has a total fund balance of \$19,659,820, all of which is restricted and assigned for ongoing and future capital 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, 2017 and 2016

		<u> 2017</u>			<u>2016</u>	
	Original	Final		Original	Final	
	Budget	Budget	<u>Actual</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$44,022,057	\$50,210,433	\$54,165,404	\$39,601,599	\$ 41,677,867	\$43,862,064
Other	5,504,086	5,554,303	7,963,364	5,334,782	5,496,940	9,105,542
Intergovernmental	<u>5,933,500</u>	<u>5,990,107</u>	6,004,780	5,895,117	5,929,740	6,062,352
Total	55,459,643	61,754,843	68,133,548	50,831,498	53,104,547	59,029,958
Expenditures	52,392,085	58,687,285	57,793,522	48,841,436	51,161,126	49,922,049
Excess (Deficiency) of Revenues Over Expenditures	3,067,558	3,067,558	10,340,026	1,990,062	1,943,421	9,107,909
Other Financing Sources (Uses) Net Transfers	(3,500,920)	(3,500,920)	(9,701,423)	(2,583,819)	(2,545,214)	(8,189,763)
From Surplus	433,362	433,362		593,757	601,793	<u>-</u>
Change in Fund Balance	\$ -	\$ -	\$ 638,603	\$ -	\$ -	\$ 918,146

Final amended budget revenues were more than the original budget by \$6,295,200.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$6,295,200.

Actual revenues were more than final budget amounts by \$6,378,705, or 10.3 percent, while actual expenditures were \$893,763, or 1.5 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2017, the County's net investment in capital assets, exclusive of component units, totals \$37,089,682, which is net capital assets less related debt for governmental activities.

During fiscal year 2017, the County's net capital assets (including additions, decreases, and depreciation) increased \$3,024,716, or 7.6 percent, for governmental activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	Balance July 1, 2016	Net Additions and Deletions	Balance June 30, 2017
Land and land improvements	\$ 1,236,411	\$ -	\$ 1,236,411
South Hill Elementary School	11,674,384	-	11,674,384
Infrastructure - water and sewer	11,147,574	3,962,938	15,110,512
Buildings and improvements	22,523,880	(11,614)	22,512,266
Furniture, equipment, and vehicles	11,820,171	718,865	12,539,036
Total Capital Assets	58,402,420	4,670,189	63,072,609
Less: Accumulated depreciation and amortization	(18,659,063)	(1,645,473)	(20,304,536)
Total Capital Assets, Net	\$ 39,743,357	\$ 3,024,716	\$ 42,768,073

Component Unit School Board

	Balance July 1, 2016	Net Additions and Deletions	Balance June 30, 2017		
Land and land improvements	\$ 1,740,642	\$ -	\$ 1,740,642		
Buildings and systems	38,862,153	85,681	38,947,834		
Furniture, equipment, and vehicles	25,096,678	990,494	26,087,172		
Total Capital Assets	65,699,473	1,076,175	66,775,648		
Less: Accumulated depreciation	(40,752,449)	(2,163,473)	(42,915,922)		
Total Capital Assets, Net	\$ 24,947,024	<u>\$ (1,087,298)</u>	\$ 23,859,726		

Component Unit IDA of Mecklenburg County, Virginia

	Balance ly 1, 2016	 Additions Deletions	_	Balance ne 30, 2017
Land and buildings held for resale	\$ 6,508,674	\$ 2,365,003	\$	8,873,677
Total Capital Assets, Net	\$ 6,508,674	\$ 2,365,003	\$	8,873,677

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. As long as the debt remains unpaid, the South Hill Elementary School will be owned by the County as well as the debt being the responsibility of the County.

Long-Term Debt

	Balance		Net Additions			Balance
	<u>J</u> ı	uly 1, 2016	and	<u>d Deletions</u>	<u>Jur</u>	ne 30, 2017
Governmental Activities						
Long-term debt, plus premiums	\$	6,258,641	\$	(580, 250)	\$	5,678,391
Landfill obligation		1,700,604		22,108		1,722,712
OPEB liability		(456,737)		1,295,333		838,596
Compensated absences		1,383,667		(107,028)		1,276,639
Total Governmental Activities	\$	8,886,175	\$	630,163	\$	9,516,338
Component Unit School Board						
Compensated absences	\$	218,875	\$	6,413	\$	225,288
Capital leases		1,800,565		(264,214)		1,536,351
OPEB obligation		699,072		149,107		848,179
Total Component Unit School Board	\$	2,718,512	\$	(108,694)	\$	2,609,818
Component Unit IDA of Mecklenburg County, Virginia						
Long-term debt	\$	542,386	\$	642,673	\$	1,185,059
Total Component Unit IDA of Mecklenburg County,						
Virginia	\$	542,386	\$	642,673	\$	1,185,059

More detailed information on the County's long-term obligations is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the County of Mecklenburg, Virginia in June 2017 was 5.2 percent, no increase or decrease from June 2016. This compares unfavorably to the state's rate of 3.9 percent and the national rate of 4.5 percent.
- According to the 2010 U.S. Census, the population in Mecklenburg County, Virginia was 32,737, an increase of 1.07 percent since the 2000 U.S. Census.
- The per capita income in Mecklenburg County, Virginia was \$19,727, compared to \$27,705 for the State, according to the 2010 U.S. Census data.

The fiscal year 2018 adopted budget anticipates the general fund revenues and expenditures to be \$64,079,023.

REQUESTS FOR INFORMATION

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

Basic Financial Statements



Statement of Net Position

At June 30, 2017

	Prim Govern Governr Activi	<u>ment</u> nental		Compon School Board	De	Units Industrial evelopment Authority
Assets Current Assets						
Cash and cash equivalents Receivables, net Due from other governments	1,43	71,016 39,437 46,792	\$	1,122,897 - 997,676	\$	860,227
Total Current Assets		57,245		2,120,573		860,227
Noncurrent Assets Lease receivable Note receivable Capital Assets Land and construction in progress		- - 36,411		1,736,529		409,616
Other capital assets, net of accumulated depreciation		31,662		22,123,197		-
Land and buildings held for resale	11,00	-		-		8,873,677
Total Noncurrent Assets	42,76	68,073		23,859,726		9,283,293
Total Assets	94.22	25,318		25,980,299		10,143,520
Deferred Outflows of Resources Deferred outflows - VRS pension		35,780		6,305,758		
			_		_	
Total Assets and Deferred Outflows of Resources	\$ 95,96	61,098	\$	32,286,057	\$	10,143,520
Current Liabilities Accounts payable and accrued expenses Due within one year Bonds, loans, and capital leases payable Total Current Liabilities	59	54,051 99,419 53,470	\$	89,289 746,296 835,585	\$	94,422 94,422
Noncurrent Liabilities Compensated absences Net VRS pension liability Net OPEB liability/obligation Landfill obligation Due in more than one year	5,25 83	76,639 50,775 38,596 22,712		225,288 41,502,677 848,179		- - -
Bonds, loans, and capital leases payable	5,07	78,972		790,055		1,090,637
Total Noncurrent Liabilities	14,16	67,694		43,366,199		1,090,637
Total Liabilities	16,22	21,164		44,201,784		1,185,059
Deferred Inflows of Resources Deferred inflows - VRS pension	1,32	22,372		3,652,477		-
Net Position Net investment in capital assets Unrestricted	41,32	89,682 27,880		22,323,375 (37,891,579)		7,688,618 1,269,843
Total Net Position (Deficit)	78,4	17,562	_	(15,568,204)		8,958,461
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 95,96	61,098	\$	32,286,057	\$	10,143,520

Statement of Activities

For the Year Ended June 30, 2017

					ense) Revenue a es in Net Positio		
	<u>P</u>	rogram Revenu	<u>ies</u>	Primary Government	Compon	ponent Units	
		Operating	Capital			Industria	
	Charges for	Grants and	Grants and	Governmental		Developm	
<u>Expenses</u>	<u>Services</u>	Contributions	Contributions	Activities	School Board	Authorit	

				Operating	Capital			Industrial
		_	Charges for		Grants and	Governmental		Development
Functions/Programs		<u>Expenses</u>	<u>Services</u>	Contributions	Contributions	<u>Activities</u>	School Board	<u>Authority</u>
Primary Government								
Governmental Activities	Φ.	0.500.004	Φ.	Ф 440 F00	Φ.	Φ (0.440.005)		
General government administration	\$	3,533,361		\$ 413,536	5 -	\$ (3,119,825)		
Judicial administration		2,375,856	87,792	1,355,542	-	(932,522)		
Public safety		10,913,894	260,604	1,956,154	-	(8,697,136)		
Public works		2,601,167	559,846	13,246	-	(2,028,075)		
Health and welfare		4,929,066	-	3,403,976	-	(1,525,090)		
Education - community college		13,246	-	-	-	(13,246)		
Education - public school system Parks, recreation, and cultural		12,810,098	17 550	120.467	-	(12,810,098) (513,124)		
Community development - IDA of Mecklenburg County, Virginia		700,149 23,460,508	47,558	139,467	-	(23,460,508)		
Community development Community development		1,288,109	- 21,249	1,844,723	-	(23,460,308)		
Interest on long-term debt		250,035	21,249	1,044,723	_	(250,035)		
Total Governmental Activities	-	62,875,489	977,049	9,126,644		(52,771,796)		
Total Primary Government	\$	62,875,489	\$ 977,049	\$ 9,126,644	\$ -	(52,771,796)		
Component Units	<u> </u>	· · · · · · · · · · · · · · · · · · ·		```		, , ,		
School Board								
Education	\$	45,373,434	\$ 765,373	\$30,936,927	\$ -		\$ (13,671,134)	
Total School Board		45,373,434	765,373	30,936,927			(13,671,134)	
Industrial Development Authority							, , , ,	
Community development		22,443,324	-	-	-			\$ (22,443,324)
Total Industrial Development Authority		22,443,324	-					(22,443,324)
Total Component Units	\$	67,816,758	\$ 765,373	\$30,936,927	<u>\$</u>			
	Gener	al Revenues						
	Tax	es						
	G	eneral property to	axes, real and	personal		54,134,184	-	-
		ther local taxes				6,352,391	-	-
	_	ment from Coun	ty of Mecklen	burg, Virginia				
		ducation				-	12,810,098	-
		ommunity develo	•	f Mecklenburg C	County, VA		-	23,460,508
		ncategorical aid fr	om state			2,136,091	-	-
		e of property				57,479	10,384	32,000
		stment earnings				189,091	1,428	8,121
	Mis	cellaneous				351,807	636,387	16,102
		Total General	Revenues			63,221,043	13,458,297	23,516,731
	Chan	ge in Net Positior	1			10,449,247	(212,837)	1,073,407
	Net P	osition (Deficit) - I	Beginning of Y	⁄ear		69,567,585	(15,355,367)	7,885,054
	Resta	tement of OPEB	for Primary Go	vernment		(1,599,270)		
	Net P	osition (Deficit) - I	End of Year			\$ 78,417,562	<u>\$ (15,568,204</u>)	\$ 8,958,461

Balance Sheet

Governmental Funds

At June 30, 2017

Accessor	General <u>Fund</u>	Capital Outlay <u>Fund</u>	DEQ and Landfill <u>Funds</u>	Co	mprehensive Services <u>Fund</u>	Economic evelopment Fund	Public Assistance Fund	Microsoft Capital <u>Project</u>	New School <u>Funds</u>	Gov	Other vernmental <u>Funds</u>	Go	Total vernmental <u>Funds</u>
Assets Cash and investments Receivables, net Due from other governments	\$11,670,380 1,402,184 935,097	\$19,633,134 32,964 	\$ 566,235 - -	\$	510,888 3,148	\$ 2,731,670	\$1,504,047 - 204,538	\$ 417,481 - 196,250	\$11,410,124 - -	\$	227,057 1,141 10,907	\$	48,671,016 1,439,437 1,346,792
Total Assets	\$14,007,661	\$19,666,098	\$ 566,235	\$	514,036	\$ 2,731,670	\$1,708,585	\$ 613,731	\$11,410,124	\$	239,105	\$	51,457,245
Liabilities Accounts payable and accrued liabilities	\$ 930,406	\$ 6,278	\$ -	\$	94,763	\$ 396,976	<u>\$ 14,404</u>	\$ 5,980	\$ -	\$	5,244	\$	1,454,051
Total Liabilities	930,406	6,278	-		94,763	396,976	14,404	5,980	-		5,244		1,454,051
Deferred Inflows of Resources Unavailable revenue - taxes and other	856,595		-			 <u>-</u>		_			<u>-</u>	_	856,595
Total Deferred Inflows of Resources	856,595	-	-		-	-	-	-	-		-		856,595
Fund Balance													
Restricted Committed	- 4,436,591	-	120,000		419,273	-	1,694,181	607,751	- 11,410,124		160,124 -		3,001,329 15,846,715
Assigned	1,864,485	19,659,820	446,235		-	2,334,694	_	-	11,410,124		73,737		24,378,971
Unassigned	5,919,584					 					<u>-</u>	_	5,919,584
Total Fund Balance	12,220,660	19,659,820	566,235		419,273	 2,334,694	1,694,181	607,751	11,410,124		233,861		49,146,599
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$14,007,661</u>	\$19,666,098	\$ 566,235	\$	514,036	\$ 2,731,670	\$1,708,585	\$ 613,731	\$11,410,124	\$	239,105	\$	51,457,245

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

At June 30, 2017

Total Fund Balances for Governmental Funds

\$49,146,599

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 land improvements	\$ 1,235,220
Infrastructure - water and sewer	13,648,677
School buildings, net of accumulated depreciation	8,898,163
Buildings and improvements, net of accumulated depreciation	15,420,891
Furniture, equipment, and vehicles, net of accumulated depreciation	3,565,122

Total Capital Assets 42,768,073

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

Unavailable revenue - taxes and other

856,595

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	1,735,780
Deferred inflows of resources related to pensions	(1,322,372)

Total Deferred Outflows and Inflows of Resources

413,408

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

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

Bonds and notes payable	(5,678,391)
Net VRS pension liability	(5,250,775)
Net OPEB obligation	(838,596)
Landfill obligation	(1,722,712)
Compensated absences	(1,276,639)

Total (14,767,113)

Total Net Position of Governmental Activities \$78,417,562

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

				•	Economic	Public	Microsoft	New	Other	Total
	General	Capital Outlay	Landfill	Services	Development	Assistance	Capital	School	Governmental	
Revenues	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Project</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Property taxes	\$ 54,165,404	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,165,404
Other local taxes	6,352,391	-	-	-	-	-	-	-	-	6,352,391
Permits, privilege fees, and regulatory licenses	581,433	-	-	-	-	-	-	-	-	581,433
Fines and forfeitures	199,817	-	-	-	-	-	-	-	-	199,817
Use of money and property	244,257	-	-	-	-	-	2,108	-	205	246,570
Charges for services	184,626	-	-	-	-	-	-	-	11,173	195,799
Recovered costs	117,768	-	-	54,552	245	3,888	-	-	-	176,453
Miscellaneous	283,072	32,964	-	-	-	-	-	-	103,702	419,738
Payment from Component Unit School Board Intergovernmental	-	-	-	-		-	-	1,002,094	-	1,002,094
Revenue from the Commonwealth of Virginia	5,796,827	-	-	985,884	862,500	874,361	754,802	-	9,256	9,283,630
Revenue from the Federal Government	207,953	-	-	-	-	1,543,731	-	-	227,421	1,979,105
Total Revenues	68,133,548	32,964		1,040,436	862,745	2,421,980	756,910	1,002,094	351,757	74,602,434
Expenditures										
Current										
General government administration	3,461,190	-	-	-	-	-	-	-	-	3,461,190
Judicial administration	2,201,411	-	-	-	-	-	-	-	6,897	2,208,308
Public safety	11,070,485	-	-	-	-	-	-	-	21,135	11,091,620
Public works	2,449,658	-	-	-	-	-	-	-	-	2,449,658
Health and welfare	447,078	-	-	1,593,878	-	3,116,687	-	-	-	5,157,643
Education - community college	13,246	-	-	-	-	-	-	-	-	13,246
Education - public school system	14,187,807	-	-	-	-	-	-	221,182	-	14,408,989
Parks, recreation, and cultural	700,149	-	-	-	-	-	-	-	-	700,149
Community development - IDA of Meck. Cty., VA	21,848,392	-	-	-	1,612,116	-	-	-	-	23,460,508
Community development	1,125,779	-	-	-	24,586	-	-	-	236,856	1,387,221
Capital projects	288,327	284,561	-	-	-	-	3,674,676	-	-	4,247,564
Total Expenditures	57,793,522	284,561		1,593,878	1,636,702	3,116,687	3,674,676	221,182	264,888	68,586,096
Excess (Deficiency) of Revenues Over Expenditures	10,340,026	(251,597)	-	(553,442)	(773,957)	(694,707)	(2,917,766)	780,912	86,869	6,016,338
Other Financing Sources (Uses)										
Transfers in	-	5,796,703	-	506,000	500,000	724,521	-	3,574,199	-	11,101,423
Transfers out	(9,701,423)	(1,400,000)	-	-	-	-	-	-	-	(11,101,423)
Total Other Financing Sources (Uses)	(9,701,423)	4,396,703		506,000	500,000	724,521		3,574,199		
Net Change in Fund Balance	638,603	4,145,106	-	(47,442)	(273,957)	29,814	(2,917,766)	4,355,111	86,869	6,016,338
Fund Balance - Beginning of Year	11,582,057	15,514,714	566,235	466,715	2,608,651	1,664,367	3,525,517	7,055,013	146,992	43,130,261
Fund Balance - End of Year	\$12,220,660	\$ 19,659,820	\$ 566,235	\$ 419,273	\$ 2,334,694	\$ 1,694,181	\$ 607,751	\$ 11,410,124	\$ 233,861	\$ 49,146,599

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

Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds

\$ 6,016,338

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

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 as depreciation expense:

Capitalized assets	\$4,775,295
Dispositions of assets	(67,931)
Depreciation	(1,682,550)

3,024,814

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

(31,220)

580,250

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

Payments on debt paid for by the School Board

Net Adjustment 580,250

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, net inflows and outflows	543,966	
Cost of benefits earned net of employee contributions - net pension liability adjustment	(73,758)	
		470,208

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

Landfill obligation (22, 108)Net OPEB obligation 303,937 Compensated absences 107,028

Net Adjustment

Change in Net Position of Governmental Activities

\$10,449,247

388,857

Statement of Fiduciary Assets and Liabilities

At June 30, 2017

	Agency <u>Funds</u>
Assets	
Cash and investments	\$ 2,111,204
Accounts receivable	2,800
Total Assets	<u>\$ 2,114,004</u>
Liabilities	
Accounts payable	\$ 18,018
Amounts held for others	
Total Liabilities	\$ 2,114,004

Notes to the Financial Statements

Year Ended June 30, 2017

Summary of Significant Accounting Policies

Narrative Profile

The County of Mecklenburg, Virginia (the "County") was formed from part of Lunenburg County in 1764 and was legally established in 1765. There are five incorporated towns within the County: Boydton, the county seat, Chase City, Clarksville, LaCrosse, and South Hill. The County has a population of approximately 32,737 and is governed by an appointed County Administrator and a nine-member Board of Supervisors.

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

The financial statements of the County 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 Mecklenburg, 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

Mecklenburg County School Board

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

Industrial Development Authority of Mecklenburg County, Virginia

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Southside Community Services Board

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

Southside Regional Public Service Authority

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

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

Mecklenburg-Brunswick Airport Commission

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

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; as such, individual funds are not displayed. 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 activities of the County and it's 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. 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 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.

- 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 Funds These funds account for activity pertaining to children eligible to receive funds under Virginia's Comprehensive Services Act.
 - <u>Public Assistance Fund</u> This fund accounts for County revenues collected and disbursed for welfare recipients of the County.
 - <u>Law Library Fund</u> This fund accounts for the operation and maintenance of the County's law library.
 - Sheriff's Funds These funds are used for various projects and revenue specifically handled by the Sheriff's Department, such as inmates, jail phones, etc.
 - <u>Drug Forfeiture Funds</u> These funds are specifically earmarked for handling drug forfeiture operations.
 - <u>CDBG Funds</u> The County has three CDBG projects in process that account for funds used to upgrade housing for low income citizens. These funds are Lambert Road Project, Tiny Road Project, and Highway 49 Rehab.
- Capital Projects Funds The Capital Projects Funds consists of the Capital Outlay Fund, Economic Development Fund, DEQ and Landfill Funds, the Microsoft Capital Project, New School Funds, and Propst Road which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- **Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has no Proprietary Funds at this time.
- Fiduciary Funds (Trust and 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 has no Private Purpose Trust Funds. The Agency Funds consist of the following:

- Special Welfare Fund This fund accounts for monies provided primarily through private donors for assistance of children in foster care, needy senior citizens, and others. This fund is also used to account for monies received from other governments and individuals (i.e., social security and child support) to be paid to special welfare recipients.
- Thyne Project Memorial This fund accounts for the operation and maintenance of this project. The County acts as fiscal agent for the Memorial.
- County OPEB Fund This fund accounts for the money held for postemployment benefits of the County.
- <u>Virginia's Retreat Fund</u> This fund accounts for money held by the County for the Virginia's Retreat, an entity of eleven counties and one city (Mecklenburg, Lunenburg, Charlotte, Brunswick, Nottoway, Amelia, Appomattox, Buckingham, Dinwiddie, Halifax, Prince Edward, and City of Petersburg) for the purpose of regional marketing of the Civil Rights and Education Heritage Trail, Wilson-Kautz Raid Trail, Lee's Retreat Civil War Trail, and other trails and tourist related opportunities within the region.
- TransTech Alliance T/A Virginia's Growth Alliance This fund accounts for money held by the County for the Virginia's Growth Alliance (dba TransTech Marketing Alliance), an entity of six counties and one city (Mecklenburg, Brunswick, Greensville, Lunenburg, Charlotte, Nottoway, and City of Emporia) for the purpose of increasing business and other opportunities within the region pursuant to Section 15.2-1300 et seq. of the Code of Virginia, which authorizes the joint exercise of powers by political subdivisions.

Component Units

Mecklenburg County School Board

The Mecklenburg County School Board has the following funds:

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

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

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

Industrial Development Authority of Mecklenburg County, Virginia

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

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.).

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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. The County has no enterprise funds at this time. However, the Component Unit IDA of Mecklenburg County, Virginia is accounted for as a proprietary fund.

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 all funds utilize with the exception of the landfill capital projects fund and agency funds, each of which has separate bank accounts and investments. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The County allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

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 in the governmental activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance account is as follows:

General Fund - taxes receivable \$1,085,239

Real and Personal Property Tax Data

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

Real Property Personal Property

Levy	July 1	July 1
Due Date	December 5	December 5
Due Date	June 5	June 5

The County bills and collects its own property taxes.

A ten percent penalty is levied on all taxes not collected the day following the due date. Interest at the rate of 10 percent per year is also added the day following the due date.

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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

Asset Description	Estimated Lives

Buildings and improvements 10 to 75 years Furniture and other equipment 3 to 25 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 taxes and other receivables, is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, second half installments levied during the fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, second half installments levied during the fiscal year but due after June 30 and amounts prepaid on the second half installments are reported as deferred inflows of resources.

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.

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

1-E-8 Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. The Virginia Retirement System (VRS) Teacher Employee Retirement Plan is a multiple employer, cost-sharing 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 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 Benefit 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 the 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.

<u>Restricted</u> – 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.

<u>Committed</u> – 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.

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

<u>Unassigned</u> – 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. 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. The County has no proprietary funds although the Component Unit IDA of Mecklenburg County, Virginia does account for its activities in business development in this manner.

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.

1-E-14 Adoption of New GASB Statements

During the fiscal year ended June 30, 2017, the County adopted the following GASB statements:

- Statement No. 75, "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions"
- Statement No. 82, "Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73"

The County early implemented Statement No. 75. Statement No. 82 had no effect on the current financial statements.

1-F. 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-G. Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2017. Management has performed their analysis through November 13, 2017.

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 Unit School Board. All appropriations are legally controlled at the department level for the primary Government Funds. The School Board appropriation is determined by the Board of Supervisors and controlled in total by the primary government. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

- Prior to April 1, 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.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

Fund Deficits

There were no fund deficits for the governmental funds. The net position of the School Board has a deficit of \$15,568,204 on Exhibit 1, primarily due to the net VRS pension liability.

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

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

The County does not have a formal investment policy addressing the various types of risks associated with investments.

Concentration of Credit Risk/Interest Rate Risk

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

Ralance

The following is a summary of cash and investments:

Asset Type	June 30, 2017
Petty cash Deposit accounts	\$ 3,000 52,762,344
Total Cash and Investments	\$ 52,765,344

	Governmer Activities	, , , , , , , , , , , , , , , , , , , ,	<u>Total</u>				
Primary Government Cash and cash equivalents Cash and investments with	\$ 48,671,0	16 \$ -	\$ 48,671,016				
fiscal agents		- 2,111,204	2,111,204				
Total Primary Government	48,671,0	2,111,204	50,782,220				
Component Unit School Board Cash and cash equivalents	1,122,8	97 -	1,122,897				
Component Unit IDA of Mecklenburg County, Virginia							
Cash and cash equivalents	860,2	27	860,227				
Grand Total	\$ 50,654,1	<u>40</u> \$ 2,111,204	\$ 52,765,344				



Receivables at June 30, 2017 consist of the following:

Primary Government

					Governmenta	I Activ	<u>rities</u>			
				Co	mprehensive	Pu	blic		Other	Total
	General		Capital		Services	Assis	tance	Gov	ernmental	Primary
	<u>Fund</u>	<u>Ou</u>	ıtlay Fund		<u>Fund</u>	<u>Fu</u>	<u>ınd</u>		<u>Funds</u>	Government
Property taxes	\$ 2,324,853	\$	-	\$	-	\$	-	\$	1,141	\$2,325,994
Other	162,570		32,964		3,148				<u>-</u>	198,682
Total	2,487,423		32,964		3,148		-		1,141	2,524,676
Allowance for uncollectibles	(1,085,239)		<u>-</u>							(1,085,239)
Net Receivables	\$ 1,402,184	\$	32,964	\$	3,148	\$	_	\$	1,141	\$1,439,437

5 Interfund Transfers

Interfund transfers for the year ended June 30, 2017 consisted of the following:

	Transfer to	Transfer from
Primary Government		
General Fund		
To Public Assistance - Welfare Fund for operations	\$ 724,521	\$ -
To Comprehensive Services Fund for operations	506,000	-
To Economic Development Fund for operations	500,000	-
To New School Funds for educational improvements	2,174,199	-
To Capital Outlay Fund for operations	5,796,703	
Total General Fund	9,701,423	-
Public Assistance - Welfare Fund		
From General Fund for operations	-	724,521
Comprehensive Services Funds		
From General Fund for operations	-	506,000
New School Funds		
From Capital Outlay Fund for educational improvements	_	1,400,000
From General Fund for educational improvements	_	2,174,199
		2,174,100
Economic Development Fund		
From General Fund for operations	-	500,000
Capital Outlay Fund		
To New School Funds for educational improvements	1,400,000	-
From General Fund for operations		5,796,703
Total Transfers Within Primary Government	\$ 11,101,423	\$ 11,101,423

6 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2017 are as follows:

	Transfer to	Transfer from
School Board		
General Fund To School Fund for local appropriation To School Textbook Fund for local appropriation	\$ 14,024,660 163,147	\$ -
New School Funds To School Board Component Unit for educational improvements	221,182	-
School Board Component Unit From General Fund for local appropriation From New School Funds for educational improvements	-	14,024,660 221,182
School Textbook Fund From General Fund for local appropriation		163,147
Total Transfers between School Board and Primary Government	<u>\$ 14,408,989</u>	\$ 14,408,989
IDA of Mecklenburg County, Virginia General Fund To IDA of Mecklenburg County, Virginia for economic		
stimulus and other miscellaneous items Economic Development Fund	\$ 21,848,392	\$ 21,848,392
To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	1,612,116	1,612,116
Total Transfers between IDA and Primary Government	\$23,460,508	\$ 23,460,508
Total Transfers	\$ 48,970,920	\$ 48,970,920

7Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2017, are as follows:

			Co	mponent
	Gov	vernmental	Un	it School
		<u>Funds</u>		Board
Commonwealth of Virginia				
Local and State sales taxes	\$	498,888	\$	830,264
Compensation Board - constitutional officers		337,604		-
Communications tax		45,324		-
Wireless grant		11,190		-
Grantor's tax		-		-
Public assistance		204,538		-
Emergency services grant		29,122		-
Tobacco Indemnification funds		196,250		-
Other state funds		12,969		-
Federal Government				
Community development block grant funds		10,907		-
Title I		-		103,210
Other federal funds				64,202
Total	\$	1,346,792	\$	997,676

Capital Assets

The following is a summary of changes in capital assets:

Course was a stall Astivities	Balance July 1, <u>2016</u>	Increases	<u>Decreases</u>	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated Land and land improvements	\$ 1,236,411	\$ -	<u>\$</u> -	\$ 1,236,411
Total Capital Assets Not				
Being Depreciated	1,236,411	-	-	1,236,411
Other Capital Assets				
Buildings and improvements	22,523,880	_	11,614	22,512,266
Infrastructure	11,147,574	3,962,938	- 1,011	15,110,512
School buildings and improvements	11,674,384	-	_	11,674,384
Furniture, equipment, and vehicles	11,820,171	812,357	93,492	12,539,036
, , ,				
Total Other Capital Assets	57,166,009	4,775,295	105,106	61,836,198
Less: Accumulated depreciation for				
Land improvements	439	752	-	1,191
Buildings and improvements	6,619,366	472,009	-	7,091,375
Infrastructure	1,228,892	232,943	-	1,461,835
South Hill Elementary School	2,542,732	233,489	-	2,776,221
Furniture, equipment, and vehicles	8,267,634	743,358	37,078	8,973,914
Total Accumulated Depreciation	18,659,063	1,682,551	37,078	20,304,536
Other Capital Assets, Net	38,506,946	3,092,744	68,028	41,531,662
Net Capital Assets	\$39,743,357	\$ 3,092,744	\$ 68,028	\$42,768,073
Depreciation expense was allocated as fo	ollows:			
General government administration	\$ 248,407			
Judicial administration	362,684			
Public safety	422,230			
Public works	305,636			
Education - public school system	233,488			
Health and welfare	110,106			
Total Depreciation Expense	\$ 1,682,551			

	Balance July 1, <u>2016</u>	Increases	<u>Decreases</u>	Balance June 30, <u>2017</u>
Component Unit School Board Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,740,642	<u>\$</u>	\$ -	\$ 1,740,642
Total Capital Assets Not Being Depreciated	1,740,642	-	-	1,740,642
Other Capital Assets				
Buildings and improvements	38,862,153	85,681	-	38,947,834
Furniture, equipment, and vehicles	25,096,678	990,494		26,087,172
Total Other Capital Assets	63,958,831	1,076,175	-	65,035,006
Less: Accumulated depreciation for				
Land and land improvements	3,063	1,050	-	4,113
Buildings and improvements	22,737,640	716,438	-	23,454,078
Furniture, equipment, and vehicles	18,011,746	1,445,985		19,457,731
Total Accumulated Depreciation	40,752,449	2,163,473		42,915,922
Other Capital Assets, Net	23,206,382	(1,087,298)		22,119,084
Net Capital Assets	\$24,947,024	\$(1,087,298)	\$ -	\$23,859,726
Component Unit IDA of Mecklenburg County, Virginia Capital Assets Not Being Depreciated				
Buildings and land held for resale	\$ 6,508,674	\$ 2,365,003	\$ -	<u>\$ 8,873,677</u>
Net Capital Assets	\$ 6,508,674	\$ 2,365,003	\$ -	\$ 8,873,677

Compensated Absences

Each County employee earns sick leave at the rate of one day per month. Vacation pay begins with one day per month and increases with length of service. No benefits or pay are received for unused sick leave upon termination unless the employee has been with the County over five years and the employee receives only up to 30 days of unused sick leave. Accumulated vacation up to a maximum of 54 days with 25+ years of service is paid upon termination. The County has outstanding accrued compensated absences totaling \$1,276,639 in the Governmental Activities. The Component Unit School Board has \$225,288 of compensated absences.

Mecklenburg County Public Schools

Annual leave earned by an eligible employee may be accumulated to the following year if it is not used, but not to exceed twelve (12) days of total carry-over unless approved by the division superintendent. Upon termination of employment, employees shall not be paid for any unused accumulated annual leave.

Upon retirement, employees shall be paid at a daily rate of pay for unused accumulated annual leave not to exceed twenty-four days. To be eligible for such payment, an employee must have completed a minimum of five (5) years uninterrupted service, including the year of retirement with the Mecklenburg County Public Schools. The lump sum payment shall be calculated based on the employee's per diem rate at the time of retirement.

10^{Long-Term Debt}

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

Year(s) Ended <u>June 30,</u>	General Obligation Bond Principal Interest				Premium on Bonds
Primary Government					
2018 2019 2020 2021 2022 2023-2027 Total	\$ 	577,998 591,093 609,538 628,136 642,338 2,452,576 5,501,679	\$	243,331 215,930 188,523 160,197 129,955 241,326 1,179,262	\$ 21,421 21,421 21,421 21,421 21,421 69,607 176,712
Landfill obligation OPEB liability Compensated absences Total	<u>\$</u>	1,722,712 838,596 1,276,639 9,339,626		- - - 1,179,262	\$ 176,712
Year Ending June 30,		<u>Gene</u> <u>Princ</u>		oligation E Inte	<u>rest</u>
Component Unit School Board					
Capital Leases 2018 2019 2020 2021 Total - Capital Leases		6 1	746,293 672,233 08,598 9,225	5 8 <u> </u>	56,532 29,366 5,514 425 91,837
OPEB obligation Compensated absences Total		8	348,179 225,288 309,818	9 <u>8</u>	- - 91,837
Component Unit IDA of Mecklenburg County, Virginia					
2018 2019 2020 2021 2022 2023		1	94,422 96,793 01,222 92,633 47,102 52,88	3 1 5 1	18,341 14,121 9,693 5,072 1,304 22,210
Total		\$ 1,1	85,05	<u>\$</u>	70,741

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the County:

	Balance			Balance	Due Within	
	<u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	June 30, 2017	One Year	
Primary Government						
Governmental Activities						
General Fund						
Details of Long-Term Indebtedness						
U.S. Bank, Virginia Public School Authority						
(VPSA) General Obligation School Bond, Series 2006,						
proceeds used to construct new South Hill Elementary						
School; semiannual payments varying between						
approximately \$280,361 and \$372,067 with interest						
rates between 4.60% and 5.10% through January 2027.	\$ 3,835,508	\$ -	\$ 328,829	\$ 3,506,679	\$ 332,998	
U.S. Bank, Virginia Public School Authority						
(VPSA) School Financing Bonds Series 2003C,						
proceeds used to construct new South Hill Elementary						
School; semiannual payments varying between						
approximately \$378,000 and \$338,415 with interest						
rates between 3.10% and 5.10% through January 2024.						
This bond had an original premium of \$250,000.	2,225,000	-	230,000	1,995,000	245,000	
Landfill obligation	1,700,604	22,108	-	1,722,712	-	
OPEB liability	(456,737)	1,295,333	-	838,596	-	
Compensated absences	1,383,667		107,028	1,276,639	<u>-</u>	
	8,688,042	1,317,441	665,857	9,339,626	577,998	
Add						
Unamortized Premium on Bond Series 2003 Bond	100,000	-	12,500	87,500	12,500	
Unamortized Premium on Bond Series 2006 Bond	98,133	<u>-</u>	8,921	89,212	8,921	
Total Long-Term Indebtedness - Primary Government	\$ 8,886,175	\$1,317,441	\$ 687,278	\$ 9,516,338	\$ 599,419	
Component Unit School Board						
SunTrust Equipment Finance & Leasing Corp.						
Master Lease Agreement dated February 6, 2014,						
proceeds used to purchase buses for the schools.						
Annual payments due February of each year with						
interest at 1.39% until February 2017.	\$ 208,862	\$ -	\$ 208,862	\$ -	\$ -	
SunTrust Equipment Finance & Leasing Corp.						
Master Lease Agreement dated November 3, 2015,						
proceeds used to purchase buses for the schools.						
Annual payments due November of each year with						
interest at 2.04% until November 15, 2018.	907,184	-	296,309	610,875	302,354	
Dell Financial Services Flex Lease Purchases of						
computer equipment. Lease entered into in August 2015,						
proceeds used to purchase computer equipment for the						
schools. Annual payments due August of each year with						
interest at 4.38% until August 2018.	102,332	-	47,861	54,471	49,958	
-	·		•	•	·	

Dell Financial Services Flex Lease Purchases of	Balance July 1, 2016	Increase	Decrease	Balance June 30, 2017	Due Within One Year
computer equipment. Lease entered into in August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due August of each year with interest at 4.38% until August 2019.	115,124	-	53,844	61,280	56,203
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due August of each year with					
interest at 4.38% until August 2019.	467,063	-	137,043	330,020	143,446
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2016, proceeds used to purchase computer equipment for the schools. Annual payments due December of each year with		450.050	455.045	200 705	440.077
interest at 5.1% until December 2019. Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into in August 2016, proceeds used to purchase computer equipment for the	-	456,350	155,615	300,735	140,277
schools. Annual payments due December of each year with interest at 4.6% until December 2020.	-	241,265	62,295	178,970	54,058
Compensated absences	218,875	6,413		225,288	
OPEB obligation	699,072	149,107		848,179	<u>-</u>
Total Component Unit School Board	\$ 2,718,512	\$ 853,135	\$ 961,829	\$ 2,609,818	<u>\$ 746,296</u>
Component Unit IDA of Mecklenburg County, Virginia					
Riley B. Lowe					
The Authority originally borrowed \$650,000					
to purchase a building in Chase City, Virginia					
jointly with the Industrial Development Authority					
of the Town of Chase City, Virginia to be leased					
for tw enty years to a local business with the					
option to purchase at any time. The original loan terms w ere modified effective April 1, 2012,					
reducing the interest rate from 7.00% to 6.00%					
and extending the term of payments. The loan is					
payable in monthly installments of \$4,840 through					
April 2022.	\$ 285,296	\$ -	\$ 42,114	\$ 243,182	\$ 44,711
Citizens Community Bank for \$1,155,000. Dated January 8, 2016 and matures November 1, 2021. Proceeds are being used to construct an industrial shell building in the Roanoke River Basin Industrial Park. As of June 30, 2017, only a portion of the funds have					
been drawn down. Interest is stated at 2.95%.	_	752,887	_	752,887	

	Balance			Balance	Due Within
	July 1, 2016	<u>Increase</u>	<u>Decrease</u>	June 30, 2017	One Year
Lake Country Development Corporation					
The Authority originally borrow ed \$250,000 to					
purchase a building (Riley B. Low e Building).					
The original loan terms were modified effective					
June 1, 2012, removing a balloon due date of					
July 2012 and extending the existing payment					
and interest terms through July 2017. The loan					
continues to be payable in monthly installments					
of \$1,849 at 4.00% interest.	23,488	-	21,645	1,843	1,843
Lake Country Development Corporation					
The Authority borrow ed \$245,000 to begin					
construction on a shell building in Roanoke River					
Regional Business Park. The promissory note is dated					
February 5, 2016, with interest stated at 3%, payable					
over 5 years (60 payments) in monthly payments of					
\$4,402.33.	233,602		46,455	187,147	47,868
	· · · · · · · · · · · · · · · · · · ·			· · · · · · · · · · · · · · · · · · ·	
Total Component Unit IDA of Mecklenburg County,					
Virginia	\$ 542,386	\$ 752,887	\$ 110,214	\$ 1,185,059	\$ 94,422

◀ 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, 2017 is determined as follows:

	G	overnmental <u>Activities</u>	Unit School Board	Component Unit IDA	
Net Investment in Capital Assets					
Cost of capital assets	\$	63,072,609	\$66,775,648	\$ 8,873,677	
Less: Accumulated depreciation		(20,304,536)	(42,915,922)		
Book value		42,768,073	23,859,726	8,873,677	
Less: Capital related debt		(5,501,679)	(1,536,351)	(1,185,059)	
Less: Unamortized debt issuance premium		(176,712)			
Net Investment in Capital Assets	\$	37,089,682	\$22,323,375	\$ 7,688,618	

12 Deferred Inflows of Resources

Deferred inflows of resources from unavailable revenue – taxes and other are comprised of the following:

Primary Government

General Fund

Delinquent taxes not collected within 60 days	\$797,758
Prepaid property taxes - property taxes paid in advance	50,034
Other deferred credits	8,803

Total Deferred Inflows of Resources Governmental Funds \$856,595

13 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, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. 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 Unit School Board carries 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.

↑ 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.

15 Litigation

At June 30, 2017, 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.

16^{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 Estate	\$ 4,312,782,538
Debt Limit - 10 Percent of Total Assessed Value	\$ 431,278,254
Amount of Debt Applicable to Debt Limit General obligation debt	5,678,391
Legal Debt Margin	\$ 425,599,863

7Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2017:

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

1 8 Landfill Closure and Post-Closure Costs

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

The County will recognize the remaining estimated cost of closure and post-closure care of \$1,722,712 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County has cash of \$566,235 held for these purposes. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

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:

School Board Appropriation in the Fund Financial Statements

in the Government-Wide Financial Statements

From the General Fund to the School Fund	\$14,024,660
From New School Funds to the School Fund	221,182
From the General Fund to the School Textbook Fund	163,147
Subtotal - Transfers to the School Board Component Unit	14,408,989
From the School Fund to New School Funds	(1,002,094)
Net School Board Appropriation for the	
Fund Financial Statements	13,406,895
Adjustments for	
Payment of principal and interest on school debt for buildings	(830,285)
Depreciation on school building and other fixed assets	233,488
Adjusted School Board Appropriation	

\$12,810,098

20 Tax Abatement Disclosures

The County and its component unit, IDA, negotiates property tax abatement agreements on an individual basis. The County has tax abatement agreements with two entities as of June 30, 2017.

Facts and Assumptions

<u>Purpose</u>	Percentage of Taxes Abated During the Fiscal Year	Taxe Dur	ount of s Abated ing the <u>al Year</u>
Increase Size and Employment			
in Southside Virginia Area			
Machinery and tools tax and real estate tax	80%	\$	26,066
Business Personal Property	82.5%	21	,819,066

7 Pension Plan

Plan Description

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by a VRS Retirement Plan upon employment. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the 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 – 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:

RETIREMENT PLAN PROVISIONS			
PLAN1	PLAN 2	HYBRID RETIREMENT PLAN	
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined	
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.	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	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 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 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 the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: •Political subdivision employees* •School division employees	
We have a low ed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	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	•Members in Plan 1 or Plan 2 w ho elected to opt into the plan during the election w indow held January 1 - April 30, 2014; the plan's effective date for opt-in members w as July 1, 2014	
The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.	The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.	*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:	
If eligible deferred members returned to work during the elective window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the o election window, they were also eligible to opt into the Hybrid Retirement Plan.	 Political subdivision employees w ho are covered by enhanced benefits for hazardous duty employees 	
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.	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.	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 Same as Plan 1. 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

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	PLAN 2	HYBRID <u>RETIREMENT PLAN</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. •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 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.		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 A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	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 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%.	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.	Service Retirement Multiplier Defined Benefit Component: The retirement multiplier for the defined benefit component is 1.00%. For members w ho 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: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.	Sheriffs and regional jail superintendents: Same as Plan 1.	Sheriffs and regional jail superintendents: Not applicable.
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.	Political subdivision hazardous duty employees: Same as Plan 1.	Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component Not applicable.

PLAN1	PLAN 2	HYBRID RETIREMENT PLAN
Normal Retirement Age	Normal Retirement Age	Normal Retirement Age
Age 65.	Normal Social Security retirement age.	Defined Benefit Component: Same as Plan 2.
Political subdivisions hazardous duty employees: Age 60.	Political subdivisions hazardous duty employees: Same as Plan 1.	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	Earliest Unreduced Retirement Eligibility	Earliest Unreduced Retirement Eligibility
Age 65 with at least five years (60 months) of	Normal Social Security retirement age with at least	Defined Benefit Component:
creditable service or at age 50 with at least 30 years of creditable service.	five years (60 months) of creditable service or when their age and service equal 90.	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: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	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	Earliest Reduced Retirement Eligibility	Earliest Reduced Retirement Eligibility
Age 55 with at least five years (60 months) of	Age 60 with at least five years (60 months) of	Defined Benefit Component:
creditable service or age 50 with at least 10 years of creditable service.	creditable service.	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: Age 50 w ith at least five years of creditable service.	Political subdivisions hazardous duty employees: Same as Plan 1.	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 The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban	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	Cost-of-Living Adjustment (COLA) in Retirement Defined Benefit Component: Same as Plan 2
Consumers (CPI-U) and half of any additional increase (up	to 2%), for a maximum COLA of 3%.	Carro as Franz
to 4%) up to a maximum COLA of 5%.		Defined Contribution Component: Not applicable
Eligibility:	Eligibility:	Eligibility:
For members who retire with an unreduced benefit or with	Same as Plan 1	Same as Plan 1 and Plan 2
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	e	
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.		
and the state of t		

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 shortterm 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 w ithout pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

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

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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government - <u>County</u>	School Board - General <u>Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	96	87
Inactive members: Vested inactive members	28	12
Non-vested inactive members	28	38
Inactive members active elsewhere in VRS	<u>83</u>	<u>14</u>
Total inactive members	139	64
Active members	<u>185</u>	<u>53</u>
Total covered employees	<u>420</u>	<u>204</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 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 5.00%-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 political subdivision's contractually required contribution rate for the year ended June 30, 2017 was 9.28% 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 political subdivision were \$748,322 and \$1,067,732 for the years ended June 30, 2017 and June 30, 2016, respectively.

For the school board – general employees, employee contributions were \$96,462 and \$89,356 for the years ended June 30, 2017 and June 30, 2016, respectively.

Each school division – teachers contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects 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 16.32%. The actuarially

determined 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. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contribution to the pension plan from the school division – teachers were \$3,198,263 and \$3,117,740 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The political subdivisions 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.

Net Pension Liability - Teacher Employee Retirement Plan

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

Teacher Employee Retirement <u>Plan</u>

Total Pension Liability\$44,182,326Plan Fiduciary Net Position30,168,211Employer's Net Pension Liability (Asset)\$14,014,115

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability

68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Actuarial Assumptions - General Employees and School Division - Teachers

The total pension liability for General Employees in the Political Subdivision's and VRS Teacher Retirement Plans 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.

General Employees

Teachers

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 7.0 percent, net of pension plan

investment expense, including inflation investment expense, including inflation

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 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.

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.

School Divisions:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with 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 with males set back 2 years and females were set back 3 years.

^{*}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.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year 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

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, 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 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

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.

^{*}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.

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, 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 - 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:

			Weighted
		Arithmetic	Average
		Long-Term	Long-Term
	Target	Expected	Expected
Asset Class (Strategy)	<u>Allocation</u>	Rate of Return	Rate of Return
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 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 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 division – teachers 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

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2015	\$42,560,852	\$37,383,835	\$ 5,177,017
Daraness at same so, 2016	ψ .2,000,002	Ψ 01,000,000	Ψ 0,111,011
Changes for the Year			
Service cost	911,199	-	911,199
Interest	2,904,017	-	2,904,017
Benefit changes	-	-	-
Differences between expected			
and actual experience	(1,634,116)	-	(1,634,116)
Contributions - employer	-	1,062,180	(1,062,180)
Contributions - employee	-	430,437	(430,437)
Net investment income	-	638,328	(638, 328)
Benefit payments, including refunds	(2,149,802)	(2,149,802)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(23,330)	23,330
Other changes		(273)	273
Net Changes	31,298	(42,460)	73,758
Balances at June 30, 2016	\$42,592,150	\$37,341,375	\$ 5,250,775

Component Unit School Board - General Employees

	<u>Increase (Decrease)</u>		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2015	\$ 5,890,336	\$ 5,350,653	\$ 539,683
Changes for the Year			
Service cost	77,859	-	77,859
Interest	395,956	-	395,956
Benefit changes	-	-	-
Differences between expected			
and actual experience	(64,524)	-	(64,524)
Contributions - employer	-	83,627	(83,627)
Contributions - employee	-	37,264	(37,264)
Net investment income	-	84,931	(84,931)
Benefit payments, including refunds	(467,652)	(467,652)	-
Refunds of employee contributions	-	-	-
Administrative expenses	-	(3,487)	3,487
Other changes		(38)	38
Net Changes	(58,361)	(265,355)	206,994
Balances at June 30, 2016	\$ 5,831,975	\$ 5,085,298	\$ 746,677

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:

	,		Current Discount			
Primary Government - County Political subdivision's		(6.00%)	<u>Ki</u>	ate (7.00%)		(8.00%)
Net Pension Liability	\$	10,945,514	\$	5,250,775	\$	520,528
Component Unit School Board - General Employees Political subdivision's						
Net Pension Liability	\$	1,323,639	\$	746,677	\$	255,104
School division's proportionate share of the VRS Teacher Employee Retirement Plan						
Net Pension Liability	\$	58,098,000	\$	40,756,000	\$	26,471,000

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

For the year ended June 30, 2017, the political subdivision recognized pension expense of \$300,853.

For the year ended June 30, 2017, the school board – general employees recognized pension expense of \$77,965.

At June 30, 2017, the school division – teachers reported a liability of \$40,756,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .29082% as compared to .28578% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$2,815,000. 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, 2017, the political subdivision and school division – teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		red Outflows Resources	 rred Inflows Resources
Primary Government - County			
Differences between expected and actual experience	\$	-	\$ 1,322,372
Change in assumptions		-	-
Net difference between projected and actual earnings on pension plan investments		987,458	-
Employer contributions subsequent to the measurement date		748,322	<u>-</u>
Total - Primary Government	\$	1,735,780	\$ 1,322,372
Component Unit School Board - General E	mployee	es	
Differences between expected and actual experience	\$	-	\$ 28,477
Change in assumptions		-	-
Net difference between projected and actual earnings on pension plan investments		127,033	-
Employer contributions subsequent to the measurement date		96,462	 <u> </u>
Total	\$	223,495	\$ 28,477

Component Unit School Board - Teachers

Differences between expected and actual experience	\$ -	\$ 1,321,000
Net difference between projected and actual earnings on pension plan investments	2,328,000	-
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	556,000	2,303,000
Employer contributions subsequent to the measurement date	 3,198,263	<u>-</u>
Total	\$ 6,082,263	\$ 3,624,000
Total Component Unit School Board	\$ 6,305,758	\$ 3,652,477

\$173,578 for the County, \$223,495 for school general employees, and \$6,082,263 for teachers 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, 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:

Year Ended June 30,

Primary Government County

2018	\$ (514,489)
2019	(483,630)
2020	272,261
2021	390,944
2022	-
Thereafter	-

Component Unit School Board General Employees

2018	\$ (33,309)
2019	(4,831)
2020	81,225
2021	55,471
2022	-
Thereafter	-

Teachers

2018	\$ (963,000)
2019	(963,000)
2020	579,000
2021	643,000
2022	(36,000)
Thereafter	-

Pension Plan Fiduciary Net Position

Detailed information about the VRS Political Subdivision's and Teacher Retirement Plans' Fiduciary Net Position is 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.

22 Other Postemployment Benefits

Plan Description

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

Cash and Cash Equivalents

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

Funding Policy

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

Net OPEB Obligations and Annual OPEB Cost

This summary identifies the value of benefits at July 1, 2016 and costs for the fiscal years through June 30, 2017 reflecting the unfunded approach, utilizing a discount rate of 4.00 percent, and amortizing the Unfunded Actuarial Accrued Liability as a level of percentage of payroll for 30 years. A summary of the net OPEB obligation (asset) is as follows:

	School
	<u>Board</u>
Annual OPEB Cost (Expense)	# 000 007
Annual required contribution	\$269,097
Interest on OPEB obligation	20,972
Adjustment to ARC	(35,143)
Annual OPEB Cost (Expense)	254,926
Contributions Made	
Contributions for fiscal year	105,819
I N CODED OUT IT	440.407
Increase in Net OPEB Obligation	149,107
Net OPEB Obligation - Beginning of Year	699,072
Net Of Eb Obligation - beginning of Tear	099,012
Net OPEB Obligation - End of Year	\$848,179
1101 Of LD Obligation Life of Foat	ΨΟ-ΤΟ, 17 3

Three-year trend information is as follows:

Component Unit - School Board

Fiscal Year Ended	•	Annual OPEB <u>Cost</u>		Actual ntribution	Percent <u>Funded</u>	
6/30/2014	\$	347,202	\$	168,046	48.40%	
6/30/2015		325,682		140,737	43.21%	
6/30/2016		254,926		105,819	41.51%	

Valuation information is as follows:

Component Unit - School Board

Actuarial Valuation <u>Date</u>	Actuaria Value o Assets (a)	of	Lia	Actuarial Accrued bility (AAL) ojected Unit <u>Credit</u> (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (Estimate) (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
7/1/2014	\$	-	\$	3,358,062	\$ 3,358,062	0.00%	\$25,500,000	13.17%
7/1/2015		-		3,500,557	3,500,557	0.00%	22,101,611	15.84%
7/1/2016		-		2,194,619	2,194,619	0.00%	23,486,845	9.34%

Component Unit School Board

	School Board
OPEB Valuation Date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar Amount on a Closed Basis
Amortization Period	30 years
Asset Valuation Method	N/A since this plan is totally unfunded
Actuarial Assumptions a. Investment Rate of Return	No investment rate of return was used since there are no funded assets.
b. Payroll Growth Rate	Projected salary increases were not used in amortizing these amounts.
c. Medical Cost Trend Assumption	Medical Trend Rate is 6.75% in 2016 grading to 5.00% over 7 years

Eligibility

Participants in the Mecklenburg County OPEB plan must meet the eligibility requirements based on service earned with the County to be eligible to receive benefits upon retirement. Participants who do not retire directly from active service are not eligible for the benefit. Participants must have attained age 50 with at least 30 years of service with the County to be eligible for health benefits.

Health benefits include medical only. The plan does provide for separate dental or vision coverage, but retirees pay the entire cost of coverage so there is no GASB liability for dental or vision coverage.

The County adopted GASB 75 for fiscal year ended June 30, 2016. The valuation date is January 1, 2017 and the measurement date is June 30, 2017. Disclosures for the County OPEB Plan are as follows:

County OPEB Plan

Inflation 2.5 percent

Salary increases, including

inflation 3.5 percent - 5.35 percent

Investment rate of return 7.0 percent, net of investment expense

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2017.

		Tarret	Long-Term Expected	Long-Term Expected
Asset Class	<u>Index</u>	Target Allocation	Rate of Return	Geometric Real Rate of Return
ASSET Class	<u>maex</u>	Allocation	Nate of Return	Nate of Return
Core Fixed Income	Barclays Aggregate	21.00%	2.17%	2.04%
Core Bonds	Barclays Gov/Cred	12.00%	2.01%	1.86%
Large Cap US Equities	S&P 500	22.00%	4.55%	3.37%
Small Cap US Equities	Russell 2000	10.00%	5.77%	3.86%
Developed Foreign Equities	MSCI EAFE NR	10.00%	5.76%	4.15%
Emerging Market Equities	MSCI Emerging Markets	5.00%	8.06%	4.84%
Hedge Funds/Absolute Return	HFRI Fund of Funds	10.00%	1.97%	1.66%
Real Estate (REITS)	FTSE NAREIT Equity REIT	7.00%	5.04%	3.27%
Commodities	DJ UBS	3.00%	3.04%	1.42%
Assumed Inflation - Mean			2.32%	2.30%
Assumed Inflation - Standard Deviat	ion		1.85%	1.85%
Portfolio Real Mean Return			3.90%	3.39%
Portfolio Nominal Mean Return			6.21%	5.77%
Portfolio Standard Deviation				1.79%
Long-Term Expected Rate of Ret	urn			7.00%

Changes in Net OPEB Liability

County - OPEB

	Increase (Decrease)				
	Total OPEB Liability <u>(a)</u>	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)		
Balances as of June 30, 2016	\$ 2,444,041	\$ 1,301,508	\$ 1,142,533		
Changes for the Year					
Service cost	33,231	-	33,231		
Interest on total OPEB liability	167,115	-	167,115		
Effect of plan changes	-	-	-		
Effect of economic/demographic					
gains or losses	-	-	-		
Effect of assumptions changes or inputs	(400.040)	- (400.040)	-		
Benefit payments	(182,910)	,	- ()		
Employer contributions	-	338,710	(338,710)		
Member contributions	-	-	-		
Net investment income	-	167,594	(167,594)		
Administrative expenses		(2,021)	2,021		
Net Changes	17,436	321,373	(303,937)		
Balances as of June 30, 2017	\$ 2,461,477	\$ 1,622,881	\$ 838,596		

Sensitivity Analysis

The following presents the County's Net OPEB Liability calculated using the discount rate of 7.00%, as well as what the County's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

Using Discount Rates	1%	6.00%	Di	scount Rate <u>7.00%</u>	19	% Increase <u>8.00%</u>
Total OPEB Liability	\$	2,702,533	\$	2,461,477	\$	2,249,941
Fiduciary Net Position		1,622,881		1,622,881		1,622,881
Net OPEB Liability	\$	1,079,652	\$	838,596	\$	627,060

The following presents the County's Net OPEB Liability calculated using the current healthcare cost trend rates, as well as what the County's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates.

Using Current Healthcare Cost

Trend Rates	Current Trend					
	<u>1%</u>	<u>Decrease</u>		Rate	<u>19</u>	<u>% Increase</u>
Total OPEB Liability	\$	2,219,574	\$	2,461,477	\$	2,745,769
Fiduciary Net Position		1,622,881		1,622,881		1,622,881
Net OPEB Liability	\$	596,693	\$	838,596	\$	1,122,888

Net OPEB Liability

The Total OPEB Liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and projected forward to the measurement date. There have been no significant changes between the valuation date and the fiscal year end. Any significant changes during this period must be reflected as prescribed by GASB 74.

Discount Rate

Discount Rate	7.00%	7.00%
Long-Term Expected Rate of Return, Net of Investment Expense	7.00%	7.00%
Municipal Bond Rate	N/A	N/A

The 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 discount rate for calculating the Total OPEB Liability is equal to the long-term expected rate of return.

Other Key Actuarial Assumptions

The demographic assumptions used are predominantly consistent with those used in the June 30, 2016 actuarial valuation of the Virginia Retirement System (VRS). Please see the January 1, 2017 OPEB valuation report for a complete summary of all the underlying assumptions used in this valuation.

assumption		
Valuation Date	January 1, 2017	January 1, 2017
Measurement Date	June 30, 2016	June 30, 2017
Inflation	2.50%	2.50%
Age-Related Claims Costs	Milliman's Health Cost Guidelines	Milliman's Health Cost Guidelines
Healthcare Cost Trend Rates	Getzen Trend Model and Milliman's Health Cost Guidelines	Getzen Trend Model and Milliman's Health Cost Guidelines
Withdrawal	Plan has no withdrawal benefit.	Plan has no withdrawal benefit.
Retirement	For the retiree and eligible spouses/dependents ending at the earlier of death or attainment of age 65.	For the retiree and eligible spouses/dependents ending at the earlier of death or attainment of age 65.
Mortality Pre-Retirement Post-Retirement Post-Disablement	RP-2000 Employee Mortality Tables RP-2000 Combined Healthy Mortality Tables RP-2000 Disabled Life Mortality Tables	RP-2000 Employee Mortality Tables RP-2000 Combined Healthy Mortality Tables RP-2000 Disabled Life Mortality Tables
Disability Rates	Must have 30 years of service to be eligible for medical benefits	Must have 30 years of service to be eligible for medical benefits

Other Key Actuarial Assumptions (continued)

<u>June 30, 2016</u> <u>June 30, 2017</u>

Salary Increases, Including Inflation, for Non-Law Officers

Years of	Increase for	Increase for
<u>Service</u>	<u>Next Year</u>	Next Year
1 to 2	5.35%	5.35%
3	4.75%	4.75%
4 to 6	4.45%	4.45%
7	4.35%	4.35%
8	4.25%	4.25%
9 to 10	4.00%	4.00%
11 to 19	3.65%	3.65%
20 or more	3.50%	3.50%

Salary Increases, Including Inflation, for Law Officers

Years of Service	Increase for Next Year	Increase fo Next Year
1 to 4	4.75%	4.75%
5	4.65%	4.65%
6 to 9	4.40%	4.40%
10 to 19	4.00%	4.00%
20 or more	3.50%	3.50%

Actuarial Cost Method

Entry Age Normal Entry Age Normal

23 Fund Balances – Governmental Funds

As of June 30, 2017, fund balances are composed of the following:

General Fund	Committed Roof replacement 911 program Rochichi fund Treasurer's fund Subtotal - General Fund	\$ 3,965,668 452,592 16,294 2,037 4,436,591
New School Funds	New school facilities New school debt service Subtotal - New School Funds	9,233,568 2,176,556 11,410,124
	Total Committed Funds	\$ 15,846,715
General Fund	Assigned for Equipment replacement Library funds Subtotal - General Fund	\$ 1,803,282 61,203 1,864,485
Sheriff's Funds	Dare Fund Project Life Saver SRO Picnic Fund Sheriff's abandoned property Subtotal - Sheriff's Funds	18 5,432 24,601 2,078 32,129
DEQ and Landfill Funds	Landfill reserve	446,235
	Subtotal - DEQ and Landfill Funds	446,235
Economic Development Fund	Economic development	2,334,694
Capital Outlay Fund	Capital projects	19,659,820
Law Library Fund	Law library	41,608
	Total Assigned Funds	\$ 24,378,971
Public Assistance Funds DEQ and Landfill Funds	Restricted for Public assistance School fuel tanks County fuel tanks Subtotal - DEQ and Landfill Funds	\$ 1,694,181 20,000 100,000 120,000
Propst Road Project	Road construction	75,097
Community Development	Housing projects	6,631
Microsoft Project	Microsoft project	607,751
Comprehensive Services	Comprehensive services	419,273
Forfeiture Funds	Commonwealth's Attorney Sheriff's drug forfeitures State unwarranted Federal forfeiture funds MCSO seizure money funds Subtotal - Forfeiture Funds	15,112 6,989 42,872 11,966 1,457 78,396
	Total Restricted Funds	\$ 3,001,329

Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule Year Ended June 30, 2017

General Fund

					With
	Original	Final			nal Budget Positive
	Budget	Budget	<u>Actual</u>		Negative)
Revenues					
General Property Taxes					
Real property taxes	\$ 15,218,265	\$15,218,265	\$16,614,876	\$	1,396,611
Mobile home taxes	71,480	71,480	72,519		1,039
Personal property taxes	26,180,501	32,368,877	34,125,420		1,756,543
Public service corporations	1,219,643	1,219,643	1,448,971		229,328
Machinery and tools taxes	613,800	613,800	709,766		95,966
Merchants' capital	388,368	388,368	454,333		65,965
Delinquent taxes	-	-	316,815		316,815
Interest on taxes	130,000	130,000	177,242		47,242
Penalties on taxes	 200,000	200,000	245,462	_	45,462
Total General Property Taxes	44,022,057	50,210,433	54,165,404		3,954,971
Other Local Taxes					
Local sales and use taxes	3,100,000	3,100,000	4,764,631		1,664,631
Utility taxes	430,000	430,000	523,589		93,589
Consumption tax	90,000	90,000	77,015		(12,985)
Business licenses	1,700	1,700	1,837		137
Franchise license tax	10,000	10,000	9,114		(886)
Bank stock tax	-	-	5,711		5,711
Transient occupancy tax	50,000	50,000	75,738		25,738
Motor vehicle licenses	612,000	612,000	612,205		205
Tax on recordation and wills	 217,000	217,000	282,551	_	65,551
Total Other Local Taxes	4,510,700	4,510,700	6,352,391		1,841,691
Permits, Privilege Fees, and Regulatory Licenses					
Animal licenses	26,000	26,000	30,106		4,106
Other permits and licenses	71,000	71,000	64,891		(6,109)
Building permits	 195,075	195,075	486,436	_	291,361
Total Permits, Privilege Fees, and					
Regulatory Licenses	292,075	292,075	581,433		289,358
Fines and Forfeitures	197,300	197,300	199,817		2,517
Revenue from Use of Money and Property					
Interest income	75,000	75,000	186,778		111,778
Rental income	 54,000	54,000	57,479		3,479
Total Revenue from Use of Money and Property	129,000	129,000	244,257		115,257
Charges for Services					
Sheriff's revenues	10,250	10,250	13,989		3,739
Courthouse maintenance fees and clerk	28,000	28,000	39,200		11,200
Library charges and revenue	42,788	42,788	47,558		4,770
Commonwealth Attorney's fees	6,200	6,200	7,710		1,510
Sanitation, waste removal, and landfill charges	47,000	47,000	73,406		26,406
Other miscellaneous charges	120	120	4		(116)
Planning fees	 6,000	6,000	2,759	_	(3,241)
Total Charges for Services	140,358	140,358	184,626		44,268

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Miscellaneous				
Delinquent tax administrative fees	95,000	95,000	125,284	30,284
Refunds	2,000	2,716	37,804	35,088
Other miscellaneous	14,593	64,094	119,984	55,890
Total Miscellaneous	111,593	161,810	283,072	121,262
Recovered Costs	123,060	123,060	117,768	(5,292)
Intergovernmental Revenue from the Commonwealth of Virginia Non-Categorical Aid				
Rolling stock taxes - motor vehicle carriers tax	18,000	18,000	15,493	(2,507)
Auto rental tax	2,000	2,000	2,026	26
Personal Property Tax Relief Act	1,492,608	1,492,608	1,454,006	(38,602)
Receipt from state - Occoneechee Park	5,800	5,800	6,601	801
Communications tax from State	450,000	450,000	545,316	95,316
Mobile home titling tax	50,000	50,000	67,827	17,827
Recordation and grantors' tax - State	60,000	60,000	44,822	(15,178)
Total Non-Categorical Aid	2,078,408	2,078,408	2,136,091	57,683
Categorical Aid Shared Expenses				
Commonwealth's Attorney	477,306	477,306	455,714	(21,592)
Sheriff and Sheriff's auto	1,574,353	1,574,353	1,548,031	(26,322)
Commissioner of the Revenue	110,540	110,540	108,916	(1,624)
Treasurer	121,725	121,725	121,317	(408)
Electoral Board and General Registrar	41,425	41,425	41,876	451
Clerk of the Court	345,416	373,693	366,474	(7,219)
Library grant	123,427	123,427	134,467	11,040
Records grant - clerk	-	28,330	28,330	(40.702)
School security grant	18,500	18,500	7,717	(10,783)
Deputies Lake Patrol Piedmont Court Services	58,500 402,501	58,500	43,430	(15,070)
Victim Witness Grant	63,925	402,501 63,925	402,501 65,043	1 110
Virginia Domestic Violence (VDVVF)	45,000	45,000	45,000	1,118
VJCCCA	32,709	32,709	31,360	(1,349)
Fire Program Grant	70,000	70,000	76,429	6,429
Emergency Services Grant	7,500	7,500	7,500	-
Wireless 911	110,000	110,000	121,126	11,126
Four for Life Grant	30,240	30,240	29,122	(1,118)
Plastic Pesticide Grant	1,875	1,875	1,788	(87)
Animal Friendly Plates Grant	230	230	229	(1)
Grant - Colonial Center for Performing Arts	5,000	5,000	5,000	(.)
Litter Grant	13,000	13,000	13,246	246
Jury Witness Reimbursement	7,000	7,000	6,120	(880)
Total Categorical Aid	3,660,172	3,716,779	3,660,736	(56,043)
Total Revenue from the Commonwealth	<u> </u>	•	· · · · ·	
of Virginia	5,738,580	5,795,187	5,796,827	1,640

				With
				Final Budget
	Original	Final		Positive
	<u>Budget</u>	Budget	Actual	(Negative)
Revenue from the Federal Government	buuget	Buuget	Actual	(Negative)
	22.000	22.000	20.906	(1.104)
Highway Safety Grant	22,000	22,000	20,806	(1,194)
Byrne Grant	40.000	40.000	2,800	2,800
Violence Against Women	42,920	42,920	42,920	-
Payment in lieu of taxes	130,000	130,000	141,427	11,427
Total Revenue from the Federal Government	194,920	194,920	207,953	13,033
Total Intergovernmental Revenue	5,933,500	5,990,107	6,004,780	14,673
Total Revenues	55,459,643	61,754,843	68,133,548	6,378,705
Expenditures				
Current				
General Government Administration				
Board of Supervisors	237,330	230,548	226,377	4,171
County Administrator	439,192	436,625	430,972	5,653
Commissioner of Revenue	665,185	645,005	639,350	5,655
Treasurer	677,284	677,284	663,396	13,888
County Attorney and other legal	85,000	154,919	154,919	-
Data processing	119,430	177,856	176,633	1,223
Multipurpose	70,000	70,000	69,179	821
Equalization Board	6,000	6,000	2,534	3,466
Shared office expenses	373,000	312,754	308,690	4,064
Retirees hospitalization	102,575	128,157	128,157	-,00
Line of duty	46,615	49,350	49,350	_
Annual OPEB contribution	155,800	155,800	155,800	_
Workman's compensation/unemployment	213,444	270,237	260,790	9,447
Electoral Board	63,348	68,192	64,929	3,263
Registrar	145,945	140,284	130,114	10,170
-				
Total General Government Administration	3,400,148	3,523,011	3,461,190	61,821
Judicial Administration				
Circuit Court	67,385	66,566	58,871	7,695
General District Court	3,685	3,793	1,888	1,905
Magistrate	2,000	2,000	332	1,668
Juvenile and Domestic Relations Court	268,340	392,477	389,908	2,569
Pretrial Court	114,662	114,818	114,049	769
VJCCCA	33,109	35,004	34,733	271
Victim Witness Program	63,309	67,171	66,327	844
Center for Violence	7,500	7,500	7,500	-
Piedmont Court Services - Corrections Act	295,241	301,235	298,972	2,263
Clerk of the Circuit Court	589,605	649,920	649,219	701
Commonwealth's Attorney	647,153	588,658	579,612	9,046
Total Judicial Administration	2,091,989	2,229,142	2,201,411	
TOTAL JUDICIAL AUTHINISTRATION	2,091,969	۷,۷۷۶,۱4۷	2,201,411	27,731

				Variance With
				Final Budget
	Original	Final		Positive
D. J. P. O. Cott.	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	(Negative)
Public Safety	4 740 040	4 054 000	4 000 700	00.000
Sheriff's department	4,749,648	4,651,998	4,628,789	23,209
Jail	3,907,833	3,898,199	3,898,199	-
Fire departments	622,363	627,299	627,299	- 0.040
Rescue squads	451,240	451,240	442,398	8,842
911 department	963,361	995,745	975,598	20,147
Emergency services	96,205	87,108	82,904	4,204
Inspections	234,526	229,836	228,553	1,283
Animal control	197,697	200,169	182,505	17,664
Medical Examiner	500	500	240	260
American Red Cross	4,000	4,000	4,000	-
Total Public Safety	11,227,373	11,146,094	11,070,485	75,609
Public Works				
Refuse disposal	1,741,585	1,782,199	1,759,368	22,831
Roanoke River Service Authority	20,000	20,000	20,000	-
Maintenance of buildings and grounds	754,911	703,287	670,290	32,997
Total Public Works	2,516,496	2,505,486	2,449,658	55,828
Health and Welfare				
Health department	217,509	217,509	217,509	-
Mental health	143,054	143,054	143,054	-
Comprehensive services	65,460	66,280	65,554	726
Lake Country Area Agency on Aging	14,000	14,000	14,000	-
Welfare and social services	6,980	6,980	6,961	19
Total Health and Welfare	447,003	447,823	447,078	745
Education				
Community college	13,246	13,246	13,246	-
Appropriation to public school system	14,187,807	14,187,807	14,187,807	_
Total Education	14,201,053	14,201,053	14,201,053	
Parks, Recreation, and Cultural				
Library	699,777	696,334	624,399	71,935
Parks and recreation	12,250	12,250	12,250	- 1,000
Cultural contributions	63,500	63,500	63,500	<u>-</u>
Total Parks, Recreation, and Cultural		772,084		74.025
rotal marks, Recreation, and Cultural	775,527	112,084	700,149	71,935

				With
	Outstand	Et a a t		Final Budget
	Original <u>Budget</u>	Final	Actual	Positive
Community Development	buuget	<u>Budget</u>	<u>Actual</u>	(Negative)
Miscellaneous community development	125,909	125,909	122,159	3,750
Town of Boydton	50,000	50,000	50,000	-
Lake Gaston Weed Control	116,000	116,000	116,000	_
Airports	89,900	89,900	89,900	_
Tourism	103,959	101,020	76,529	24,491
Economic development	526,722	450,546	371,455	79,091
Zoning	100,505	99,554	77,272	22,282
Industrial tax refunds to Meck. IDA	15,811,624	22,000,000	21,848,392	151,608
Soil and Water Conservation District	120,685	128,264	128,262	2
Cooperative extension program	87,192	101,399	94,202	7,197
Total Community Development	17,132,496	23,262,592	22,974,171	288,421
Capital Projects				
Capital outlay	600,000	600,000	288,327	311,673
Total Expenditures	52,392,085	58,687,285	57,793,522	893,763
Excess (Deficiency) of Revenues Over Expenditures	3,067,558	3,067,558	10,340,026	7,272,468
Other Financing Sources (Uses)				
Transfers (out)	(3,500,920)	(3,500,920)	(9,701,423)	(6,200,503)
Total Other Financing Sources (Uses)	(3,500,920)	(3,500,920)	(9,701,423)	(6,200,503)
Net Change in Fund Balance	(433,362)	(433,362)	638,603	1,071,965
From Surplus	433,362	433,362		(433,362)
Net Change in Fund Balance After Surplus	<u>\$</u>	<u>\$ -</u>	638,603	\$ 638,603
Fund Balance - Beginning of Year			11,582,057	
Fund Balance - End of Year			\$12,220,660	

Public Assistance Fund

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues				
Recovered costs	\$ 76,189	\$ 76,189	\$ 3,888	\$ (72,301)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	1,161,158	1,161,158	874,361	(286,797)
Revenue from the Federal Government	1,535,369	1,535,369	1,543,731	8,362
Total Intergovernmental Revenues	2,696,527	2,696,527	2,418,092	(278,435)
Total Revenues	2,772,716	2,772,716	2,421,980	(350,736)
Expenditures Current				
Health and welfare	3,593,437	3,593,437	3,116,687	476,750
Total Expenditures	3,593,437	3,593,437	3,116,687	476,750
Excess (Deficiency) of Revenues Over Expenditures	(820,721)	(820,721)	(694,707)	126,014
Other Financing Sources (Uses)				
Transfers in	820,721	820,721	724,521	(96,200)
Total Other Financing Sources (Uses)	820,721	820,721	724,521	(96,200)
Net Change in Fund Balance	-	-	29,814	29,814
From Surplus				
Net Change in Fund Balance After Surplus	<u>\$</u> _	\$ -	29,814	\$ 29,814
Fund Balance - Beginning of Year			1,664,367	
Fund Balance - End of Year			\$ 1,694,181	

Comprehensive Services Fund

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues Recovered costs	\$ -	\$ -	\$ 54,552	\$ 54,552
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	 1,694,000	1,694,000	985,884	(708,116)
Total Intergovernmental Revenues	 1,694,000	1,694,000	985,884	(708,116)
Total Revenues	1,694,000	1,694,000	1,040,436	(653,564)
Expenditures Current				
Health and welfare	 2,200,000	2,200,000	1,593,878	606,122
Total Expenditures	 2,200,000	2,200,000	1,593,878	606,122
Excess (Deficiency) of Revenues Over Expenditures	(506,000)	(506,000)	(553,442)	(47,442)
Other Financing Sources (Uses) Transfers in	 506,000	506,000	506,000	-
Total Other Financing Sources (Uses)	 506,000	506,000	506,000	
Net Change in Fund Balance	-	-	(47,442)	(47,442)
From Surplus	 			
Net Change in Fund Balance After Surplus	\$ 	<u>\$</u>	(47,442)	<u>\$ (47,442)</u>
Fund Balance - Beginning of Year			466,715	
Fund Balance - End of Year			\$ 419,273	

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

Primary Government

		2016		<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$	911,199	\$	910,898	\$ 905,148
Interest	•	2,904,017	Ť	2,793,733	2,651,300
Changes of benefit terms		-		-	-
Differences between expected and actual experience		(1,634,116)		(302,779)	-
Changes in assumptions		_		-	-
Benefit Payments, including refunds of employee contributions		(2,149,802)		(1,502,945)	(1,540,432)
Net change in total pension liability		31,298		1,898,907	2,016,016
Total pension liability - beginning		42,560,852		40,661,945	38,645,929
Total pension liability - ending (a)	\$	42,592,150	\$	42,560,852	\$40,661,945
Plan fiduciary net position					
Contributions - employer	\$	1,062,180	\$	1,019,265	\$ 1,046,057
Contributions - employee		430,437		386,744	392,052
Net investment income		638,328		1,644,329	4,904,522
Benefit Payments, including refunds of employee contributions		(2,149,802)		(1,502,945)	(1,540,432)
Administrative expense		(23,330)		(22,291)	(26,249)
Other		(273)		(350)	258
Net change in plan fiduciary net position		(42,460)		1,524,752	4,776,208
Plan fiduciary net position - beginning		37,383,835		35,859,083	31,082,875
Plan fiduciary net position - ending (b)	\$	37,341,375	\$	37,383,835	\$35,859,083
Political subdivision's net pension liability - ending (a) - (b)	\$	5,250,775	\$	5,177,017	\$ 4,802,862
Plan fiduciary net position as a percentage of the total					
pension liability		87.67%		87.84%	88.19%
Covered payroll	\$	8,040,153	\$	7,766,871	\$ 7,648,356
Political subdivision's net pension liability as a percentage of					
covered payroll		65.31%		66.66%	62.80%

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

School Board General Employees

	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Total pension liability Service cost Interest	\$ 77,859 395,956	\$ 78,891 388,886	\$ 85,532 390,807	
Changes of benefit terms Differences between expected and actual experience Changes in assumptions	(64,524) -	104,213 -		- - -
Benefit Payments, including refunds of employee contributions Net change in total pension liability	(467,652) (58,361)	 (474,332) 97,658	<u>(533,242</u> (56,903	3)
Total pension liability - beginning Total pension liability - ending (a)	\$ 5,890,336 5,831,975	\$ 5,792,678 5,890,336	<u>5,849,581</u> \$5,792,678	
Plan fiduciary net position				
Contributions - employer	\$ 83,627	\$ 86,114	\$ 81,094	
Contributions - employee	37,264	38,876	39,402	
Net investment income Benefit Payments, including refunds of employee contributions	84,931 (467,652)	241,239 (474,332)	773,139 (533,242	
Administrative expense	(3,487)	(3,598)	(333,242	,
Other	(38)	(5,330)	41	•
Net change in plan fiduciary net position	 (265,355)	 (111,753)	355,961	_
Plan fiduciary net position - beginning	5,350,653	5,462,406	5,106,445	
Plan fiduciary net position - ending (b)	\$ 5,085,298	\$ 5,350,653	\$5,462,406	_
Political subdivision's net pension liability - ending (a) - (b)	\$ 746,677	\$ 539,683	\$ 330,272	2
Plan fiduciary net position as a percentage of the total pension liability	87.20%	90.84%	94.30%	%
parameter and the second secon	21.12070	33.3170	S 30 /	-
Covered payroll	\$ 1,017,532	\$ 817,527	\$ 774,168	3
Political subdivision's net pension liability as a percentage of covered payroll	73.38%	66.01%	42.66%	%

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

For the Years Ended June 30, 2017, 2016, and 2015*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.29082%	0.28578%	0.29757%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$40,756,000	\$35,970,000	\$35,960,000
Employer's Covered Payroll	\$21,816,255	\$22,174,540	\$21,241,342
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	186.815%	162.213%	169.293%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2017 is the third 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.

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through 2017

				ntributions					
				Relation to					Contributions
		ntractually		ntractually		tributi		Employer's	as a % of
		Required ontribution		Required ontribution		ficieno Excess	-	Covered Payroll	Covered Payroll
Date	CC	(1)	CC	(2)	(1	(3)	>)	(4)	(5)
Date		(1)		(2)		(3)		(4)	(3)
Primary (Gove	ernment							
2017	\$	748,322	\$	748,322	\$		-	\$ 8,063,815	9.28%
2016		1,067,732		1,067,732			-	8,040,153	13.28%
2015		1,031,440		1,031,440			-	7,766,871	13.28%
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
Compone	ent l	Jnit School	Boa	ırd -					
General I									
2017	\$	96,462	\$	96,462	\$		_	\$ 1,017,532	9.48%
2016	•	89,356	•	89,356	•		_	817,527	10.93%
2015		85,384		85,384			_	774,168	11.03%
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
			_	_					
-		Jnit School	воа	ıra -					
Teachers		0.400.000	•	0.400.000	•			* 04 040 055	44.000/
2017	\$	3,198,263	\$	3,198,263	\$			\$21,816,255	14.66%
2016		3,117,740		3,117,740			-	22,174,540	14.06%
2015		3,061,955		3,061,955		/	-	21,241,342	14.42%
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

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

Notes to Required Supplementary Information

For the Year Ended June 30, 2017

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 still 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 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:

- 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

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

	Primary Governmen		
		<u>2016</u>	
Total OPEB Liability			
Service cost	\$	33,231	
Interest on OPEB liability		167,115	
Changes of benefit terms		-	
Effect of economic/demographic gains or (losses)		-	
Effect of assumption changes or inputs		-	
Benefit payments		(182,910)	
Net change in total OPEB liability		17,436	
Total OPEB liability - beginning		2,444,041	
Total OPEB liability - ending (a)	\$	2,461,477	
Fiduciary net position			
Employer contributions	\$	338,710	
Net investment income		167,594	
Benefit payments		(182,910)	
Administrative expense		(2,021)	
Net change in plan fiduciary net position		321,373	
Plan fiduciary net position - beginning		1,301,508	
Plan fiduciary net position - ending (b)	\$	1,622,881	
Political subdivision's net OPEB liability - ending (a) - (b)	\$	838,596	
Plan fiduciary net position as a percentage of the total			
pension liability		65.93%	
Covered payroll	\$	6,248,858	
Political subdivision's net OPEB liability as a percentage of			
covered payroll		13.42%	

Schedule of County Contributions - OPEB

For the Years Ended June 30, 2008 through 2017

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution ¹	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2017	\$ 99,500	\$ 338,710	\$ (239,210)	\$6,248,858	5.42%
2016	105,100	299,200	(194,100)	5,698,600	5.25%
2015	100,100	292,400	(192,300)	5,698,600	5.13%
2014	155,800	316,300	(160,500)	5,810,900	5.44%
2013	149,000	334,400	(185,400)	5,810,900	5.75%
2012	158,200	327,500	(169,300)	8,119,800	4.03%
2011	169,500	472,500	(303,000)	8,119,800	5.82%
2010	240,600	146,100	94,500	6,990,800	2.09%
2009	231,400	128,600	102,800	6,990,800	1.84%
2008	n/a	n/a	n/a	n/a	n/a

¹Employer contributions include trust contributions and explicit subsidy payments provided directly to retirees from the County's own resources. It also includes estimated implicit subsidy payments for retirees from the County's own resources.

Other Supplementary Information



Combining Balance Sheet

Other Governmental Funds

	<u>Lib</u>	Law ary Fund	Sheriff's <u>Funds</u>	Drug Forfeiture <u>Funds</u>	Propst Road	Highway 49 <u>Rehab</u>	Lambert Road <u>Project</u>		otal Other vernmental <u>Funds</u>
Assets Cash and investments Accounts receivable Due from other governments	\$	40,836 1,141 -	\$ 32,129 - -	\$ 78,396 - -	\$75,097 - -	\$ - - 4,875	\$ 599 - 	\$	227,057 1,141 10,907
Total Assets	\$	41,977	<u>\$32,129</u>	<u>\$ 78,396</u>	\$75,097	\$ 4,875	\$ 6,631	\$	239,105
Liabilities Accounts payable	\$	369	\$ -	\$ -	\$ -	\$ 4,875	<u>\$ -</u>	\$	5,244
Total Liabilities		369	-	-	-	4,875	-		5,244
Fund Balance Restricted Assigned		- 41,608	32,129	78,396 	75,097 		6,631	_	160,124 73,737
Total Fund Balance		41,608	32,129	78,396	75,097		6,631		233,861
Total Liabilities and Fund Balance	\$	41,977	\$32,129	\$ 78,396	\$75,097	\$ 4,875	\$ 6,631	\$	239,105

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

Other Governmental Funds

	Law Library <u>Fund</u>	Sheriff's <u>Funds</u>	Drug Forfeiture <u>Funds</u>	Propst Road	Highway 49 <u>Rehab</u>	Lambert Road <u>Project</u>	Tiny Road <u>Project</u>	Total Other Governmental <u>Funds</u>
Revenues								
Use of money and property	\$ -	\$ -	\$ 108	\$ 97	\$ -	\$ -	\$ -	\$ 205
Charges for services	11,173	-	-	-	-	-	-	11,173
Miscellaneous Intergovernmental	-	28,702	-	75,000	-	-	-	103,702
From the Commonwealth of VA	-	-	9,256	-	-	-	-	9,256
From the Federal Government					20,801	203,671	2,949	227,421
Total Revenues	11,173	28,702	9,364	75,097	20,801	203,671	2,949	351,757
Expenditures Current								
Judicial administration	6,897	-	-	-	-	-	-	6,897
Public safety	-	19,600	1,535	-	-	-	-	21,135
Community development					20,801	197,040	19,015	236,856
Total Expenditures	6,897	19,600	1,535		20,801	197,040	19,015	264,888
Excess (Deficiency) of Revenues Over Expenditures	4,276	9,102	7,829	75,097	-	6,631	(16,066)	86,869
Other Financing Sources (Uses) Transfers (out)								_
Total Other Financing Sources (Uses)				<u>-</u>				<u>-</u>
Net Change in Fund Balances	4,276	9,102	7,829	75,097	-	6,631	(16,066)	86,869
Fund Balance - Beginning of Year	37,332	23,027	70,567				16,066	146,992
Fund Balance - End of Year	\$41,608	\$ 32,129	\$ 78,396	\$ 75,097	<u> </u>	\$ 6,631	<u> </u>	\$ 233,861

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

	pecial <u>/elfare</u>	M	ansTech arketing <u>Alliance</u>	F	rginia's Retreat <u>Fund</u>	P	Thyne Project emorial	County OPEB <u>Fund</u>	<u>Totals</u>
Assets									
Cash	\$ 68,126	\$	309,070	\$	83,149	\$	27,978	\$1,622,881	\$ 2,111,204
Due from other governments	 	_	2,800						2,800
Total Assets	\$ 68,126	<u>\$</u>	311,870	\$	83,149	\$	27,978	<u>\$1,622,881</u>	\$2,114,004
Liabilities									
Accounts payable	\$ -	\$	18,000	\$	18	\$	-	\$ -	\$ 18,018
Amounts held for others	 68,126		293,870		83,131		27,978	1,622,881	2,095,986
Total Liabilities	\$ 68,126	\$	311,870	\$	83,149	\$	27,978	\$1,622,881	\$ 2,114,004

Component Unit School Board

Combining Balance Sheet

Access	School Operating <u>Fund</u>		Operating Se		School Textbook <u>Fund</u>			Total nponent Unit hool Board
Assets	Φ		Φ	606.040	Φ	400.055	Ф	4 400 007
Cash and investments	\$	-	\$	696,842	\$	426,055	\$	1,122,897
Due from other governments		994,834	_	2,842				997,676
Total Assets	\$	994,834	\$	699,684	\$	426,055	\$	2,120,573
Liabilities Accounts payable Total Liabilities	\$	83,236 83,236	\$	6,053 6,053	\$	<u>-</u>	\$	89,289 89,289
Fund Balance Assigned		911,598		693,631		426,055		2,031,284
Total Fund Balance		911,598		693,631		426,055		2,031,284
Total Liabilities and Fund Balance	\$	994,834	\$	699,684	\$	426,055	\$	2,120,573

Component Unit School Board

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

At June 30, 2017

Total Fund Balances for Governmental Funds

\$ 2,031,284

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

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

Land \$ 1,736,529

Buildings and improvements, net of depreciation 15,493,756

Furniture, equipment, and vehicles, net of depreciation 6,629,441

Total Capital Assets 23,859,726

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 6,305,758
Deferred inflows related to pensions (3,652,477)

Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences (225,288)

Net VRS pension liability (41,502,677)

Capital leases (1,536,351)

OPEB obligation (848,179)

Total (44,112,495)

Total Net Position of Governmental Activities \$(15,568,204)

Component Unit School Board

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

Year Ended June 30, 2017

Devenues	School Operating <u>Fund</u>	School Food Services <u>Fund</u>	School Textbook <u>Fund</u>	Total Component Unit School Board
Revenues	Ф 40.204	Ф 4.004	ተ 407	Ф 44.040
Use of money and property	\$ 10,384		\$ 427	\$ 11,812
Charges for services	122,947		221	765,373
Rebates and refunds	581,452		-	581,452
Miscellaneous	54,935		160 147	54,935
Payments from Primary Government - Meck. County Intergovernmental	14,024,660		163,147	14,187,807
From the Commonwealth of Virginia	25,422,004		299,833	25,763,822
From the Federal Government	3,497,244	1,675,861		5,173,105
Total Revenues	43,713,626	2,361,052	463,628	46,538,306
Expenditures				
Education				
Instruction	31,525,037	-	396,094	31,921,131
Technology	2,131,087	-	-	2,131,087
Administration, attendance, and health	1,889,429	-	-	1,889,429
Transportation	3,216,308	-	-	3,216,308
Operation and maintenance	2,675,004	-	-	2,675,004
School food service	-	2,227,847	-	2,227,847
To Primary Govt Mecklenburg County for				
New School Funds	1,002,094	-	-	1,002,094
Debt service	1,845,711			1,845,711
Total Expenditures	44,284,670	2,227,847	396,094	46,908,611
Excess (Deficiency) of Revenues Over (Under) Expenses Before Other Financing Sources (Uses)	(571,044) 133,205	67,534	(370,305)
Other Financing Sources (Uses)				
Proceeds from long-term debt	697,615	-	-	697,615
Total Other Financing Sources (Uses)	697,615			697,615
Net Change in Fund Balances	126,571	133,205	67,534	327,310
Fund Balances - Beginning of Year	785,027	560,426	358,521	1,703,974
Fund Balances - End of Year	\$ 911,598	\$ 693,631	\$426,055	\$ 2,031,284

Component Unit School Board

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

Year Ended June 30, 2017

Net Change in Fund Balances

327,310

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

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 as depreciation expense:

 Capitalized assets
 \$ 1,076,175

 Depreciation
 (2,163,473)

(1,087,298)

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

Compensated absences	(6,413)
Net VRS pension liability	(4,992,994)
Deferred outflows VRS pension	3,127,774
Deferred inflows VRS pension	2,303,677
Capital leases	264,214
OPEB obligation	(149,107)

Net Adjustment 547,151

Change in Net Position of Governmental Activities \$ (212,837)

Budgetary Comparison Schedule

Year Ended June 30, 2017

Component Unit School Board School Operating Fund

School Fund Revenues	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Use of money and property	\$ -	\$ 9,050	\$ 10,384	\$ 1,334
Charges for services	1,165,000	1,165,000	122,947	(1,042,053)
Rebates and refunds	407,747	407,747	581,452	173,705
Miscellaneous	58,000	58,000	54,935	(3,065)
Payment from Primary Govt Mecklenburg County Intergovernmental	14,024,660	14,024,660	14,024,660	-
From the Commonwealth of Virginia	25,984,924	25,999,398	25,422,004	(577,394)
From the Federal Government	3,922,918	3,922,918	3,497,244	(425,674)
Total Revenues	45,563,249	45,586,773	43,713,626	(1,873,147)
Expenditures Current Education				
Instruction	34,108,155	33,975,218	31,525,037	2,450,181
Technology	1,998,508	1,648,507	2,131,087	(482,580)
Administration, attendance, and health	1,835,185	1,968,123	1,889,429	78,694
Transportation	3,794,331	3,803,381	3,216,308	587,073
Operation and maintenance	2,996,741	3,011,215	2,675,004	336,211
Payment to Primary Govt Mecklenburg County	-	-	1,002,094	(1,002,094)
Debt service	830,329	1,180,329	1,845,711	(665,382)
Total Expenditures	45,563,249	45,586,773	44,284,670	1,302,103
Excess (Deficiency) of Revenues Over (Under) Expenses Before Other Financing Sources (Uses)	-	-	(571,044)	(571,044)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	697,615	697,615
Total Other Financing Sources (Uses)			697,615	697,615
Net Change in Fund Balances	<u>\$</u> -	<u>\$</u> _	126,571	\$ 126,571
Fund Balance - Beginning of Year			785,027	
Fund Balance - End of Year			\$ 911,598	

School Food Services Fund		Original <u>Budget</u>		Final <u>Budget</u>		<u>Actual</u>	Fii	riance With nal Budget Positive Negative)
Revenues Use of money and property	\$	_	\$	_	\$	1,001	\$	1,001
Charges for services	·	580,000	Ť	580,000	,	642,205	•	62,205
Intergovernmental From the Commonwealth of Virginia		31,911		31,911		41,985		10,074
From the Federal Government	_	1,375,817	_	1,727,817	_	1,675,861		(51,956)
Total Revenues		1,987,728		2,339,728		2,361,052		21,324
Expenditures Current Education								
School Food Service	_	1,987,728	_	2,339,728	_	2,227,847		111,881
Total Expenditures		1,987,728	_	2,339,728		2,227,847		111,881
Net Change in Fund Balance	\$		\$			133,205	\$	133,205
Fund Balance - Beginning of Year						560,426		
Fund Balance - End of Year					\$	693,631		
School Textbook Fund Revenues								
Use of money and property	\$	-	\$	-	\$	427	\$	427
Charges for services Payment from Primary Govt Mecklenburg County		- 163,147		- 163,147		221 163,147		221
Intergovernmental		100, 147		100,147		100, 147		
From the Commonwealth of Virginia		304,187	_	304,187	_	299,833		(4,354)
Total Revenues		467,334		467,334		463,628		(3,706)
Expenditures Current Education								
School textbook purchases	_	467,334	_	467,334	_	396,094		71,240
Total Expenditures		467,334		467,334		396,094		71,240
Net Change in Fund Balance		-		-		67,534		67,534
From Surplus			_		_	<u> </u>		<u>-</u>
Net Change in Fund Balance After Surplus	\$		\$			67,534	\$	67,534
Fund Balance - Beginning of Year						358,521		
Fund Balance - End of Year					\$	426,055		

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Position

June 30, 2017

Assets

Current Assets Cash	\$ 860,227
Noncurrent Assets Capital Assets Land and buildings held for resale (net)	8,873,677
Other Noncurrent Assets Notes receivable	409,616
Total Assets	\$ 10,143,520
Liabilities and Net Position	
Liabilities Current Liabilities	4 04 400
Notes payable - current portion	<u>\$ 94,422</u>
Total Current Liabilities	94,422
Long-Term Liabilities	
Note payable - less current portion	1,090,637
Total Long-Term Liabilities	1,090,637
Total Liabilities	1,185,059
Net Position	
Net investment in capital assets Unrestricted	7,688,618 1,269,843
Total Net Position	<u>8,958,461</u>
Total Liabilities and Net Position	\$ 10,143,520

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2017

Operating Revenues Contributions from Mecklenburg County, Virginia for Economic Stimulus Grant - industrial tax refund From Mecklenburg County for RRRBP shell building (net) Rental income Miscellaneous	\$ 21,848,392 1,612,116 32,000 16,102
Total Operating Revenues	23,508,610
Operating Expenses	
Insurance	3,148
Legal and professional fees	29,788
Administrative	51
Utility companies	8,726 10,000
Donation to Longwood University Payments to IDA of Brunswick County, Virginia	3,485
Repairs and maintenance	34,820
Miscellaneous	1,520
Bad debt	483,762
Payouts to businesses and stimulus grants	21,845,133
Total Operating Expenses	22,420,433
Operating Income	1,088,177
Non-Operating Revenues (Expenses)	
Interest income	8,121
Interest expense and loan closing fees	(22,891)
Net Non-Operating Revenues (Expenses)	(14,770)
Change in Net Position	1,073,407
Total Net Position - Beginning of Year	7,885,054
Total Net Position - End of Year	<u>\$ 8,958,461</u>

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Cash Flows

Year Ended June 30, 2017

Cash Flows from Operating Activities		
Contributions from Mecklenburg County, Virginia - stimulus payments	\$	21,848,392
Contributions from Mecklenburg County, Virginia - shell building		1,612,116
Rental income		32,000
Payments received on leases receivable		7,012
Payments received on notes receivable		34,947
Miscellaneous		16,102
Payments to businesses and vendors		<u>(21,936,671</u>)
Net Cash Provided by Operating Activities		1,613,898
Cash Flows from Capital and Related Financing Activities		
Proceeds from new debt		752,887
Payments on notes payable		(110,214)
New construction on shell building		(2,365,004)
Interest expense		(22,891)
Net Cash Used in Capital and Related Financing		
Activities		(1,745,222)
		,
Cash Flows from Investing Activities		
Interest income		8,121
Net Cash Provided by Investing Activities	_	8,121
Net Decrease in Cash and Cash Equivalents		(123,203)
Cash and Cash Equivalents - Beginning of Year		983,430
Cash and Cash Equivalents - End of Year	\$	860,227
Odom and Odom Equivalents - End of Fedi	Ψ	000,227
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Operating income	\$	1,088,177
Adjustments to reconcile operating income to net cash	•	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
provided by operating activities		
Changes in assets and liabilities		
Leases receivable		7,012
Bad debt write off of lease receivable		483,762
Notes receivable		34,947
		<u> </u>
Net Cash Provided by Operating Activities	\$	1,613,898

COMPLIANCE SECTION



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

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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 Mecklenburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Crudle, Jones & alga, P.C.

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

South Hill, Virginia November 13, 2017

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

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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 Mecklenburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Mecklenburg, 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 Mecklenburg, Virginia's major federal programs for the year ended June 30, 2017. County of Mecklenburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 Mecklenburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Mecklenburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Mecklenburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the County of Mecklenburg, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Mecklenburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Mecklenburg, Virginia's internal control over compliance.

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

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

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

Crudh, Jones & alga, P.C.

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

South Hill, Virginia November 13, 2017

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

To the Board of Supervisors County of Mecklenburg, Virginia

We have audited the financial statements of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2017, and have issued our report thereon dated November 13, 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 Mecklenburg, Virginia, is the responsibility of the County of Mecklenburg, 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 Mecklenburg, 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 Mecklenburg, 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 Mecklenburg, 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 November 13, 2017

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

Pass-

	Federal	through Entity	Total
	CFDA	-	Federal
Federal Grantor/Pass-through Grantor/Program or Cluster Title	<u>Number</u>	Number	Expenditures
U. S. Department of the Interior Direct Payments			
Payments in Lieu of Taxes Program	15.226	N/A	\$ 141,427
U. S. Department of Agriculture Pass-Through Payments Department of Social Services SNAP Cluster State Administrative Matching Grants for SNAP	10.561	765	302,628
Department of Education			
Child Nutrition Cluster			
National School Lunch Program - Food Distribution - Schools	10.555	197	150,061
National School Lunch Program	10.555	197	1,163,666
School Breakfast Program	10.553	197	472,519
Child Nutrition Cluster Total			1,786,246
Fresh Fruit and Vegetable Program	10.582	197	24,706
Department of Health			
Child and Adult Care Food Program	10.558	601	14,970
Subtotal - U. S. Department of Agriculture			2,128,550
U. S. Department of Health and Human Services Pass-Through Payments Department of Social Services CCDF Cluster Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596	765	43,469
TANF Cluster Temporary Assistance to Needy Families	93.558	765	266,815
Medicaid Cluster			
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	381,030
Promoting Safe and Stable Families	93.556	765	13,847
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	940
Low-Income Home Energy Assistance (LIHEAP)	93.568	765	30,948
Stephanie Tubbs Jones Child Welfare Services	93.645	765	475
Foster Care - Title IV-E	93.658	765	222,602
Adoption Assistance - Title IV-E	93.659	765	97,563
Social Services Block Grant	93.667	765	170,389
Chafee Foster Care Independence Program	93.674	765	1,259
Children's Health Insurance Program (CHIP)	93.767	765	11,766
Subtotal - U. S. Department of Health and Human Services			1,241,103

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA <u>Number</u>	Pass- through Entity Identifying Number	Total Federal Expenditures
U. S. Department of Justice Pass-Through Payments			
Department of Criminal Justice Services Edward Byrne Memorial Justice Assistance Grant Program	16.738	140	2,800
Violence Against Women Formula Grants	16.738	140	42,920
Subtotal - U. S. Department of Justice			45,720
U. S. Department of Defense Pass-Through Payments Department of Education	40.440	407	00.045
Payments to States in Lieu of Real Estate Taxes	12.112	197	22,945
U. S. Department of Education Pass-Through Payments Department of Education Special Education Cluster (IDEA)			
Special Education Glaster (IDEA) Special Education - Grants to States (IDEA, Part B)	84.027	197	905,923
Special Education - Preschool Grants (IDEA Preschool)	84.173	197	65,102
Special Education Cluster (IDEA) Total			971,025
English Language Acquisition State Grants Title I Grants to Local Educational Agencies	84.365 84.010	197 197	1,400 1,513,502
Rural Education	84.358	197	65,368
Career & Technical Education - Basic Grants to States (Perkins IV)	84.048	197	105,405
Twenty-First Century Community Learning Centers Supporting Effective Instruction State Grant (formerly Improving Teacher Quality)	84.287 84.367	197 197	727,670 89,929
Subtotal - U. S. Department of Education	04.507	137	3,474,299
U. S. Department of Transportation Pass-Through Payments Department of Motor Vehicles			
Alcohol Open Container Requirements	20.607	530	20,806
Subtotal - U. S. Department of Transportation			20,806
U. S. Department of Housing and Urban Development Pass-Through Payments			
Department of Housing and Community Development	4.4.000	405	007.404
Community Development Block Grants/State's Programs	14.228	165	227,421
Subtotal - U. S. Department of Housing and Urban Development			227,421
Grand Totals			\$ 7,302,271

NOTE: There were no awards passed through to subrecipients.

See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2017

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Mecklenburg, Virginia under programs of the federal government for the year ended June 30, 2017. 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 Mecklenburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Mecklenburg, 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. Indirect Cost Rate

County of Mecklenburg, Virginia has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

4. 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 \$150,061 at the time received were consumed during the year ended June 30, 2017. These commodities were included in the determination of federal awards expended during the year ended June 30, 2017.

5. 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	

General Fund	\$	207,953
Public Assistance Fund		1,543,731
Community Development Block Grant Funds	_	227,421
Total Primary Government		1,979,105

Component Unit School Board

School Operating Fund	3,497,244
School Cafeteria Fund	<u>1,675,861</u>
Total Component Unit School Board	5,173,105

Total Federal Expenditures per Basic Financial Statements 7,152,210

Add: Amounts Not Reported on the Basic Financial Statements USDA Food Commodities - Food Distribution - Schools

A Food Commodities - Food Distribution - Schools 150,061

Adjusted Total \$ 7,302,271

Total Federal Expenditures per the Schedule of Expenditures of Federal Awards \$ 7,302,271

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiencies identified?

None Reported

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

Significant deficiencies identified?

None Reported

No

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)?

Major programs:

CFDA Number(s) Name of Federal Program or Cluster

10.553 and 10.555 Child Nutrition Cluster

84.010 Title I

84.287 Twenty-First Century Learning Centers

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

Auditee qualified as low-risk auditee?