

REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
ROANOKE, VIRGINIA

Financial Report
For The Year Ended June 30, 2016

Prepared by:

Roanoke County Finance Department

REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

| | |
|-----------------------------------|---|
| List of Appointed Officials | 1 |
|-----------------------------------|---|

FINANCIAL SECTION

| | |
|------------------------------------|-----|
| Independent Auditors' Report | 2-3 |
|------------------------------------|-----|

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Basic Financial Statements: | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | 1 | 4 |
| Statement of Activities | 2 | 5 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Fund | 3 | 6 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 4 | 7 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund..... | 5 | 8 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 | 9 |
| Notes to the Financial Statements | | 10-37 |

Required Supplementary Information:

| | | |
|---|----|----|
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: | | |
| General Fund..... | 7 | 38 |
| Schedule of the Organization's Proportionate Share of the Net Pension Liability | 8 | 39 |
| Schedule of Employer Contributions | 9 | 40 |
| Notes to Required Supplementary Pension Information | 10 | 41 |

COMPLIANCE SECTION

| | |
|---|-------|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 42-43 |
|---|-------|

Regional Center for Animal Care and Protection

Committee Members

Tim Jones
Gary Larrowe
Christopher P. Morrill
Dan O'Donnell
Barry Thompson

Officials

David Flagler, Executive Director

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Members of the Executive Committee
Regional Center for Animal Care and Protection
Roanoke, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Regional Center for Animal Care and Protection, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of governmental activities and each major fund of the Regional Center for Animal Care and Protection, as of June 30, 2016, and the changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2016, the Center adopted new accounting guidance, GASB Statement No. 72 Fair Value Measurement and Application; GASB Statement No. 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73; and GASB Statement No. 79 Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules related to pension funding on pages 38 and 39-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, on our consideration of the Regional Center for Animal Care and Protection'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 Regional Center for Animal Care and Protection's internal control over financial reporting and compliance.

Robinson, Turner, Cox Associates

Basic Financial Statements

Regional Center for Animal Care and Protection
Statement of Net Position
At June 30, 2016

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 252,336 |
| Inventory | 17,827 |
| Interest receivable | 431 |
| Due from other local governments | 62,454 |
| Total current assets | \$ 333,048 |
| Noncurrent assets: | |
| Investments | \$ 231,192 |
| Capital assets (net of accumulated depreciation): | |
| Land | 82,010 |
| Buildings | 1,900,513 |
| Machinery and equipment | 45,467 |
| Total noncurrent assets | \$ 2,259,182 |
| Total assets | \$ 2,592,230 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension contributions subsequent to measurement date | \$ 59,186 |
| Unamortized proportionate change of the net pension liability | 161,979 |
| Total deferred outflows | \$ 221,165 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 13,976 |
| Accrued payroll | 21,187 |
| Unearned revenue - local grants | 15 |
| Compensated absences - current portion | 31,876 |
| General obligation bond - current portion | 196,200 |
| Total current liabilities | \$ 263,254 |
| Noncurrent liabilities: | |
| Compensated absences - net current portion | \$ 6,580 |
| General obligation bond - net current portion | 1,114,400 |
| Net pension liability | 436,136 |
| Total noncurrent liabilities | \$ 1,557,116 |
| Total liabilities | \$ 1,820,370 |
| DEFERRED INFLOWS OF RESOURCES | |
| Items related to measurement of the net pension liability | \$ 37,934 |
| NET POSITION | |
| Net investment in capital assets | \$ 717,390 |
| Unrestricted | 237,701 |
| Total net position | \$ 955,091 |

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

Regional Center for Animal Care and Protection
Statement of Activities
For the Year Ended June 30, 2016

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--|------------------------|---------------------------------|---|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | |
| <u>Functions/Programs</u> | | | | |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 1,397,228 \$ | 19,800 \$ | 1,445,364 \$ | 67,936 |
| Interest on long-term debt | 35,193 | - | - | (35,193) |
| Total governmental activities | <u>\$ 1,432,421 \$</u> | <u>19,800 \$</u> | <u>1,445,364 \$</u> | <u>32,743</u> |
| Total governmental activities | <u>\$ 1,432,421 \$</u> | <u>19,800 \$</u> | <u>1,445,364 \$</u> | <u>32,743</u> |
| General revenues: | | | | |
| Unrestricted revenues from use of money and property | | | | 3,305 |
| Miscellaneous | | | | 552 |
| Total general revenues | | | | <u>3,857</u> |
| Change in net position | | | | 36,600 |
| Net position - beginning | | | | 918,491 |
| Net position - ending | | | | <u>955,091</u> |

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

Regional Center for Animal Care and Protection
Balance Sheet
Governmental Funds
At June 30, 2016

| ASSETS | General Fund |
|------------------------------------|-------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 252,336 |
| Inventory | 17,827 |
| Interest receivable | 431 |
| Due from other local governments | 62,454 |
| | <u>333,048</u> |
| Total current assets | \$ 333,048 |
| Noncurrent assets: | |
| Investments | \$ 231,192 |
| | <u>231,192</u> |
| Total assets | \$ <u>564,240</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | \$ 13,976 |
| Accrued payroll | 21,187 |
| Unearned revenue - local grants | 15 |
| | <u>35,178</u> |
| Total liabilities | \$ 35,178 |
| Fund balance: | |
| Nonspendable | \$ 17,827 |
| Unassigned | 511,235 |
| | <u>529,062</u> |
| Total fund balance | \$ 529,062 |
| Total liabilities and fund balance | \$ <u>564,240</u> |

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

Regional Center for Animal Care and Protection
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
At June 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

| | | |
|---|----|---------|
| Total fund balances per Exhibit 3 - Balance Sheet | \$ | 529,062 |
|---|----|---------|

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

| | | | |
|-------------------------|----|-----------|-----------|
| Land | \$ | 82,010 | |
| Buildings | | 1,900,513 | |
| Machinery and equipment | | 45,467 | 2,027,990 |

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

| | |
|---|----------|
| Items related to measurement of the net pension liability | (37,934) |
|---|----------|

Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.

59,186

Organizations that participate in a cost sharing retirement plan will report a change in their proportionate share of their respective share of the pension liability. Such amounts are not reported in the funds.

161,979

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

| | | | |
|-------------------------|----|-------------|-------------|
| General obligation bond | \$ | (1,310,600) | |
| Compensated absences | | (38,456) | |
| Net pension liability | | (436,136) | (1,785,192) |

| | | |
|---|----|---------|
| Net position of governmental activities | \$ | 955,091 |
|---|----|---------|

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

Regional Center for Animal Care and Protection
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2016

| | General Fund |
|---|------------------------|
| Revenues: | |
| Local government contributions | \$ 1,397,472 |
| Charges for services | 19,800 |
| Other contributions | 20,170 |
| Unrestricted revenues from the use of money and property | 3,305 |
| Local grants | 27,722 |
| Miscellaneous | 552 |
| | <hr/> |
| Total revenues | \$ 1,469,021 |
| Expenditures: | |
| Public safety: | |
| Personnel costs | \$ 807,747 |
| Operating expenses | 452,638 |
| Capital projects | 21,063 |
| Debt service: | |
| Principal retirement | 191,400 |
| Interest and other fiscal charges | 35,193 |
| | <hr/> |
| Total expenditures | \$ 1,508,041 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (39,020) |
| Fund balance, beginning of year | <hr/> 568,082 |
| Fund balance, end of year | \$ <hr/> 529,062 <hr/> |

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

Regional Center for Animal Care and Protection
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2016

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

| | | |
|--|----|----------|
| Net change in fund balances - total governmental funds | \$ | (39,020) |
|--|----|----------|

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

| | | |
|----------------------|----|----------|
| Capital outlays | \$ | 15,825 |
| Depreciation expense | | (79,875) |
| | | (64,050) |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | | |
|--|--|--------|
| Change in deferred inflows related to the measurement of the net pension liability | | 29,154 |
|--|--|--------|

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | | |
|----------------------|--|---------|
| Principal repayments | | 191,400 |
|----------------------|--|---------|

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

| | | |
|---|----|-----------|
| Change in compensated absences | \$ | (5,111) |
| Change in net pension liability | | (237,497) |
| Change in deferred outflows related to the proportionate share of the net pension liability | | 161,979 |
| Change in deferred outflows related to pension payments subsequent to the measurement date | | (255) |
| | | (80,884) |

| | | |
|---|----|--------|
| Change in net position of governmental activities | \$ | 36,600 |
|---|----|--------|

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

REGIONAL CENTER FOR ANIMAL CARE AND PROTECTION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Regional Center for Animal Care and Protection (the Center) conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The Center was created by concurrent resolutions of the Counties of Roanoke and Botetourt, the City of Roanoke, and the Town of Vinton. The Center was created under the provisions of Sections 3.2-6546 and 15.2-1300 of the *Code of Virginia*. The Center was created to purchase and operate an animal shelter for the participating jurisdictions.

The Center is a joint venture of the participating jurisdictions. Since none of the participating localities can impose their will on the Center, the Center is not considered a component unit of any of the participating localities. In addition, no other entities are considered component units of the Center.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Center (primary government). Governmental activities normally are supported by intergovernmental revenue.

The statement of net position is designed to display financial position of the primary government (governmental activities). Governments will report all capital assets in the government-wide statement of net position and will report depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net position of a government will be broken down into three categories – 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. 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.

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

The Center reports the following major governmental funds:

The General Fund is the Center's primary operating fund. It accounts for and reports all financial resources of the Center.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and Cash Equivalents

The Center's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition. At year end, investments of \$9,242 met these criteria and are reported as cash and cash equivalents.

2. Allowance for Uncollectible Accounts

Accounts receivable are stated at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts has been recorded.

3. Use of Estimates

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

4. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value. Investments in custody of others include unspent bond proceeds and accumulated interest that the County intends to use for the new government complex.

5. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the Center are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Buildings | 10-30 |
| Machinery and Equipment | 5-10 |

6. *Inventories and Prepaid Items*

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. The Center accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide financial statements.

8. Long-Term Obligations

Long-term obligations are reported as liabilities in the statement of net position at face value, net of any applicable premiums and discounts.

9. Fund Equity

The Center reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Center evaluated its funds at June 30, 2016 and classified fund balance into the following five categories:

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

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

9. Fund Equity (continued)

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

10. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the Center’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

11. Net Position Flow Assumption

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Center has two items that qualify for reporting in this category. They are comprised of the unamortized proportionate change in the Organization’s net pension liability and contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

12. Deferred Outflows/Inflows of Resources (continued)

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

13. Pensions

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 Center's Retirement Plan and the additions to/deductions from the Center's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2-Deposits and Investments:

Deposits - The County of Roanoke maintains a cash and investment pool that is available for use by all County funds, component units and entities for which the County is fiscal agent. The Center participates in this pool and at June 30, 2016, the carrying value of the Center's deposits with banks and savings institutions was \$243,094. Deposits with banks are covered by Federal depository insurance and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments - Statutes authorize the Center 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, bankers' acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

Information relative to the County of Roanoke pooled account is presented in the audited financial statements of the County of Roanoke and can be obtained from the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or by visiting the County's web site at www.roanokecountyva.gov.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 2-Deposits and Investments: (continued)

Custodial Credit Risk (Investments)

The Center's investment policy provides that securities purchased for the Center shall be held by the Center Treasurer or by the Treasurer's custodian, which is currently Roanoke County, Virginia. If held by a custodian, the securities must be in the Center's name or in the custodian's name and identifiable on the custodian's books as belonging to the Center. Further, if held by a custodian, the custodian must be a third party, not a counterparty (buyer or seller) to the transaction. At June 30, 2016 all of the Center's investments were held in accordance with this policy.

Credit Risk of Debt Securities

The Center's investment policy for credit risk is consistent with the investments allowed by statute as previously detailed.

The Center's debt investments as of June 30, 2016 have not been rated as noted below.

| <u>Rated Debt Investments' Values</u> | |
|---------------------------------------|----------------------------|
| | <u>Fair Quality Rating</u> |
| <u>Rated Debt Investments</u> | <u>Not rated</u> |
| Roanoke County Investment Pool | \$ 240,434 |
| Total | \$ 240,434 |

The Roanoke County Investment Pool is not rated; however, underlying investments in the pool are rated. Those ratings along with additional information concerning the pool are presented in the Roanoke County, Virginia Comprehensive Annual Financial Report, a copy of which may be requested from: County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or by visiting the County's web site at www.roanokecountyva.gov.

Interest Rate Risk

The Center's policy with regard to interest rate risk requires that all investments mature within five years of their purchase date. The policy further requires maturity scheduling be timed to anticipated need and scheduled to coincide with projected cash flow needs.

| <u>Investment Maturities (in years)</u> | | | |
|---|-------------------|-----------------------|------------------|
| <u>Investment Type</u> | <u>Fair Value</u> | <u>1 Year or less</u> | <u>1-5 Years</u> |
| Roanoke County Investment Pool | \$ 240,434 | \$ 9,242 | \$ 231,192 |

External Investment Pools

The fair value of the positions in the external investment pool (Roanoke County Investment Pool) is the same as the value of the pool shares. As the Roanoke County Investment Pool is not SEC registered, regulatory oversight of the pool rests with the Roanoke County Board of Supervisors.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 3-Fair Value Measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Center categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Center maximizes the use of observable inputs and minimized the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 - Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2 - Directly or indirectly observable inputs for the asset or liability other than quoted prices
- Level 3 - Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

The Center has the following recurring fair value measurements as of June 30, 2016:

| | | Fair Value Measurement Using Quoted Prices in Active Markets for Identical Assets |
|--------------------------------|-----------|---|
| Roanoke County Investment Pool | 6/30/2016 | \$ 240,434 |

Note 4-Long-Term Obligations:

Changes in long-term obligations for the year are as follows:

| | Balance July 1, 2015 | Issuances/ Additions | Retirements/ Reductions | Balance June 30, 2016 | Amount Due Within One Year |
|-------------------------|-------------------------|-------------------------|----------------------------|--------------------------|-------------------------------|
| General obligation bond | \$ 1,502,000 | \$ - | \$ (191,400) | \$ 1,310,600 | \$ 196,200 |
| Compensated absences | 33,345 | 15,981 | (10,870) | 38,456 | 31,876 |
| Net pension liability | 198,639 | 469,290 | (231,793) | 436,136 | - |
| Total | \$ 1,733,984 | \$ 485,271 | \$ (434,063) | \$ 1,785,192 | \$ 228,076 |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 4-Long-Term Obligations: (continued)

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

| Year Ending June 30, | General Obligation | |
|-------------------------|--------------------|------------|
| | Principal | Interest |
| 2017 | \$ 196,200 | \$ 30,440 |
| 2018 | 201,000 | 25,569 |
| 2019 | 206,000 | 20,579 |
| 2020 | 211,100 | 15,465 |
| 2021 | 216,300 | 10,224 |
| 2022-2023 | 280,000 | 5,212 |
| Totals | \$ 1,310,600 | \$ 107,489 |

Details of long-term indebtedness:

| | Total Amount |
|---|-----------------|
| General Obligation Bond: | |
| \$1,829,500 bond issued November 1, 2013 through the City of Roanoke. Principal and interest payments began on December 31, 2013 and continue quarterly until September 30, 2022, with interest accruing at 2.46% and principal payments varying from \$45,700 to \$58,300. | \$ 1,310,600 |
| Other Liabilities: | |
| Net pension liability | \$ 436,136 |
| Compensated absences | 38,456 |
| Total Other Liabilities | \$ 474,592 |
| Total Long-term Obligations | \$ 1,785,192 |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 5-Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------------|-------------|---------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 82,010 | \$ - | \$ - | \$ 82,010 |
| Total capital assets not being depreciated | <u>\$ 82,010</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 82,010</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | \$ 2,064,847 | \$ 7,875 | \$ - | \$ 2,072,722 |
| Machinery and equipment | 59,902 | 7,950 | - | 67,852 |
| Total capital assets being depreciated | <u>\$ 2,124,749</u> | <u>\$ 15,825</u> | <u>\$ -</u> | <u>\$ 2,140,574</u> |
| Accumulated depreciation: | | | | |
| Buildings | \$ (103,242) | \$ (68,967) | \$ - | \$ (172,209) |
| Machinery and equipment | (11,477) | (10,908) | - | (22,385) |
| Total accumulated depreciation | <u>\$ (114,719)</u> | <u>\$ (79,875)</u> | <u>\$ -</u> | <u>\$ (194,594)</u> |
| Total capital assets being depreciated, net | <u>\$ 2,010,030</u> | <u>\$ (64,050)</u> | <u>\$ -</u> | <u>\$ 1,945,980</u> |
| Capital assets, net of depreciation | <u>\$ 2,092,040</u> | <u>\$ (64,050)</u> | <u>\$ -</u> | <u>\$ 2,027,990</u> |

Note 6-Fiscal Agent:

The County of Roanoke, Virginia serves as the Center's fiscal agent; therefore all assets, liabilities, receipts, and disbursements of the Center are accounted for separately through the County's accounting and financial systems. Employees of the Center are eligible to participate in programs offered by the County.

Note 7-Arbitrage Rebate Liability:

The Internal Revenue Code of 1986 (the Code) establishes rules and regulations for arbitrage rebates which are applicable to the Center. At present, the Center has no arbitrage rebate liability.

Note 8-Risk Management:

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Center participates with other organizations in the Virginia Association of Counties public entity risk pool. Each member of the risk pool jointly and severally agrees to assume, pay and discharge any liability. The Center pays the risk pool contributions and assessments based upon classifications and rates into designated cash reserve funds out of which expenses of the pools, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available funds and/or excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Center carries insurance coverage for all other risk of loss. Settled claims have not exceeded coverage in the current or prior two fiscal years.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan:

Plan Description

All full-time, salaried permanent employees of the Regional Center for Animal Care and Protection are automatically covered by the Roanoke County Pension Plan. This is a cost sharing multiple employer plan 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 pays 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 a 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 | | |
|---|---|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> | <p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> | <p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • 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. |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Hybrid Opt-In Election (Cont.) 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. | Hybrid Opt-In Election (Cont.) 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. | *Non-Eligible Members (Cont.) 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. |
| Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees 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. | Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. | 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. |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>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.</p> | <p>Creditable Service Same as Plan 1.</p> | <p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p> |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|---|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p> | <p>Vesting Same as Plan 1.</p> | <p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Vesting (Cont.) | Vesting (Cont.) | <p>Vesting (Cont.) <u>Defined Contributions Component:</u> (Cont.) Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p> |
| <p>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.</p> | <p>Calculating the Benefit See definition under Plan 1.</p> | <p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|---|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| Calculating the Benefit (Cont.) 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 (Cont.) | Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions. |
| 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 VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer. | Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1. | Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. <u>Defined Contribution Component:</u> Not applicable. |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|---|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p> | <p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p> |
| <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

| RETIREMENT PLAN PROVISIONS (CONTINUED) | | |
|--|--|--|
| PLAN 1 | PLAN 2 | HYBRID RETIREMENT PLAN |
| <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p> | <p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p> |

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Plan Description (continued)

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report-pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Plan Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Center's contractually required contribution rate for the year ended June 30, 2016 was 13.90% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

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 Center were \$59,186 and \$59,624 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

At June 30, 2016, the Center reported a liability of \$436,136 for its proportionate share of the net pension liability. The Center's net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015. The Center's proportionate share of same was calculated using the average creditable compensation for the 2015 and 2014 fiscal years as a basis for allocation. At June 30, 2015 and 2014, the Center's proportion was 1.2453% and 0.5966%, respectively.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Actuarial Assumptions

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

| | |
|---------------------------------------|--|
| Inflation | 2.5% |
| Salary increases, including inflation | 3.5% - 5.35% |
| Investment rate of return | 7.0%, net of pension plan investment expense, including inflation* |

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

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

Largest 10

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest)

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Actuarial Assumptions (continued)

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

Largest 10 - 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

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Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Actuarial Assumptions (continued)

Long-Term Expected Rate of Return

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

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

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

Actuarial Assumptions (continued)

Discount Rate

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

| | Rate | | |
|-------------------------------|---------|---------|---------|
| | (6.00%) | (7.00%) | (8.00%) |
| Roanoke County Pension Plan | | | |
| Net Pension Liability (Asset) | 805,150 | 436,136 | 129,399 |

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Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 9-Pension Plan: (continued)

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

For the year ended June 30, 2016, the Center recognized pension expense of \$105,804. At June 30, 2016, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 30,899 |
| Change in proportion and differences between contributions and proportionate share of same | 161,979 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 7,035 |
| Employer contributions subsequent to the measurement date | <u>59,186</u> | <u>-</u> |
| Total | \$ <u>221,165</u> | \$ <u>37,934</u> |

\$59,186 reported as deferred outflows of resources related to pensions resulting from the Center's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30

| | |
|------------|-------------------|
| 2017 | \$ 37,638 |
| 2018 | 37,638 |
| 2019 | 37,950 |
| 2020 | 10,820 |
| Thereafter | - |
| Total | \$ <u>124,046</u> |

The Roanoke County Pension Plan does not issue standalone financial statement; however the pension plan is included in the County of Roanoke, Virginia Comprehensive Annual Financial Report. That report, including required supplementary information, may be obtained from the Director of Finance, County of Roanoke, 5204 Bernard Drive, Suite 300E, Roanoke, Virginia 24018; telephone 540-772-2020 or visit the County's web site at www.roanokecountyva.gov.

Regional Center for Animal Care and Protection
Notes to the Financial Statements
June 30, 2016 (continued)

Note 10-Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application

The Center implemented the above statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Center to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Center's financial statement as a result of the implementation of Statement No. 72. All required disclosures are added to Note 3.

Governmental Accounting Standards Board Statement No. 82 Pension Issues - and amendment of GASB Statements No. 67, No. 68, and No. 73

The Center implemented provisions of Governmental Accounting Standards Board (GASB) Statement No. 82 during the fiscal year. The objective of this Statement is to address certain issues that have been raised with respect to Statements. No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Governmental Accounting Standards Board Statement No. 79, Certain External Investment Pools and Pool Participants

The Center implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the Center's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 3.

Note 11— Upcoming Pronouncements:

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Management is currently evaluating the impact of this standard will have on the financial statements when adopted.

Required Supplementary Information

Regional Center for Animal Care and Protection
Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund
Budget and Actual
For the Year Ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|--------------|--|
| Revenues: | | | | |
| Local government contributions | \$ 1,171,012 | \$ 1,171,012 | \$ 1,397,472 | \$ 226,460 |
| Charges for services | 15,000 | 15,000 | 19,800 | 4,800 |
| Other contributions | 17,250 | 17,250 | 20,170 | 2,920 |
| Income from the use of money and property | 1,000 | 1,000 | 3,305 | 2,305 |
| Local grants | 27,738 | 27,738 | 27,722 | (16) |
| Miscellaneous income | 5,000 | 5,000 | 552 | (4,448) |
| Total revenues | \$ 1,237,000 | \$ 1,237,000 | \$ 1,469,021 | \$ 232,021 |
| Expenditures: | | | | |
| Public safety: | | | | |
| Personnel costs | \$ 828,962 | \$ 828,962 | \$ 807,747 | \$ 21,215 |
| Operating expenses | 470,734 | 470,734 | 452,638 | 18,096 |
| Capital projects | - | - | 21,063 | (21,063) |
| Debt service: | | | | |
| Principal retirement | - | - | 191,400 | (191,400) |
| Interest and other fiscal charges | - | - | 35,193 | (35,193) |
| Total expenditures | \$ 1,299,696 | \$ 1,299,696 | \$ 1,508,041 | \$ (208,345) |
| Excess (deficiency) of revenues over (under) expenditures | \$ (62,696) | \$ (62,696) | \$ (39,020) | \$ 23,676 |
| Fund balance, beginning of year | \$ 539,352 | \$ 539,352 | \$ 568,082 | \$ 28,730 |
| Fund balance, end of year | \$ 476,656 | \$ 476,656 | \$ 529,062 | \$ 52,406 |

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

Regional Center for Animal Care and Protection
Schedule of the Organization's Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016

| Date | Proportion of the Net Pension Liability (NPL) | Proportionate Share of the NPL | Covered Payroll | Proportionate Share of the NPL as a Percentage of Covered Payroll (3)/(4) | Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability |
|------|---|-----------------------------------|--------------------|---|--|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 2015 | 1.2453% | \$ 436,136 | \$ 525,310 | 83.02% | 84.31% |
| 2014 | 1.1612% | 386,611 | 489,185 | 79.03% | 84.61% |

Schedule is intended to show information for 10 years. Information prior to the 2015 valuation is not available. However, additional years will be included as they become available.

Regional Center for Animal Care and Protection
Schedule of Employer Contributions
For the Year Ended June 30, 2016

| Date | Contractually Required Contribution (1) | Contributions in Relation to Contractually Required Contribution (2) | Contribution Deficiency (Excess) (3) | Employer's Covered Payroll (4) | Contributions as a % of Covered Payroll (5) |
|------|--|---|---|---|---|
| 2016 | \$ 60,111 | \$ 59,186 | \$ 925 | \$ 512,956 | 11.54% |
| 2015 | 59,818 | 59,441 | 377 | 525,310 | 11.32% |
| 2014 | 49,274 | 49,259 | 15 | 489,185 | 10.07% |

Current year contributions are from the Center's records and prior year contributions are from the VRS actuarial valuation performed each year.

Schedule is intended to show information for 10 years. Because the Organization participates in the County of Roanoke, Virginia's retirement plant, prior to 2015 the Organization's information was included in the County's schedules. Therefore, no additional data is currently available. Additional years will be included as they become available.

Regional Center for Animal Care and Protection
Notes to Required Supplementary Pension Information
June 30, 2016

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

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

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Executive Committee
Regional Center for Animal Care and Protection
Roanoke, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of the Regional Center for Animal Care and Protection as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Regional Center for Animal Care and Protection's basic financial statements and have issued our report thereon dated September 26, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Regional Center for Animal Care and Protection'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 Regional Center for Animal Care and Protection's internal control. Accordingly, we do not express an opinion on the effectiveness of the Regional Center for Animal Care and Protection'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 Regional Center for Animal Care and Protection'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.

Robinson, Turner, Cox Associates

Blacksburg, Virginia
September 26, 2016