INDUSTRIAL DEVELOPMENT AUTHORITY

OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of the

County of Brunswick, Virginia)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

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INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

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

DIRECTORY OF OFFICIALS

BOARD OF DIRECTORS

Gwendolyn McMillan, Chairman

Morris Taylor, Vice Chairman

Michael Dotti

Dr. Robert Satcher

William Brown

LaVerne Jolly

Raymond A. Thomas

OTHER OFFICIALS

Joan Moore, Executive Director

Independent Auditors' Report

To the Honorable Members of the Board of Directors
Industrial Development Authority of Brunswick County, Virginia
Lawrenceville, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Industrial Development Authority of Brunswick County, Virginia, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2017, Industrial Development Authority of Brunswick County, Virginia adopted new accounting guidance, GASB Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. 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 management's discussion and analysis and schedule of pension funding on pages 4-9 and 43-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Industrial Development Authority of Brunswick County, Virginia's basis financial statements. The supporting schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
October 13, 2017

To the Honorable Members of the Board of Directors
Industrial Development Authority of Brunswick County, Virginia
Lawrenceville, Virginia

As management of the Authority, we offer this narrative overview and analysis of the financial performance and overview of the Authority's financial activities for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented herein in connection with the Authority's basic financial statements.

Financial Highlights for FY2017

The assets and deferred outflows of resources of the Authority exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $14,685,179.

The Authority's increase in net position totaled $58,968 for the current year. The increase in net position for 2017, up from FY2016's decrease of $134,719 can be attributed to the Authority's increase in the operating revenue during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to financial statements.

Enterprise fund financial statements. The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

Financial Analysis of the Authority as a Whole

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary of Statement of Net Position
As of June 30, 2017 and 2016

		June 30, 2017		June 30, 2016
Current assets	$	3,666,960	$	3,512,051
Noncurrent assets		11,711,378		11,905,470
Total assets	$	15,378,338	$	15,417,521
Deferred outflow of resources	$	9,194	$	11,850
Current liabilities	$	135,927	$	128,266
Noncurrent liabilities		550,592		649,544
Total liabilities	$	686,519	$	777,810
Deferred inflows of resources	$	15,834	$	25,350
Net Position:				
Net investment in capital assets	$	8,229,009	$	8,227,155
Unrestricted		6,456,170		6,399,056
Total net position	$	14,685,179	$	14,626,211

The Authority's combined net position increased by $58,968 during the year.

At the end of the current fiscal year, the Authority was able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.

Financial Analysis of the Authority as a Whole: (continued)

The following table shows the revenues and expenses of the Authority for the past two fiscal years:

Changes in Net Position
Years Ended June 30, 2017 and 2016

	June 30, 2017	June 30, 2016
Revenues:		
Operating revenue	$ 656,679	$ 579,272
Capital contributions	4,968	11,886
Other revenue	10,642	9,043
Gain (loss) on disposal of property	1,500	(74,836)
Total revenues	$ 673,789	$ 525,365
Expenses:		
Operating expenses	$ 275,836	$ 288,665
Depreciation and amortization	248,117	243,379
Industrial projects	84,217	94,490
Interest expense	6,651	33,550
Total expenses	$ 614,821	$ 660,084
Increase (decrease) in net position	$ 58,968	$ (134,719)
Net position beginning of year	14,626,211	14,760,930
Net position end of year	$ 14,685,179	$ 14,626,211

Revenues

The Industrial Development Authority's revenues increased by $148,424 during the current year. The increase was related to an increase in operating revenues, specifically revenues from Dominion Power for water and sewer, which increased $68,201.

Expenses

For the fiscal year ended June 30, 2017, total expenses decreased by $45,263. Interest expense decreased from the prior year in the amount of $26,899, due to the Authority paying off loan balances in the prior year.

Long-Term Debt

At the end of the fiscal year, the Authority had $149,544 in notes and advances outstanding versus $245,593 last year, a decline of $96,049 or 39.11%. The decrease was a result of the normal amortization of existing debt obligations. There were no new debt obligations incurred by the Authority during this fiscal year. Additional information on the Authority's long-term debt can be found in Note 6 of this report.

Capital Assets and Other Investments

The Authority's investment in capital and other assets as of June 30, 2017 amounts to $8,789,317 (net of accumulated depreciation and amortization). Below is a comparison of the items that comprise capital assets and other investments as of June 30, 2017 with that of June 30, 2016.

	2017	2016
Land, Property and Equipment (net)	$ 503,532	$ 360,797
Investment in industrial assets	7,875,021	8,111,951
Leases receivable	410,764	498,499
Total capital assets and other investments	$ 8,789,317	$ 8,971,247

The increase in land, property and equipment and in investment in industrial assets is attributed to the additional investment in industrial assets. Additional information on the Authority's capital and other assets can be found in Notes 3, 4, and 7 of this report.

Economic Factors and Review of Operations

The Industrial Development Authority of Brunswick County, Virginia is an organization dedicated to promoting economic growth in Brunswick County through industrial development within Brunswick County and surrounding areas. The Authority provides a comprehensive approach to industrial development including retention and expansion of existing industries; recruitment and attraction of new businesses; industrial site planning and development; and financial and legal facilitation. The Authority employs a full-time director, one full-time support staff and a part-time financial manager. It is governed by a Board of Directors appointed by the Brunswick County Board of Supervisors.

Located strategically between Richmond, Virginia and Raleigh/Durham, North Carolina the Authority offers developed buildings and sites for industries including:

- ❑ Brunswick County Industrial Park located adjacent to US Route 58 in a Virginia Enterprise Zone (complete with utility services).
- ❑ I-85 Business Center Park, consisting of 114 acres, located ¼ mile from I-85 on U.S. Route 1; also located in a Virginia Enterprise Zone which was made possible by expansion of the Brunswick County Enterprise Zone in 2013.
- ❑ Roanoke River Regional Business Park where 240 acres are available for new industrial enterprises and is also located in a Virginia Enterprise Zone. The Park is located in Mecklenburg County but jointly owned by the Brunswick County IDA and Mecklenburg County IDA.

Economic Factors and Review of Operations: (Continued)

In addition to providing opportunities for future industrial prospects, the Authority supports its existing local industries through various capital investments and program activities. Many of the Authority's development expenditures are committed to improving the infrastructure.

The Authority undertakes a number of efforts continuously to attract new industrial prospects; e.g., marketing, trade shows, direct communication, regional and state alliances; etc. Thus, there are industrial prospects frequently considering expanding or locating their business within the County of Brunswick. These new business investments will result in a significant increase in the County's tax base.

Economic Development

Highlighting this year's economic development activities resulting in both immediate and projected job creation for our community:

Construction of the $1.3 billion plus combined cycle natural gas fired Dominion Virginia Power Plant has been completed and it is fully operational. The Plant is located on a 213 acre site on US Route 58 about four (4) miles east of the Town of Lawrenceville. The number of on-site construction workers peaked at 1,400 per day. These new jobs created by the Plant construction have been important to helping to address the high unemployment in Brunswick County and the surrounding region. About 9% of the workers live in Brunswick County and about 50% live in the region. This Dominion investment is the largest business investment ever made in Brunswick County. It will generate $4.0 million to $5.0 million a year in new tax revenue for Brunswick County and provide 45 new jobs that are mainly high skill well-paying jobs.

Additionally, to provide the very large volume of natural gas required by the Dominion Power Plant, Williams Companies, Inc. built a pipeline, identified as the Brunswick Lateral, that connects in Pittsylvania County to the company's pipeline that spans from Texas to the northeast U.S. The total investment for this new construction across five (5) Virginia counties was about $300 million and provided approximately 350 new construction jobs and also brings additional tax revenue to the county of about $60,000.00 per year.

Under the *Areas of Development Opportunity Program* that was implemented in 2006 to strategically undertake economic development projects a number of projects were continued and new projects undertaken. This included: (1) continuing the effort to use the hotel feasibility study that was completed to promote the development of a hotel in the Lawrenceville area; (2) continuing efforts that are expanding the water and wastewater infrastructure to make service available in areas where there are large tracts of land that could be used for industrial sites; and (3) developing plans to build on the *Visioning 2007* – the strategic economic development action plan prepared to serve as a "blueprint" for increasing commerce and industry that will expand the County's tax revenue base and generate new well-paying employment opportunities. This included the full operation of the Economic Development Coordinating Council in which there is participation by business, government and civic leadership that will improve collaboration in promoting industrial and commercial growth.

Construction was completed by the IDA on 4 plus miles of water and wastewater lines and appurtenances along the US 58 east corridor. This project was funded by a $546,042.00 planning/engineering grant from the Tobacco Commission and a $5.0 million loan from VRA. The project included some special construction to facilitate local fire trucks having ready access to fire hydrants when needed.

Work was also continued to expand the water and sewer infrastructure in Brunswick County. The County is working to renew the permit obtained in the year 2004 to draw a peak of approximately 8.3 million gallons per day from the Meherrin River. DEQ required the submission of a new comprehensive plan for withdrawing the water and limited the initial withdrawal of water under the new permit to a peak of 6.0 million gallons per day.

Economic Development: (Continued)

The IDA continued to pay off the indebtedness incurred pre-2005 including loan for improvements to the Lawrenceville water and wastewater system; which will be paid in full in 2018. After payment of this debt all old IDA debts will be paid giving lead way for new investments to support the growth of industry.

Brunswick County, represented by the IDA and County Administration, continued to participate as a member of the Virginia Growth Alliance (VGA), a regional marketing and economic development organization with 13 participating localities located in proximity to each other in Southside Virginia. Numerous projects are undertaken through the organization to bring new industry to the area; which includes both national and international marketing efforts.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Authority's Executive Director, 116 West Hicks Street, Lawrenceville, VA 23868.

- Basic Financial Statements -

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA
(A Component Unit of County of Brunswick, Virginia)

Statement of Net Position
As of June 30, 2017

Assets and Deferred Outflows		
Current Assets:		
Cash and cash equivalents (Note 2)	$	3,193,989
Investments (Note 2)		368,840
Accounts receivable		104,131
Total current assets	$	3,666,960
Noncurrent Assets:		
Restricted Assets		
Cash and cash equivalents (Note 2)	$	225,178
Capital Assets		
Land, property and equipment (net of accumulated depreciation of $153,955) (Note 4)	$	503,532
Other Assets		
Net pension asset	$	37,879
Investment in industrial assets (net of amortization of $1,602,196) (Note 7)		7,875,021
Land and improvements held for sale (Note 8)		2,659,004
Leases receivable (Note 3)		410,764
Total other assets	$	10,982,668
Total noncurrent assets	$	11,711,378
Total assets	$	15,378,338
Deferred Outflows of Resources:		
Net difference between projected and actual earnings on pension plan investments	$	9,194
Liabilities, Deferred Inflows, and Net Position		
Current Liabilities:		
Accounts payable	$	5,051
Escrow accounts		31,924
Bonds and obligations payable, current portion (Note 6)		98,952
Total current liabilities	$	135,927
Noncurrent Liabilities:		
Advances from Brunswick County (Note 10)	$	500,000
Bonds and obligations payable, net of current portion (Note 6)		50,592
Total noncurrent liabilities	$	550,592
Total liabilities	$	686,519
Deferred Inflows of Resources:		
Deferred gain (Note 3)	$	15,834
Net Position:		
Net investment in capital assets (Note 9)	$	8,229,009
Unrestricted (Note 9)		6,456,170
Total net position	$	14,685,179

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA
(A Component Unit of County of Brunswick, Virginia)

Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

Operating revenue:		
County appropriations (Note 12)	$	258,080
Lease revenue		47,219
Bond and fee revenues		204,690
Miscellaneous/other		146,690
Total operating revenue	$	656,679
Operating expenses:		
Wages and salaries	$	142,651
Fringe benefits		27,291
Contractual and professional services		56,729
Other charges		49,165
Depreciation and amortization		248,117
Industrial projects		84,217
Total operating expenses	$	608,170
Operating income	$	48,509
Nonoperating revenues (expenses):		
Interest and investment income	$	10,642
Interest expense		(6,651)
Gain (Loss) on disposal of property		1,500
Total nonoperating revenues (expenses)	$	5,491
Income before capital contributions	$	54,000
Capital contribution from County of Brunswick		4,968
Change in net position	$	58,968
Net position, beginning of year		14,626,211
Net position, end of year	$	14,685,179

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of County of Brunswick, Virginia)

Statement of Cash Flows

Year Ended June 30, 2017

Cash flows from operating activities:		
Receipts from clients and agencies	$	724,297
Payments to vendors and governments		(182,601)
Payments to employees		(165,892)
Net cash provided by (used for) operating activities	$	375,804
Cash flows from capital and related financing activities:		
Additions to fixed assets	$	(153,922)
Principal payments on debt		(96,049)
Interest payments		(6,651)
Net cash provided by (used for) capital and related financing activities	$	(256,622)
Cash flows from investing activities:		
Capital revenues from County of Brunswick	$	4,968
Interest received		10,642
Net cash provided by (used for) investing activities	$	15,610
Increase (decrease) in cash and cash equivalents	$	134,792
Cash and cash equivalents at beginning of year (includes restricted cash and cash equivalents of $225,178)		3,653,215
Cash and cash equivalents at end of year (includes restricted cash and cash equivalents of $225,178)	$	3,788,007
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income	$	48,509
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and amortization		248,117
Changes in operating assets and liabilities:		
Change in accounts receivable		(20,117)
Change in net pension asset		12,162
Change in leases		87,735
Change in deferred outflows - pension related		2,656
Change in payables		4,748
Change in escrow accounts		10
Change in deferred inflows - pension related		(8,016)
Net cash provided by (used for) operating activities	$	375,804

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose

Industrial Development Authority of Brunswick County (the "Authority") was organized on August 23, 1971 in accordance with Chapter 33 Section 15.2-4901 Et. Seq., of the Code of Virginia (1950), as amended (the "Act"). The purpose of the Authority shall be to acquire, own, lease, and dispose of properties to enable it to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in the Commonwealth of Virginia and to further the use of its agricultural products and natural resources. The Act empowers the Authority to issue tax exempt bonds to fund the Authority's purpose. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof.

The Authority is a separate and distinct entity from the County of Brunswick, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia. The Authority is considered to be a component unit of the County of Brunswick, Virginia.

The Authority is governed by a Board of Directors appointed by the Board of Supervisors of Brunswick County, Virginia to serve a term of four years.

B. Financial Reporting Entity

The basic criterion for including organizations within the reporting entity, as set forth in GASB No. 14 and as amended by GASB No. 39 is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. Industrial Development Authority of Brunswick County, Virginia's financial statements include all operations of Industrial Development Authority of Brunswick County, Virginia. The Authority has no component units.

C. Basic Financial Statements

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

Enterprise Fund Financial Statements

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Authority. Governments will report all capital assets in the Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of a government will be broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

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

D. Basis of Accounting

Industrial Development Authority of Brunswick County, Virginia operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are lease revenue, bond and fee revenues, and Tobacco Settlement Grants. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Cash and Cash Equivalents

The Authority'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, all of which are readily convertible to known amounts of cash.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,000 (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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

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

F. Capital Assets: (Continued)

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

Assets	Years
Buildings	39
Improvements	5
Machinery, equipment and vehicles	5 to 7

G. 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 and so will not be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category. It is comprised of certain items related to the measurement of the net pension asset. These include differences between expected and actual experience. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one type of item that qualifies for reporting in this category. The Authority reports deferred gains which arise from property sales and lease backs. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

H. Land and Improvements Held for Sale

Land and improvements held for sale are recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, and estimated fair value at the date of contribution, if contributed. Subsequent improvements are added to the land and improvements held for sale.

I. Pensions

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

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

J. Other Significant Accounting Policies

- Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded;
- Other assets are reported at cost;
- Long-term leases of industrial assets are reported as sales pursuant to standards of the Governmental Accounting Standards Board.

K. 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.

L. Net Position

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

M. Net Position Flow Assumption

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

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

Custodial Credit Risk (Investments)

To protect against potential fraud and embezzlement, the assets of the Authority shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Investments officials shall be bonded to protect the public against embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchases using the delivery versus payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping.

The Authority’s investments at June 30, 2017 consist solely of investment in the Commonwealth of Virginia Local Government Investment Pool.

Credit Risk of Debt Securities

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

Rated Debt Investments' Values

Rated Debt Investments	Fair Value	AAAm
Local Government Investment Pool	$ 368,840	$ 368,840
Total	$ 368,840	$ 368,840

NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's policy limits the investment of operating funds to investments with a stated maturity of no more than 5 years from the date of purchase. The average maturity of the investment portfolio may not exceed 3 years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

Investment Maturities

	Fair Value	Less than 1 Year
Local Government Investment Pool	$ 368,840	$ 368,840
Total	$ 368,840	$ 368,840

External Investment Pool

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

Summary of Cash and Cash Equivalents

The following is reconciliation between the types of cash and investments held by the Authority and the Statement of Net Position:

Deposits and cash on hand	$ 2,169,167
Virginia State Treasurer's Local Government Investment Pool	368,840
Certificates of Deposit	1,250,000
Total	$ 3,788,007
Per Statement of Net Position:	
Cash and cash equivalents	$ 3,193,989
Investments	368,840
Restricted cash and cash equivalents	225,178
Total	$ 3,788,007

NOTE 3 - LEASES RECEIVABLE AND DEFERRED GAIN:

The Authority's leases receivable consist of the following at June 30, 2017:

Leases:		
Social Services	$	170,564
Ackerman		240,200
Total	$	410,764
Deferred gain:		
Long-term profit on sale of building amortized annually through 2022	$	15,834

As of June 30, 2017, the Ackerman lease has a past due balance of $25,302.

NOTE 4 - CAPITAL ASSETS:

A summary of capital asset activity for the year ended June 30, 2017 follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 41,048	$ -	$ -	$ 41,048
Capital assets being depreciated:				
Buildings	$ 398,836	$ 153,922	$ -	$ 552,758
Improvements	26,022	-	-	26,022
Machinery, equipment and vehicles	37,659	-	-	37,659
Total capital assets being depreciated	$ 462,517	$ 153,922	$ -	$ 616,439
Accumulated depreciation:				
Buildings	$ 83,119	$ 10,227	$ -	$ 93,346
Improvements	26,022	-	-	26,022
Machinery, equipment and vehicles	33,627	960	-	34,587
Total accumulated depreciation	$ 142,768	$ 11,187	$ -	$ 153,955
Capital assets being depreciated, net	$ 319,749	$ 142,735	$ -	$ 462,484
Capital assets, net	$ 360,797	$ 142,735	$ -	$ 503,532

NOTE 5 - PENSION PLAN:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
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.	**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.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>About Plan 1 (Cont.)</td>
<td>About Plan 2 (Cont.)</td>
<td>About the Hybrid Retirement Plan (Cont.)
• 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.</td>
</tr>
<tr>
<td>Eligible Members
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election
VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td>
<td>Eligible Members
Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election
Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

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

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</td>
<td>Eligible Members
Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
• Political subdivision employees*
• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

*Non-Eligible Members
Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</td>
</tr>
</table>

NOTE 5 - 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 are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**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 are paying the full 5% as of 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.

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (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. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
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.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

NOTE 5 - 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.

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **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. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest 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. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **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. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The 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.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

NOTE 5 - PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>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.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</td>
<td>Disability Coverage
Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</td>
<td>Disability Coverage
Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</td>
</tr>
<tr>
<td>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.</td>
<td>Purchase of Prior Service
Same as Plan 1.</td>
<td>Purchase of Prior Service
<u>Defined Benefit Component:</u>
Same as Plan 1, with the following exceptions:
• Hybrid Retirement Plan members are ineligible for ported service.
• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

<u>Defined Contribution Component:</u>
Not applicable.</td>
</tr>
</table>

NOTE 5 - PENSION PLAN: (CONTINUED)

Pension Plan Data

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

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	1
Non-vested inactive members	-
Inactive members active elsewhere in VRS	1
Total inactive members	2
Active members	2
Total covered employees	6

Contributions

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

The Authority's contractually required contribution rate for the year ended June 30, 2017 was 0% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

NOTE 5 - PENSION PLAN: (CONTINUED)

Contributions (Continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $0 and $11,739 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Asset

The Authority's net pension asset was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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

Largest 10 – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

NOTE 5 - PENSION PLAN: (CONTINUED)

Actuarial Assumptions – General Employees (Continued)

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

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

All Others (Non 10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

NOTE 5 - PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

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

* 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%.

NOTE 5 - PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2015	$ 285,147	$ 335,188	$ (50,041)
Changes for the year:			
Service cost	$ 5,338	$ -	$ 5,338
Interest	19,780	-	19,780
Differences between expected and actual experience	10,927	-	10,927
Contributions - employer	-	11,739	(11,739)
Contributions - employee	-	6,008	(6,008)
Net investment income	-	6,339	(6,339)
Benefit payments, including refunds of employee contributions	(5,155)	(5,155)	-
Administrative expenses	-	(200)	200
Other changes	-	(3)	3
Net changes	$ 30,890	$ 18,728	$ 12,162
Balances at June 30, 2016	$ 316,037	$ 353,916	$ (37,879)

NOTE 5 - PENSION PLAN: (CONTINUED)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension asset 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Asset	$ (5,492)	$ (37,879)	$ (65,255)

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

For the year ended June 30, 2017, the Authority recognized pension expense of $6,802. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 9,194	$ -
Total	$ 9,194	$ -

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	
2018	$ 348
2019	347
2020	4,989
2021	3,510
2022	-
Thereafter	-

NOTE 6 - LONG-TERM DEBT:

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

Year Ending June 30	Principal	Interest
2018	$ 98,952	$ 3,750
2019	50,592	758
Total	$ 149,544	$ 4,508

Changes in long-term debt:

Balances outstanding July 1, 2016	$ 245,593
Retirements:	
Bonds and notes	(96,049)
Balance outstanding June 30, 2017	$ 149,544

Details of indebtedness:

	Total	Due within 1 year
$1,450,000 Town of Lawrenceville County Water and Sewer Bond agreement dated October 1, 1997 (and amendments) due in semiannual payments of $51,350 through December 1, 2018, interest at 3%	$ 149,544	$ 98,952
Total	$ 149,544	$ 98,952

NOTE 7 - INVESTMENT IN INDUSTRIAL ASSETS:

The Authority funded an expansion of the Town of Lawrenceville's water treatment plant. This investment is valued at $4,202,887 and is being amortized over a 40 year life. In return for this investment, the Authority receives a share of revenues and owns all of the water treatment capacity created by the plant expansion. Amortization expense for fiscal year ended June 30, 2017 was $105,072. Accumulated amortization as of June 30, 2017 was $1,326,322.

In December 2010, the Authority entered into an agreement with the County of Brunswick and the Meherrin River Regional Jail Authority (the "Jail") for water and wastewater expansion to service the Jail. The Authority agreed to reimburse the Jail a total of $766,499 for the cost of improvements. As of June 30, 2017, the water and wastewater expansion was complete. The parties have agreed that the Jail shall have a guaranteed right to use a minimum of 100,000 gpd of water.

NOTE 7 - INVESTMENT IN INDUSTRIAL ASSETS: (CONTINUED)

Details of the Authority's investment in Industrial Assets are as follows:

	Cost	Accumulated Amortization	Net Industrial Assets
Water Treatment Plant	$ 4,202,887	$ (1,326,322)	$ 2,876,565
Dominion Plant Water Line Improvements	5,274,330	(275,874)	4,998,456
Total Industrial Assets	$ 9,477,217	$ (1,602,196)	$ 7,875,021

NOTE 8 - LAND AND IMPROVEMENTS HELD FOR SALE:

Industrial Development Authority of Brunswick County, Virginia has invested $929,089 to purchase a 50% interest in the Roanoke River Regional Business Park. Funding for this project includes tobacco settlement funds as well as an obligation to repay the County of Brunswick, Virginia a total of $500,000 as lots are sold to industries and industrial development funds become available from the Commonwealth of Virginia.

The Authority has invested $1,442,566 in a 114 acre site adjacent to Route 1 in the Town of Alberta. The Park was named the I-85 Business Center Park to attract small to medium size manufacturers and service industries.

The Authority was granted the Brunswick County Industrial Park, a 63.09 acre site with a value of $287,349, from the County of Brunswick, Virginia.

NOTE 9 - NET POSITION:

The Authority has net position as follows:

Capital Assets (Note 4)	$ 503,532
Investment in Industrial Assets (net of amortization of $1,602,196) (Note 7)	7,875,021
Less Debt (Note 6)	(149,544)
Net investment in capital assets	$ 8,229,009
Total unrestricted	$ 6,456,170

NOTE 10 - INTERGOVERNMENTAL AND INDUSTRIAL AGREEMENTS:

Industrial Development Agreements

In pursuit of advancing economic development, Industrial Development Authority of Brunswick County has entered into agreements with industries, the Commonwealth of Virginia and other local governments. These agreements are complex and vary in their terms, length, and extent of legal and financial commitment accruing to the Authority. A summary of the significant agreements follows:

Commonwealth of Virginia

The Authority owns and leases to the Virginia Department of Corrections the land and structure upon which a 1500 inmate private prison facility has been constructed. The agreement provides that the Commonwealth will purchase the facility at the end of the initial twenty-year lease for the sum of $1.00, and further provides for the Commonwealth to remit payments in lieu of taxes in a negotiated amount (initially $332,320) during the twenty-year term of the lease.

Town of Lawrenceville, Virginia

The Authority funded an expansion of the Lawrenceville Water Treatment Plant capacity by one million gallons per day of treatment capacity. By contract, the Authority owns the entire 1,000,000 gallons of additional treatment capacity, and as a result, that water capacity constitutes a substantial asset of the Authority. In addition, the Authority is entitled to receive a share of the water charges to users identified as "Authority customers," defined as all customers (except residential) located outside the Town boundaries who/which connect to the Town's water system after the date of the Lawrenceville/IDA contract. The share of the Authority has been pegged at 46.7%, which the parties determined to represent that share of water charges representing capital recovery costs (as opposed to operation and maintenance costs, which are retained by the Town).

County of Brunswick, Virginia

Under arrangements similar to that between the Authority and the Virginia Department of Corrections, the Authority issued bonds for the construction of a new Courthouse facility for Brunswick County. The payments from the County to the Authority equal the Authority's obligation to the bond holders.

Brunswick County and the Authority joined together in the development of the Roanoke River Regional Business Park (RRRBP), which is located in Mecklenburg County. To enable the Authority to participate in this project, the County loaned the Authority $500,000 to be used for the purchase of land. No repayments are due from the Authority to the County until closing occurs on a sale of property within the RRRBP, at which time there is a proportional repayment (the amount of which is determined under the terms of a negotiated agreement between the Authority and the County).

County of Mecklenburg, Virginia

One funding source for the RRRBP project was an Industrial Development Grant in the sum of $1,298,600. The RRRBP property is owned jointly by the Authority and the Industrial Development Authority of Mecklenburg County. The Authority has been designated as the administrator of that $1,298,600 grant.

NOTE 10 - INTERGOVERNMENTAL AND INDUSTRIAL AGREEMENTS: (CONTINUED)

Industrial Development Authority of Mecklenburg County, Virginia

The Authority has entered into a contractual arrangement with the Industrial Development Authority of Mecklenburg County for operation of the RRRBP, which is owned jointly and equally by the two Authorities.

Private Industry

GEO Group has secured a contract with the Commonwealth to operate the private prison for a term of five years. GEO Group has agreed to a contract with the County. That agreement provides for GEO Group to make payments of $40,000 per year to the Authority during the term of GEO Group's initial five year operating agreement. If GEO Group's contract to operate the private prison is not renewed by the Commonwealth after the initial five-year contract expires, payments from GEO Group to the Authority will cease.

NOTE 11 - CONDUIT DEBT OBLIGATIONS:

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

Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2004A, issued September 14, 2004 (School Improvement/ Renovation Project)	$ 7,500,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2004B, issued September 14, 2004 (School Improvement/ Renovation Project)	850,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2003, issued December 31, 2003 (Brunswick Academy Association)	2,000,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2002, issued July 31, 2002 (Saint Paul's College Project)	1,800,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Bonds, Series 1997, issued December 5, 1997 (Brunswick County Courthouse Facilities)	4,000,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Bonds, Series 1996, issued July 11, 1996 (Commonwealth of Virginia Correctional Facility)	58,095,000
Industrial Development Authority of Brunswick County, Virginia Exempt Facility Revenue Bonds, Series 1996, issued December 16, 1996 (Aegis Waste Solutions, Inc. Project)	5,200,000

NOTE 12 - SOURCES OF REVENUE:

Each business entity applying for tax-exempt industrial revenue bonds must pay a filing fee unless waived by the Authority. If bonds are subsequently issued, the entity must then pay an annual service fee until the bonds are retired. The Board of Supervisors of Brunswick County, Virginia has appropriated funds for the operations and development expenditures of the Authority.

NOTE 13 - ADOPTION OF ACCOUNTING PRINCIPLES:

In 2017, the Authority adopted new accounting guidance, GASB Statement No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. There was no material impact on the Authority's financial statements as a result of the implementation of these standards.

NOTE 14 - UPCOMING PRONOUNCEMENTS:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, Certain Asset Retirement Obligations, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

NOTE 14 - UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 84, Fiduciary Activities, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, Certain Debt Extinguishment Issues, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

- Required Supplementary Information -

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA
(A Component Unit of County of Brunswick, Virginia)

Schedule of Changes in Net Pension Asset and Related Ratios
Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	$ 5,338	$ 5,280	$ 18,602
Interest	19,780	18,364	16,275
Differences between expected and actual experience	10,927	1,693	-
Benefit payments, including refunds of employee contributions	(5,155)	(5,072)	(4,999)
Net change in total pension liability	$ 30,890	$ 20,265	$ 29,878
Total pension liability - beginning	285,147	264,882	235,004
Total pension liability - ending (a)	$ 316,037	$ 285,147	$ 264,882
Plan fiduciary net position			
Contributions - employer	$ 11,739	$ 11,547	$ 10,599
Contributions - employee	6,008	5,909	5,895
Net investment income	6,339	14,624	41,497
Benefit payments, including refunds of employee contributions	(5,155)	(5,072)	(4,999)
Administrative expense	(200)	(185)	(211)
Other	(3)	(5)	2
Net change in plan fiduciary net position	$ 18,728	$ 26,818	$ 52,783
Plan fiduciary net position - beginning	335,188	308,370	255,587
Plan fiduciary net position - ending (b)	$ 353,916	$ 335,188	$ 308,370
Political subdivision's net pension asset - ending (a) - (b)	$ (37,879)	$ (50,041)	$ (43,488)
Plan fiduciary net position as a percentage of the total pension asset	111.99%	117.55%	116.42%
Covered payroll	$ 120,153	$ 118,184	$ 117,897
Political subdivision's net pension asset as a percentage of covered payroll	-31.53%	-42.34%	-36.89%

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of County of Brunswick, Virginia)

Schedule of Employer Contributions

Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	$ -	$ -	$ -	$ 124,163	0.00%
2016	11,739	11,739	-	120,153	9.77%
2015	11,547	11,547	-	118,184	9.77%
2014	10,599	10,599	-	117,897	8.99%
2013	10,315	10,315	-	114,742	8.99%
2012	6,451	6,451	-	106,096	6.08%
2011	6,451	6,451	-	106,096	6.08%
2010	6,355	6,355	-	106,096	5.99%
2009	6,355	6,355	-	106,096	5.99%
2008	-	-	-	106,096	0.00%

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

- Other Supplementary Information -

Supporting Schedule

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

(A Component Unit of Brunswick County, Virginia)

Schedule of Land and Improvements Held for Sale

As of June 30, 2017

Property Location	Acres Unsold at June 30, 2017		Land Cost		Cost of Improvements		Cost Basis to Date June 30, 2017		Cost Per Acre June 30, 2017
Roanoke River Regional Business Park	122.44	$	929,089	$	-	$	929,089	$	7,588
I-85 Business Center Park	114.00		693,298		749,268		1,442,566		12,654
Brunswick County Industrial Park	63.09		287,349		-		287,349		4,555
Totals	299.53	$	1,909,736	$	749,268	$	2,659,004		

- Compliance -

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

To the Honorable Members of the Board of Directors
Industrial Development Authority of Brunswick County, Virginia
Lawrenceville, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Industrial Development Authority of Brunswick County, Virginia (a component unit of the County of Brunswick, Virginia) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Brunswick County, Virginia and have issued our report thereon dated October 13, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
October 13, 2017