ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

FINANCIAL STATEMENTS AND COMPLIANCE SECTION

As of and for the Year Ended June 30, 2015

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

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ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
BOARD OF DIRECTORS

JUNE 30, 2015

Benjamin B. Miles, Chair
Fairfield District
Term Expires November 13, 2016

S. Floyd Mays, Jr., Vice Chair
Varina District
Term Expires November 13, 2018

Patrick R. Liverpool, Secretary
Three Chopt District
Term Expires November 13, 2016

David L. Maiden, Treasurer
Brookland District
Term Expires November 13, 2016

Susan Warriner Custer
Tuckahoe District
Term Expires November 13, 2016

Brian P. Glass
Brookland District
Term Expires November 13, 2018

Harold D. Parker, Jr.
Fairfield District
Term Expires November 13, 2017

Marsha S. Shuler
Tuckahoe District
Term Expires November 13, 2017

John M. Steele
Varina District
Term Expires November 13, 2015

Edward F. Steiner
Three Chopt District
Term Expires November 13, 2015

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

Board of Directors
Economic Development Authority of Henrico County
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the Economic Development Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2015, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and County of Henrico Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter
As discussed in Note 1 and presented in Note 13 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result, net position as of June 30, 2014 has been restated. Our opinions are 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 the required retirement system schedules on pages 4a-g and 24-26 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 Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
October 19, 2015

The Management Discussion and Analysis ("MD&A") offers the readers of the Economic Development Authority of Henrico County, Virginia's (the "Authority") financial statements a narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015.

Financial Highlights

In Fiscal Year 2015 ("FY2015"), the Authority issued no new Industrial Revenue Bonds in support of economic development, but refunded a total of $32,201,240 of bonds. These bonds are not an obligation of the Authority.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the Authority's basic financial statements, comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements: The government-wide financial statements, similar to those used by private-sector companies, report information about the Authority as a whole. One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about Authority finances as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

In the Statement of Net Position and the Statement of Activities, the Authority presents the following activity:

<u>Governmental activities</u> – Economic development – operations, consists of expenses associated with salaries, other contractual services, payroll taxes, Henrico scholarship, health insurance, travel, and advertising. Primarily, charges for the issuance of the bonds and operating contributions through the County of Henrico, Virginia's appropriations to finance these activities.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are considered to be governmental funds.

<u>Governmental funds</u> – Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains two individual governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund and County of Henrico Fund, each of which is considered a major fund.

The Authority adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements have been provided for the General Fund and County of Henrico Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-24 of this report.

Government-wide Financial Analysis

Statement of Net Position: The following table reflects condensed information on the Authority's net position:

As noted earlier, net position may serve over time as a useful indicator of the Authority's financial position. In the case of the Authority, assets exceeded liabilities by $4,003,458 at the close of the most recent fiscal year. 40% ($1,598,858) of the Authority's net position reflect its investment in capital assets, net of related debt (e.g., building, vehicles, furniture and fixtures, and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The remaining balance, unrestricted net position (60% of total) may be used to meet the Authority's ongoing obligations to citizens.

	Governmental Activities	
	June 30	
	2015	2014
Current and other assets	$ 2,738,103	$ 1,738,800
Capital assets	1,688,858	1,711,565
Total assets	4,426,961	3,450,365
Current and other liabilities	82,087	81,938
Long-term liabilities	308,012	438,796
Total liabilities	390,099	520,734
Net Deferred (Inflows)/Outflows	(33,404)	-
Net investment in capital assets	1,598,858	1,561,565
Unrestricted	2,404,600	1,368,066
Total net position	$ 4,003,458	$ 2,929,631

Statement of Activities: Total revenues and expenses for Authority activities are reflected in the following table:

	Governmental Activities	
	Years Ended June 30	
	2015	2014
Expenses		
Economic development – operations	$ 1,844,384	$ 1,310,645
Depreciation	64,062	61,035
Debt service:		
Interest	6,011	9,105
Total expenses	1,914,457	1,380,785
Program revenues:		
Charges for services:		
Fees	253,709	268,576
Operating contributions:		
Appropriation from the County of Henrico	1,283,840	1,146,889
Total program revenues	1,537,549	1,415,465
Net program revenues (expenses)	(376,908)	34,680
General revenues:		
State grants	1,343,000	-
Gain on disposal of assets	12,594	12,467
Miscellaneous Income	95,141	11,629
Total General Revenues	1,450,735	24,096
Change in net position	1,073,827	58,776
Beginning of year, unadjusted	3,216,468	3,157,692
Less: Prior period adjustment (Note 13)	(286,837)	-
Beginning of year, as restated	2,929,631	-
End of year	$ 4,003,458	$ 3,216,468

Revenues

For FY2015, revenues from all sources totaled $2,988,284. State grants and operating contributions are the largest components of revenues. State grant revenues pertain to the receipt of the grant funding from the Governor's Opportunity Fund in the current year. Appropriations from the County are a significant source of operating contributions. Other sources of revenues consist of fees collected for the issuance of bonds and interest income received on the Authority's investments. The decrease in bond fee revenue from the prior year relates to a combination of bonds that matured during the prior year, one bond being paid off early in the current year, and two refundings during the current year.

Expenses

For FY2015, expenses totaled $1,914,457. Operating expenses for the Authority's activities totaled $1,844,384 and were comprised primarily of salaries and related benefits, contractual services, and advertising and promotion. For government-wide financial reporting requirements, depreciation expense is allocated to Authority activities and retirement of principal on long-term debt is not shown as an expense.

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

The following table is a summary of the fund balances for the major funds of the Authority:

	June 30, 2015	June 30, 2014
General Fund	$ 2,716,016	$ 1,716,862
County of Henrico Fund	$ -	$ -

The County of Henrico Fund accounts for the costs associated with the Authority designated as the official Economic Development Organization for the County of Henrico. Financing is provided from the County in the form of annual appropriations, which are derived from an annual operating budget.

General Government Functions: The following schedule presents a summary of revenues of the General Fund and the County of Henrico Fund combined for the fiscal year ended June 30, 2015, and the amount and percentage of increases and decreases in relation to prior year.

	2015 Amount	Percent of Total	2014 Amount	Increase (Decrease) From 2014	Percent Increase (Decrease)
Revenues:					
Fees	$ 253,709	8.53%	$ 268,576	$ (14,867)	-5.54%
State grants	1,343,000	45.13%	-	1,343,000	-
Other revenue	95,141	3.20%	11,629	83,512	718.14%
Appropriation from the County of Henrico	1,283,840	43.14%	1,146,889	136,951	11.94%
Total revenues	$ 2,975,690	100.00%	$ 1,427,094	$ 1,548,596	108.51%

State grant revenues pertain to the receipt of the grant funding from the Governor's Opportunity Fund in the current year. Appropriations from the County are a significant source of operating contributions. Other sources of revenues consist of fees collected for the issuance of bonds and interest income received on the Authority's investments. The decrease in bond fee revenue from the prior year relates to a combination of bonds that matured during the prior year, one bond being paid off early in the current year, and two refundings during the current year.

The following schedule presents a summary of expenditures of the General Fund and County of Henrico Fund combined for the fiscal year ended June 30, 2015, and the percentage of increases and decreases in relation to prior year amounts.

	2015 Amount	Percent of Total	2014 Amount	Increase (Decrease) From 2014	Percent Increase (Decrease)
Expenditures:					
Economic development - operations	$ 1,881,764	95.21%	$ 1,313,690	$ 568,074	43.24%
Capital outlay	28,761	1.46%	27,210	1,551	5.70%
Debt service:					
Principal retirement	60,000	3.04%	60,000	-	-
Interest	6,011	0.30%	9,105	(3,094)	-33.98%
Total expenditures	$ 1,976,536	100.00%	$ 1,410,005	$ 566,531	14.96%

Capital outlay for 2015 includes a vehicle purchase.

FY2015 General Fund Budgetary Highlights

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Fees	$ 253,944	$ 253,944	$ 253,709	$ (235)
State grants	-	-	1,343,000	1,343,000
Appropriation from the County of Henrico	679,313	679,313	687,891	8,578
Other income	45,688	45,688	95,141	49,453
Total revenues	$ 978,945	$ 978,945	$ 2,379,741	$ 1,400,796
Expenditures	$ 1,006,445	$ 1,006,445	$ 999,154	$ 7,291

The large increase in state grants for fiscal year 2015 relates to the funds received from the State for the performance agreement with Fareva Richmond, Inc. discussed in Note 12 to the financial statements. Total actual expenditures remained within 1% of budgeted amounts for the year.

FY2015 County Fund Budgetary Highlights

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Appropriation from the County of Henrico	$ 654,102	$ 654,102	$ 595,949	$ (58,153)
Expenditures	$ 654,102	$ 654,102	$ 595,949	$ 58,153

Capital Assets and Debt Administration

Capital Assets: The Authority's investment in capital assets for the years ended June 30, 2015 and 2014 is reflected in the schedule below.

	July 1, 2014	Increases	Decreases	June 30, 2015
Nondepreciable capital assets:				
Land	$ 2	$ -	$ -	$ 2
Total capital assets not being depreciated	2	-	-	2
Depreciable capital assets:				
Automobiles	85,510	27,935	(24,158)	89,287
Building	2,177,082	-	-	2,177,082
Furniture and equipment	75,774	-	-	75,774
Audio Visual Equipment	-	5,879	-	5,879
Leasehold improvements	1,164	6,319	-	7,483
Data processing equipment	32,861	1,223	-	34,083
Total capital assets being depreciated	2,372,391	41,356	(24,158)	2,389,588
Less accumulated depreciation	(660,828)	(64,062)	24,158	(700,732)
Total capital assets being depreciated, net	1,711,563	(22,706)	-	1,688,856
Capital assets, net	$ 1,711,565	$ (22,706)	$ -	$ 1,688,858

Long-term Debt: The Authority's long-term debt for the years ended June 30, 2015 and 2014 is reflected in the schedule below:

	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
Compensated absences	$ 61,959	$ 47,028	$ 40,792	$ 68,195	$ -
Note payable	150,000	-	60,000	90,000	60,000
Total	$ 211,959	$ 47,028	$ 100,792	$ 158,195	$ 60,000

The note payable is in connection with the construction of the Authority's office building.

Economic Factors and Next Year's Budgets

The Authority continues to have as its goals to increase tax revenues for the County and increase job opportunities for Henrico citizens. The goals are accomplished by attracting new businesses and keeping and expanding our existing businesses. During fiscal year 2015, the Authority was responsible for locating 3 new businesses and assisting in expansion of 5 businesses, which created a total of 1,452 new jobs, with an investment of $61,488,400.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the Authority's finances. Should you have any questions about this report or need additional information, please contact:

Mr. Gary McLaren
Executive Director
Economic Development Authority of Henrico County, Virginia
4300 E. Parham Road
Henrico, Virginia 23228-2752

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS' BALANCE SHEET

YEAR ENDED JUNE 30, 2015

	Major Funds				Governmental Activities
	General Fund	County of Henrico Fund	Total	Adjustments (Note 2)*	Statement of Net Position
Assets					
Cash and cash equivalents	$ 417,716	$ -	$ 417,716	$ -	$ 417,716
Restricted Cash	977,650	-	977,650	-	977,650
Investments	1,297,553	-	1,297,553	-	1,297,553
Due from Henrico County	44,434	-	44,434	-	44,434
Other receivables	750	-	750	-	750
Capital assets:					
Land	-	-	-	2	2
Building	-	-	-	2,177,082	2,177,082
Automobiles	-	-	-	89,287	89,287
Furniture and equipment	-	-	-	75,774	75,774
Audio visual equipment	-	-	-	5,879	5,879
Leasehold improvements	-	-	-	7,483	7,483
Data processing equipment	-	-	-	34,083	34,083
Less accumulated depreciation	-	-	-	(700,732)	(700,732)
Total Assets	$ 2,738,103	$ -	$ 2,738,103	$ 1,688,858	$ 4,426,961
Liabilities					
Accounts payable and accrued expenses	$ 22,087	$ -	$ 22,087	$ -	$ 22,087
Long-term liabilities:					
Net pension liability	-	-	-	209,817	209,817
Due within one year	-	-	-	60,000	60,000
Due after one year	-	-	-	98,195	98,195
Total Liabilities	22,087	-	22,087	368,012	390,099
Deferred Inflows/ Outflows of resources					
Deferred outflows - employer contributions	-	-	-	(83,520)	(83,520)
Deferred inflow - Net difference in earnings on investments	-	-	-	116,924	116,924
Net deferred inflows	-	-	-	33,404	33,404
Fund balance/net position					
Fund balance:					
Unassigned	2,716,016	-	2,716,016	(2,716,016)	-
Total Fund Balance	2,716,016	-	2,716,016		
Total Liabilities and Fund Balance	$ 2,738,103	$ -	$ 2,738,103		
Net position:					
Net investment in capital assets				1,598,858	1,598,858
Unrestricted				2,404,600	2,404,600
Total Net Position				$ 4,003,458	$ 4,003,458

* Note 2 provides the details for the main components of the adjustments.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS' REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2015

	Major Funds				Governmental Activities
	General Fund	County of Henrico Fund	Total	Adjustments (Note 2)*	Statement of Activities
Expenditures/expenses:					
Economic development - operations	$ 1,375,202	$ 506,562	$ 1,881,764	$ (37,380)	$ 1,844,384
Capital outlay	-	28,761	28,761	(28,761)	-
Depreciation	-	-	-	64,062	64,062
Debt service:					
Principal	5,000	55,000	60,000	(60,000)	-
Interest	385	5,626	6,011	-	6,011
Total expenditures/expenses	1,380,587	595,949	1,976,536	(62,079)	1,914,457
Program revenues:					
Charges for services:					
Fees	253,709	-	253,709	-	253,709
Operating contributions:					
Appropriation from the County of Henrico	687,891	595,949	1,283,840	-	1,283,840
Total program revenues	941,600	595,949	1,537,549	-	1,537,549
Net program expenses					(376,908)
General revenues:					
State grants	1,343,000		1,343,000	-	1,343,000
Miscellaneous income	95,141	-	95,141	-	95,141
Gain on disposal of assets	-	-	-	12,594	12,594
Total general revenues	1,438,141	-	1,438,141	12,594	1,450,735
Change in net position	999,154	-	999,154	74,673	1,073,827
Fund balances/net position - beginning, as restated per Note 13	1,716,862	-	1,716,862	1,212,769	2,929,631
Fund balances/net position - ending	$ 2,716,016	$ -	$ 2,716,016	$ 1,287,442	$ 4,003,458

* Note 2 provides the details for the main components of the adjustments.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
Revenues:				
Fees	$ 253,944	$ 253,944	$ 253,709	$ (235)
Interest	3,000	3,000	3,060	60
Appropriation from the County of Henrico	679,313	679,313	687,891	8,578
County Support for Scholarships	42,688	42,688	-	(42,688)
Fareva Gov Opportunity Funds	-	-	1,300,000	1,300,000
VBAV grant	-	-	43,000	43,000
Library Rent (Genetworx)	-	-	82,742	82,742
Other income	-	-	9,339	9,339
Total revenues	978,945	978,945	2,379,741	1,400,796
Expenditures:				
Current:				
Accounting and auditing	1,300	1,300	-	1,300
Advertising and promotion	11,286	11,286	850	10,436
Archeology Study	-	-	14,265	
Personnel costs:				
Salaries	619,713	581,116	579,636	1,480
Payroll taxes	-	38,597	38,597	-
Retirement and fringe benefits	166,244	166,244	166,562	(318)
Program expenses:				
Business first	9,463	9,463	9,016	447
Dues	6,500	6,500	4,926	1,574
Scholarships	92,689	92,689	68,747	23,942
Business development	8,000	8,000	3,594	4,406
Sister cities	1,000	1,000	1,300	(300)
Travel	500	500	-	500
White Oak Park Expenses	5,000	5,000	-	5,000
General and administrative:				
Books and subscriptions	350	350	-	350
Director's fees	35,000	35,000	30,600	4,400
Flowers/contributions	750	750	285	465
Food supplies and service	2,000	2,000	1,149	851
Gasoline and auto	3,000	3,000	2,344	656
Lease expense - equipment	6,600	6,600	7,118	(518)
Lease expense- rent	-	-	5,385	(5,385)
Maintenance and repairs	1,000	1,000	-	1,000
Printing	500	500	9	491
Telecommunications	750	750	-	750
Tuition and seminars	4,800	4,800	2,637	2,163
Utilities	2,500	2,500	2,365	135
Pay to Fareva GOF	-	-	322,350	(322,350)
Pay to Henrico Co (Genetworx)	-	-	88,970	(88,970)
Capital outlay -				
Automobile	24,500	24,500	27,538	(3,038)
Total expenditures	1,006,445	1,006,445	1,380,587	(361,177)
Excess of revenues over expenditures	$ (27,500)	$ (27,500)	$ 999,154	$ 1,039,619
Fund balance - beginning			1,716,862	
Fund balance - ending			$ 2,716,016	

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

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

COUNTY OF HENRICO FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
Revenues:				
Appropriation from the County of Henrico	$ 654,102	$ 654,102	$ 595,949	$ 58,153
Total revenues	654,102	654,102	595,949	58,153
Expenditures:				
Current:				
Program expenses:				
Advertising and promotion	224,560	224,560	224,545	15
Archeology study	43,204	43,204	43,204	-
Lighting	67,700	67,700	67,700	-
Dues	7,150	7,150	7,109	41
Travel	57,906	57,906	43,774	14,132
General and administrative:				
Accounting and auditing	30,600	30,600	30,590	10
Books and subscriptions	688	688	616	72
Food supplies and service	4,000	4,000	3,845	155
Gasoline and auto	3,044	3,044	2,736	308
Landscaping	68,384	68,384	68,292	92
Lease expense - building	36,539	36,539	-	36,539
Office expense	4,200	4,200	3,345	855
Postal services	1,400	1,400	1,169	231
Telecommunications	5,448	5,448	5,392	56
Tuition and seminars	250	250	-	250
Utilities	31,314	31,314	30,091	1,223
Debt service:				
Principal	60,000	60,000	55,000	5,000
Interest	4,715	4,715	6,011	(1,296)
Capital outlay -				
Computer equipment	3,000	3,000	2,530	470
Total expenditures	654,102	654,102	595,949	58,153
Excess of revenues over expenditures	$ -	$ -	-	$ -
Fund balance - beginning			-	
Fund balance - ending			$ -	

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

Note 1—Summary of significant accounting policies

A. Reporting Entity

The Economic Development Authority of Henrico County, Virginia (the "Authority") was created by ordinance of the Board of Supervisors of Henrico County, Virginia (the "Board of Supervisors") as a political subdivision of the Commonwealth of Virginia pursuant to the provisions of the Industrial Development and Revenue Bond Act of the Commonwealth of Virginia (the "Act") (then Chapter 33 of Title 15.1, now Chapter 49 of Title 15.2, of the Code of Virginia of 1950, as amended). Ten directors appointed by the Board of Supervisors govern the Authority. It is authorized, among other things, to acquire, own, lease, and dispose of properties and to make loans to the end that the Authority may promote industry and develop trade by inducing manufacturing, industrial, governmental, nonprofit, and commercial enterprises and institutions of higher learning to locate in and remain in Virginia. The Act empowers the Authority to issue bonds for the purpose of carrying out any of its powers. Bonds issued by the Authority, pursuant to the Act, are not deemed to constitute a debt or a pledge of the faith and credit of the Commonwealth of Virginia or any of its political subdivisions, including Henrico County ("County") and the Authority, but are limited obligations of the Authority payable solely from the revenues and moneys pledged for that purpose by the entity for whose benefit the bonds were issued. Reference should be made to the Act for a more complete description of the Authority's powers and duties, and of its liability for the bonds that it issues.

B. Basis of Presentation

The basic financial statements have been presented in a combined format that presents both the government-wide financial statements and the fund financial statements as described below.

Government-wide financial statements

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities, whether short-term or long-term, of the Authority. Governmental activities are supported by charges for services, which consist of industrial revenue bond filing fees, and operating contributions, which consist of support from the County of Henrico, Virginia (the "County").

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers for filing fees associated with the issuance of industrial revenue bonds and 2) operating contributions that are received from the County based on an annual operating budget. Other items not properly included as program revenues are reported as general revenues.

Fund financial statements

The fund financial statements (Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance) of the Authority's governmental funds reports the finances of the Authority and generally include only short-term information, the most readily available assets and present due liabilities, and just the resources that flow into and out of the Authority during the year or shortly thereafter.

Note 1—Summary of significant accounting policies (continued)

Whereas the government-wide financial statements provide an all-encompassing view of all the Authority's finances, the fund financial statements provide a narrower look at the Authority's current resources as noted above. In Note 2 of the notes to financial statements, a reconciliation is provided that explains the reasons why total fund balance in the Balance Sheet differs from the total net position in the government-wide Statement of Net Position. In addition, a reconciliation is provided explaining the differences between the net change in fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the change in net position on the Statement of Activities. The differences noted on the reconciliations relate to the fact that the fund financial statements primarily report short-term financial information, whereas the government-wide statements report both short and long-term information. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority reports the following major governmental funds:

> *General Fund* – The General Fund is the operating fund of the Authority and is used to account for all of the Authority's expendable financial resources and related liabilities not accounted for in the County of Henrico Fund.
>
> *County of Henrico Fund* – As the Authority is designated as the official Economic Development Organization for the County of Henrico and it is authorized to act on behalf of the County Board of Supervisors. It also receives support from the County in the form of annual appropriations, which are derived from an annual operating budget. Such appropriations are maintained and shown in the County of Henrico Fund.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and "available") to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for un-accrued principal and interest on general long-term debt, which is recognized when due, and compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

D. Estimates

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

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the Authority considers investments with original maturities of three months or less to be cash equivalents.

Note 1—Summary of significant accounting policies (continued)

F. Investments

In accordance with accounting principles generally accepted in the United States of America (GAAP), investments are shown at fair value based on quoted market prices. The change in fair value is reported as revenue in the statement of revenues, expenses, and changes in net position.

G. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements and are recorded at cost where historical records are available and at an estimated historical cost where no historical cost records exist.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The Authority capitalizes all equipment purchases exceeding $500.

The Authority depreciates capital assets using the straight-line method over their estimated useful lives as follows:

Assets	Years
Buildings	50 years
Vehicles	5 years
Furniture and fixtures	7 years
Data processing equipment	5 years
Leasehold improvements	7 years

H. Allowance for Uncollectible Fees Receivable

An allowance for uncollectible fees receivable is generally established using historical collection data, consideration of economic conditions, specific account analysis, and subsequent cash receipts. At June 30, 2015, all amounts are considered collectible and, therefore, no allowance was deemed necessary.

I. Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable, available financial resources are reported as non-current liabilities.

Note 1—Summary of significant accounting policies (continued)

J. Sources of Revenue

Each entity applying for industrial revenue bonds must pay a filing fee. If bonds are subsequently issued, the entity must then pay an annual service fee until the bonds are retired.

The Authority is also designated as the official economic development organization for the County and, as such, is authorized to act on behalf of the County Board of Supervisors to accomplish an economic development program for the County. Although the Authority is independent of the County, it receives support from the County in the form of an annual operating budget. The expenditures, which are paid by the County and are subject to the same controls as departments within the County, are presented in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. These expenditures are also reported in the County's Comprehensive Annual Financial Report on a fiscal year basis.

The Authority employs its own staff, manages its own day-to-day operations, and sets the fees charged and approves the expenditures of those fees.

K. Pensions

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

L. Change in Accounting Principle

Effective July 1, 2014, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* which requires recording of a liability for the Authority's net pension liability on the government-wide financial statements.

Note 2—Reconciliation of government-wide and fund financial statements

Explanation of Differences Between the Governmental Funds' Balance Sheet and the Statement of Net Position

Amounts reported for total governmental funds are different from the amounts reported in the Statement of Net Position because:

Ending fund balance - governmental funds	$ 2,716,016
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, not being depreciated:	
Land	2
Capital assets, being depreciated:	
Building	2,177,082
Automobiles	89,287
Furniture and fixtures	75,774
Audio visual equipment	5,879
Leasehold improvements	7,483
Data processing equipment	34,083
Total capital assets	2,389,590
Less accumulated depreciation	(700,732)
Capital assets, net	1,688,858
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(209,817)
Net deferred (inflows)/outflows	(33,404)
Compensated absences	(68,195)
Note payable	(90,000)
Net position of governmental activities	$ 4,003,458

Note 2—Reconciliation of government-wide and fund financial statements (continued)

Explanation of Differences Between Governmental Funds' Statement of Revenues, Expenses and Changes in Fund Balance and the Statement of Activities

Amounts reported for governmental funds differ from the amounts reported in the Statement of Activities because:

Net change in fund balances - total governmental fund	$ 999,154
When capital assets used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.	
Capital outlay	28,761
Depreciation expense	(64,062)
Gain on disposal of assets	12,594
Repayment of principal amounts of long-term debt is reported as expenditure in governmental funds reducing the fund balance. However, the principal payments reduce liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities.	
Principal payment of line of credit	60,000
Under the modified accrual basis of accounting used in governmental funds, expenditures for the following are not recognized until they mature. In the Statement of Activities, they are reported as expenses.	
Change pension liability, net	43,616
Compensated absences	(6,236)
Change in net position	$ 1,073,827

Note 3—Stewardship, compliance, and accountability

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The Executive Director submits to the Authority's Finance Committee an annual operating budget for the Authority and in addition submits to the County Board of Supervisors an annual operating budget of Authority expenditures, which are funded through County appropriations for the fiscal year commencing the following July. The Authority's operating budget includes proposed expenditures and the means of financing them. Prior to June 30, the budgets are legally enacted through the passage of appropriations by the Authority's Finance Committee and the County Board of Supervisors. Annual appropriations place legal restrictions on expenditures and can be revised by only the Authority's Finance Committee if pertaining to the Authority's operating budget and the County Board of Supervisors if pertaining to the Authority's operating budget funded through County appropriations.

Note 4—Cash, Cash Equivalents, and Investments

Cash and cash equivalents at June 30, 2015 are as follows:

Demand deposits	$ 417,716
Restricted Cash	977,650
	$ 1,395,366

Deposits – The Authority's deposits with financial institutions are fully covered by federal depository insurance or collateralized in accordance with the Virginia Security of Public Deposits Act (the "Deposits Act"). Under the Deposits Act, banks or financial institutions holding public depositories in excess of the amounts insured by the FDIC must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

Investments – The Authority invested in low-risk commercial paper through a large financial institution in the current year. At June 30, 2015, the carrying value of the investments was $1,297,553.

Note 5—Capital assets

Capital assets at June 30, 2015 were composed of the following amounts:

	July 1, 2014	Increases	Decreases	June 30, 2015
Nondepreciable capital assets:				
Land	$ 2	$ -	$ -	$ 2
Total capital assets not being depreciated	2	-	-	2
Depreciable capital assets:				
Automobiles	85,510	27,935	(24,158)	89,287
Building	2,177,082	-	-	2,177,082
Furniture and equipment	75,774	-	-	75,774
Audio Visual Equipment	-	5,879	-	5,879
Leasehold improvements	1,164	6,319	-	7,483
Data processing equipment	32,861	1,223	-	34,083
Total capital assets being depreciated	2,372,391	41,356	(24,158)	2,389,588
Less accumulated depreciation	(660,828)	(64,062)	24,158	(700,732)
Total capital assets being depreciated, net	1,711,563	(22,706)	-	1,688,856
Capital assets, net	$ 1,711,565	$ (22,706)	$ -	$ 1,688,858

Note 5—Capital assets (continued)

On March 28, 2013, for the price of $1, the County transferred ownership of 2.448 acres of land with all improvements, owned by the County, and located at 4060 Innslake Drive in the Three Chopt District, to the Authority. The Authority was then authorized to lease the property to Genetworx LLC ("tenant"), a Virginia limited liability company for a term of three years with an option to purchase at the end of the lease on February 29, 2016, at the fair market value to be determined in accordance with the terms and conditions of the lease. During the term of the lease, the Authority will remit to the County all rents received, less the cost of the operational expenditures. The proceeds of the sale, less standard closing costs incurred by the Authority, shall be remitted to the County. Should the tenant choose not to purchase the leased property or if the lease is otherwise terminated, the Authority shall re-convey the property to the County in the same condition as existed at the Commencement Date, less normal wear and tear and any structural modifications or alterations for the consideration of $1 within a period not to exceed six months.

Note 6—Long-term debt

Long-term debt activities for the year ended June 30, 2015 were as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015	Due Within One Year
Compensated absences	$ 61,959	$ 47,028	$ 40,792	$ 68,195	$ -
Note payable	150,000	-	60,000	90,000	60,000
Total	$ 211,959	$ 47,028	$ 100,792	$ 158,195	$ 60,000

In connection with the construction of an office building on land leased from the County, the Authority issued an Office Building Revenue Note. A note purchase agreement secured by a deed of trust was executed between the Authority and SunTrust Bank on December 21, 2001. The note was fully registered in the principal amount of $900,000, number R-1, bearing an interest rate of 5.11% annually. The note is due in monthly payments of $5,000 through December 15, 2016. Interest expense on this note for the year ended June 30, 2015, totaled $6,011.

As of June 30, 2015, the aggregate maturities of the long-term debt are as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 60,000	$ 4,599	$ 64,599
2017	30,000	1,533	31,533
	$ 90,000	$ 6,132	$ 96,132

Note 7—Conduit debt - revenue bonds and notes issued

The Authority is empowered by the Commonwealth of Virginia to issue Industrial Revenue Bonds ("IRBs") on behalf of qualified businesses wanting to promote industry and develop trade within the County. Principal and interest on the IRBs are paid entirely by the businesses. The terms of the IRBs stipulate that neither the Authority nor the County guarantees the repayment of principal and interest to the bondholders. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. The Authority has issued over $300 Million of IRBs since 2008. During the year ended June 30, 2015, approximately $32.2 Million of IRBs were refunded.

Note 8—Defined benefit pension plan

Plan Description – The Authority contributes to the Virginia Retirement System ("VRS"), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Members can earn one month of service credit for each month they are employed and contributions are deposited into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation ("AFC") for each year of credited service (1.85 percent for eligible law enforcement officers and firefighters). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment ("COLA") beginning in their second year of retirement. The COLA is limited to 5% per year in their second year. AFC is defined as the highest consecutive 36 months of compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500, or the report can be downloaded from the VRS website at www.varetire.org.

Membership as of the Valuation Date of June 30, 2014

Inactive Members or their beneficiaries currently receiving benefits	4
Inactive Members:	
Vested	-
Non-vested	1
Active elsewhere in VRS	-
Total Inactive Members	1
Active members	6
Total	11

Note 8—Defined benefit pension plan (continued)

Funding Policy – Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Authority's contribution rate for the fiscal year ended 2014 was 10.63% of annual covered payroll.

Actuarial Assumptions – The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP 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:

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

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

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

The actuarial assumptions used in the June 30, 2013 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:

- 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 8—Defined benefit pension plan (continued)

Net Pension Liability – The most recent actuarial valuation to determine the net pension liabilities for the Authority was prepared as of June 30, 2014. The total pension liability was determined based on that actuarial valuation as of June 30, 2013, and rolled forward to the measurement date of June 30, 2014.

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 estimates of arithmetic real rates of return for each major asset class for use in the last actuarial experience study for the four-year period ending June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Arithmatic 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%		

* 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 8—Defined benefit 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 Political Subdivision 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.

The Net Pension Liability as of the Authority's reporting date (June 30, 2015) was calculated as of the measurement date of June 30, 2014. The changes in Net Pension Liability are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balance at June 30, 2013	$ 2,037,149	$ 1,677,219	$ 359,930
Changes for the year:			
Service cost	74,757	-	74,757
Interest	138,454	-	138,454
Differences between expected and actual experience	-	-	-
Contributions - employer	-	73,093	(73,093)
Contributions - employee	-	28,709	(28,709)
Net investment income	-	262,927	(262,927)
Benefit payments, including refunds of employee contributions	(118,471)	(118,471)	-
Administrative expense	-	(1,419)	1,419
Other changes	-	14	(14)
Net Changes	94,740	244,853	(150,113)
Balances at June 30, 2014	$ 2,131,889	$ 1,922,072	$ 209,817

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

The following table presents the net pension liability of the Authority, calculated using the discount rate of 7 percent, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease (6%)	**Current Discount Rate (7%)**	**1% Increase (8%)**
Net pension liability	$ 411,000	$ 210,000	$ 36,000

There were no changes in assumptions or benefit terms since the prior measurement period.

Note 8—Defined benefit pension plan (continued)

There were no changes between the measurement date of the collected net pension liability and the Authority's reporting date.

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

For the year ended June 30, 2014 the Authority recognized pension expense of $110,000. At June 30, 2014, 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	$ -	$ 116,924
Employer contributions subsequent to the measurement date	83,520	-
	$ 83,520	$ 116,924

The collected amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2016	$ (29,231)
2017	(29,231)
2018	(29,231)
2019	(29,231)
Total	$ (116,924)

Note 9—Other postemployment benefits (OPEB)

In addition to the pension benefits described in Note 8, the County provides two types of OPEB for retired employees of the Authority through a single-employer defined benefit plan ("Plan"). The benefit levels, employee contributions and employer contributions are governed by the County, can be amended by the County and are paid by the County. The County discloses information relating to this Plan in its Comprehensive Annual Financial Report. For the year ended June 30, 2015, the Authority paid the County $59,039 for current health care benefits.

Note 10—Lease commitments

The Authority has been authorized to execute a lease agreement with the County Board of Supervisors, as lessor, and the Authority, as the lessee. The term of the lease is 50 years with an annual consideration of $1 for the 2.5 acre parcel of land located at the northwest corner of Parham and Hermitage High Boulevard. As part of the lease agreement, the Authority agreed to construct an office building, parking lot, and other appurtenant facilities on the premises. The building and all facilities shall revert to the lessor at termination of the lease.

Note 10—Lease commitments (continued)

The Authority leases office equipment under non-cancelable operating lease agreements expiring November 30, 2016. Total rental expense under all operating leases was $7,118 for the fiscal year ended June 30, 2015.

Future minimum rental payments under these operating leases for years ending December 31 are as follows:

2016	$	5,964
2017		1,658
	$	7,622

Note 11—Claims, judgments and compensated absences

Compensated Absences – The Authority had outstanding accrued leave totaling $68,195 at June 30, 2015. The compensated absences liability for the Authority are accounted for on a last-in first-out basis, which assumes that the employees are taking time as it is earned, and the liability is reported as long term.

Litigation – At any point in time, various claims and lawsuits are pending against the Authority. In the opinion of outside legal counsel, resolution of these cases would not involve a material liability.

Risk Management – The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains a comprehensive property and casualty policy, a commercial general liability policy, a comprehensive liability vehicle policy, and coverage for Authority errors and omissions, workers' compensation and employer's liability, and certain other risks with commercial insurance companies. There have been no significant reductions in insurance coverage in comparison to coverage in the prior year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 12—Performance agreements

On May 27, 2014, the Authority and Henrico County entered into a performance agreement with Fareva Richmond Inc. ("Fareva") for the purpose of inducing significant capital investment and job creation in the County. The funding for this grant comes from the Commonwealth of Virginia, with a local match required, which the County agreed to fund. During fiscal year 2015, Fareva began to meet the performance requirements per the agreement, resulting in the Authority receiving the total $1.3M in grant proceeds during the current fiscal year. Of those total proceeds, the Authority had distributed $322,350 to Fareva as of June 30, 2015.

Effective April 17, 2014, the Authority and County entered into a performance agreement with Virginia Electric and Power Company ("VEPCO") for the purpose of inducing significant capital investment and job creation in the County. In return, the County will provide funding to VEPCO to offset the costs of public road improvements and utility connection fees at the VEPCO facility at 400 Scott Road in Henrico County. Once the agreement criteria have been met, the Authority will disburse the funding to VEPCO based on various project milestones for a period of three years. At June 30, 2015, VEPCO had not started meeting the performance requirements per the agreement.

Note 12—Performance agreements (continued)

Effective July 21, 2014, the Authority and County entered into a performance agreement with Lumber Liquidators Services, LLC (“Lumber”) for the purpose of inducing significant capital investment and job creation in the County. In return, the Authority will provide EDI (Economic Development Initiative) grants in a maximum annual installment of $200,000 beginning with the first full taxable year subsequent to the completion of the project. At June 30, 2015, Lumber had not started meeting the performance requirements per the agreement.

Note 13—Restatement of beginning net position

The Authority restated beginning net position due to a change in accounting principle from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No, 68*. GASB 68 changed the accounting and financial reporting requirements of pension obligations by reporting pension obligations not only in the note disclosure and required supplementary information sections, but also on the face of the basic financial statements. Accordingly, the restatement below records the beginning net pension liability and deferred outflows of resources related to pensions.

The fiscal year 2014 net position beginning balance adjustment is as follows:

	Governmental Activities
Net position, June 30, 2014 as previously reported	$ 3,216,468
GASB 68 adjustment - Net Pension Liability	(359,930)
GASB 68 adjustement- Deferred Outflows	73,093
Net position, June 30, 2014 as restated	$ 2,929,631

Note 14—Subsequent events

In preparation of its financial statements, the Authority considered subsequent events through October 19, 2015, which was the date the Authority’s financial statements were available to be issued.

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY WITH RELATED RATIOS

JUNE 30, 2015

		2014
Total Pension Liability		
Service cost	$	74,757
Interest		138,454
Changes of assumptions		(118,471)
Net change in total pension liability		94,740
Total pension liability - beginning		2,037,149
Total pension liability - ending	$	2,131,889
Plan fiduciary net position		
Contributions - employer	$	73,093
Contributions - employee		28,709
Net investment income		262,927
Benefit payments, including refunds of employee contributions		(118,471)
Administrative expense		(1,419)
Other		14
Net change in plan fiduciary net position		244,853
Plan fiduciary net position - beginning		1,677,219
Plan fiduciary net position - ending	$	1,922,072
Total net pension liability - beginning	$	359,930
Total net pension liability - ending	$	209,817
Plan fiduciary net position as a percentage of total pension liability		10%
Covered employee payroll	$	588,862
Net pension liability as a percentage of covered employee payroll		36%

ECONOMIC DEVELOPMENT AUTHORITY OF HENRICO COUNTY, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2015

	2015				
Date	**Actuarially Determined Contribution**	**Contributions in Relation to Actuarially Determined Contribution**	**Contribution Excess**	**Employer's Covered Employee Payroll**	**Contributions as a % of Covered Employee Payroll**
2015	$ 73,137	$ 83,520	$ (10,383)	$ 588,862	14%

This schedule is required to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Changes of benefit terms – There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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:

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

Actuarial Assumptions – The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

> * Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GAAP 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

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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*

Board of Directors
Economic Development Authority of Henrico County
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major funds of the Economic Development Authority of Henrico County, Virginia (the "Authority"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Cherry Bekaert LLP

Richmond, Virginia
October 19, 2015