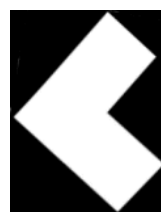


County of Mecklenburg, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2016



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

County of Mecklenburg, Virginia

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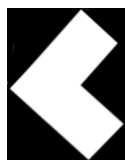
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FINANCIAL SECTION





**Creedle
Jones
& Alga**

A Professional Corporation

*Robin B. Jones, CPA, CFP
David V. Alga, CPA, CVA, CFF
Denise C. Williams, CPA, CSEP
Scott A. Thompson, CPA, CGMA
Kimberly W. Jackson, CPA*

*James A. Allen, Jr., CPA
Nadine L. Chase, CPA
Sherwood H. Creedle, Emeritus*

*Members of
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Mecklenburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the County of Mecklenburg, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 and budgetary comparison information, schedule of changes in the political subdivision's net pension liability and related ratios, schedule of employer's share of net pension liability – VRS teacher retirement plan, schedule of employer contributions, and notes to required supplementary information on pages 62-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mecklenburg, Virginia's basic financial statements. The combining nonmajor fund and component units financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2017, on our consideration of the County of Mecklenburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Mecklenburg, Virginia's internal control over financial reporting and compliance.

Credle, Jones & Alga, P.C.

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

South Hill, Virginia
February 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Mecklenburg, Virginia presents the following discussion and analysis as an overview of the County of Mecklenburg, Virginia's financial activities for the fiscal year ending June 30, 2016. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

Financial Highlights

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the County, excluding its Component Units, exceeded its liabilities and deferred inflows of resources by \$69,567,585. Of this amount, \$36,082,492 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the County's governmental activities were \$64,151,336 and expenses amounted to \$57,962,939. The County's total net position increased \$6,188,397.

Highlights for Fund Financial Statements

- As of June 30, 2016, the County's Governmental Funds reported combined fund balances of \$43,130,261, an increase of \$7,017,324 in comparison with the prior year. Approximately 13.8 percent of the combined fund balances, \$5,951,476, is unassigned and available to meet the County's current and future needs.
- The General Fund reported a fund balance of \$11,582,057, an increase of \$918,146 from June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those found in the private sector. They also report the County's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the County's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the County's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the County's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the County's property tax base and the condition of County facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, education, parks, recreation and cultural, and community development.

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

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The County uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the County's most significant funds rather than the County as a whole.

The County has two types of funds:

Governmental Funds - Most of the County's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Outlay Fund, DEQ and Landfill Funds, Comprehensive Services Fund, Economic Development Fund, Public Assistance Fund, Microsoft Capital Project, and New School Funds, all of which are considered to be major funds. Data from the other County non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements presented later in this report.

Fiduciary Funds – The County is the trustee, or fiduciary, for the County's agency funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund presentation. Since by definition, these assets are being held for the benefit of a third party and cannot be used to support activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information such as budgetary comparison schedules and combining financial statements.

Governmental accounting and reporting standards also require reporting certain information about the County's other postemployment benefits as required supplementary information. The County has elected to include this information within the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2016 and 2015

	<u>Primary Government</u> <u>Governmental Activities</u>		<u>Component Units</u>		<u>Total Reporting Entity</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Assets						
Current and other assets	\$ 45,265,055	\$ 38,881,873	\$ 2,856,435	\$ 2,713,650	\$ 48,121,490	\$ 41,595,523
Capital assets (net)	39,743,259	40,683,725	31,455,698	31,042,462	71,198,957	71,726,187
Other noncurrent assets	456,737	404,066	935,336	1,082,323	1,392,073	1,486,389
Deferred Outflows of Resources	<u>1,039,441</u>	<u>814,874</u>	<u>3,177,984</u>	<u>3,147,339</u>	<u>4,217,425</u>	<u>3,962,213</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 86,504,492</u>	<u>\$ 80,784,538</u>	<u>\$ 38,425,453</u>	<u>\$ 37,985,774</u>	<u>\$ 124,929,945</u>	<u>\$ 118,770,312</u>
Liabilities						
Current liabilities	\$ 1,827,229	\$ 1,350,288	\$ 1,023,164	\$ 723,497	\$ 2,850,393	\$ 2,073,785
Noncurrent liabilities	13,939,679	13,868,492	38,916,448	37,530,049	52,856,127	51,398,541
Total Liabilities	15,766,908	15,218,780	39,939,612	38,253,546	55,706,520	53,472,326
Deferred Inflows of Resources	<u>1,169,999</u>	<u>2,186,570</u>	<u>5,956,154</u>	<u>7,948,231</u>	<u>7,126,153</u>	<u>10,134,801</u>
Net Position						
Net investment in capital assets	33,484,618	33,860,187	29,112,747	30,258,352	62,597,365	64,118,539
Unrestricted	36,082,967	29,519,001	(36,583,060)	(38,474,355)	(500,093)	(8,955,354)
Total Net Position	<u>69,567,585</u>	<u>63,379,188</u>	<u>(7,470,313)</u>	<u>(8,216,003)</u>	<u>62,097,272</u>	<u>55,163,185</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 86,504,492</u>	<u>\$ 80,784,538</u>	<u>\$ 38,425,453</u>	<u>\$ 37,985,774</u>	<u>\$ 124,929,945</u>	<u>\$ 118,770,312</u>

The Commonwealth of Virginia requires that counties, as well as their financial dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government and its component units, which make up the total reporting entity, be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represents the entity's financial position. In the case of the County's reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$62,097,272 at June 30, 2016. The portion of the reporting entity's net position, \$64,118,539, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>Primary Government</u> <u>Governmental Activities</u>		<u>Component Units</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues						
Charges for services	\$ 1,086,867	\$ 873,736	\$ 1,594,786	\$ 1,674,911	\$ 2,681,653	\$ 2,548,647
Operating and capital grants	10,269,605	11,733,675	30,517,787	30,764,294	40,787,392	42,497,969
General Revenues						
General property taxes, real and personal	42,766,364	40,952,011	-	-	42,766,364	40,952,011
Other taxes	7,480,963	5,624,636	-	-	7,480,963	5,624,636
Payment from County of Mecklenburg, Virginia						
Education	-	-	13,380,860	13,260,778	13,380,860	13,260,778
IDA of Mecklenburg County, Virginia	-	-	15,161,545	12,878,031	15,161,545	12,878,031
Noncategorical aid from state	2,103,636	2,189,695	-	-	2,103,636	2,189,695
Use of property	21,074	57,986	-	27,661	21,074	85,647
Investment earnings	90,366	46,065	25,770	28,917	116,136	74,982
Miscellaneous	332,461	395,166	524,042	379,945	856,503	775,111
Total Revenues	64,151,336	61,872,970	61,204,790	59,014,537	125,356,126	120,887,507
Expenses						
General government administration	3,284,067	3,219,741	-	-	3,284,067	3,219,741
Judicial administration	2,407,229	2,346,598	-	-	2,407,229	2,346,598
Public safety	10,834,721	10,839,145	-	-	10,834,721	10,839,145
Public works	2,616,114	2,686,079	-	-	2,616,114	2,686,079
Health and welfare	5,334,563	5,242,650	-	-	5,334,563	5,242,650
Education - community college	12,253	11,670	-	-	12,253	11,670
Education	13,380,860	13,260,778	45,399,108	44,973,196	58,779,968	58,233,974
Parks, recreation, and cultural	673,804	453,455	-	-	673,804	453,455
Community development - IDA of Mecklenburg County, Virginia	15,161,545	12,878,031	15,059,992	12,958,504	30,221,537	25,836,535
Community development	3,979,382	3,568,674	-	-	3,979,382	3,568,674
Interest on long-term debt	278,401	319,284	-	-	278,401	319,284
Total Expenses	57,962,939	54,826,105	60,459,100	57,931,700	118,422,039	112,757,805
Increase in Net Position	6,188,397	7,046,865	745,690	1,082,837	6,934,087	8,129,702
Beginning Net Position (Deficit)	63,379,188	56,332,323	(8,216,003)	(9,298,840)	55,163,185	47,033,483
Ending Net Position (Deficit)	\$ 69,567,585	\$ 63,379,188	\$ (7,470,313)	\$ (8,216,003)	\$ 62,097,272	\$ 55,163,185

Governmental activities, exclusive of the Component Unit School Board, increased the County's net position by \$6,188,397 for fiscal year 2016. Revenues from governmental activities totaled \$64,151,336. Property taxes comprise the largest source of these revenues, totaling \$42,766,364 or 66.7 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$57,962,939. Community development was the County's largest program with expenses totaling \$15,161,545. Education, which totals \$13,380,860, represents the second largest expense.

For the County's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>		<u>2015</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 3,284,067	\$ (2,853,032)	\$ 3,219,741	\$ (2,689,297)
Judicial administration	2,407,229	(1,073,387)	2,346,598	(985,462)
Public safety	10,834,721	(7,824,825)	10,839,145	(8,784,629)
Public works	2,616,114	(2,544,279)	2,686,079	(2,103,867)
Health and welfare	5,334,563	(1,802,313)	5,242,650	(1,709,246)
Education	13,393,113	(13,393,113)	13,272,448	(13,272,448)
Parks, recreation, and cultural	673,804	(494,004)	453,455	(448,455)
Community development	19,140,927	(16,343,113)	16,446,705	(11,906,006)
Interest on long-term debt	<u>278,401</u>	<u>(278,401)</u>	<u>319,284</u>	<u>(319,284)</u>
Total	<u>\$ 57,962,939</u>	<u>\$ (46,606,467)</u>	<u>\$ 54,826,105</u>	<u>\$ (42,218,694)</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2016, the County's Governmental Funds reported a combined ending fund balance of \$43,130,261. Approximately 13.8 percent, or \$5,951,476, is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the main operating fund of the County. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$5,951,476. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 11.9 percent of total fund expenditures.

- The General Fund contributed \$13,808,725 in operating funds to finance the Schools' operations and \$14,990,897 to the Industrial Development Authority of Mecklenburg County, Virginia.

The Capital Outlay Fund which has a total fund balance of \$15,514,714, all of which is restricted and assigned for ongoing and future capital projects.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>Original Budget</u>	<u>2016 Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>2015 Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 39,601,599	\$ 41,677,867	\$ 43,862,064	\$ 31,759,264	\$ 37,059,264	\$ 40,574,480
Other	5,334,782	5,496,940	9,105,542	5,425,658	5,471,758	7,001,055
Intergovernmental	<u>5,895,117</u>	<u>5,929,740</u>	<u>6,062,352</u>	<u>5,566,347</u>	<u>5,527,742</u>	<u>5,705,230</u>
Total	50,831,498	53,104,547	59,029,958	42,751,269	48,058,764	53,280,765
Expenditures	<u>48,841,436</u>	<u>51,161,126</u>	<u>49,922,049</u>	<u>41,236,873</u>	<u>46,750,955</u>	<u>46,134,955</u>
Excess (Deficiency) of Revenues Over Expenditures	1,990,062	1,943,421	9,107,909	1,514,396	1,307,809	7,145,810
Other Financing Sources (Uses)						
Net Transfers	(2,583,819)	(2,545,214)	(8,189,763)	(2,053,001)	(2,053,001)	(5,238,675)
From Surplus	<u>593,757</u>	<u>601,793</u>	<u>-</u>	<u>538,605</u>	<u>745,192</u>	<u>-</u>
Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>918,146</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,907,135</u>

Final amended budget revenues were more than the original budget by \$2,273,049.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$2,319,690.

Actual revenues were more than final budget amounts by \$5,925,411, or 11.2 percent, while actual expenditures were \$1,239,077, or 2.4 percent less than final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2016, the County's net investment in capital assets, exclusive of component units, totals \$33,484,618, which is net capital assets less related debt for governmental activities.

During fiscal year 2016, the County's net capital assets (including additions, decreases, and depreciation) decreased \$940,466, or 2.3 percent, for governmental activities, as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 1,198,811	\$ 37,600	\$ 1,236,411
South Hill Elementary School	11,674,384	-	11,674,384
Infrastructure - water and sewer	11,077,876	-	11,077,876
Buildings and improvements	22,512,267	81,311	22,593,578
Furniture, equipment, and vehicles	<u>11,249,990</u>	<u>570,181</u>	<u>11,820,171</u>
Total Capital Assets	57,713,328	689,092	58,402,420
Less: Accumulated depreciation and amortization	<u>(17,029,603)</u>	<u>(1,629,558)</u>	<u>(18,659,161)</u>
Total Capital Assets, Net	<u>\$ 40,683,725</u>	<u>\$ (940,466)</u>	<u>\$ 39,743,259</u>

Component Unit School Board

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and land improvements	\$ 1,740,642	\$ -	\$ 1,740,642
Buildings and systems	38,862,153	-	38,862,153
Furniture, equipment, and vehicles	<u>22,600,359</u>	<u>2,496,319</u>	<u>25,096,678</u>
Total Capital Assets	63,203,154	2,496,319	65,699,473
Less: Accumulated depreciation	<u>(38,498,718)</u>	<u>(2,253,731)</u>	<u>(40,752,449)</u>
Total Capital Assets, Net	<u>\$ 24,704,436</u>	<u>\$ 242,588</u>	<u>\$ 24,947,024</u>

Component Unit IDA of Mecklenburg County, Virginia

	<u>Balance July 1, 2015</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2016</u>
Land and buildings held for resale	\$ 6,338,026	\$ 170,648	\$ 6,508,674
Total Capital Assets, Net	<u>\$ 6,338,026</u>	<u>\$ 170,648</u>	<u>\$ 6,508,674</u>

Note: School Board fixed assets are jointly owned by the County (primary government) and the Component Unit School Board. The County reports the School Board assets associated with outstanding debt on its books until the debt is paid off. As long as the debt remains unpaid, the South Hill Elementary School will be owned by the County as well as the debt being the responsibility of the County.

Long-Term Debt

	Balance July 1, 2015	Net Additions and Deletions	Balance June 30, 2016
Governmental Activities			
Long-term debt, plus premiums	\$ 6,823,538	\$ (564,897)	\$ 6,258,641
Landfill obligation	1,660,527	40,077	1,700,604
OPEB obligation	(404,066)	(52,671)	(456,737)
Compensated absences	1,146,432	237,235	1,383,667
Total Governmental Activities	<u>\$ 9,226,431</u>	<u>\$ (340,256)</u>	<u>\$ 8,886,175</u>
Component Unit School Board			
Compensated absences	\$ 208,005	\$ 10,870	\$ 218,875
Capital leases	414,861	1,385,704	1,800,565
OPEB obligation	514,126	184,946	699,072
Total Component Unit School Board	<u>\$ 1,136,992</u>	<u>\$ 1,581,520</u>	<u>\$ 2,718,512</u>
Component Unit IDA of Mecklenburg County, Virginia			
Long-term debt	<u>\$ 369,249</u>	<u>\$ 173,137</u>	<u>\$ 542,386</u>
Total Component Unit IDA of Mecklenburg County, Virginia	<u>\$ 369,249</u>	<u>\$ 173,137</u>	<u>\$ 542,386</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the County of Mecklenburg, Virginia in June 2016 was 5.2 percent, a decrease of 1.6 percent from June 2015. This compares unfavorably to the state's rate of 4.0 percent and the national rate of 5.1 percent.
- According to the 2010 U.S. Census, the population in Mecklenburg County, Virginia was 32,737, an increase of 1.07 percent since the 2000 U.S. Census.
- The per capita income in Mecklenburg County, Virginia was \$19,727, compared to \$27,705 for the State, according to the 2010 U.S. Census data.

The fiscal year 2017 adopted budget anticipates the general fund revenues and expenditures to be \$55,459,643.

REQUESTS FOR INFORMATION

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

Basic Financial Statements



County of Mecklenburg, Virginia

Statement of Net Position

At June 30, 2016

	<u>Primary Government Governmental Activities</u>	<u>Component Units School Board</u>	<u>Industrial Development Authority</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 42,278,966	\$ 924,715	\$ 983,430
Receivables, net	1,350,601	-	-
Due from other governments	1,635,488	948,290	-
Total Current Assets	45,265,055	1,873,005	983,430
Noncurrent Assets			
Lease receivable	-	-	490,773
Note receivable	-	-	444,563
Net OPEB asset	456,737	-	-
Capital Assets			
Land and construction in progress	1,236,411	1,737,579	-
Other capital assets, net of accumulated depreciation	38,506,848	23,209,445	-
Land and buildings held for resale	-	-	6,508,674
Total Noncurrent Assets	40,199,996	24,947,024	7,444,010
Deferred Outflows of Resources			
Deferred outflows - VRS pension liability	1,039,441	3,177,984	-
Total Assets and Deferred Outflows of Resources	<u>\$ 86,504,492</u>	<u>\$ 29,998,013</u>	<u>\$ 8,427,440</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 1,246,979	\$ 169,031	\$ -
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	580,250	743,919	110,214
Total Current Liabilities	1,827,229	912,950	110,214
Noncurrent Liabilities			
Compensated absences	1,383,667	218,875	-
Net VRS pension liability	5,177,017	36,509,683	-
Net OPEB obligation	-	699,072	-
Landfill obligation	1,700,604	-	-
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	5,678,391	1,056,646	432,172
Total Noncurrent Liabilities	13,939,679	38,484,276	432,172
Total Liabilities	15,766,908	39,397,226	542,386
Deferred Inflows of Resources			
Deferred inflows - VRS pension liability	1,169,999	5,956,154	-
Net Position			
Net investment in capital assets	33,484,618	23,146,459	5,966,288
Unrestricted	36,082,967	(38,501,826)	1,918,766
Total Net Position	69,567,585	(15,355,367)	7,885,054
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 86,504,492</u>	<u>\$ 29,998,013</u>	<u>\$ 8,427,440</u>

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

County of Mecklenburg, Virginia
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	Component Units
		Charges for Services	Operating Grants and Contributions	Grants and Contributions	Governmental Activities
Primary Government					School Board
Governmental Activities					Industrial Development Authority
General government administration	\$ 3,284,067	\$ -	\$ 431,035	\$ -	\$ (2,853,032)
Judicial administration	2,407,229	48,984	1,284,858	-	(1,073,387)
Public safety	10,834,721	926,368	2,083,528	-	(7,824,825)
Public works	2,616,114	56,611	15,224	-	(2,544,279)
Health and welfare	5,334,563	-	3,532,250	-	(1,802,313)
Education - community college	12,253	-	-	-	(12,253)
Education - public school system	13,380,860	-	-	-	(13,380,860)
Parks, recreation, and cultural	673,804	47,479	132,321	-	(494,004)
Community development - IDA of Mecklenburg County, Virginia	15,161,545	-	-	-	(15,161,545)
Community development	3,979,382	7,425	2,790,389	-	(1,181,568)
Interest on long-term debt	278,401	-	-	-	(278,401)
Total Governmental Activities	57,962,939	1,086,867	10,269,605	-	(46,606,467)
Total Primary Government	\$ 57,962,939	\$ 1,086,867	\$ 10,269,605	\$ -	(46,606,467)
Component Units					
School Board					
Education	\$ 45,399,108	\$ 1,594,786	\$ 30,517,787	\$ -	\$ (13,286,535)
Total School Board	45,399,108	1,594,786	30,517,787	-	(13,286,535)
Industrial Development Authority					
Community development	15,059,992	-	-	-	\$ (15,059,992)
Total Industrial Development Authority	15,059,992	-	-	-	(15,059,992)
Total Component Units	\$ 60,459,100	\$ 1,594,786	\$ 30,517,787	\$ -	
General Revenues					
Taxes					
General property taxes, real and personal				42,766,364	-
Other local taxes				7,480,963	-
Payment from County of Mecklenburg, Virginia				-	-
Education				-	-
Community development - IDA of Mecklenburg County, VA				-	13,380,860
Noncategorical aid from state				2,103,636	-
Use of property				21,074	-
Investment earnings				90,366	1,236
Miscellaneous				332,461	519,534
Total General Revenues				52,794,864	13,901,630
Change in Net Position				6,188,397	615,095
Net Position (Deficit) - Beginning of Year				63,379,188	(15,970,462)
Net Position (Deficit) - End of Year				\$ 69,567,585	\$ (15,355,367)

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

County of Mecklenburg, Virginia

Balance Sheet

Governmental Funds

At June 30, 2016

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Comprehensive Services Fund	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	New School Funds	Other Governmental Funds	Total Governmental Funds
Assets										
Cash and investments	\$ 10,689,313	\$ 15,554,545	\$ 566,235	\$ 460,686	\$ 2,608,651	\$ 1,484,931	\$ 3,699,673	\$ 7,067,188	\$ 147,744	\$ 42,278,966
Receivables, net	1,346,176	-	-	3,899	-	97	-	-	429	1,350,601
Due from other governments	1,327,969	-	-	116,154	-	189,890	-	-	1,475	1,635,488
Total Assets	<u>\$ 13,363,458</u>	<u>\$ 15,554,545</u>	<u>\$ 566,235</u>	<u>\$ 580,739</u>	<u>\$ 2,608,651</u>	<u>\$ 1,674,918</u>	<u>\$ 3,699,673</u>	<u>\$ 7,067,188</u>	<u>\$ 149,648</u>	<u>\$ 45,265,055</u>
Liabilities										
Accounts payable and accrued liabilities	\$ 893,586	\$ 39,831	\$ -	\$ 114,024	\$ -	\$ 10,551	\$ 174,156	\$ 12,175	\$ 2,656	\$ 1,246,979
Total Liabilities	893,586	39,831	-	114,024	-	10,551	174,156	12,175	2,656	1,246,979
Deferred Inflows of Resources										
Unavailable revenue - taxes and other	887,815	-	-	-	-	-	-	-	-	887,815
Total Deferred Inflows of Resources	887,815	-	-	-	-	-	-	-	-	887,815
Fund Balance										
Restricted	-	-	120,000	466,715	-	1,664,367	3,525,517	-	86,633	5,863,232
Committed	4,066,458	-	-	-	-	-	-	7,055,013	-	11,121,471
Assigned	1,564,123	15,514,714	446,235	-	2,608,651	-	-	-	60,359	20,194,082
Unassigned	5,951,476	-	-	-	-	-	-	-	-	5,951,476
Total Fund Balance	<u>11,582,057</u>	<u>15,514,714</u>	<u>566,235</u>	<u>466,715</u>	<u>2,608,651</u>	<u>1,664,367</u>	<u>3,525,517</u>	<u>7,055,013</u>	<u>146,992</u>	<u>43,130,261</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 13,363,458</u>	<u>\$ 15,554,545</u>	<u>\$ 566,235</u>	<u>\$ 580,739</u>	<u>\$ 2,608,651</u>	<u>\$ 1,674,918</u>	<u>\$ 3,699,673</u>	<u>\$ 7,067,188</u>	<u>\$ 149,648</u>	<u>\$ 45,265,055</u>

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

County of Mecklenburg, Virginia

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

At June 30, 2016

Total Fund Balances for Governmental Funds	\$ 43,130,261
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land and land improvements	\$ 1,235,972
Infrastructure - water and sewer	9,849,333
School buildings, net of accumulated depreciation	9,365,141
Buildings and improvements, net of accumulated depreciation	15,740,279
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,552,534</u>

Total Capital Assets	39,743,259
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Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Unavailable revenue - taxes and other	887,815
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	1,039,441
Deferred inflows of resources related to pensions	<u>(1,169,999)</u>

Total Deferred Outflows and Inflows of Resources	(130,558)
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Liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

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

Bonds and notes payable	(6,258,641)
Net VRS pension liability	(5,177,017)
Net OPEB asset	456,737
Landfill obligation	(1,700,604)
Compensated absences	<u>(1,383,667)</u>

Total	<u>(14,063,192)</u>
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Total Net Position of Governmental Activities	<u><u>\$ 69,567,585</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Mecklenburg, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2016

	General Fund	Capital Outlay Fund	DEQ and Landfill Funds	Comprehensive Services Fund	Economic Development Fund	Public Assistance Fund	Microsoft Capital Project	New School Funds	Other Governmental Funds	Total Governmental Funds
Revenues										
Property taxes	\$ 43,862,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,862,064
Other local taxes	7,480,963	-	-	-	-	-	-	-	-	7,480,963
Permits, privilege fees, and regulatory licenses	684,997	-	-	-	-	-	-	-	-	684,997
Fines and forfeitures	228,301	-	-	-	-	-	-	-	-	228,301
Use of money and property	140,870	-	-	-	-	-	5,482	-	120	146,472
Charges for services	163,197	-	-	-	-	-	-	-	10,372	173,569
Recovered costs	96,620	-	-	57,778	-	6,498	-	-	-	160,896
Miscellaneous	310,594	-	-	-	268	-	-	-	21,599	332,461
Payment from Component Unit School Board	-	-	-	-	-	-	-	40,459	-	40,459
<i>Intergovernmental</i>										
Revenue from the Commonwealth of Virginia	5,823,614	-	-	1,217,594	2,399	804,127	2,486,327	-	3,250	10,337,311
Revenue from the Federal Government	238,738	-	-	-	-	1,510,529	-	-	286,663	2,035,930
Total Revenues	59,029,958	-	-	1,275,372	2,667	2,321,154	2,491,809	40,459	322,004	65,483,423
Expenditures										
Current										
General government administration	3,169,120	-	-	-	-	-	-	-	-	3,169,120
Judicial administration	2,157,596	-	-	-	-	-	-	-	12,196	2,169,792
Public safety	10,777,312	-	-	-	-	-	-	-	36,492	10,813,804
Public works	2,424,803	-	-	-	-	-	-	-	-	2,424,803
Health and welfare	435,361	-	-	1,771,429	-	3,085,009	-	-	-	5,291,799
Education - community college	12,253	-	-	-	-	-	-	-	-	12,253
Education - public school system	13,808,725	-	-	-	-	-	-	-	-	13,808,725
Education - capital outlay - elementary additions	-	-	-	-	-	-	-	222,404	-	222,404
Parks, recreation, and cultural	696,261	-	-	-	-	-	-	-	-	696,261
Community development - IDA of Meck. Cty., VA	14,990,897	-	-	-	170,648	-	-	-	-	15,161,545
Community development	1,151,379	-	-	-	-	-	2,761,274	-	287,465	4,200,118
Capital projects	298,342	197,133	-	-	-	-	-	-	-	495,475
Total Expenditures	49,922,049	197,133	-	1,771,429	170,648	3,085,009	2,761,274	222,404	336,153	58,466,099
Excess (Deficiency) of Revenues Over Expenditures	9,107,909	(197,133)	-	(496,057)	(167,981)	(763,855)	(269,465)	(181,945)	(14,149)	7,017,324
Other Financing Sources (Uses)										
Transfers in	-	7,644,549	-	460,000	-	882,857	-	2,602,357	-	11,589,763
Transfers out	(8,189,763)	(3,400,000)	-	-	-	-	-	-	-	(11,589,763)
Total Other Financing Sources (Uses)	(8,189,763)	4,244,549	-	460,000	-	882,857	-	2,602,357	-	-
Net Change in Fund Balance	918,146	4,047,416	-	(36,057)	(167,981)	119,002	(269,465)	2,420,412	(14,149)	7,017,324
Fund Balance - Beginning of Year	10,663,911	11,467,298	566,235	502,772	2,776,632	1,545,365	3,794,982	4,634,601	161,141	36,112,937
Fund Balance - End of Year	\$ 11,582,057	\$ 15,514,714	\$ 566,235	\$ 466,715	\$ 2,608,651	\$ 1,664,367	\$ 3,525,517	\$ 7,055,013	\$ 146,992	\$ 43,130,261

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

County of Mecklenburg, Virginia

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

Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 7,017,324

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which annual depreciation expense and gains (losses) on disposition of capital assets exceeded capital outlays in the current period. (940,466)

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This amount represents the difference in the amounts deferred in the fund financial statements, but recognized in the Statement of Activities. (1,095,700)

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

Payments on debt paid for by the School Board	\$ 564,897	
Net Adjustment		564,897

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions, net inflows and outflows	\$ 1,241,138	
Cost of benefits earned net of employee contributions - net pension liability adjustment	<u>(374,155)</u>	
		866,983

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

Landfill obligation	\$ (40,077)	
Net OPEB obligation	52,671	
Compensated absences	<u>(237,235)</u>	
Net Adjustment		<u>(224,641)</u>

Change in Net Position of Governmental Activities		<u>\$ 6,188,397</u>
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The accompanying notes to the financial statements are an integral part of this statement.

County of Mecklenburg, Virginia

Statement of Fiduciary Assets and Liabilities

At June 30, 2016

	Agency Funds
Assets	
Cash and investments	\$ 1,557,620
Accounts receivable	<u>58,512</u>
Total Assets	<u><u>\$ 1,616,132</u></u>
Liabilities	
Accounts payable	\$ 8,523
Amounts held for others	<u>1,607,609</u>
Total Liabilities	<u><u>\$ 1,616,132</u></u>

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

County of Mecklenburg, Virginia

Notes to the Financial Statements

Year Ended June 30, 2016

1 Summary of Significant Accounting Policies

Narrative Profile

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

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

The financial statements of the County have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below:

1-A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Mecklenburg, Virginia (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Individual Component Unit Disclosures

Discretely Presented Component Units

Mecklenburg County School Board

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

Industrial Development Authority of Mecklenburg County, Virginia

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

Exclusions from the Reporting Entity

Jointly Governed Organizations

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

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

Southside Community Services Board

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

Southside Regional Public Service Authority

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

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

Mecklenburg-Brunswick Airport Commission

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

1-B. Financial Reporting Model

The County’s Comprehensive Annual Financial Report includes management’s discussion and analysis, the basic financial statements, required and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the County's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the County as a whole. The primary government and the component units are presented separately within these financial statements with the focus on the primary government; as such, individual funds are not displayed. The fiduciary funds of the primary government are not included in the government-wide financial statements.

The Statement of Net Position presents the financial position of the governmental activities of the County and its discretely presented component units at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The County does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the County's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements – During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

Budgetary Comparison Schedules – Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The County and many other governments revise their original budgets over the course of the year for a variety of reasons.

GASB-Required Supplementary Pension – GASB issued Statement No. 68–*Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions.

1-C. Financial Statement Presentation

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following is a brief description of the funds reported by the County in each of its fund types in the financial statements:

- **Governmental Funds** – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The County reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the County's major governmental funds:
 - *General Fund* – The General Fund is the primary operating fund of the County and accounts for all revenues and expenditures applicable to the general operations of the County which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

- *Special Revenue Funds* – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:
 - Comprehensive Services Funds – These funds account for activity pertaining to children eligible to receive funds under Virginia's Comprehensive Services Act.
 - Economic Development Fund – This fund accounts for activities involving promoting economic development in the County for major funding.
 - Public Assistance Fund – This fund accounts for County revenues collected and disbursed for welfare recipients of the County.
 - Law Library Fund – This fund accounts for the operation and maintenance of the County's law library.
 - Sheriff's Funds – These funds are used for various projects and revenue specifically handled by the Sheriff's Department, such as inmates, jail phones, etc.
 - Drug Forfeiture Funds – These funds are specifically earmarked for handling drug forfeiture operations.
 - CDBG Funds – The County has two CDBG projects in process that account for funds used to upgrade housing for low income citizens. These funds are Lambert Road Project and Tiny Road Project.
- *Capital Projects Funds* – The Capital Projects Funds consists of the DEQ and Landfill Funds, the Microsoft Capital Project, and New School Funds which accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.
- ***Proprietary Funds*** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has no Proprietary Funds at this time.
- ***Fiduciary Funds (Trust and Agency Funds)*** – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The County has no Private Purpose Trust Funds. The Agency Funds consist of the following:

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

Component Units

Mecklenburg County School Board

The Mecklenburg County School Board has the following funds:

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

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

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

Industrial Development Authority of Mecklenburg County, Virginia

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

1-D. Measurement Focus and Basis of Accounting

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government administration, judicial administration, public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (general government administration, judicial administration, public safety, public works, health and welfare, etc.).

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The County's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and, subsequently, remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

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

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

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portions of the interfund loans). Any residual balances outstanding in the governmental activities are reported in the government-wide financial statement as internal balances.

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

General Fund - taxes receivable	<u>\$ 1,108,887</u>
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Real and Personal Property Tax Data

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

Real Property Personal Property

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

The County bills and collects its own property taxes.

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

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The County reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements.

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

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	10 to 75 years
Furniture and other equipment	3 to 25 years

1-E-6 *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. Under a modified accrual basis of accounting, unavailable revenue, representing taxes and other receivables, is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, second half installments levied during the fiscal year but due after June 30, and amounts prepaid on the second half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, second half installments levied during the fiscal year but due after June 30 and amounts prepaid on the second half installments are reported as deferred inflows of resources.

1-E-7 *Compensated Absences*

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated absence liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level when paid.

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

1-E-8 *Pensions*

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

1-E-9 Other Postemployment Benefits Plans

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to the financial statements present required schedules of funding progress that includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

1-E-10 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint.

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

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-11 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings and gains or losses on the disposition of capital assets. The County has no proprietary funds although the Component Unit IDA of Mecklenburg County, Virginia does account for its activities in business development in this manner.

1-E-12 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-13 Long-Term Obligations

The County reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

1-E-14 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-15 Adoption of New GASB Statements

During the fiscal year ended June 30, 2016, the County adopted the following GASB statements:

- Statement No. 72, "Fair Value Measurement and Application"
- Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"
- Statement No. 77, "Tax Abatement Disclosures"

Statements 72 and 76 had no effect on the current financial statements.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

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

Budgetary Data

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

1. Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Board of Supervisors.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds and component units.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

No expenditures exceeded appropriations.

Fund Deficits

There were no fund deficits for the governmental funds. The net position of the School Board has a deficit of \$15,355,367 on Exhibit 1, primarily due to the VRS net pension liability.

3 Deposits and Investments

Deposits

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

Investments

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

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

Concentration of Credit Risk/Interest Rate Risk

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

The following is a summary of cash and investments:

<u>Asset Type</u>	<u>Balance June 30, 2016</u>
Petty cash	\$ 3,000
Deposit accounts	<u>45,741,731</u>
Total Cash and Investments	<u>\$ 45,744,731</u>

	<u>Governmental Activities</u>	<u>Fiduciary Responsibilities</u>	<u>Total</u>
Primary Government			
Cash and cash equivalents	\$ 42,278,966	\$ -	\$ 42,278,966
Cash and investments with fiscal agents	<u>-</u>	<u>1,557,620</u>	<u>1,557,620</u>
Total Primary Government	42,278,966	1,557,620	43,836,586
Component Unit School Board			
Cash and cash equivalents	924,715	-	924,715
Component Unit IDA of Mecklenburg County, Virginia			
Cash and cash equivalents	<u>983,430</u>	<u>-</u>	<u>983,430</u>
Grand Total	<u>\$ 44,187,111</u>	<u>\$ 1,557,620</u>	<u>\$ 45,744,731</u>

4 **Receivables**

Receivables at June 30, 2016 consist of the following:

	<u>Primary Government</u>				
	<u>Governmental Activities</u>				
	<u>General Fund</u>	<u>Comprehensive Services Fund</u>	<u>Public Assistance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
Property taxes	\$ 2,306,683	\$ -	\$ -	\$ 429	\$ 2,307,112
Other	<u>148,380</u>	<u>3,899</u>	<u>97</u>	<u>-</u>	<u>152,376</u>
Total	2,455,063	3,899	97	429	2,459,488
Allowance for uncollectibles	<u>(1,108,887)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,108,887)</u>
Net Receivables	<u>\$ 1,346,176</u>	<u>\$ 3,899</u>	<u>\$ 97</u>	<u>\$ 429</u>	<u>\$ 1,350,601</u>

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5 Interfund Transfers

Interfund transfers for the year ended June 30, 2016 consisted of the following:

	<u>Transfer to</u>	<u>Transfer from</u>
Primary Government		
General Fund		
To Public Assistance - Welfare Fund	\$ 882,857	\$ -
To Comprehensive Services Fund	460,000	-
To New School Funds	1,202,357	-
To Capital Outlay Fund	<u>5,644,549</u>	<u>-</u>
Total General Fund	8,189,763	-
Public Assistance - Welfare Fund		
From General Fund	-	882,857
Comprehensive Services Funds		
From General Fund for operations	-	460,000
New School Funds		
From Capital Outlay Fund	-	1,400,000
From General Fund	-	1,202,357
Economic Development Fund		
From General Fund	-	-
Capital Outlay Fund		
To New School Funds	1,400,000	-
To/From General Fund	<u>2,000,000</u>	<u>7,644,549</u>
Total Transfers Within Primary Government	<u>\$ 11,589,763</u>	<u>\$ 11,589,763</u>

The remainder of this page is left blank intentionally.

6 Transfer to Component Units/Transfer from Primary Government

Details of the primary government due to component units as of June 30, 2016 are as follows:

	<u>Transfer to</u>	<u>Transfer from</u>
School Board		
General Fund		
To School Fund for local appropriation	\$ 13,658,535	\$ -
To School Textbook Fund for local appropriation	150,190	-
New School Funds		
To School Board Component Unit	222,404	-
School Board Component Unit		
From General Fund for local appropriation	-	13,658,535
From New School Funds	-	222,404
School Textbook Fund		
From General Fund for local appropriation	-	150,190
Total Transfers between School Board and Primary Government	<u>\$ 14,031,129</u>	<u>\$ 14,031,129</u>
IDA of Mecklenburg County, Virginia		
General Fund		
To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	\$ 14,990,897	\$ 14,990,897
Economic Development Fund		
To IDA of Mecklenburg County, Virginia for economic stimulus and other miscellaneous items	170,648	170,648
Total Transfers between IDA and Primary Government	<u>\$ 15,161,545</u>	<u>\$ 15,161,545</u>
Total Transfers	<u>\$ 40,782,437</u>	<u>\$ 40,782,437</u>

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7 Due from Other Governmental Units

Details of the County's receivables from other governmental units, as of June 30, 2016, are as follows:

	Governmental Funds	Component Unit School Board
Commonwealth of Virginia		
Local and State sales taxes	\$ 873,485	\$ 809,366
Compensation Board - constitutional officers	341,756	-
Communications tax	46,105	-
Wireless grant	21,270	-
Grantor's tax	16,802	-
Public assistance	189,890	-
Comprehensive services	116,154	-
Other state funds	30,026	-
Federal Government		
Perkins CTE	-	78,156
Other federal funds	-	11,953
Title II	-	48,815
Total	<u>\$ 1,635,488</u>	<u>\$ 948,290</u>

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8 Capital Assets

The following is a summary of changes in capital assets:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,198,811	\$ 37,600	\$ -	\$ 1,236,411
Total Capital Assets Not Being Depreciated	1,198,811	37,600	-	1,236,411
Other Capital Assets				
Buildings and improvements	22,512,267	81,311	-	22,593,578
Infrastructure	11,077,876	-	-	11,077,876
School buildings and improvements	11,674,384	-	-	11,674,384
Furniture, equipment, and vehicles	11,249,990	625,099	54,918	11,820,171
Total Other Capital Assets	56,514,517	706,410	54,918	57,166,009
Less: Accumulated depreciation for				
Land improvements	-	439	-	439
Buildings and improvements	6,147,356	705,943	-	6,853,299
Infrastructure	1,014,212	214,331	-	1,228,543
South Hill Elementary School	2,309,243	-	-	2,309,243
Furniture, equipment, and vehicles	7,558,792	728,731	19,886	8,267,637
Total Accumulated Depreciation	17,029,603	1,649,444	19,886	18,659,161
Other Capital Assets, Net	39,484,914	(943,034)	35,032	38,506,848
Net Capital Assets	\$ 40,683,725	\$ (905,434)	\$ 35,032	\$ 39,743,259
Depreciation expense was allocated as follows:				
General government administration	\$ 242,190			
Judicial administration	364,695			
Public safety	396,710			
Public works	301,563			
Education - public school system	233,488			
Health and welfare	110,798			
Total Depreciation Expense	\$ 1,649,444			

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Component Unit School Board				
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 1,740,642	\$ -	\$ -	\$ 1,740,642
Total Capital Assets Not Being Depreciated	1,740,642	-	-	1,740,642
Other Capital Assets				
Buildings and improvements	38,862,153	-	-	38,862,153
Furniture, equipment, and vehicles	22,600,359	2,496,319	-	25,096,678
Total Other Capital Assets	61,462,512	2,496,319	-	63,958,831
Less: Accumulated depreciation for				
Land and land improvements	2,013	1,050	-	3,063
Buildings and improvements	22,018,018	719,622	-	22,737,640
Furniture, equipment, and vehicles	16,478,687	1,533,059	-	18,011,746
Total Accumulated Depreciation	38,498,718	2,253,731	-	40,752,449
Other Capital Assets, Net	22,963,794	242,588	-	23,206,382
Net Capital Assets	\$ 24,704,436	\$ 242,588	\$ -	\$ 24,947,024
Component Unit IDA of Mecklenburg County, Virginia				
Capital Assets Not Being Depreciated				
Buildings and land held for resale	\$ 6,338,026	\$ 170,648	\$ -	\$ 6,508,674
Net Capital Assets	\$ 6,338,026	\$ 170,648	\$ -	\$ 6,508,674

9 Compensated Absences

Each County employee earns sick leave at the rate of one day per month. Vacation pay begins with one day per month and increases with length of service. No benefits or pay are received for unused sick leave upon termination unless the employee has been with the County over five years and the employee receives only up to 30 days of unused sick leave. Accumulated vacation up to a maximum of 54 days with 25+ years of service is paid upon termination. The County has outstanding accrued compensated absences totaling \$1,383,667 in the Governmental Activities. The Component Unit School Board has \$218,875 of compensated absences.

10 Long-Term Debt

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

Year(s) Ended June 30.	General Obligation Bonds	
	Principal	Interest
Primary Government		
2017	\$ 558,829	\$ 271,457
2018	577,998	243,331
2019	591,093	215,930
2020	609,538	188,523
2021	628,136	160,197
2022-2026	2,722,847	362,723
2027-2031	<u>372,067</u>	<u>8,558</u>
Total	6,060,508	1,450,719
Landfill obligation	1,700,604	-
OPEB obligation (asset)	(456,737)	-
Compensated absences	<u>1,383,667</u>	-
Total	8,688,042	<u>\$ 1,450,719</u>
Add: Unamortized Premium on Bond	<u>198,133</u>	
	<u>\$ 8,886,175</u>	
Component Unit School Board		
Capital Leases		
2017	\$ 743,918	\$ 52,762
2018	551,961	32,954
2019	468,260	15,431
2020	<u>36,426</u>	<u>1,702</u>
Total - Capital Leases	1,800,565	102,849
OPEB obligation	699,072	-
Compensated absences	<u>218,875</u>	-
Total	<u>\$ 2,718,512</u>	<u>\$ 102,849</u>
Component Unit IDA of Mecklenburg County, Virginia		
2017	\$ 110,214	\$ 22,890
2018	94,422	18,341
2019	96,793	14,121
2020	101,221	9,693
2021	92,635	5,072
2022	<u>47,101</u>	<u>1,304</u>
Total	<u>\$ 542,386</u>	<u>\$ 71,421</u>

Changes in Long-Term Debt

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
<i>Details of Long-Term Indebtedness</i>					
U.S. Bank, Virginia Public School Authority (VPSA) General Obligation School Bond, Series 2006, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$280,361 and \$372,067 with interest rates between 4.60% and 5.10% through January 2027.	\$ 4,158,984	\$ -	\$ 323,476	\$ 3,835,508	\$ 328,829
U.S. Bank, Virginia Public School Authority (VPSA) School Financing Bonds Series 2003C, proceeds used to construct new South Hill Elementary School; semiannual payments varying between approximately \$378,000 and \$338,415 with interest rates between 3.10% and 5.10% through January 2024. This bond had an original premium of \$250,000.	2,445,000	-	220,000	2,225,000	230,000
Landfill obligation	1,660,527	40,077	-	1,700,604	-
OPEB obligation (asset)	(404,066)	(52,671)	-	(456,737)	-
Compensated absences	1,146,432	237,235	-	1,383,667	-
	9,006,877	224,641	543,476	8,688,042	558,829
<i>Add</i>					
Unamortized Premium on Bond Series 2003 Bond	112,500	-	12,500	100,000	12,500
Unamortized Premium on Bond Series 2006 Bond	107,054	-	8,921	98,133	8,921
Total Long-Term Indebtedness - Primary Government	<u>\$ 9,226,431</u>	<u>\$ 224,641</u>	<u>\$ 564,897</u>	<u>\$ 8,886,175</u>	<u>\$ 580,250</u>
Component Unit School Board					
SunTrust Equipment Finance & Leasing Corp. Master Lease Agreement dated February 6, 2014, proceeds used to purchase buses for the schools. Annual payments due February of each year with interest at 1.39% until February 2017.	\$ 414,861	\$ -	\$ 205,999	\$ 208,862	\$ 208,862
SunTrust Equipment Finance & Leasing Corp. Master Lease Agreement dated November 3, 2015, proceeds used to purchase buses for the schools. Annual payments due November of each year with interest at 2.04% until November 15, 2018.	-	1,222,000	314,816	907,184	296,309
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into on August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due February of each year with interest at 4.38% until November 15, 2018.	-	154,678	52,346	102,332	47,861

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into on August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due February of each year with interest at 4.38% until November 15, 2019.	-	174,013	58,889	115,124	53,844
Dell Financial Services Flex Lease Purchases of computer equipment. Lease entered into on August 2015, proceeds used to purchase computer equipment for the schools. Annual payments due February of each year with interest at 4.38% until November 15, 2019.	-	625,928	158,865	467,063	137,043
Compensated absences	208,005	10,870	-	218,875	-
OPEB obligation	514,126	184,946	-	699,072	-
Total Component Unit School Board	<u>\$ 1,136,992</u>	<u>\$ 2,372,435</u>	<u>\$ 790,915</u>	<u>\$ 2,718,512</u>	<u>\$ 743,919</u>

Component Unit IDA of Mecklenburg County, Virginia

Riley B. Lowe

The Authority originally borrowed \$650,000 to purchase a building in Chase City, Virginia jointly with the Industrial Development Authority of the Town of Chase City, Virginia to be leased for twenty years to a local business with the option to purchase at any time. The original loan terms were modified effective April 1, 2012, reducing the interest rate from 7.00% to 6.00% and extending the term of payments. The loan is payable in monthly installments of \$4,840 through April 2022.

\$ 324,963	\$ -	\$ 39,667	\$ 285,296	\$ 42,114
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Lake Country Development Corporation

The Authority originally borrowed \$250,000 to purchase a building (Riley B. Lowe Building). The original loan terms were modified effective June 1, 2012, removing a balloon due date of July 2012 and extending the existing payment and interest terms through July 2017. The loan continues to be payable in monthly installments of \$1,849 at 4.00% interest.

44,286	-	20,798	23,488	21,645
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Lake Country Development Corporation

The Authority borrowed \$245,000 to begin construction on a shell building in Roanoke River Regional Business Park. The promissory note is dated February 5, 2016, with interest stated at 3%, payable over 5 years (60 payments) in monthly payments of \$4,402.33 a month.

-	245,000	11,398	233,602	46,455
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Total Component Unit IDA of Mecklenburg County, Virginia

<u>\$ 369,249</u>	<u>\$ 245,000</u>	<u>\$ 71,863</u>	<u>\$ 542,386</u>	<u>\$ 110,214</u>
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11 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2016 is determined as follows:

	Governmental Activities	Component Unit School Board	Component Unit IDA
Net Investment in Capital Assets			
Cost of capital assets	\$ 58,402,420	\$ 65,699,473	\$ 6,508,674
Less: Accumulated depreciation	<u>(18,659,161)</u>	<u>(40,752,449)</u>	<u>-</u>
Book value	39,743,259	24,947,024	6,508,674
Less: Capital related debt	(6,060,508)	(1,800,565)	(542,386)
Less: Unamortized debt issuance premium	<u>(198,133)</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 33,484,618</u>	<u>\$ 23,146,459</u>	<u>\$ 5,966,288</u>

12 Deferred Inflows of Resources

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

Primary Government General Fund

Delinquent taxes not collected within 60 days	\$ 806,518
Prepaid property taxes - property taxes paid in advance	72,494
Other deferred credits	<u>8,803</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 887,815</u>

13 Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The Component Unit School Board carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14 Commitments and Contingencies

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Pursuant to the requirements of the Uniform Guidance, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

15 Litigation

At June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

16 Legal Compliance

The Virginia Public Finance Act contains state law for issuance of long-term and short-term debt. The Act states, in part, that no municipality may issue bonds or other interest-bearing obligations, including existing indebtedness, which will at any time exceed ten percent of the assessed valuation on real estate as shown by the last preceding assessment for taxes. Short-term revenue anticipation bonds/notes, general obligation bonds approved in a referendum, revenue bonds, and contract obligations for publically owned or regional projects should not be included in the debt limitation.

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	<u>\$ 3,868,103,200</u>
Debt Limit - 10 Percent of Total Assessed Value	\$ 386,810,320
<i>Amount of Debt Applicable to Debt Limit</i>	
General obligation debt	<u>6,258,641</u>
Legal Debt Margin	<u>\$ 380,551,679</u>

17 Surety Bond Information

The following constitutional and appointed officers are insured through the Commonwealth of Virginia Faithful Performance of Duty Bond Plan in effect at June 30, 2016:

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

18 Landfill Closure and Post-Closure Costs

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

The County will recognize the remaining estimated cost of closure and post-closure care of \$1,700,604 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

19 Appropriation to School from General Fund

Following is a summary of adjustments made to the local school appropriation when converting from fund financial statements to government-wide financial statements:

School Board Appropriation in the Fund Financial Statements

From the General Fund to the School Fund	\$ 13,658,535
From the General Fund to the School Textbook Fund	<u>150,190</u>
Subtotal - Transfers to the School Board Component Unit	13,808,725
From the School Fund to New School Funds	<u>(40,459)</u>
Net School Board Appropriation for the Fund Financial Statements	13,768,266

Adjustments for

Payment of principal and interest on school debt for buildings	(843,298)
School capital improvements paid by New School Funds	222,404
Depreciation on school building and other fixed assets	<u>233,488</u>

Adjusted School Board Appropriation in the Government-Wide Financial Statements

\$ 13,380,860

20 Tax Abatement Disclosures

The County and its component unit, IDA, negotiates property tax abatement agreements on an individual basis. The County has tax abatement agreements with two entities as of June 30, 2016.

Facts and Assumptions

<u>Purpose</u>	<u>Percentage of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
<i>Increase Size and Employment in Southside Virginia Area</i>		
Machinery and tools tax and real estate tax	80%	\$ 25,640
Business Personal Property	82.5%	14,962,051

21 Pension Plan

Plan Description

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

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

RETIREMENT PLAN PROVISIONS

PLAN 1

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.

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 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.

Political Subdivision Employees Only:

Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

PLAN 2

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.

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.

Political Subdivision Employees Only:

Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

HYBRID RETIREMENT PLAN

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.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- Political subdivision employees*
- School division 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

Political Subdivision Employees Only:

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

PLAN 1

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

PLAN 2

Retirement Contributions

Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

Creditable Service

Same as Plan 1.

Vesting

Same as Plan 1.

HYBRID RETIREMENT PLAN

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contributions Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contributions Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

PLAN 1

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members and school division members is 1.70%.

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.

PLAN 2

Calculating the Benefit

See definition under Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members and school division members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Sheriffs and regional jail superintendents: Same as Plan 1.

Political subdivision hazardous duty employees: Same as Plan 1.

HYBRID RETIREMENT PLAN

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

Calculating the Benefit

Defined Benefit Component:

See definition under Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

Defined Benefit Component:

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.

Defined Contribution Component

Not applicable.

PLAN 1
Normal Retirement Age

Age 65.

Political subdivisions hazardous duty employees:
Age 60.

Earliest Unreduced Retirement Eligibility

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 Reduced Retirement Eligibility

Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Political subdivisions hazardous duty employees:
Age 50 with at least five years of creditable service.

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.

PLAN 2
Normal Retirement Age

Normal Social Security retirement age.

Political subdivisions hazardous duty employees:
Same as Plan 1.

Earliest Unreduced Retirement Eligibility

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 Reduced Retirement Eligibility

Age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Same as Plan 1.

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

**HYBRID
RETIREMENT PLAN**
Normal Retirement Age

Defined Benefit Component:
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

Defined Benefit Component:
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

Defined Benefit Component:
Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Political subdivisions hazardous duty employees:
Not applicable

Defined Contribution Component:
Members are eligible to receive distributions upon leaving employment subject to restrictions.

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

PLAN 1

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The political subdivision member retires directly from 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.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

School division: N/A

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

Exceptions to COLA Effective Dates:

Same as Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased, or granted.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

School division: N/A

Purchase of Prior Service

Same as Plan 1

HYBRID RETIREMENT PLAN

Exceptions to COLA Effective Dates:

Same as Plan 1 and Plan 2

Disability Coverage

Employees of political subdivisions and school divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as Plan 1, with the following exceptions:

- Hybrid Retirement Plan members are ineligible for ported service.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component:

Not applicable

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government - County	School Board - General Employees
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	95	85
Inactive members:		
Vested inactive members	24	13
Non-vested inactive members	38	45
Inactive members active elsewhere in VRS	<u>88</u>	<u>16</u>
Total inactive members	150	74
Active members	<u>184</u>	<u>55</u>
Total covered employees	<u>429</u>	<u>214</u>

Contributions

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

If the employer used the certified rate: The political subdivision's contractually required contribution rate for the year ended June 30, 2016 was 9.28% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision were \$1,039,441 and \$1,018,477 for the years ended June 30, 2016 and June 30, 2015, respectively.

For the school board – general employees, employee contributions were \$82,450 and \$85,384 for the years ended June 30, 2016 and June 30, 2015, respectively.

Each school divisions – teachers contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%; however, it was

reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contribution to the pension plan from the school division – teachers were \$3,054,480 and \$3,061,955 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The political subdivisions net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees and School Division – Teachers

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

	<u>General Employees</u>	<u>Teachers</u>
Inflation	2.5 percent	2.5 percent
Salary increases, including inflation	3.5 percent - 5.35 percent	3.5 percent - 5.95 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation *	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 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 were set back 2 years.

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – Non-LEOS:

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

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

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

School Divisions:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

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

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent - 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

*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: 60% of deaths are assumed to be service related

Largest 10 – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

Long-Term Expected Rate of Return

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

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

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan 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 Liability

Primary Government - County

	Total Pension Liability (a)	Increase (Decrease)		Net Pension Liability (a) - (b)
		Plan Fiduciary Net Position (b)		
Balances at June 30, 2014	\$ 40,661,945	\$ 35,859,083	\$	4,802,862
Changes for the Year				
Service cost	910,898	-		910,898
Interest	2,793,733	-		2,793,733
Differences between expected and actual experience	(302,779)	-		(302,779)
Contributions - employer	-	1,019,265		(1,019,265)
Contributions - employee	-	386,744		(386,744)
Net investment income	-	1,644,329		(1,644,329)
Benefit payments, including refunds of employee contributions	(1,502,945)	(1,502,945)		-
Administrative expenses	-	(22,291)		22,291
Other changes	-	(350)		350
Net Changes	<u>1,898,907</u>	<u>1,524,752</u>		<u>374,155</u>
Balances at June 30, 2015	<u>\$ 42,560,852</u>	<u>\$ 37,383,835</u>	<u>\$</u>	<u>5,177,017</u>

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Component Unit School Board - General Employees

	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 5,792,678	\$ 5,462,406	\$ 330,272
Changes for the Year			
Service cost	78,891	-	78,891
Interest	388,886	-	388,886
Differences between expected and actual experience	104,213	-	104,213
Contributions - employer	-	86,114	(86,114)
Contributions - employee	-	38,876	(38,876)
Net investment income	-	241,239	(241,239)
Benefit payments, including refunds of employee contributions	(474,332)	(474,332)	-
Administrative expenses	-	(3,598)	3,598
Other changes	-	(52)	52
Net Changes	97,658	(111,753)	209,411
Balances at June 30, 2015	<u>\$ 5,890,336</u>	<u>\$ 5,350,653</u>	<u>\$ 539,683</u>

Component Unit School Board - Teachers Pool

	<u>Increase (Decrease)</u> Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 35,960,000
Changes for the Year	
Contributions - employer 2015	(3,080,844)
Employer pension expense - 2015	1,828,000
Revenue allocation - 2015	(551,000)
Other adjustments	10,844
Change in deferred inflows of resources	1,803,000
Net Changes	10,000
Balances at June 30, 2015	<u>\$ 35,970,000</u>

Sensitivity of the Political Subdivision's and School Division's – Teacher Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Primary Government - County			
Political subdivision's			
Net Pension Liability	<u>\$ 10,812,325</u>	<u>\$ 5,177,017</u>	<u>\$ 503,587</u>
Component Unit School Board -			
General Employees			
Political subdivision's			
Net Pension Liability	<u>\$ 1,126,937</u>	<u>\$ 539,683</u>	<u>\$ 40,012</u>
School division's proportionate			
share of the VRS Teacher			
Employee Retirement Plan			
Net Pension Liability	<u>\$ 52,638,000</u>	<u>\$ 35,970,000</u>	<u>\$ 22,248,000</u>

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

For the year ended June 30, 2016, the political subdivision recognized pension expense of \$376,849.

For the year ended June 30, 2016, the school board – general employees recognized pension expense of \$65,394.

At June 30, 2016, the school division – teachers reported a liability of \$35,970,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .28578% as compared to .29757% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$1,828,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the political subdivision and school division – teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Primary Government - County		
Differences between expected and actual experience	\$ -	\$ 219,369
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	950,630
Employer contributions subsequent to the measurement date	<u>1,039,441</u>	<u>-</u>
Total - Primary Government	<u>\$ 1,039,441</u>	<u>\$ 1,169,999</u>

Component Unit School Board - General Employees

Differences between expected and actual experience	\$ 41,054	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	155,154
Employer contributions subsequent to the measurement date	<u>82,450</u>	<u>-</u>
Total	<u>\$ 123,504</u>	<u>\$ 155,154</u>

Component Unit School Board - Teachers

Differences between expected and actual experience	\$ -	\$ 495,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,203,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	3,103,000
Employer contributions subsequent to the measurement date	<u>3,054,480</u>	<u>-</u>
Total	<u>\$ 3,054,480</u>	<u>\$ 5,801,000</u>
Total Component Unit School Board	<u>\$ 3,177,984</u>	<u>\$ 5,956,154</u>

\$1,039,441 for the County, \$123,504 for school general employees, and \$3,054,480 for teachers reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended
June 30,

Primary Government
County

2017	\$	(457,728)
2018		(457,728)
2019		(426,869)
2020		172,326
2021		-
Thereafter		-

Component Unit School Board
General Employees

2017	\$	(19,249)
2018		(60,303)
2019		(60,302)
2020		25,754
2021		-
Thereafter		-

Teachers

2017	\$	(1,782,000)
2018		(1,782,000)
2019		(1,782,000)
2020		(262,000)
2021		(193,000)
Thereafter		-

Pension Plan Fiduciary Net Position

Detailed information about the Virginia Retirement System's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

22 Other Postemployment Benefits

Plan Description

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

Cash and Cash Equivalents

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

Funding Policy

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

Net OPEB Obligations and Annual OPEB Cost

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

	<u>County</u>	<u>School Board</u>
Annual OPEB Cost (Expense)		
Annual required contribution	\$ 105,100	\$ 335,165
Interest on OPEB obligation (asset)	(28,285)	-
Adjustment to ARC	<u>26,314</u>	<u>(9,482)</u>
Annual OPEB Cost (Expense)	103,129	325,683
Contributions Made		
Contributions for fiscal year	<u>155,800</u>	<u>140,737</u>
Increase (Decrease) in Net OPEB Obligation (Asset)	(52,671)	184,946
Net OPEB Obligation (Asset) - Beginning of Year	<u>(404,066)</u>	<u>514,126</u>
Net OPEB Obligation (Asset) - End of Year	<u><u>\$ (456,737)</u></u>	<u><u>\$ 699,072</u></u>

Three-year trend information is as follows:

Primary Government - County

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
6/30/2014	\$ 152,700	\$ 160,500	105.11%
6/30/2015	97,895	155,800	159.15%
6/30/2016	103,129	155,800	151.07%

Component Unit - School Board

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percent Funded</u>
6/30/2013	\$ 341,268	\$ 171,359	50.21%
6/30/2014	347,202	168,046	48.40%
6/30/2015	325,682	140,737	43.21%

Valuation information is as follows:

Primary Government - County

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
1/1/2011	\$ -	\$ 1,906,900	\$ 1,906,900	0.00%	\$ 8,119,800	23.48%
1/1/2013	534,000	2,039,100	1,505,100	26.19%	5,810,900	25.90%
1/1/2015	975,600	1,799,700	824,100	54.21%	5,698,600	14.46%

Component Unit - School Board

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Liability (AAL) - Projected Unit Credit</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll (Estimate)</u> (c)	<u>UAAL as a Percentage of Covered Payroll</u> (b-a)/(c)
1/1/2013	\$ -	\$ 3,256,408	\$ 3,256,408	0.00%	\$ 25,000,000	13.03%
1/1/2014	-	3,358,062	3,358,062	0.00%	25,500,000	13.17%
1/1/2015	-	3,500,557	3,500,557	0.00%	22,101,611	15.84%

	<u>County</u>	<u>Component Unit School Board</u>
OPEB Valuation Date	January 1, 2015	January 1, 2015
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Dollar Amortization
Amortization Period	30 years (26 years remaining as of January 1, 2015)	30 years
Asset Valuation Method	Market Value	N/A since this plan is totally unfunded
Actuarial Assumptions		
a. Investment Rate of Return	7% annual returns net of both investment and non-actuarial administrative expenses	No investment rate of return was used since there are no funded assets.
b. Payroll Growth Rate	3% per year	Projected salary increases were not used in amortizing these amounts.
c. Medical Cost Trend Assumption	Getzen Trend Model - 7.70% graded to 4.80% over 70 years	Long-Term Medical Cost Trend Rate is .064% and the Ultimate Medical Cost Trend Rate is .051% in year 2044

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23 Fund Balances – Governmental Funds

As of June 30, 2016, fund balances are composed of the following:

	<u>Committed</u>	<u>Amount</u>
General Fund	Roof replacement	\$ 3,697,429
	911 program	352,592
	Rochichi fund	14,400
	Treasurer's fund	<u>2,037</u>
	Subtotal - General Fund	4,066,458
New School Funds	New school facilities	6,452,656
	New school debt service	<u>602,357</u>
	Subtotal - New School Funds	7,055,013
	Total Committed Funds	<u>\$ 11,121,471</u>
	<u>Assigned for</u>	
General Fund	Equipment replacement	\$ 1,491,609
	Library funds	<u>72,514</u>
	Subtotal - General Fund	1,564,123
Sheriff's Funds	Dare Fund	18
	Project Life Saver	5,232
	SRO Picnic Fund	15,699
	Sheriff's abandoned property	<u>2,078</u>
	Subtotal - Sheriff's Funds	23,027
DEQ and Landfill Funds	Landfill reserve	<u>446,235</u>
	Subtotal - DEQ and Landfill Funds - Assigned	446,235
Economic Development Fund	Economic development	2,608,651
Capital Outlay Fund	Capital projects	15,514,714
Law Library Fund	Law library	<u>37,332</u>
	Total Assigned Funds	<u>\$ 20,194,082</u>
	<u>Restricted for</u>	
Public Assistance Funds	Public assistance	\$ 1,664,367
DEQ and Landfill Funds	School fuel tanks	20,000
	County fuel tanks	<u>100,000</u>
	Subtotal - DEQ and Landfill Funds	120,000
Community Development	Housing projects	16,066
Microsoft Project	Microsoft project	3,525,517
Comprehensive Services	Comprehensive services	466,715
Forfeiture Funds	Commonwealth's Attorney	6,144
	Sheriff's drug forfeitures	6,675
	State unwarranted	42,810
	Federal forfeiture funds	11,948
	MCSO seizure money funds	1,455
	Equitable Sharing funds	<u>1,535</u>
	Subtotal - Forfeiture Funds	70,567
	Total Restricted Funds	<u>\$ 5,863,232</u>

Required Supplementary Information



County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2016

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real property taxes	\$ 14,222,547	\$ 14,222,547	\$ 15,299,840	\$ 1,077,293
Mobile home taxes	67,890	67,890	70,886	2,996
Personal property taxes	22,917,922	24,994,190	25,457,920	463,730
Public service corporations	1,105,132	1,105,132	1,260,201	155,069
Machinery and tools taxes	601,524	601,524	676,022	74,498
Merchants' capital	361,584	361,584	420,410	58,826
Delinquent taxes	-	-	284,198	284,198
Interest on taxes	125,000	125,000	159,947	34,947
Penalties on taxes	200,000	200,000	232,640	32,640
Total General Property Taxes	39,601,599	41,677,867	43,862,064	2,184,197
Other Local Taxes				
Local sales and use taxes	3,000,000	3,000,000	5,893,677	2,893,677
Utility taxes	430,000	430,000	520,110	90,110
Consumption tax	100,000	100,000	77,500	(22,500)
Business licenses	1,650	1,650	1,775	125
Franchise license tax	10,000	10,000	9,527	(473)
Bank stock tax	-	-	5,454	5,454
Transient occupancy tax	40,000	40,000	73,302	33,302
Motor vehicle licenses	612,000	612,000	623,632	11,632
Tax on recordation and wills	215,000	215,000	275,986	60,986
Total Other Local Taxes	4,408,650	4,408,650	7,480,963	3,072,313
Permits, Privilege Fees, and Regulatory Licenses				
Animal licenses	27,500	27,500	31,721	4,221
Other permits and licenses	53,500	53,500	57,562	4,062
Building permits	180,075	180,075	595,714	415,639
Total Permits, Privilege Fees, and Regulatory Licenses	261,075	261,075	684,997	423,922
Fines and Forfeitures				
	213,300	213,300	228,301	15,001
Revenue from Use of Money and Property				
Interest income	60,000	60,004	82,884	22,880
Rental income	54,000	54,001	57,986	3,985
Total Revenue from Use of Money and Property	114,000	114,005	140,870	26,865
Charges for Services				
Sheriff's revenues	9,250	9,250	13,070	3,820
Courthouse maintenance fees and clerk	30,500	30,500	29,400	(1,100)
Library charges and revenue	43,000	43,000	47,479	4,479
Commonwealth Attorney's fees	5,500	5,500	9,212	3,712
Sanitation, waste removal, and landfill charges	47,000	47,000	56,611	9,611
Other miscellaneous charges	200	200	-	(200)
Planning fees	6,220	6,220	7,425	1,205
Total Charges for Services	141,670	141,670	163,197	21,527

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Miscellaneous				
Delinquent tax administrative fees	60,000	60,000	152,889	92,889
Funds from Southside Regional Library	-	59,168	59,168	-
Refunds	1,000	37,979	38,676	697
Other miscellaneous	23,709	89,715	59,861	(29,854)
Total Miscellaneous	84,709	246,862	310,594	63,732
Recovered Costs	111,378	111,378	96,620	(14,758)
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Non-Categorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	20,000	20,000	1,889	(18,111)
Auto rental tax	20,000	20,000	451	(19,549)
Personal Property Tax Relief Act	1,492,608	1,492,608	1,454,006	(38,602)
Receipt from state - Occoneechee Park	5,500	5,500	6,686	1,186
Communications tax from State	485,000	485,000	513,088	28,088
Mobile home titling tax	55,000	55,000	61,712	6,712
Recordation and grantors' tax - State	50,000	50,000	65,804	15,804
Total Non-Categorical Aid	2,128,108	2,128,108	2,103,636	(24,472)
<i>Categorical Aid</i>				
Shared Expenses				
Commonwealth's Attorney	464,399	464,399	465,758	1,359
Sheriff and Sheriff's auto	1,536,326	1,536,326	1,552,265	15,939
Commissioner of the Revenue	106,976	106,976	108,962	1,986
Treasurer	117,814	117,814	119,979	2,165
Electoral Board and General Registrar	41,425	41,425	41,389	(36)
Clerk of the Court	331,919	331,919	351,619	19,700
Library grant	120,519	127,321	127,321	-
Records grant - clerk	-	12,821	12,821	-
School security grant	15,300	15,300	10,385	(4,915)
Deputies Lake Patrol	48,500	48,500	63,618	15,118
Piedmont Court Services	397,440	397,440	401,658	4,218
Victim Witness Grant	49,136	49,136	56,506	7,370
Virginia Domestic Violence (VDVVF)	45,000	45,000	45,000	-
VJCCCA	32,709	32,709	31,360	(1,349)
Fire Program Grant	70,000	70,000	74,646	4,646
Emergency Services Grant	7,500	7,500	7,500	-
Wireless 911	110,000	110,000	188,754	78,754
Four for Life Grant	30,240	30,240	30,896	656
Plastic Pesticide Grant	1,875	1,875	1,538	(337)
Animal Friendly Plates Grant	230	230	457	227
Grant - Colonial Center for Performing Arts	5,000	5,000	5,000	-
Litter Grant	13,000	13,000	13,229	229
Jury Witness Reimbursement	3,000	3,000	9,317	6,317
Total Categorical Aid	3,548,308	3,567,931	3,719,978	152,047
Total Revenue from the Commonwealth of Virginia	5,676,416	5,696,039	5,823,614	127,575

Variance
With
Final Budget
Positive
(Negative)

Original
Budget

Final
Budget

Actual

Revenue from the Federal Government

Highway Safety Grant	21,920	21,920	20,113	(1,807)
Byrne Grant	2,234	2,234	-	(2,234)
CDBG housing planning grants	-	15,000	15,000	-
Violence Against Women	64,547	64,547	42,920	(21,627)
Payment in lieu of taxes	130,000	130,000	160,705	30,705
Total Revenue from the Federal Government	218,701	233,701	238,738	5,037

Total Intergovernmental Revenue

5,895,117 5,929,740 6,062,352 132,612

Total Revenues

50,831,498 53,104,547 59,029,958 5,925,411

Expenditures

Current

General Government Administration

Board of Supervisors	230,210	230,821	230,747	74
County Administrator	422,720	464,752	426,027	38,725
Commissioner of Revenue	657,270	653,224	631,786	21,438
Treasurer	670,096	670,097	659,102	10,995
County Attorney and other legal	85,000	85,000	46,956	38,044
Data processing	142,920	117,156	85,068	32,088
Multipurpose	70,000	76,636	75,049	1,587
Equalization Board	1,400	1,400	-	1,400
Shared office expenses	378,000	378,000	315,253	62,747
Retirees hospitalization	88,700	103,725	112,089	(8,364)
Line of duty	47,154	47,154	46,615	539
Unemployment compensation	11,000	11,000	6,980	4,020
Annual OPEB contribution	155,800	155,800	155,800	-
Workman's compensation	189,898	195,825	195,825	-
Electoral Board	71,148	71,148	59,176	11,972
Registrar	147,190	147,191	122,647	24,544
Total General Government Administration	3,368,506	3,408,929	3,169,120	239,809

Judicial Administration

Circuit Court	65,735	65,739	60,263	5,476
General District Court	3,586	3,586	2,370	1,216
Magistrate	2,000	2,000	1,092	908
Juvenile and Domestic Relations Court	268,140	296,612	294,600	2,012
Pretrial Court	132,917	140,362	137,244	3,118
VJCCCA	33,109	41,404	41,354	50
Victim Witness Program	62,230	70,036	69,315	721
Center for Violence	7,500	7,500	7,500	-
Piedmont Court Services - Corrections Act	272,709	276,832	268,048	8,784
Clerk of the Circuit Court	591,740	609,662	601,832	7,830
Commonwealth's Attorney	711,555	711,555	673,978	37,577
Total Judicial Administration	2,151,221	2,225,288	2,157,596	67,692

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Sheriff's Department	4,811,033	4,747,013	4,628,409	118,604
Jail	3,788,228	3,788,228	3,788,228	-
Fire departments	447,363	453,501	453,501	-
Rescue squads	454,440	462,820	460,820	2,000
911 Department	951,041	1,019,360	961,080	58,280
Emergency services	95,195	96,984	90,464	6,520
Inspections	235,930	240,858	229,507	11,351
Animal control	183,755	183,755	161,063	22,692
Medical Examiner	500	500	240	260
American Red Cross	4,000	4,000	4,000	-
Total Public Safety	10,971,485	10,997,019	10,777,312	219,707
<i>Public Works</i>				
Refuse disposal	1,665,565	1,778,501	1,770,503	7,998
Roanoke River Service Authority	20,000	20,000	20,000	-
Maintenance of buildings and grounds	710,800	656,669	634,300	22,369
Total Public Works	2,396,365	2,455,170	2,424,803	30,367
<i>Health and Welfare</i>				
Health department	217,509	217,509	217,509	-
Mental health	133,826	133,826	133,826	-
Comprehensive services	64,435	64,435	63,243	1,192
Lake Country Area Agency on Aging	14,000	14,000	14,000	-
Welfare and social services	6,860	15,224	6,783	8,441
Total Health and Welfare	436,630	444,994	435,361	9,633
<i>Education</i>				
Community college	12,253	12,253	12,253	-
Appropriation to public school system	13,808,725	13,808,725	13,808,725	-
Total Education	13,820,978	13,820,978	13,820,978	-
<i>Parks, Recreation, and Cultural</i>				
Library	584,623	635,632	615,474	20,158
Parks and recreation	11,000	11,000	11,000	-
Cultural contributions	72,500	72,500	69,787	2,713
Total Parks, Recreation, and Cultural	668,123	719,132	696,261	22,871

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Community Development</i>				
Miscellaneous community development	121,134	121,134	116,108	5,026
Town of Boynton	50,000	50,000	50,000	-
Lake Gaston Weed Control	116,000	116,000	116,000	-
Airports	83,900	83,900	83,900	-
Tourism	85,050	103,538	73,750	29,788
Economic development	533,687	480,816	453,907	26,909
Zoning	92,100	83,089	79,126	3,963
Industrial tax refunds to Meck. IDA	12,900,000	15,000,000	14,990,897	9,103
Soil and Water Conservation District	121,845	125,908	125,898	10
Cooperative extension program	84,412	85,231	52,690	32,541
Total Community Development	14,188,128	16,249,616	16,142,276	107,340
<i>Capital Projects</i>				
Capital outlay	840,000	840,000	298,342	541,658
Total Expenditures	48,841,436	51,161,126	49,922,049	1,239,077
Excess (Deficiency) of Revenues Over Expenditures	1,990,062	1,943,421	9,107,909	7,164,488
Other Financing Sources (Uses)				
Transfers in	284,844	284,844	-	(284,844)
Transfers (out)	(2,868,663)	(2,830,058)	(8,189,763)	(5,359,705)
Total Other Financing Sources (Uses)	(2,583,819)	(2,545,214)	(8,189,763)	(5,644,549)
Net Change in Fund Balance	(593,757)	(601,793)	918,146	1,519,939
From Surplus	593,757	601,793	-	(601,793)
Net Change in Fund Balance After Surplus	\$ -	\$ -	918,146	\$ 918,146
Fund Balance - Beginning of Year			10,663,911	
Fund Balance - End of Year			\$11,582,057	

Capital Outlay Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	\$ -	\$ -	\$ -	\$ -
Expenditures				
Current				
General administration - miscellaneous	-	52,296	52,296	-
Public works - convenience center	380,000	380,000	111,479	268,521
Public works - other	<u>50,000</u>	<u>50,000</u>	<u>33,358</u>	<u>16,642</u>
Total Expenditures	<u>430,000</u>	<u>482,296</u>	<u>197,133</u>	<u>285,163</u>
Excess (Deficiency) of Revenues Over Expenditures	(430,000)	(482,296)	(197,133)	285,163
Other Financing Sources (Uses)				
Transfers in	-	-	7,644,549	7,644,549
Transfers (out)	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>(3,400,000)</u>	<u>(2,000,000)</u>
Total Other Financing Sources (Uses)	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>4,244,549</u>	<u>5,644,549</u>
Net Change in Fund Balance	(1,830,000)	(1,882,296)	4,047,416	5,929,712
From Surplus	<u>1,830,000</u>	<u>1,882,296</u>	-	<u>(1,882,296)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	4,047,416	<u>\$ 4,047,416</u>
Fund Balance - Beginning of Year			<u>11,467,298</u>	
Fund Balance - End of Year			<u>\$ 15,514,714</u>	

DEQ and Landfill Funds

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Charges for services	\$ -	\$ -	\$ -	\$ -
Revenue from use of money and property	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	-	-	-	-
Expenditures				
Current				
Public works - expenses	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Net Change in Fund Balance	(50,000)	(50,000)	-	50,000
From Surplus	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			<u>566,235</u>	
Fund Balance - End of Year			<u>\$ 566,235</u>	

Public Assistance Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ 76,189	\$ 76,189	\$ 6,498	\$ (69,691)
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	1,152,722	1,152,722	804,127	(348,595)
Revenue from the Federal Government	<u>1,520,603</u>	<u>1,520,603</u>	<u>1,510,529</u>	<u>(10,074)</u>
Total Intergovernmental Revenues	<u>2,673,325</u>	<u>2,673,325</u>	<u>2,314,656</u>	<u>(358,669)</u>
Total Revenues	2,749,514	2,749,514	2,321,154	(428,360)
Expenditures				
Current				
Health and welfare	<u>3,632,371</u>	<u>3,632,371</u>	<u>3,085,009</u>	<u>547,362</u>
Total Expenditures	<u>3,632,371</u>	<u>3,632,371</u>	<u>3,085,009</u>	<u>547,362</u>
Excess (Deficiency) of Revenues Over Expenditures	(882,857)	(882,857)	(763,855)	119,002
Other Financing Sources (Uses)				
Transfers in	<u>882,857</u>	<u>882,857</u>	<u>882,857</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>882,857</u>	<u>882,857</u>	<u>882,857</u>	<u>-</u>
Net Change in Fund Balance	-	-	119,002	119,002
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	119,002	<u>\$ 119,002</u>
Fund Balance - Beginning of Year			<u>1,545,365</u>	
Fund Balance - End of Year			<u>\$ 1,664,367</u>	

Comprehensive Services Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Recovered costs	\$ -	\$ -	\$ 57,778	\$ 57,778
Intergovernmental Revenues				
Revenue from the Commonwealth of Virginia	<u>1,540,000</u>	<u>1,540,000</u>	<u>1,217,594</u>	<u>(322,406)</u>
Total Intergovernmental Revenues	<u>1,540,000</u>	<u>1,540,000</u>	<u>1,217,594</u>	<u>(322,406)</u>
Total Revenues	1,540,000	1,540,000	1,275,372	(264,628)
Expenditures				
Current				
Health and welfare	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,771,429</u>	<u>228,571</u>
Total Expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,771,429</u>	<u>228,571</u>
Excess (Deficiency) of Revenues Over Expenditures	(460,000)	(460,000)	(496,057)	(36,057)
Other Financing Sources (Uses)				
Transfers in	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	(36,057)	(36,057)
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(36,057)	<u>\$ (36,057)</u>
Fund Balance - Beginning of Year			<u>502,772</u>	
Fund Balance - End of Year			<u>\$ 466,715</u>	

Economic Development Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Miscellaneous local revenues	\$ -	\$ -	\$ 268	\$ 268
Intergovernmental Revenues				
<i>Revenue from the Commonwealth of Virginia</i>				
Tobacco Indemnification funds	<u>3,845</u>	<u>3,845</u>	<u>2,399</u>	<u>(1,446)</u>
Total Revenue from the State	<u>3,845</u>	<u>3,845</u>	<u>2,399</u>	<u>(1,446)</u>
<i>Revenue from the Federal Government</i>				
EDA funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Intergovernmental Revenues	<u>3,845</u>	<u>3,845</u>	<u>2,399</u>	<u>(1,446)</u>
Total Revenues	<u>3,845</u>	<u>3,845</u>	<u>2,667</u>	<u>(1,178)</u>
Expenditures				
Current				
Industrial site readiness and shell building	<u>3,845</u>	<u>3,845</u>	<u>3,105</u>	<u>740</u>
Shell building expenses	<u>1,300,000</u>	<u>1,300,000</u>	<u>167,543</u>	<u>1,132,457</u>
Total Expenditures	<u>1,303,845</u>	<u>1,303,845</u>	<u>170,648</u>	<u>1,133,197</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>(167,981)</u>	<u>1,132,019</u>
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>(167,981)</u>	<u>1,132,019</u>
From Surplus	<u>1,300,000</u>	<u>1,300,000</u>	<u>-</u>	<u>(1,300,000)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>(167,981)</u>	<u>\$ (167,981)</u>
Fund Balance - Beginning of Year			<u>2,776,632</u>	
Fund Balance - End of Year			<u>\$ 2,608,651</u>	

Microsoft Capital Project

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
Revenue from use of money and property	\$ -	\$ -	\$ 5,482	\$ 5,482
Intergovernmental Revenues				
<i>Revenue from the Commonwealth of Virginia</i>				
VTIF Funds	1,705,598	1,705,598	446,327	(1,259,271)
VDOT grant	1,594,168	1,594,168	-	(1,594,168)
Tobacco Region Opportunity Funds (TROF)	-	-	1,340,000	1,340,000
Governor's Opportunity Funds (GOF)	-	-	700,000	700,000
	<u>3,299,766</u>	<u>3,299,766</u>	<u>2,486,327</u>	<u>(813,439)</u>
Total Revenue from the Commonwealth of Virginia				
	<u>3,299,766</u>	<u>3,299,766</u>	<u>2,486,327</u>	<u>(813,439)</u>
Total Intergovernmental Revenues				
	<u>3,299,766</u>	<u>3,299,766</u>	<u>2,491,809</u>	<u>(807,957)</u>
Total Revenues				
	<u>3,299,766</u>	<u>3,299,766</u>	<u>2,491,809</u>	<u>(807,957)</u>
Expenditures				
Current				
Capital project - Microsoft	<u>8,143,088</u>	<u>8,143,088</u>	<u>2,761,274</u>	<u>5,381,814</u>
Total Expenditures	<u>8,143,088</u>	<u>8,143,088</u>	<u>2,761,274</u>	<u>5,381,814</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,843,322)	(4,843,322)	(269,465)	4,573,857
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(4,843,322)	(4,843,322)	(269,465)	4,573,857
From Surplus	<u>4,843,322</u>	<u>4,843,322</u>	-	<u>(4,843,322)</u>
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	(269,465)	<u>\$ (269,465)</u>
Fund Balance - Beginning of Year			<u>3,794,982</u>	
Fund Balance - End of Year			<u>\$ 3,525,517</u>	

New School Funds (New School Facility and New School Debt Service)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
From School Board Component Unit	\$ -	\$ -	\$ 40,459	\$ 40,459
Total Revenues	-	-	40,459	40,459
Expenditures				
Current - To School Board Component Unit				
Other school capital costs	<u>376,000</u>	<u>476,000</u>	<u>222,404</u>	<u>253,596</u>
Total Expenditures	<u>376,000</u>	<u>476,000</u>	<u>222,404</u>	<u>253,596</u>
Excess (Deficiency) of Revenues Over Expenditures	(376,000)	(476,000)	(181,945)	294,055
Other Financing Sources (Uses)				
Transfer from other funds	2,602,357	2,602,357	2,602,357	-
Transfer (to) other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>2,602,357</u>	<u>2,602,357</u>	<u>2,602,357</u>	<u>-</u>
Net Change in Fund Balance	2,226,357	2,126,357	2,420,412	294,055
From Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance After Surplus	<u>\$ 2,226,357</u>	<u>\$ 2,126,357</u>	2,420,412	<u>\$ 294,055</u>
Fund Balance - Beginning of Year			<u>4,634,601</u>	
Fund Balance - End of Year			<u>\$ 7,055,013</u>	

County of Mecklenburg, Virginia

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

Year Ended June 30, 2016

	<u>Primary Government</u>	
	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 910,898	\$ 905,148
Interest	2,793,733	2,651,300
Changes of benefit terms	-	-
Differences between expected and actual experience	(302,779)	-
Changes in assumptions	-	-
Benefit Payments, including refunds of employee contributions	<u>(1,502,945)</u>	<u>(1,540,432)</u>
Net change in total pension liability	1,898,907	2,016,016
Total pension liability - beginning	40,661,945	38,645,929
Total pension liability - ending (a)	\$ 42,560,852	\$ 40,661,945
 Plan fiduciary net position		
Contributions - employer	\$ 1,019,265	\$ 1,046,057
Contributions - employee	386,744	392,052
Net investment income	1,644,329	4,904,522
Benefit Payments, including refunds of employee contributions	<u>(1,502,945)</u>	<u>(1,540,432)</u>
Administrative expense	<u>(22,291)</u>	<u>(26,249)</u>
Other	<u>(350)</u>	<u>258</u>
Net change in plan fiduciary net position	1,524,752	4,776,208
Plan fiduciary net position - beginning	35,859,083	31,082,875
Plan fiduciary net position - ending (b)	\$ 37,383,835	\$ 35,859,083
 Political subdivision's net pension liability - ending (a) - (b)	\$ 5,177,017	\$ 4,802,862
 Plan fiduciary net position as a percentage of the total pension liability	87.84%	88.19%
 Covered payroll	\$ 7,683,413	\$ 7,648,356
 Political subdivision's net pension liability as a percentage of covered payroll	67.38%	62.80%

County of Mecklenburg, Virginia

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

Year Ended June 30, 2016

	School Board General Employees	
	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 78,891	\$ 85,532
Interest	388,886	390,807
Changes of benefit terms	-	-
Differences between expected and actual experience	104,213	-
Changes in assumptions	-	-
Benefit Payments, including refunds of employee contributions	<u>(474,332)</u>	<u>(533,242)</u>
Net change in total pension liability	97,658	(56,903)
Total pension liability - beginning	<u>5,792,678</u>	<u>5,849,581</u>
Total pension liability - ending (a)	<u>\$ 5,890,336</u>	<u>\$ 5,792,678</u>
 Plan fiduciary net position		
Contributions - employer	\$ 86,114	\$ 81,094
Contributions - employee	38,876	39,402
Net investment income	241,239	773,139
Benefit Payments, including refunds of employee contributions	<u>(474,332)</u>	<u>(533,242)</u>
Administrative expense	(3,598)	(4,473)
Other	<u>(52)</u>	<u>41</u>
Net change in plan fiduciary net position	(111,753)	355,961
Plan fiduciary net position - beginning	<u>5,462,406</u>	<u>5,106,445</u>
Plan fiduciary net position - ending (b)	<u>\$ 5,350,653</u>	<u>\$ 5,462,406</u>
 Political subdivision's net pension liability - ending (a) - (b)	<u>\$ 539,683</u>	<u>\$ 330,272</u>
 Plan fiduciary net position as a percentage of the total pension liability	90.84%	94.30%
 Covered payroll	\$ 791,261	\$ 775,881
 Political subdivision's net pension liability as a percentage of covered payroll	68.21%	42.57%

County of Mecklenburg, Virginia

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

For the Years Ended June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.28578%	0.29757%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 35,970,000	\$ 35,960,000
Employer's Covered Payroll	\$ 21,241,342	\$ 21,794,570
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	169.340%	164.995%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

Schedule is intended to show information for 10 years. Since 2016 is the second year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.

*The amounts presented have a measurement date of the previous fiscal year end.

County of Mecklenburg, Virginia

Schedule of Employer Contributions

For the Years Ended June 30, 2007 through 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 1,039,441	\$ 1,039,441	\$ -	\$ 8,026,239	9.28%
2015	1,018,477	1,018,477	-	7,683,413	13.26%
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a

Component Unit School Board - General Employees

2016	\$ 82,450	\$ 82,450	\$ -	\$ 781,183	10.93%
2015	85,384	85,384	-	791,261	10.79%
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a

Component Unit School Board - Teachers

2016	\$ 3,054,480	\$ 3,054,480	\$ -	\$ 22,174,540	14.06%
2015	3,061,955	3,061,955	-	21,241,342	14.42%
2014	n/a	n/a	n/a	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a

NOTE: This schedule should present 10 years of data; however, the information prior to fiscal year 2015 is not available.

For Reference Only:

Column 1 – Employer contribution rate multiplied by the employer's covered payroll

Column 2 – Actual employer contribution remitted to VRS

Column 4 – Employer's covered payroll amount for the fiscal year

County of Mecklenburg, Virginia

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

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

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

School Division:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information



County of Mecklenburg, Virginia

Combining Balance Sheet

Other Governmental Funds

At June 30, 2016

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Tiny Road Project</u>	<u>Total Other Governmental Funds</u>
Assets					
Cash and investments	\$ 36,494	\$ 23,027	\$ 72,157	\$ 16,066	\$ 147,744
Accounts receivable	-	-	429	-	429
Due from other governments	1,023	-	452	-	1,475
 Total Assets	<u>\$ 37,517</u>	<u>\$ 23,027</u>	<u>\$ 73,038</u>	<u>\$ 16,066</u>	<u>\$ 149,648</u>
Liabilities					
Accounts payable	\$ 185	\$ -	\$ 2,471	\$ -	\$ 2,656
 Total Liabilities	185	-	2,471	-	2,656
Fund Balance					
Restricted	-	-	70,567	16,066	86,633
Assigned	37,332	23,027	-	-	60,359
 Total Fund Balance	<u>37,332</u>	<u>23,027</u>	<u>70,567</u>	<u>16,066</u>	<u>146,992</u>
 Total Liabilities and Fund Balance	<u>\$ 37,517</u>	<u>\$ 23,027</u>	<u>\$ 73,038</u>	<u>\$ 16,066</u>	<u>\$ 149,648</u>

County of Mecklenburg, Virginia

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

Other Governmental Funds

At June 30, 2016

	<u>Law Library Fund</u>	<u>Sheriff's Funds</u>	<u>Drug Forfeiture Funds</u>	<u>Lambert Road Project</u>	<u>Tiny Road Project</u>	<u>Total Other Governmental Funds</u>
Revenues						
Use of money and property	\$ -	\$ -	\$ 120	\$ -	\$ -	\$ 120
Charges for services	10,372	-	-	-	-	10,372
Miscellaneous	-	21,599	-	-	-	21,599
<i>Intergovernmental</i>						
From the Commonwealth of VA	-	-	3,250	-	-	3,250
From the Federal Government	-	-	-	232,441	54,222	286,663
Total Revenues	10,372	21,599	3,370	232,441	54,222	322,004
Expenditures						
Current						
Judicial administration	6,167	-	6,029	-	-	12,196
Public safety	-	27,076	9,416	-	-	36,492
Community development	-	-	-	242,441	45,024	287,465
Total Expenditures	6,167	27,076	15,445	242,441	45,024	336,153
Excess (Deficiency) of Revenues Over Expenditures	4,205	(5,477)	(12,075)	(10,000)	9,198	(14,149)
Other Financing Sources (Uses)						
Transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	4,205	(5,477)	(12,075)	(10,000)	9,198	(14,149)
Fund Balance - Beginning of Year	33,127	28,504	82,642	10,000	6,868	161,141
Fund Balance - End of Year	<u>\$ 37,332</u>	<u>\$ 23,027</u>	<u>\$ 70,567</u>	<u>\$ -</u>	<u>\$ 16,066</u>	<u>\$ 146,992</u>

County of Mecklenburg, Virginia

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

At June 30, 2016

	<u>Special Welfare</u>	<u>TransTech Marketing Alliance</u>	<u>Virginia's Retreat Fund</u>	<u>Thyne Project Memorial</u>	<u>County OPEB Fund</u>	<u>Totals</u>
Assets						
Cash	\$ 67,311	\$ 70,756	\$ 90,107	\$ 27,938	\$ 1,301,508	\$ 1,557,620
Due from other governments	<u>-</u>	<u>58,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,512</u>
Total Assets	<u>\$ 67,311</u>	<u>\$ 129,268</u>	<u>\$ 90,107</u>	<u>\$ 27,938</u>	<u>\$ 1,301,508</u>	<u>\$ 1,616,132</u>
Liabilities						
Accounts payable	\$ -	\$ 8,523	\$ -	\$ -	\$ -	\$ 8,523
Amounts held for others	<u>67,311</u>	<u>120,745</u>	<u>90,107</u>	<u>27,938</u>	<u>1,301,508</u>	<u>1,607,609</u>
Total Liabilities	<u>\$ 67,311</u>	<u>\$ 129,268</u>	<u>\$ 90,107</u>	<u>\$ 27,938</u>	<u>\$ 1,301,508</u>	<u>\$ 1,616,132</u>

County of Mecklenburg, Virginia

Component Unit School Board

Combining Balance Sheet

At June 30, 2016

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>Total Component Unit School Board</u>
Assets				
Cash and investments	\$ -	\$ 566,194	\$ 358,521	\$ 924,715
Due from other governments	<u>948,290</u>	<u>-</u>	<u>-</u>	<u>948,290</u>
Total Assets	<u>\$ 948,290</u>	<u>\$ 566,194</u>	<u>\$ 358,521</u>	<u>\$ 1,873,005</u>
Liabilities				
Accounts payable	<u>\$ 163,263</u>	<u>\$ 5,768</u>	<u>\$ -</u>	<u>\$ 169,031</u>
Total Liabilities	163,263	5,768	-	169,031
Fund Balance				
Assigned	<u>785,027</u>	<u>560,426</u>	<u>358,521</u>	<u>1,703,974</u>
Total Fund Balance	<u>785,027</u>	<u>560,426</u>	<u>358,521</u>	<u>1,703,974</u>
Total Liabilities and Fund Balance	<u>\$ 948,290</u>	<u>\$ 566,194</u>	<u>\$ 358,521</u>	<u>\$ 1,873,005</u>

County of Mecklenburg, Virginia

Component Unit School Board

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

At June 30, 2016

Total Fund Balances for Governmental Funds	\$ 1,703,974
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Total net position reported for governmental activities in the Statement of Net Position is different because:

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

Land	\$ 1,737,579
Buildings and improvements, net of depreciation	16,124,513
Furniture, equipment, and vehicles, net of depreciation	<u>7,084,932</u>

Total Capital Assets	24,947,024
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows related to pensions	3,177,984
Deferred inflows related to pensions	(5,956,154)

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

Compensated absences	(218,875)
Net VRS pension liability	(36,509,683)
Capital leases	(1,800,565)
OPEB obligation	<u>(699,072)</u>

Total	<u>(39,228,195)</u>
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Total Net Position of Governmental Activities	<u><u>\$ (15,355,367)</u></u>
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County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2016

	<u>School Operating Fund</u>	<u>School Food Services Fund</u>	<u>School Textbook Fund</u>	<u>Total Component Unit School Board</u>
Revenues				
Use of money and property	\$ 105	\$ 911	\$ 220	\$ 1,236
Charges for services	970,558	623,812	416	1,594,786
Rebates and refunds	456,768	-	-	456,768
Miscellaneous	62,766	-	-	62,766
Payments from Primary Government - Meck. County	13,658,535	-	150,190	13,808,725
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	25,229,027	37,851	264,588	25,531,466
From the Federal Government	<u>3,393,798</u>	<u>1,592,523</u>	<u>-</u>	<u>4,986,321</u>
Total Revenues	43,771,557	2,255,097	415,414	46,442,068
Expenditures				
Education				
Instruction	32,920,994	-	389,193	33,310,187
Technology	2,416,857	-	-	2,416,857
Administration, attendance, and health	1,753,117	-	-	1,753,117
Transportation	4,291,833	-	-	4,291,833
Operation and maintenance	2,786,698	-	-	2,786,698
School food service	-	2,228,007	-	2,228,007
To Primary Govt. - Mecklenburg County for				
New School Funds	40,459	-	-	40,459
Debt service	<u>1,640,813</u>	<u>-</u>	<u>-</u>	<u>1,640,813</u>
Total Expenditures	<u>45,850,771</u>	<u>2,228,007</u>	<u>389,193</u>	<u>48,467,971</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenses Before Other Financing Sources (Uses)	(2,079,214)	27,090	26,221	(2,025,903)
Other Financing Sources (Uses)				
Proceeds from long-term debt	<u>2,176,619</u>	<u>-</u>	<u>-</u>	<u>2,176,619</u>
Total Other Financing Sources (Uses)	<u>2,176,619</u>	<u>-</u>	<u>-</u>	<u>2,176,619</u>
Net Change in Fund Balances	97,405	27,090	26,221	150,716
Fund Balances - Beginning of Year	<u>687,622</u>	<u>533,336</u>	<u>332,300</u>	<u>1,553,258</u>
Fund Balances - End of Year	<u>\$ 785,027</u>	<u>\$ 560,426</u>	<u>\$ 358,521</u>	<u>\$ 1,703,974</u>

County of Mecklenburg, Virginia

Component Unit School Board

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

Year Ended June 30, 2016

Net Change in Fund Balances	\$ 150,716
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and dispositions in the current period.

242,588

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

Compensated absences	\$ (10,870)	
Net VRS pension liability	(219,411)	
Deferred outflows VRS pension	30,645	
Deferred inflows VRS pension	1,992,077	
Capital leases	(1,385,704)	
OPEB obligation	<u>(184,946)</u>	
Net Adjustment		<u>221,791</u>

Change in Net Position of Governmental Activities	<u>\$ 615,095</u>
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County of Mecklenburg, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2016

Component Unit School Board

School Operating Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 105	\$ 105
Charges for services	1,644,000	1,644,000	970,558	(673,442)
Rebates and refunds	413,929	413,929	456,768	42,839
Miscellaneous	29,219	29,219	62,766	33,547
Payment from Primary Govt. - Mecklenburg County	13,658,535	13,658,535	13,658,535	-
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	25,608,875	25,608,875	25,229,027	(379,848)
From the Federal Government	<u>4,013,730</u>	<u>4,013,730</u>	<u>3,393,798</u>	<u>(619,932)</u>
Total Revenues	45,368,288	45,368,288	43,771,557	(1,596,731)
Expenditures				
Current				
<i>Education</i>				
Instruction	34,344,352	34,344,352	32,920,994	1,423,358
Technology	1,809,599	1,809,599	2,416,857	(607,258)
Administration, attendance, and health	1,818,089	1,818,089	1,753,117	64,972
Transportation	3,679,637	3,679,637	4,291,833	(612,196)
Operation and maintenance	2,849,393	2,849,393	2,786,698	62,695
Payment to Primary Govt. - Mecklenburg County	-	-	40,459	(40,459)
Debt service	<u>867,218</u>	<u>867,218</u>	<u>1,640,813</u>	<u>(773,595)</u>
Total Expenditures	<u>45,368,288</u>	<u>45,368,288</u>	<u>45,850,771</u>	<u>(482,483)</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenses Before Other Financing Sources (Uses)	-	-	(2,079,214)	(2,079,214)
Other Financing Sources (Uses)				
Proceeds from long-term debt	-	-	2,176,619	2,176,619
Total Other Financing Sources (Uses)	-	-	<u>2,176,619</u>	<u>2,176,619</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	97,405	<u>\$ 97,405</u>
Fund Balance - Beginning of Year			<u>687,622</u>	
Fund Balance - End of Year			<u>\$ 785,027</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Food Services Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 911	\$ 911
Charges for services	981,080	981,080	623,812	(357,268)
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	31,205	31,205	37,851	6,646
From the Federal Government	<u>1,348,415</u>	<u>1,473,415</u>	<u>1,592,523</u>	<u>119,108</u>
Total Revenues	2,360,700	2,485,700	2,255,097	(230,603)
Expenditures				
Current				
<i>Education</i>				
School Food Service	<u>2,360,700</u>	<u>2,485,700</u>	<u>2,228,007</u>	<u>257,693</u>
Total Expenditures	<u>2,360,700</u>	<u>2,485,700</u>	<u>2,228,007</u>	<u>257,693</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	27,090	<u>\$ 27,090</u>
Fund Balance - Beginning of Year			533,336	
Fund Balance - End of Year			<u>\$ 560,426</u>	
School Textbook Fund				
Revenues				
Use of money and property	\$ -	\$ -	\$ 220	\$ 220
Charges for services	-	-	416	416
Payment from Primary Govt. - Mecklenburg County	150,190	150,190	150,190	-
<i>Intergovernmental</i>				
From the Commonwealth of Virginia	<u>265,962</u>	<u>265,962</u>	<u>264,588</u>	<u>(1,374)</u>
Total Revenues	416,152	416,152	415,414	(738)
Expenditures				
Current				
<i>Education</i>				
School textbook purchases	<u>416,152</u>	<u>516,152</u>	<u>389,193</u>	<u>126,959</u>
Total Expenditures	<u>416,152</u>	<u>516,152</u>	<u>389,193</u>	<u>126,959</u>
Net Change in Fund Balance	-	(100,000)	26,221	126,221
From Surplus	-	100,000	-	(100,000)
Net Change in Fund Balance After Surplus	<u>\$ -</u>	<u>\$ -</u>	26,221	<u>\$ 26,221</u>
Fund Balance - Beginning of Year			332,300	
Fund Balance - End of Year			<u>\$ 358,521</u>	

County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Net Position

June 30, 2016

Assets

Current Assets

Cash	\$ 983,430
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Noncurrent Assets

Capital Assets

Land and buildings held for resale (net)	6,508,674
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Other Noncurrent Assets

Lease receivable	490,773
Note receivable	444,563

Total Assets	<u>\$ 8,427,440</u>
--------------	---------------------

Liabilities and Net Position

Liabilities

Current Liabilities

Notes payable - current portion	<u>\$ 110,214</u>
Total Current Liabilities	110,214

Long-Term Liabilities

Note payable - less current portion	<u>432,172</u>
Total Long-Term Liabilities	<u>432,172</u>

Total Liabilities	542,386
-------------------	---------

Net Position

Net investment in capital assets	5,966,288
Unrestricted	<u>1,918,766</u>

Total Net Position	<u>7,885,054</u>
--------------------	------------------

Total Liabilities and Net Position	<u>\$ 8,427,440</u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended June 30, 2016

Operating Revenues

Contributions from Mecklenburg County, Virginia for	
Economic Stimulus Grant - industrial tax refund	\$ 14,990,897
From Mecklenburg County for RRRBP shell building	170,648
Miscellaneous	<u>4,508</u>
Total Operating Revenues	15,166,053

Operating Expenses

Insurance	2,683
Legal and professional fees	19,882
Administrative	1,247
Utility companies	2,314
Donation to Longwood University	10,000
Payments to IDA of Brunswick County, Virginia	3,452
Repairs and maintenance	10,800
Miscellaneous	2,110
Payouts to businesses and stimulus grants	<u>14,987,692</u>
Total Operating Expenses	<u>15,040,180</u>

Operating Income	125,873
------------------	---------

Non-Operating Revenues (Expenses)

Interest income	24,534
Interest expense and loan closing fees	<u>(19,812)</u>

Net Non-Operating Revenues (Expenses)	<u>4,722</u>
---------------------------------------	--------------

Change in Net Position	130,595
------------------------	---------

Total Net Position - Beginning of Year	<u>7,754,459</u>
--	------------------

Total Net Position - End of Year	<u><u>\$ 7,885,054</u></u>
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County of Mecklenburg, Virginia

Component Unit - Industrial Development Authority of Mecklenburg County, Virginia

Statement of Cash Flows

Year Ended June 30, 2016

Cash Flows from Operating Activities

Contributions from Mecklenburg County, Virginia - stimulus payments	\$ 14,990,897
Contributions from Mecklenburg County, Virginia - shell building	170,648
Payments received on leases receivable	84,133
Payments received on notes receivable	62,854
Miscellaneous	4,508
Payments to businesses and vendors	<u>(15,040,180)</u>

Net Cash Provided by Operating Activities 272,860

Cash Flows from Capital and Related Financing Activities

Proceeds from new debt	245,000
Payments on notes payable	(71,863)
New construction on shell building	(170,648)
Interest expense	<u>(19,812)</u>

Net Cash Used in Capital and Related Financing Activities (17,323)

Cash Flows from Investing Activities

Interest income	<u>24,534</u>
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Net Cash Provided by Investing Activities 24,534

Net Increase in Cash and Cash Equivalents 280,071

Cash and Cash Equivalents - Beginning of Year 703,359

Cash and Cash Equivalents - End of Year \$ 983,430

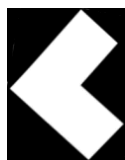
Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income	\$ 125,873
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>	
<i>Changes in assets and liabilities</i>	
Leases receivable	84,133
Notes receivable	<u>62,854</u>

Net Cash Provided by Operating Activities \$ 272,860

COMPLIANCE SECTION





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

To the Board of Supervisors
County of Mecklenburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Mecklenburg, Virginia's basic financial statements and have issued our report thereon dated February 14, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 14, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Supervisors
County of Mecklenburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Mecklenburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Mecklenburg, Virginia's major federal programs for the year ended June 30, 2016. County of Mecklenburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Mecklenburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, the Uniform Guidance, and specifications require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Mecklenburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the County of Mecklenburg, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the County of Mecklenburg, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Mecklenburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Mecklenburg, Virginia's internal control over compliance.

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

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

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

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 14, 2017



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

To the Board of Supervisors
County of Mecklenburg, Virginia

We have audited the financial statements of the County of Mecklenburg, Virginia, as of and for the year ended June 30, 2016, and have issued our report thereon dated February 14, 2017.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia's laws, regulations, contracts, and grants applicable to the County of Mecklenburg, Virginia, is the responsibility of the County of Mecklenburg, Virginia's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Mecklenburg, Virginia's compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts, and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Debt Provisions
- Procurement
- Unclaimed Property
- Personal Property Tax Relief Act

State Agency Requirements

- Social Services
- Education
- Comprehensive Services Act Funds
- Economic Development Opportunity Fund

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of Mecklenburg, Virginia had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, County of Mecklenburg, Virginia's management, Auditor of Public Accounts of the Commonwealth of Virginia, and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Creedle, Jones & Alga, P.C.

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

South Hill, Virginia
February 14, 2017

County of Mecklenburg, Virginia

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Agriculture			
Direct Payments			
<i>Bureau of Land Management</i>			
Payments in Lieu of Taxes - Public Law (National Forest Acreage in the Localities)	10.664	N/A	\$ 160,705
Pass-Through Payments			
<i>State Department of Agriculture</i>			
Food Distribution - Schools	10.555	N/A	146,437
Food Distribution - Summer Feed	10.559	N/A	1,524
<i>Department of Social Services</i>			
Food Stamp Cluster			
Administration for Food Stamp Program	10.561	765	301,530
<i>Department of Education</i>			
Child Nutrition Cluster			
National School Lunch Program	10.555	197	1,169,789
School Breakfast Program	10.553	197	398,703
Child Nutrition Cluster Total			1,568,492
Fresh Fruit and Vegetables	10.582	197	24,031
Subtotal - U. S. Department of Agriculture			2,202,719
U. S. Department of Health and Human Services			
Pass-Through Payments			
<i>Department of Social Services</i>			
Child Care Cluster			
Child Care and Development Fund	93.575	765	(25)
Child Care and Development Fund	93.596	765	38,943
Child Care Cluster Total			38,918
Family Preservation and Support Services	93.556	765	17,971
Temporary Assistance to Needy Families	93.558	765	283,706
Refugee and Entrant Assistance - State Admin. Programs	93.566	765	265
Low Income Home Energy Assistance	93.568	765	30,098
Child Welfare Services	93.645	765	1,538
Foster Care - Title IV-E	93.658	765	201,575
Adoption Assistance	93.659	765	92,041
Social Services Block Grant	93.667	765	166,147
Chafee Foster Care Independence Program	93.674	765	1,375
State Children's Insurance Program	93.767	765	11,272
Medical Assistance Program (Medicaid; Title XIX)	93.778	765	364,093
Subtotal - U. S. Department of Health and Human Services			1,208,999

Federal Granting Agency/Recipient State Agency/ Grant Program	Federal Catalog Number	State Agency Number	Expenditures
U. S. Department of Justice			
Pass-Through Payments			
<i>Department of Criminal Justice Services</i>			
Violence Against Women Formula Grants	16.588	140	42,920
Subtotal - U. S. Department of Justice			42,920
U. S. Department of Defense			
Pass-Through Payments			
<i>Department of Education</i>			
Payments to States in Lieu of Real Estate Taxes	12.112	197	19,090
U. S. Department of Education			
Direct Payments			
Immigrant and State Youth Grant	84.365	N/A	2,357
Pass-Through Payments			
<i>Department of Education</i>			
<i>Special Education Cluster</i>			
IDEA 611 Flow-Through	84.027	197	978,586
Preschool Handicapped	84.173	197	28,800
Special Education Cluster Total			1,007,386
<i>Title I Cluster</i>			
Title I	84.010	197	1,169,956
Title I Cluster Total			1,169,956
Title VI - Rural and Low Income Schools	84.358	197	58,790
Vocational Education/Federal Payments (Perkins)	84.048	197	78,953
Title IV Part B 21st Century	84.287	197	675,477
Title II Part A	84.367	197	381,789
Subtotal - U. S. Department of Education			3,374,708
U. S. Department of Transportation			
Pass-Through Payments			
<i>Department of Motor Vehicles</i>			
Alcohol Open Container	20.607	510	20,113
Subtotal - U. S. Department of Transportation			20,113
U. S. Department of Housing and Urban Development			
Pass-Through Payments			
<i>Department of Housing and Community Development</i>			
Community Development Block Grants/State's Programs	14.228	165	301,663
Subtotal - U. S. Department of Housing and Urban Development			301,663
Grand Totals			\$ 7,170,212

See accompanying notes to schedule of expenditures of federal awards.

County of Mecklenburg, Virginia

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Mecklenburg, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Mecklenburg, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Mecklenburg, Virginia.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$147,961 at the time received were consumed during the year ended June 30, 2016. These commodities were included in the determination of federal awards expended during the year ended June 30, 2016.

4. Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the County's basic financial statements as follows:

Intergovernmental Federal Revenues per the Basic Financial Statements**Primary Government**

General Fund	\$ 238,738
Public Assistance Fund	1,510,529
Community Development Block Grant Funds	<u>286,663</u>
Total Primary Government	2,035,930

Component Unit School Board

School Operating Fund	3,393,798
School Cafeteria Fund	<u>1,592,523</u>
Total Component Unit School Board	<u>4,986,321</u>

Total Federal Expenditures per Basic Financial Statements 7,022,251

Add: Amounts Not Reported on the Basic Financial Statements

USDA Food Commodities - Food Distribution - Schools 147,961

Adjusted Total \$ 7,170,212

Total Federal Expenditures per the Schedule of Expenditures of Federal Awards \$ 7,170,212

County of Mecklenburg, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? No

Major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
84.173 and 84.027	Special Education Cluster
84.010	Title I

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

Auditee qualified as low-risk auditee? Yes