

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



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

## County of Henry, Virginia

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# FINANCIAL SECTION





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## INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors  
County of Henry, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Henry, 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 business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## 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 1-9 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 71–88 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 Henry, Virginia's basic financial statements. The component unit statements and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The component unit 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 component unit 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.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the County of Henry, 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 Henry, 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  
December 15, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the County of Henry, Virginia presents the following discussion and analysis as an overview of the County of Henry, Virginia's financial activities for the fiscal year ending June 30, 2017. We encourage readers to read this discussion and analysis in conjunction with the County's basic financial statements.

### Financial Highlights

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets and deferred outflows of resources of the County, excluding its Component Units, exceeded its liabilities and deferred inflows of resources by \$54,858,877. Of this amount, \$33,811,775 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 \$50,186,595 and expenses amounted to \$44,573,937. The net position increased \$5,612,658.
- For business-type activities, program revenues were \$143,000 and expenses were \$186,903. The net position decreased by \$43,903.

#### Highlights for Fund Financial Statements

- As of June 30, 2017, the County's Governmental Funds reported combined fund balances of \$36,569,247, an increase of \$591,356 in comparison with the prior year. Approximately 63.44 percent of the combined fund balances, \$23,200,191, is available to meet the County's current and future needs based on fund classifications explained in the notes to the financial statements.
- The General Fund reported a fund balance of \$36,119,670, an increase of \$592,622 from June 30, 2016.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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

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 government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education. Philpott Marina activities represent the business-type activities.

Furthermore, the government-wide financial statements include legally separate entities, the school board and the Industrial Development Authority, for which the County is financially accountable. The County is the fiscal agent for the Henry-Martinsville Social Services, which is supported by funds from the Federal government, Commonwealth of Virginia, County General Fund, and the City of Martinsville, Virginia. Financial information for component units is reported separately from the financial information presented for the primary government itself.

### **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. Major funds are separately reported while all others are combined into a single aggregated presentation.

The County has three 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, Children's Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects Funds, all of which are considered to be major funds.

*Proprietary Funds* – The County uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information. The County uses an Internal Service Fund to account for financing of goods and services provided by one department or agency to other departments or agencies of the County government.

*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.

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

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 45,323,957	\$ 43,984,123	\$ 56,326	\$ 35,761	\$ 45,380,283	\$ 44,019,884
Capital assets (net)	51,366,610	39,502,358	1,217,613	1,275,645	52,584,223	40,778,003
Total Assets	96,690,567	83,486,481	1,273,939	1,311,406	97,964,506	84,797,887
<b>Deferred Outflows of Resources</b>						
Total Assets and Deferred Outflows of Resources	2,735,596	1,622,731	-	-	2,735,596	1,622,731
<b>Liabilities</b>						
Other liabilities	\$ 2,445,060	\$ 3,503,986	\$ 50,591	\$ 44,155	\$ 2,495,651	\$ 3,548,141
Long-term liabilities	42,375,647	31,569,793	-	-	42,375,647	31,569,793
Total Liabilities	44,820,707	35,073,779	50,591	44,155	44,871,298	35,117,934
<b>Deferred Inflows of Resources</b>						
	969,927	2,012,562	-	-	969,927	2,012,562
<b>Net Position</b>						
Net investment in capital assets	19,829,489	16,466,962	1,217,613	1,275,645	21,047,102	17,742,607
Unrestricted	33,806,040	31,555,909	5,735	(8,394)	33,811,775	31,547,515
Total Net Position	53,635,529	48,022,871	1,223,348	1,267,251	54,858,877	49,290,122
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 99,426,163	\$ 85,109,212	\$ 1,273,939	\$ 1,311,406	\$ 100,700,102	\$ 86,420,618

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 Primary Government reporting entity, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,858,877 at June 30, 2017. The portion of the reporting entity's net position, \$21,047,102, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.

## Statement of Activities

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

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 636,343	\$ 628,499	\$ 140,499	\$ 140,014	\$ 776,842	\$ 768,513
Grants and contributions	7,924,231	8,368,671	2,501	21,534	7,926,732	8,390,205
<b>General Revenues</b>						
General property taxes, real and personal	24,531,335	24,182,144	-	-	24,531,335	24,182,144
Other taxes	12,323,201	12,219,982	-	-	12,323,201	12,219,982
Noncategorical aid from state	4,132,162	4,216,541	-	-	4,132,162	4,216,541
Use of property	399,500	-	-	-	399,500	-
Investment earnings	183,772	425,548	-	-	183,772	425,548
Miscellaneous	56,051	35,623	-	-	56,051	35,623
Transfers in	-	-	-	7,178	-	7,178
Total Revenues	<u>50,186,595</u>	<u>50,077,008</u>	<u>143,000</u>	<u>168,726</u>	<u>50,329,595</u>	<u>50,245,734</u>
<b>Expenses</b>						
General government administration	2,966,671	2,865,218	-	-	2,966,671	2,865,218
Judicial administration	3,022,642	2,887,147	-	-	3,022,642	2,887,147
Public safety	15,039,396	13,829,138	-	-	15,039,396	13,829,138
Public works	3,456,523	3,336,704	-	-	3,456,523	3,336,704
Health and welfare	1,860,088	1,935,401	-	-	1,860,088	1,935,401
Education	11,451,177	25,606,619	-	-	11,451,177	25,606,619
Parks, recreation, and cultural	1,932,284	2,002,699	186,903	182,851	2,119,187	2,185,550
Community development	3,871,943	2,843,856	-	-	3,871,943	2,843,856
Interest on long-term debt	973,213	748,039	-	-	973,213	748,039
Transfers out	-	7,178	-	-	-	7,178
Total Expenses	<u>44,573,937</u>	<u>56,061,999</u>	<u>186,903</u>	<u>182,851</u>	<u>44,760,840</u>	<u>56,244,850</u>
Increase (Decrease) in Net Position	<u>5,612,658</u>	<u>(5,984,991)</u>	<u>(43,903)</u>	<u>(14,125)</u>	<u>5,568,755</u>	<u>(5,999,116)</u>
Beginning Net Position	<u>48,022,871</u>	<u>54,007,862</u>	<u>1,267,251</u>	<u>1,281,376</u>	<u>49,290,122</u>	<u>55,289,238</u>
Ending Net Position	<u>\$ 53,635,529</u>	<u>\$ 48,022,871</u>	<u>\$ 1,223,348</u>	<u>\$ 1,267,251</u>	<u>\$ 54,858,877</u>	<u>\$ 49,290,122</u>

Governmental activities increased the County's net position by \$5,612,658 for fiscal year 2017. Revenues from governmental activities totaled \$50,186,595. General property taxes comprise the largest source of these revenues, totaling \$24,531,335 or 48.88 percent of all governmental activities revenue. Business-type activities revenues totaled \$143,000 and expenses totaled \$186,903 decreasing the net position by \$43,903.

The total cost of all governmental activities for this fiscal year was \$44,573,937. Public safety was the County's largest program with expenses totaling \$15,039,396. Education, which totals \$11,451,177, represents the second largest expense.

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

### Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>		<u>2016</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	\$ 2,966,671	\$ (2,413,143)	\$ 2,865,218	\$ (2,428,660)
Judicial administration	3,022,642	(1,562,556)	2,887,147	(1,614,522)
Public safety	15,039,396	(9,365,856)	13,829,138	(7,513,235)
Public works	3,456,523	(3,350,004)	3,336,704	(3,228,579)
Health and welfare	1,860,088	(1,336,106)	1,935,401	(1,518,668)
Parks, recreation, and cultural	1,932,284	(1,894,067)	2,002,699	(1,965,261)
Community development	3,871,943	(3,667,241)	2,843,856	(2,434,068)
Education	11,451,177	(11,451,177)	25,606,619	(25,606,619)
Interest on long-term debt	<u>973,213</u>	<u>(973,213)</u>	<u>748,039</u>	<u>(748,039)</u>
Total	<u>\$ 44,573,937</u>	<u>\$ (36,013,363)</u>	<u>\$ 56,054,821</u>	<u>\$ (47,057,651)</u>

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of June 30, 2017, the County's Governmental Funds reported a combined ending fund balance of \$36,569,247. The unassigned fund balance is \$23,200,191 which is available for spending at the government's discretion. The General Fund's liquidity can be measured by comparing unassigned fund balance to total fund expenditures. Unassigned fund balance represents 46.67 percent of total fund expenditures.

- The General Fund contributed operating funds to finance the component units as follows: \$17,658,120 School Board operations, \$2,371,545 to finance the Industrial Development Authority, and \$537,642 to the Social Services Board.

The Special Grant Projects Fund has a total fund balance of \$241,138, all of which is assigned for ongoing and future grant projects.

## BUDGETARY HIGHLIGHTS

### General Fund

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

#### Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 23,838,869	\$ 23,838,869	\$ 24,344,550	\$ 23,501,356	\$ 23,501,356	\$ 24,025,389
Other	15,406,951	15,781,364	16,099,770	14,897,157	15,278,950	16,498,636
Intergovernmental	10,354,480	13,384,074	10,944,114	10,302,735	14,238,156	11,568,883
Total	49,600,300	53,004,307	51,388,434	48,701,248	53,018,462	52,092,908
<b>Expenditures</b>	48,402,817	60,838,441	49,706,057	47,405,232	61,418,335	48,968,997
Excess (Deficiency) of Revenues Over Expenditures	1,197,483	(7,834,134)	1,682,377	1,296,016	(8,399,873)	3,123,911
<b>Other Financing Sources (Uses)</b>						
Transfers in (out)	(1,197,483)	(1,299,437)	(1,089,755)	(1,296,016)	(1,398,094)	(1,114,300)
Total	(1,197,483)	(1,299,437)	(1,089,755)	(1,296,016)	(1,398,094)	(1,114,300)
Net Change in Fund Balance Before Transfer from Surplus	-	(9,133,571)	592,622	-	(9,797,967)	2,009,611
Transfer from Surplus Funds	-	9,133,571	-	-	9,797,967	-
Change in Fund Balance	\$ -	\$ -	\$ 592,622	\$ -	\$ -	\$ 2,009,611

Final amended budget revenues were more than the original budget by \$3,404,007.

The final amended budget appropriations for expenditures exceeded the original appropriation by \$12,435,624 primarily because appropriations carried forward on encumbrances, open grants, and incomplete capital projects plus additional money appropriated to the School Board.

Actual revenues were less than final budget amounts by \$1,615,873, or 3.05 percent, while actual expenditures were \$11,132,384, or 18.30 percent less than final budget amounts.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

As of June 30, 2017, the County's investment in capital assets totals \$19,829,489, which is net capital assets for governmental activities and \$1,217,613 for business-type activities.

During fiscal year 2017, the County's net capital assets (including additions, decreases, and depreciation) decreased \$1,013,898 for governmental activities, decreased \$58,032 for business-type activities; increased \$13,026,043 for the School Board; decreased \$1,261 for the IDA; and increased \$5,084 for Social Services as summarized in the following tables:

### Change in Capital Assets

#### Primary Government

##### Governmental Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 3,095,261	\$ 176,895	\$ 3,272,156
Construction in process	136,800	(136,800)	-
Buildings and improvements	23,219,832	-	23,219,832
Furniture, equipment, and vehicles	<u>18,546,188</u>	<u>(213,017)</u>	<u>18,333,171</u>
Total Capital Assets	44,998,081	(172,922)	44,825,159
Less: Accumulated depreciation and amortization	<u>(27,431,340)</u>	<u>(840,976)</u>	<u>(28,272,316)</u>
Total Capital Assets, Net Before Allocation of Schools	<u>\$ 17,566,741</u>	<u>\$ (1,013,898)</u>	<u>16,552,843</u>
Allocation of net school buildings with outstanding debt			<u>34,813,767</u>
Total Capital Assets, Net			<u>\$ 51,366,610</u>

##### Business-Type Activities

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 51,876	\$ -	\$ 51,876
Buildings and improvements	1,182,485	-	1,182,485
Furniture, equipment, and vehicles	<u>168,870</u>	<u>-</u>	<u>168,870</u>
Total Capital Assets	1,403,231	-	1,403,231
Less: Accumulated depreciation and amortization	<u>(127,586)</u>	<u>(58,032)</u>	<u>(185,618)</u>
Total Capital Assets, Net	<u>\$ 1,275,645</u>	<u>\$ (58,032)</u>	<u>\$ 1,217,613</u>

#### Component Units

##### School Board

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Land and land improvements	\$ 1,401,743	\$ -	\$ 1,401,743
Construction in process	2,003,457	12,811,355	14,814,812
Buildings and improvements	80,114,114	1,736,303	81,850,417
Furniture, equipment, and vehicles	<u>12,263,387</u>	<u>595,352</u>	<u>12,858,739</u>
Total Capital Assets	95,782,701	15,143,010	110,925,711
Less: Accumulated depreciation and amortization	<u>(47,406,490)</u>	<u>(2,116,967)</u>	<u>(49,523,457)</u>
Total Capital Assets, Net Before Allocation to County	<u>\$ 48,376,211</u>	<u>\$ 13,026,043</u>	<u>61,402,254</u>
Allocation of net school buildings with outstanding debt			<u>(34,813,767)</u>
Total Capital Assets, Net			<u>\$ 26,588,487</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.

**IDA**

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Equipment	\$ 6,305	\$ -	\$ 6,305
Total Capital Assets	6,305	-	6,305
Less: Accumulated depreciation and amortization	<u>(2,627)</u>	<u>(1,261)</u>	<u>(3,888)</u>
Total Capital Assets, Net	<u>\$ 3,678</u>	<u>\$ (1,261)</u>	<u>\$ 2,417</u>

**Henry-Martinsville Social Services**

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
Machinery and equipment	\$ 272,792	\$ (15,593)	\$ 257,199
Less: Accumulated depreciation and amortization	<u>(220,105)</u>	<u>20,677</u>	<u>(199,428)</u>
Total Capital Assets, Net	<u>\$ 52,687</u>	<u>\$ 5,084</u>	<u>\$ 57,771</u>

**Long-Term Debt**

As of June 30, 2017, the County's long-term obligations, excluding the Component Units, total \$34,159,964.

	<u>Balance July 1, 2016</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2017</u>
<b>Governmental Activities</b>			
General obligation bonds	\$ 9,801,221	\$ (685,022)	\$ 9,116,199
Lease Revenue Bond 2015	10,000,000	9,925,000	19,925,000
Capital leases	64,498	(64,498)	-
Literary Fund loans	1,238,109	(541,289)	696,820
Recovery Zone bonds	1,575,000	(90,000)	1,485,000
Landfill obligation	262,767	(478)	262,289
Compensated absences	2,284,672	75,882	2,360,554
LT Agreement	<u>107,200</u>	<u>(19,200)</u>	<u>88,000</u>
	25,333,467	8,600,395	33,933,862
Add: Premiums	<u>249,368</u>	<u>(23,266)</u>	<u>226,102</u>
Total Governmental Activities	<u>\$ 25,582,835</u>	<u>\$ 8,577,129</u>	<u>\$ 34,159,964</u>

General obligation indebtedness must be approved by voter referendum prior to issuance except for debt incurred from the State Literary Fund or the Virginia Public School Authority.

More detailed information on the County's long-term obligations is presented in Note 11 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The average unemployment rate for the County of Henry, Virginia in June 2017 was 5.1 percent, a decrease of .6 percent from June 2016. This compares unfavorably to the state's rate of 3.8 percent and the national rate of 4.5 percent.
- According to the 2010 U.S. Census, the population in Henry County, Virginia was 54,151, a decrease of 6.5%, since the 2000 U.S. Census. The latest estimate by University of Virginia Weldon Cooper Center for Public Service is a population of 52,352, a decrease of 3.32% from 2010 U.S. census.
- The per capita income in Henry County, Virginia was \$34,968, compared to \$53,723 for the state, according to the latest available estimates from the U.S. Department of Commerce Bureau of Economic Analysis.

The fiscal year 2018 Adopted Budget anticipates General Fund revenues and expenditures to be \$53,354,369, a 7.57 percent increase over the fiscal year 2017 original budget.

## **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 the County of Henry, Director of Finance, P. O. Box 7, Collinsville, Virginia 24078-0007, telephone 276-634-4630, or visit the County's website at [www.henrycountyva.gov](http://www.henrycountyva.gov).

# BASIC FINANCIAL STATEMENTS



## County of Henry, Virginia

## Statement of Net Position

At June 30, 2017

	<u>Primary Government</u>			<u>School Board</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>		<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>
<b>Assets</b>						
Cash	\$ 26,649,252	\$ 200	\$ 26,649,452	\$ 2,348,297	\$ 615,785	\$ 66,599
Cash - restricted	-	-	-	7,375,243	-	-
Investments	9,999,788	-	9,999,788	-	-	-
Receivables, net	5,464,217	168	5,464,385	134,495	981,185	3,487
Due from County of Henry, Virginia - primary government	-	-	-	-	233,095	-
Due from component units	577,497	-	577,497	-	-	-
Internal balances	(48,283)	48,283	-	-	-	-
Due from other governments/agencies	2,575,849	-	2,575,849	2,995,646	-	734,155
Inventory	22,795	7,675	30,470	-	35,654,548	-
Notes receivable	-	-	-	-	324,085	-
Net OPEB prepaid liability	82,842	-	82,842	-	-	89,616
<b>Capital Assets</b>						
Land and construction in progress	3,272,156	46,113	3,318,269	16,216,555	-	-
Other capital assets, net of accumulated depreciation	48,094,454	1,171,500	49,265,954	10,371,932	2,417	57,771
Capital Assets, Net	51,366,610	1,217,613	52,584,223	26,588,487	2,417	57,771
Total Assets	96,690,567	1,273,939	97,964,506	39,442,168	37,811,115	951,628
<b>Deferred Outflows of Resources</b>						
Deferred outflows - VRS pension	2,735,596	-	2,735,596	9,683,754	-	586,195
Total Assets and Deferred Outflows of Resources	\$ 99,426,163	\$ 1,273,939	\$ 100,700,102	\$ 49,125,922	\$ 37,811,115	\$ 1,537,823
<b>Liabilities</b>						
Accounts payable	\$ 718,765	\$ 4,206	\$ 722,971	\$ 1,143,138	\$ 1,022,327	\$ -
Accrued payroll and other liabilities	255,457	4,518	259,975	3,999,421	-	35,559
Accrued interest	421,492	-	421,492	-	30,941	-
Claims payable	1,037,700	-	1,037,700	-	-	-
Unearned rents	-	41,867	41,867	-	-	-
Due to other governments/agencies	11,646	-	11,646	-	697,711	-
Due to component units	-	-	-	-	-	-
Due to County of Henry, Virginia - primary government	-	-	-	41,910	-	768,682
<b>Long-Term Liabilities</b>						
<i>Due within one year</i>						
Bonds, loans, other	1,992,437	-	1,992,437	515,459	470,201	34,773
<i>Due in more than one year</i>						
Landfill obligation	236,060	-	236,060	-	-	-
Compensated absences	2,124,499	-	2,124,499	716,715	-	312,961
Net OPEB liability	-	-	-	24,959	-	-
VRS net pension liability	8,215,683	-	8,215,683	66,765,270	-	1,760,490
Bonds, capital leases, and loans payable, net of premiums	29,806,968	-	29,806,968	836,315	3,461,955	-
Total Liabilities	44,820,707	50,591	44,871,298	74,043,187	5,683,135	2,912,465
<b>Deferred Inflows of Resources</b>						
Unexpended grants payable	790,086	-	790,086	130,554	165,005	-
Deferred inflows VRS net pension	179,841	-	179,841	3,814,612	-	38,537
Total Deferred Inflows of Resources	969,927	-	969,927	3,945,166	165,005	38,537
<b>Net Position</b>						
Net investment in capital assets	19,829,489	1,217,613	21,047,102	19,261,086	2,417	57,771
Restricted for capital project	-	-	-	5,494,749	-	-
Unrestricted (deficit)	33,806,040	5,735	33,811,775	(53,618,266)	31,960,558	(1,470,950)
Total Net Position (Deficit)	53,635,529	1,223,348	54,858,877	(28,862,431)	31,962,975	(1,413,179)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 99,426,163	\$ 1,273,939	\$ 100,700,102	\$ 49,125,922	\$ 37,811,115	\$ 1,537,823

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

County of Henry, Virginia  
Statement of Activities  
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	School Board	Industrial Development Authority	Henry-Martinsville Social Services
<b>Primary Government</b>										
<b>Governmental Activities</b>										
General government administration	\$ 2,966,671	\$ 21,606	\$ 531,922	\$ -	\$ (2,413,143)		\$ (2,413,143)			
Judicial administration	3,022,642	114,749	1,345,337	-	(1,562,556)		(1,562,556)			
Public safety	15,039,396	375,631	5,297,909	-	(9,365,856)		(9,365,856)			
Public works	3,456,523	86,140	20,379	-	(3,350,004)		(3,350,004)			
Health and welfare	1,860,088	-	523,982	-	(1,336,106)		(1,336,106)			
Parks, recreation, and cultural	1,932,284	38,217	-	-	(1,894,067)		(1,894,067)			
Community development	3,871,943	-	204,702	-	(3,667,241)		(3,667,241)			
Education - local school	11,394,566	-	-	-	(11,394,566)		(11,394,566)			
Education - community college	56,611	-	-	-	(56,611)		(56,611)			
Interest on long-term debt	973,213	-	-	-	(973,213)		(973,213)			
Total Governmental Activities	44,573,937	636,343	7,924,231	-	(36,013,363)		(36,013,363)			
<b>Business-Type Activities</b>										
Philpott Marina - Parks, Recreation, and Cultural	186,903	140,499	-	2,501		\$ (43,903)	(43,903)			
Total Business-Type Activities	186,903	140,499	-	2,501		(43,903)	(43,903)			
Total Primary Government	\$ 44,760,840	\$ 776,842	\$ 7,924,231	\$ 2,501			(36,057,266)			
<b>Component Units</b>										
<b>School Board</b>										
Instruction	\$ 45,540,776	\$ 543,286	\$ 56,495,470	\$ -				\$ 11,497,980		
Administration, attendance, and health	2,837,170	-	-	-				(2,837,170)		
Pupil transportation	5,125,378	-	-	-				(5,125,378)		
Operation and maintenance	6,336,212	-	-	-				(6,336,212)		
School food service - cafeterias	4,874,571	651,476	4,449,439	-				226,344		
Special grants	8,633,980	-	-	-				(8,633,980)		
Facilities	1,505,735	-	-	-				(1,505,735)		
Technology	3,209,757	-	466,000	-				(2,743,757)		
Interest	6,335	-	-	-						
Total School Board	78,069,914	1,194,762	61,410,909	-				(15,457,908)		
<b>Industrial Development Authority</b>										
Economic development	2,580,801	-	2,414,167	-					\$ (166,634)	
Interest	89,621	-	-	-					(89,621)	
Total Industrial Development Authority	2,670,422	-	2,414,167	-					(256,255)	
<b>Henry-Martinsville Social Services</b>										
Health and welfare	6,453,458	-	5,884,417	-						\$ (569,041)
Total - Component Units	\$ 87,193,794	\$ 1,194,762	\$ 69,709,493	\$ -						(16,283,204)
<b>General Revenues (Unrestricted)</b>										
General property taxes					24,531,335	-	24,531,335	-	-	-
Other local taxes					12,323,201	-	12,323,201	-	-	-
Payments - County of Henry, Virginia					-	-	-	11,394,566	2,371,545	537,642
Use of property					399,500	-	399,500	26,723	-	-
Investment income					183,772	-	183,772	85,175	45,331	-
Miscellaneous					56,051	-	56,051	937,233	1,009,548	23,394
Noncategorical aid from state					4,132,162	-	4,132,162	-	-	-
Transfers in (out)					-	-	-	-	-	-
Total General Revenues and Transfers					41,626,021	-	41,626,021	12,443,697	3,426,424	561,036
Change in Net Position					5,612,658	(43,903)	5,568,755	(3,020,546)	3,170,169	(8,005)
Net Position (Deficit) - Beginning of Year (Previously Reported)					48,022,871	1,267,251	49,290,122	(25,293,000)	28,792,806	(1,405,174)
Restatement					-	-	-	(547,985)	-	-
Net Position (Deficit) - Beginning of Year (Restated)					48,022,871	1,267,251	49,290,122	(25,841,885)	28,792,806	(1,405,174)
Net Position (Deficit) - End of Year					\$ 53,635,529	\$ 1,223,348	\$ 54,858,877	\$ (28,862,431)	\$ 31,962,975	\$ (1,413,179)

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

County of Henry, Virginia  
Balance Sheet  
Governmental Funds  
At June 30, 2017

	General Fund	Children's Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
<b>Assets</b>							
Cash	\$ 23,816,718	\$ -	\$ -	\$ -	\$ 93,904	\$ -	\$ 23,910,622
Investments	9,999,788	-	-	-	-	-	9,999,788
Receivables - net							
Taxes	1,711,842	-	-	-	-	-	1,711,842
Licenses	49,840	-	-	-	-	-	49,840
Accounts	1,210,817	-	-	1,944	-	-	1,212,761
Due from other funds	534,305	-	-	115,663	-	899,073	1,549,041
Due from component units	1,595,594	-	-	-	-	-	1,595,594
Due from other governments/agencies	1,871,827	119,175	552,729	-	-	32,118	2,575,849
Inventory	22,795	-	-	-	-	-	22,795
Total Assets	<u>\$ 40,813,526</u>	<u>\$ 119,175</u>	<u>\$ 552,729</u>	<u>\$ 117,607</u>	<u>\$ 93,904</u>	<u>\$ 931,191</u>	<u>\$ 42,628,132</u>
<b>Liabilities</b>							
Accounts payable	\$ 576,570	\$ 113,819	\$ 9,706	\$ 1,496	\$ 1,408	\$ 12,424	\$ 715,423
Accrued liabilities	241,215	674	13,568	-	-	-	255,457
Due to other governments/agencies	11,646	-	-	-	-	-	11,646
Due to other funds	1,063,019	4,682	529,455	-	168	-	1,597,324
Due to component units	1,018,097	-	-	-	-	-	1,018,097
Total Liabilities	2,910,547	119,175	552,729	1,496	1,576	12,424	3,597,947
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - unearned grants	112,457	-	-	-	-	677,629	790,086
Unavailable revenue - taxes and licenses	1,670,852	-	-	-	-	-	1,670,852
Total Deferred Inflows of Resources	1,783,309	-	-	-	-	677,629	2,460,938
<b>Fund Balances</b>							
Nonspendable fund balance	22,795	-	-	-	-	-	22,795
Restricted fund balance	620,990	-	-	116,111	92,328	-	829,429
Committed fund balance	1,823,268	-	-	-	-	-	1,823,268
Committed fund balance - revenue stabilization reserve	3,458,814	-	-	-	-	-	3,458,814
Assigned fund balance	6,993,612	-	-	-	-	241,138	7,234,750
Unassigned fund balance	23,200,191	-	-	-	-	-	23,200,191
Total Fund Balances	<u>36,119,670</u>	<u>-</u>	<u>-</u>	<u>116,111</u>	<u>92,328</u>	<u>241,138</u>	<u>36,569,247</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 40,813,526</u>	<u>\$ 119,175</u>	<u>\$ 552,729</u>	<u>\$ 117,607</u>	<u>\$ 93,904</u>	<u>\$ 931,191</u>	<u>\$ 42,628,132</u>

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

County of Henry, Virginia

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

At June 30, 2017

Total Fund Balances for Governmental Funds \$ 36,569,247

**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 construction in progress	\$ 3,057,952
School assets associated with debt held by County	34,813,767
Buildings and improvements, net of accumulated depreciation	9,634,014
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>3,860,877</u>

Total Capital Assets 51,366,610

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

Unavailable revenue - taxes and licenses	1,670,852
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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	2,735,596
Deferred inflows of resources related to pensions	<u>(179,841)</u>

Total Deferred Outflows and Inflows of Resources 2,555,755

Internal service funds are used by the County to charge the cost of health insurance benefits to individual funds and the component units. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

4,187,362

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, capital leases, and notes payable with related premiums	(31,537,121)
Accrued interest payable	(421,492)
OPEB (obligation) asset	82,842
Net VRS pension liability	(8,215,683)
Landfill closure and post-closure liability	(262,289)
Compensated absences	<u>(2,360,554)</u>

Total (42,714,297)

Total Net Position of Governmental Activities \$ 53,635,529

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

## County of Henry, Virginia

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

## Governmental Funds

Year Ended June 30, 2017

	General Fund	Children's Services Act Fund	E-911 Central Dispatch Fund	Law Library Fund	Fieldale Sanitary District Fund	Special Grant Projects Fund	Total Governmental Funds
<b>Revenues</b>							
General property taxes	\$ 24,344,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,344,550
Other local taxes	12,323,201	-	-	-	-	-	12,323,201
Permits, privilege fees, and regulatory licenses	63,792	-	-	-	-	-	63,792
Fines and forfeitures	214,626	-	-	-	-	-	214,626
Use of money and property	557,523	-	-	-	452	-	557,975
Charges for services	351,923	-	-	6,002	-	-	357,925
Miscellaneous	56,051	-	-	-	-	-	56,051
Recovered costs	2,532,654	42,621	448,938	3,709	-	186,334	3,214,256
<i>Intergovernmental</i>							
Revenue from the Commonwealth of Virginia	10,436,227	433,941	465,065	-	-	-	11,335,233
Revenue from the Federal Government	507,887	8,572	-	-	-	204,702	721,161
<b>Total Revenues</b>	<b>51,388,434</b>	<b>485,134</b>	<b>914,003</b>	<b>9,711</b>	<b>452</b>	<b>391,036</b>	<b>53,188,770</b>
<b>Expenditures</b>							
<b>Current</b>							
General government administration	3,201,410	-	-	-	-	-	3,201,410
Judicial administration	2,867,208	-	-	16,200	-	-	2,883,408
Public safety	13,988,313	-	1,723,674	-	-	-	15,711,987
Public works	3,423,957	-	-	-	17,754	-	3,441,711
Health and welfare - social services component unit	537,642	-	-	-	-	-	537,642
Health and welfare	815,379	764,416	-	-	-	-	1,579,795
Education - community college	56,611	-	-	-	-	-	56,611
Education - school board component unit	17,658,120	-	-	-	-	-	17,658,120
Parks, recreation, and cultural	1,871,240	-	-	-	-	-	1,871,240
Community development - IDA component unit	2,371,546	-	-	-	-	-	2,371,546
Community development	1,996,551	-	-	-	-	369,313	2,365,864
Nondepartmental	53,096	-	-	-	-	-	53,096
<i>Debt service</i>							
Principal	64,498	-	-	-	-	-	64,498
Interest	2,835	-	-	-	-	-	2,835
Capital outlay	797,651	-	-	-	-	-	797,651
<b>Total Expenditures</b>	<b>49,706,057</b>	<b>764,416</b>	<b>1,723,674</b>	<b>16,200</b>	<b>17,754</b>	<b>369,313</b>	<b>52,597,414</b>
Excess (Deficiency) of Revenues Over Expenditures	1,682,377	(279,282)	(809,671)	(6,489)	(17,302)	21,723	591,356
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	279,282	809,671	-	-	802	1,089,755
Transfers out	(1,089,755)	-	-	-	-	-	(1,089,755)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,089,755)</b>	<b>279,282</b>	<b>809,671</b>	<b>-</b>	<b>-</b>	<b>802</b>	<b>-</b>
Net Change in Fund Balances	592,622	-	-	(6,489)	(17,302)	22,525	591,356
Fund Balances - Beginning of Year	35,527,048	-	-	122,600	109,630	218,613	35,977,891
Fund Balances - End of Year	\$ 36,119,670	\$ -	\$ -	\$ 116,111	\$ 92,328	\$ 241,138	\$ 36,569,247

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

County of Henry, 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, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	591,356
<b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Net capital outlays and dispositions of assets	\$	877,264
Depreciation expense		<u>(1,891,162)</u>
		(1,013,898)
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 recorded as revenues in the fund statements versus the Statement of Activities on a year-to-year basis.		
		186,785
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.		
Proceeds from new debt		(10,000,000)
Tower lease		19,200
Repayment of principal and adjustment to bond premiums		1,479,075
Change in accrued interest		<u>(116,410)</u>
Net Adjustment		(8,618,135)
Change in allocation of school's capital assets (new school buildings) that have debt held and payable by the County associated with the buildings.		
Change in net school assets allocated to County		<u>12,878,150</u>
		12,878,150
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		(1,115,589)
Cost of benefits earned net of employee contributions		<u>1,326,399</u>
		210,810
Internal service funds are used by the County to charge the cost of health insurance benefits. This is the net income from these funds.		
		1,416,457
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:		
OPEB obligation		36,537
Landfill obligation - closure monitoring		478
Compensated absences		<u>(75,882)</u>
Net Adjustment		<u>(38,867)</u>
Change in Net Position of Governmental Activities	\$	<u>5,612,658</u>

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

## County of Henry, Virginia

## Statement of Net Position

## Proprietary Funds

At June 30, 2017

	<b>Business-Type Activities - Enterprise Fund Philpott Marina Fund #51</b>	<b>Internal Service Fund Self-insurance Fund #58</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 200	\$ 2,738,630
Receivables, net	168	2,489,774
Inventory	7,675	-
Due from General Fund	<u>48,283</u>	<u>-</u>
Total Current Assets	56,326	5,228,404
<b>Noncurrent Assets</b>		
Capital assets, net	<u>1,217,613</u>	<u>-</u>
Total Noncurrent Assets	<u>1,217,613</u>	<u>-</u>
Total Assets	<u>\$ 1,273,939</u>	<u>\$ 5,228,404</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,206	\$ 3,342
Accrued payroll and other liabilities	4,518	-
Claims payable	-	1,037,700
Unearned rents	<u>41,867</u>	<u>-</u>
Total Current Liabilities	<u>50,591</u>	<u>1,041,042</u>
Total Liabilities	50,591	1,041,042
<b>Net Position</b>		
Net investment in capital assets	1,217,613	-
Unrestricted	<u>5,735</u>	<u>4,187,362</u>
Total Net Position	<u>1,223,348</u>	<u>4,187,362</u>
Total Liabilities and Net Position	<u>\$ 1,273,939</u>	<u>\$ 5,228,404</u>

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

## County of Henry, Virginia

## Statement of Revenues, Expenses, and Changes in Net Position

## Proprietary Funds

Year Ended June 30, 2017

	<b>Business-Type Activities - Enterprise Fund Philpott Marina Fund #51</b>	<b>Internal Service Fund Self-insurance Fund #58</b>
<b>Operating Revenues</b>		
Charges for services, premiums collected	\$ -	\$ 11,532,274
Charges for services, net - fuel and store sales	76,639	-
Charges for services, net - rentals	<u>63,860</u>	<u>-</u>
Total Operating Revenues	140,499	11,532,274
<b>Operating Expenses</b>		
Personal services	46,304	-
Fringe benefits	4,647	-
Repairs and maintenance	7,944	-
Food and store purchases for resale	20,486	-
Fuel purchases for resale	33,370	-
Utilities	10,133	-
Office expenses	3,475	-
Insurance	710	-
Other supplies and charges	338	-
Small construction and equipment purchases	1,464	-
Depreciation	58,032	-
Insurance claims paid and transaction fees	<u>-</u>	<u>10,141,114</u>
Total Operating Expenses	<u>186,903</u>	<u>10,141,114</u>
Operating Income (Loss)	(46,404)	1,391,160
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	-	25,297
Insurance recoveries	<u>2,501</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>2,501</u>	<u>25,297</u>
Income (Loss) Before Transfers	(43,903)	1,416,457
Operating Transfers In	<u>-</u>	<u>-</u>
Net Operating Transfers	<u>-</u>	<u>-</u>
Change in Net Position	(43,903)	1,416,457
Total Net Position - Beginning of Year	<u>1,267,251</u>	<u>2,770,905</u>
Total Net Position - End of Year	<u>\$ 1,223,348</u>	<u>\$ 4,187,362</u>

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

## County of Henry, Virginia

## Statement of Cash Flows

## Proprietary Funds

Year Ended June 30, 2017

	<b>Business-Type Activities - Enterprise Fund Philpott Marina Fund #51</b>	<b>Internal Service Fund Self-insurance Fund #58</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 143,249	\$ 10,962,993
Payments for personnel and related costs	(50,598)	-
Payments to suppliers and other operating costs	<u>(74,284)</u>	<u>(10,151,792)</u>
Net Cash Provided by Operating Activities	18,367	811,201
<b>Cash Flows from Noncapital Financing Activities</b>		
Payments on Due to/Due from General Fund	(20,868)	-
Insurance recoveries	<u>2,501</u>	<u>-</u>
Net Cash Used in Noncapital Financing Activities	(18,367)	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases and construction of capital assets	<u>-</u>	<u>-</u>
Net Cash Used in Capital and Related Financing Activities	-	-
<b>Cash Flows from Investing Activities</b>		
Interest income	<u>-</u>	<u>25,297</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>25,297</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	836,498
Cash and Cash Equivalents - Beginning of Year	<u>200</u>	<u>1,902,132</u>
Cash and Cash Equivalents - End of Year	<u>\$ 200</u>	<u>\$ 2,738,630</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (46,404)	\$ 1,391,160
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</i>		
Depreciation expense	58,032	-
<i>Changes in assets and liabilities</i>		
Receivables, net	59	(569,281)
Inventory	244	-
Accounts payable	3,392	(10,678)
Accrued expenses and payroll liabilities	353	-
Unearned rents	<u>2,691</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 18,367</u>	<u>\$ 811,201</u>

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

## County of Henry, Virginia

## Statement of Fiduciary Assets and Liabilities

Year Ended June 30, 2017

Agency Funds

	<u>Special Welfare</u>	<u>Gateway Streetscape Foundation, Inc.</u>	<u>Jail Inmate</u>	<u>OPEB Trust</u>	<u>Total</u>
<b>Assets</b>					
Cash	\$ 3,635	\$ 97,777	\$ 83,930	\$ 2,377,989	\$ 2,563,331
Accounts receivable	-	2,600	-	-	2,600
Due from other governmental unit	-	13,690	-	-	13,690
Capital assets, net	-	517	-	-	517
	<u>-</u>	<u>114,584</u>	<u>-</u>	<u>-</u>	<u>114,584</u>
Total Assets	<u>\$ 3,635</u>	<u>\$ 114,584</u>	<u>\$ 83,930</u>	<u>\$ 2,377,989</u>	<u>\$ 2,580,138</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ -	\$ 833	\$ -	\$ -	\$ 833
Amounts held for others	<u>3,635</u>	<u>113,751</u>	<u>83,930</u>	<u>2,377,989</u>	<u>2,579,305</u>
Total Liabilities	<u>\$ 3,635</u>	<u>\$ 114,584</u>	<u>\$ 83,930</u>	<u>\$ 2,377,989</u>	<u>\$ 2,580,138</u>

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

## County of Henry, Virginia

### Notes to the Financial Statements

Year Ended June 30, 2017

## 1 Summary of Significant Accounting Policies

### *Narrative Profile*

The County of Henry, Virginia (the "County") has a population of approximately 54,151 living within an area of 382 square miles. The County is located in the foothills of the Blue Ridge Mountains, in the southern Piedmont region of Virginia. The borders are shared with Patrick County to the west, Franklin County to the north, Pittsylvania County to the east, and the North Carolina line to the south.

The County was named for Patrick Henry, who lived there from 1780 to 1784. They originally were part of Pittsylvania County, but then went on their own in 1777.

The County of Henry, Virginia (the "County") is governed under the County Administration-Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation, and cultural, community development, and education.

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 Henry, 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

#### *Henry County School Board*

Henry County School Board (the “School Board”) is organized as an independently governed school system for operating the public schools in the County. Citizens of the County elect school board members. The School Board is financially dependent on appropriations by the County Board of Supervisors for current operations, with any surplus funds returned to the County annually. In addition, major capital improvements are financed by long-term debt issued by the County. In accordance with requirements of the Auditor of Public Accounts of the Commonwealth of Virginia, the School Board is considered to be a major component unit of the County. The government-wide statements are shown on the Statement of Net Position and the Statement of Activities, and the School Board governmental fund combining statements are shown in the Other Supplementary Information section.

#### *Industrial Development Authority of Henry County, Virginia*

The Industrial Development Authority of Henry County, Virginia (the “IDA”) operates as an enterprise activity by assisting local industry with bond financing. The IDA is a legally separate organization; however, the Board of Supervisors of the County appoints all of the IDA’s Board, and the County is legally obligated for the debts of the IDA. The IDA is presented as a discretely presented component unit for reporting purposes. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position and the governmental fund statements are shown in the Other Supplementary Information section.

#### *Henry-Martinsville Social Services Board*

The Henry-Martinsville Social Services Board (the “HMSS”) operates the Department of Social Services for both the County and the City. This joint entity was established June 1, 1997. Of the nine Board members, the County appoints six. The County is financially accountable for HMSS because it appoints a majority of the Board members and because the County is legally obligated to finance the deficits of and provide financial support to the Board. The County and the City have an agreement in which the City will reimburse the County for their share of administrative, operating, and maintenance costs that are unreimbursed by state or federal grants. The government-wide statements are shown on the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the governmental fund statements are shown in the Other Supplementary Information section. These entities are collectively included and referred to as the “County.”

## Exclusions from the Reporting Entity

### Related Organization

#### *Henry County Public Service Authority*

The primary function of Henry County Public Service Authority (the “HCPSA”) is to provide water and sewer services to areas of the County. The HCPSA Board of Directors approves its own budget and maintains oversight of all programs. Most of the funding for HCPSA comes from state and federal grants as well as

from charges for services. The County provides some financial assistance, but HCPSA is not financially dependent on the County. The Board of Supervisors appoints a Board member to the HCPSA from each County district. While not a component unit of the County, HCPSA is considered to be a related organization since the County has determinable ongoing financial interests in or responsibilities for HCPSA. The County contributed \$406,800 to the Authority for fire hydrant rental during the year.

#### **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. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. 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 and business-type 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 and for each identifiable activity of the business-type activities of the County. 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 and each identifiable business activity 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. The General Fund is considered a major fund for financial reporting purposes. A significant part of the General Fund's revenue is transferred to other funds and component units, principally to finance the operations of the County's Public Schools.

- *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:

- *Children's Services Act Fund*

The Children's Services Act Fund accounts for revenue derived from the Commonwealth of Virginia for the care of the localities' special needs children. This special revenue fund is considered a major governmental fund for reporting purposes.

- *E-911 Central Dispatch Fund*

The E-911 Central Dispatch Fund accounts for the financial transactions associated with the operation of the County's 911 Emergency Services Center. Revenues are primarily derived from reimbursements from the City of Martinsville, Virginia, County of Henry, Virginia, the State Compensation Board, and Virginia Wireless Board. This special revenue fund is considered a major governmental fund for reporting purposes.

- *Law Library Fund*

The Law Library Fund accounts for revenue received from other funds for the use of the library. This special revenue fund is considered a major governmental fund for reporting purposes.

- *Fieldale Sanitary District Fund*

Fieldale Sanitary District – This fund accounted for money held in trust for the benefit of the Fieldale Sanitary District through June 30, 2013. Effective July 1, 2013, the Fieldale Sanitary District Board gifted to the County the remaining cash assets of the District. These funds are accounted for as a special revenue fund to be used for street lights and curb maintenance for the community of Fieldale.

- **Proprietary Funds** – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County has one enterprise fund at this time, Philpott Marina Fund, which accounts for activities of the Marina for recreational use by the citizens of Henry County and the surrounding area. The Component Unit – IDA Fund is also accounted for as a proprietary fund.

- **Internal Service Funds** – Internal service funds account for financing of goods and services provided by one department or agency to other departments or agencies of the County government. Internal service funds consist of the following:

- *Self-Insurance*

This fund accounts for costs associated with providing health insurance benefits to employees of the County, School Board, and Social Services and with managing claims pertaining thereto.

- **Capital Projects Funds** – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital Projects Funds include the following:

- *Special Grant Projects Fund*

The Special Grant Projects Fund accounts for all financial resources used for recording activity for CDBG and related type grants. This fund is considered a major governmental fund for reporting purposes.

- **Fiduciary Funds (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 maintains the following fiduciary funds:

- **Special Welfare Fund** – The Special Welfare Fund is used to reimburse the Children's Service Act Fund, State Agencies, and others for expenses incurred on behalf of Henry-Martinsville Social Services welfare clients. Income is derived primarily from the Social Security Administration and other local organizations on behalf of the Social Services' clients.

- **Gateway Streetscape Foundation, Inc.** – This fund is used to account for the funds of a local nonprofit organization whose purpose is to improve the Community's aesthetic value by planting flowers and trees on major roadways.

- Jail Inmate Fund – This fund is comprised of cash on inmates of the Henry County Jail at the time of their arrest or contributions to them from their family members. These funds can only be used for the health and welfare of specific County inmates.
- OPEB Trust Fund – This fund is comprised of the money held in trust to fund post-retiree benefits of health insurance for the County, the School Board, and Henry-Martinsville Social Services.

**Component Unit (Henry County School Board)**

The Henry County School Board has the following funds:

School Fund – The School Fund accounts for the general operations and activities of the schools with the exception of the textbook purchases and cafeteria operations.

School Textbook Fund – The School Textbook Fund handles purchases of textbooks for the school system.

School Cafeteria Fund – The School Cafeteria Fund accounts for all school cafeteria operations including federal and state grants, meal charges, and food purchases.

**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.) or a business-type activity.

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.

**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 most funds utilize. The County pools money from several funds to facilitate disbursement and investment and to maximize investment income.

**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 between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

The County levies real estate taxes on all real property on a fiscal year basis, at a rate enacted by the County Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue of Henry County. The Commonwealth of Virginia assesses public utility property. Neither the County nor the Commonwealth of Virginia imposes a limitation on the tax rate. All property is assessed at 100 percent of fair market value and real estate is reassessed every four years. The Commissioner of Revenue prorates billings for property incomplete as of January 1, but completed during the year. Any taxes paid after the due date is subject to a 10 percent penalty and an 8 percent interest charge.

Real estate taxes are billed annually and due by December 5. Liens are placed on the property on the date real estate taxes are delinquent, and interest at the rate of 10 percent per annum is added to the delinquent tax and penalty, and must be satisfied prior to the sale or transfer of the property. Any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance.

Personal property tax assessments on tangible business property are based on a declining graduated percent of cost based on year of acquisition. All motor vehicles are based on 100 percent of loan value of the property as of January 1 of each year. Personal property taxes do not create a lien on property; however, County vehicle decals, which are required by law for all vehicles garaged in the County, may not be issued to any individual having outstanding personal property taxes. Any taxes paid after the due date is subject to a 10 percent penalty and an 8 percent interest charge.

Property taxes receivable are included as unavailable revenue in the fund financial statements since these taxes are not considered to be available to liquidate liabilities of the current period.

Any uncollected amounts from prior year levies are incorporated in the taxes receivable balance. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the County receives taxpayers' payments in fiscal year 2017 from the State for its share of the local personal property tax payment (for personal use motor vehicles), with the remainder collected by the County.

### **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. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

Capital outlays are recorded as expenditures of the General, Children's Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds and as assets in the government-wide financial statements to the extent the County's capitalization thresholds are met. The capitalization thresholds for capitalizing capital assets are \$5,000 and \$100,000 for building additions. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Depreciation is recorded on general capital assets on a government-wide basis.

In the fund financial statements, maintenance, repairs, and minor equipment costs are charged to operations when incurred. Expenditures that meet the County's capitalization policy and materially change capacities or extend useful lives are capitalized in the government-wide financial statements. Upon sale or retirement of land, buildings, or equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts, and any resulting gain or loss is included in current year's operations.

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	15-40 years
Equipment	3-15 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 property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Property taxes receivable but not collected in a 60-day period is unavailable and included as deferred inflow.

### **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.

### **1-E-8 Pensions**

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

### **1-E-9 Other Postemployment Benefit Plans**

Other postemployment benefit plan contributions are actuarially determined to project the present value of postemployment benefits for retired and active employees. The notes to 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. For the County, these revenues are charges for services for Philpott Marina. 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.

#### ***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. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

### **1-E-14 Encumbrances**

Encumbrance accounting, the recording of purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General, Children's Services Act, E-911 Central Dispatch, Law Library, Fieldale Sanitary District, and Special Grant Projects funds.

### **1-E-15 Land and Building – Held for Sale**

The IDA has land and building that are held for resale to potential industries in the County. The assets are recorded at cost. Periodically, incidental rent is received for the use of these facilities.

### **1-E-16 Adoption of New GASB Statement**

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

- Statement No. 82, "*Pension Issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73*"

The adoption of this statement had no effect on the current financial statements.

### **1-F. Estimates**

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

## **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 units. 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 and unencumbered appropriations lapse at the end of each fiscal year except as allowed by the Appropriations Resolution.

#### ***Budgetary Data***

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

1. Prior to April 18, 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.
8. The County Administrator is authorized to transfer budgeted amounts within general government departments subject to limitations set in the Appropriations Resolution; however, the School Board and Henry-Martinsville Social Services are authorized to transfer budgeted amounts within each of their respective budget categories.

**Expenditures in Excess of Appropriations**

No expenditures exceeded appropriations at the fund level.

**Fund Deficits**

The following are reporting a deficit in net position, primarily due to the requirement to report the VRS net pension liability:

<u>Fund</u>	<u>Amount</u>
School Board	\$ <u>(28,862,431)</u>
Henry-Martinsville Social Services	\$ <u>(1,413,179)</u>

**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 amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

**Investments**

*Investment Policy*

In accordance with state statutes, the current investment policy of the County authorizes investments in obligations of the United States and agencies thereof, Bankers’ Acceptances, commercial paper, repurchase agreements, tax exempt and taxable Municipal Bonds, the Virginia State Non-Arbitrage Program (SNAP) or other authorized Arbitrage Investment Management programs, and the State Treasurer’s Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Both SNAP and LGIP are not registered with the SEC but are overseen by the Treasurer of Virginia and the State Treasury Board. The fair value of the County’s position in the pools is the same as the value of the pool shares.

The County's investments are subject to credit risk, concentration of credit risk, interest rate risk, and custodial risk as described below. The County's investments are not subject to foreign currency risk.

**Credit Risk**

As required by State statute, the policy requires that commercial paper have a short-term debt rating of no less than "A-1" or "P-1" or "F-1" (or its equivalent) from Moody's Investors Service or Standard & Poor's or Fitch. Municipal Bonds must have a rating of "AA" or higher by at least two of the following National Credit Rating Agencies: Moody's Investors Service, Standard & Poor's or Fitch.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers' acceptances, or money market mutual funds, the County has established stringent credit standards for these investments to minimize portfolio risk.

**Concentration of Credit Risk**

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. The Policy establishes limitations on the holdings as follows:

1. The portfolio will be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. This limitation shall not apply to the U.S. Government, or Agency thereof, or U.S. Government sponsored corporation securities and fully insured and/or collateralized certificates of deposit.
2. The maximum percentage of the Investment Portfolio in each eligible security type is limited as follows:

U.S. Treasury	100%
Agency Securities (no more than 35% in any one agency)	100%
Money Market Mutual Funds	100%
Repurchase Agreements	40%
Municipal Obligations (no more than 5%* in any one issuer)	20%
Bankers Acceptances (no more than 5%* in any one bank)	20%
Negotiable Certificates of Deposit (no more than 5%* in any one bank)	20%
Commercial Paper (no more than 5%* in any one issuing corporation)	20%
Virginia Local Government Investment Pool	100%
Virginia State Non-Arbitrage Program	100% of Bond Proceeds
<i>*or \$1 Million, whichever is greater</i>	

**Interest Rate Risk**

As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than five years from the date of purchase.

**Custodial Credit Risk**

The Policy requires that all investment securities purchased by the County be held by a third-party custodial agent who may not otherwise be counterparty to the investment transaction. As of June 30, all of the County's investments are held in a custodian's trust department in the County's name.

The County's investments consist of the following:

	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Municipal bonds	\$ 1,266,037	4.20
U.S. Government bonds	4,756,194	3.60
Collateralized Money Market - Trustee	3,977,557	N/A
Certificates of deposit	10,055,866	2.50
SNAP - schools	<u>7,327,401</u>	N/A
	<u>\$ 27,383,055</u>	

County's investments by credit rating consist of the following:

	<b>Rating (Moody's or S&amp;P)</b>	<b>Fair Value</b>
AA+ or higher		\$ 6,022,231
AAM		7,327,401
Unrated		<u>14,033,423</u>
		<u>\$27,383,055</u>

Cash and investments are reflected in the financial statements as follows:

	<b>Component Units</b>					<b>Total</b>
	<b>Primary Government</b>	<b>Fiduciary Funds</b>	<b>School Board</b>	<b>Industrial Development Authority</b>	<b>Henry- Martinsville Social Services</b>	
<b>Deposits and Investments</b>						
Demand deposits	\$ 20,449,381	\$ 185,342	\$ 2,396,139	\$ 615,785	\$ 66,599	\$ 23,713,246
Cash on hand	121,762	-	-	-	-	121,762
Bonds	6,022,231	-	-	-	-	6,022,231
Certificates of deposit	10,055,866	-	-	-	-	10,055,866
OPEB Trust	-	2,377,989	-	-	-	2,377,989
SNAP	-	-	<u>7,327,401</u>	-	-	<u>7,327,401</u>
	<u>\$ 36,649,240</u>	<u>\$ 2,563,331</u>	<u>\$ 9,723,540</u>	<u>\$ 615,785</u>	<u>\$ 66,599</u>	<u>\$ 49,618,495</u>
<b>Statement of Net Position</b>						
Cash and investments - unrestricted	\$ 36,649,240		\$ 2,348,297	\$ 615,785	\$ 66,599	\$ 39,679,921
Cash and investments - restricted	-	<u>2,563,331</u>	<u>7,375,243</u>	-	-	<u>9,938,574</u>
	<u>\$ 36,649,240</u>	<u>\$ 2,563,331</u>	<u>\$ 9,723,540</u>	<u>\$ 615,785</u>	<u>\$ 66,599</u>	<u>\$ 49,618,495</u>

Restricted cash consists primarily of unspent bond proceeds.

**Fair Value**

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County has the following recurring fair value measurements as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments by Fair Value Level</b>				
Municipal bonds	\$ -	\$ 1,266,037	\$ -	\$ 1,266,037
U.S. Government bonds	<u>-</u>	<u>4,756,194</u>	<u>-</u>	<u>4,756,194</u>
	<u>\$ -</u>	<u>\$ 6,022,231</u>	<u>\$ -</u>	<u>\$ 6,022,231</u>

*The remainder of this page is left blank intentionally.*

## 4 Receivables

Receivables at June 30, 2017 consist of the following:

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Henry-Martinsville Social Services</u>	<u>Agency Funds</u>
<b>Accounts Receivable</b>						
Property taxes	\$ 3,061,325	\$ -	\$ -	\$ -	\$ -	\$ -
Business licenses	49,840	-	-	-	-	-
Meals taxes	31,943	-	-	-	-	-
Other miscellaneous	<u>3,670,592</u>	<u>168</u>	<u>134,495</u>	<u>981,185</u>	<u>3,487</u>	<u>2,600</u>
Total	6,813,700	168	134,495	981,185	3,487	2,600
Allowance for uncollectibles	<u>(1,349,483)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Accounts Receivable	<u>\$ 5,464,217</u>	<u>\$ 168</u>	<u>\$ 134,495</u>	<u>\$ 981,185</u>	<u>\$ 3,487</u>	<u>\$ 2,600</u>
<b>Notes Receivable</b>						
Notes receivable	\$ -	\$ -	\$ -	\$ 1,164,024	\$ -	\$ -
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(839,939)</u>	<u>-</u>	<u>-</u>
Net Notes Receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 324,085</u>	<u>\$ -</u>	<u>\$ -</u>

**Note:** The Self-Insurance Fund receivable of \$2,489,774 is in Governmental Activities per GASB 34 for Exhibit 1.

## 5 Interfund Transfers

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>County of Henry, Virginia</b>		
<b>General Fund</b>		
From General Fund to Central Dispatch Fund	\$ -	\$ 809,671
From General Fund to Special Grant Projects Fund	-	802
From General Fund to Children's Services Act Fund	-	279,282
<b>Comprehensive Services Act Fund</b>		
From General Fund to Children's Services Act Fund	279,282	-
<b>Special Grant Projects Fund</b>		
From General Fund to Special Grant Projects Fund	802	-
<b>Central Dispatch Fund</b>		
From General Fund to Central Dispatch Fund	<u>809,671</u>	<u>-</u>
Total Governmental Funds	<u>\$ 1,089,755</u>	<u>\$ 1,089,755</u>

Transfers between major governmental funds were primarily to support operations of the funds.

## 6 Transfer to Component Units/Transfer from Primary Government

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>County of Henry, Virginia to Component Units</b>		
<b>Primary Government - County of Henry, Virginia</b>		
To Component Unit - Social Services	\$ -	\$ 537,642
To Component Unit - Industrial Development Authority	-	2,371,546
To Component Unit - School Board	-	17,658,120
<b>Component Unit - Social Services</b>		
From Primary Government - County of Henry, Virginia	537,642	-
<b>Component Unit - Industrial Development Authority</b>		
From Primary Government - County of Henry, Virginia	2,371,546	-
<b>Component Unit - School Board</b>		
From Primary Government - County of Henry, Virginia	<u>17,658,120</u>	<u>-</u>
	<u>\$ 20,567,308</u>	<u>\$ 20,567,308</u>
<b>Component Unit - School Board - Transfers</b>		
<b>School Fund</b>		
From School to School Textbook Fund	\$ -	\$ 591,016
<b>School Textbook Fund</b>		
From School to School Textbook Fund	<u>591,016</u>	<u>-</u>
	<u>\$ 591,016</u>	<u>\$ 591,016</u>

*The remainder of this page is left blank intentionally.*

## 7 Due from/to Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2017 are as follows:

	<u>Due From</u>	<u>Due To</u>
<b>County of Henry, Virginia</b>		
<b>Governmental Funds</b>		
General Fund to Philpott Marina	\$ -	\$ 48,283
Children's Services Act Fund to General Fund	4,682	4,682
E-911 Central Dispatch Fund to General Fund	529,455	529,455
Fieldale Sanitary District to General Fund	168	168
Law Library Fund from General Fund	115,663	115,663
Special Grant Projects Fund from General Fund	<u>899,073</u>	<u>899,073</u>
	1,549,041	1,597,324
<b>Proprietary Funds</b>		
Philpott Marina from General Fund	<u>48,283</u>	<u>-</u>
Totals	<u>\$ 1,597,324</u>	<u>\$ 1,597,324</u>
<b>Primary Government and Component Units - Interfund Accounts</b>		
<b>Primary Government</b>		
Due from Industrial Development Authority to County	\$ 536,787	\$ -
Due from County to Regional Industrial Site Project	-	769,882
Due from Social Services to County	768,682	-
Due to School Fund from County	-	248,215
Due from School Cafeteria Fund to County	<u>290,125</u>	<u>-</u>
Total	<u>1,595,594</u>	<u>1,018,097</u>
Net Due from Component Units to Primary Government	577,497	
<b>Component Unit - Industrial Development Authority</b>		
Due from Industrial Development Authority to County	-	536,787
Due from County to Regional Industrial Site Project	<u>769,882</u>	<u>-</u>
Total	<u>769,882</u>	<u>536,787</u>
Net Due from Primary Government to Component Unit IDA	233,095	
<b>Component Unit - Social Services</b>		
Due from Social Services to County	<u>-</u>	<u>768,682</u>
Total	<u>-</u>	<u>768,682</u>
Net Due to Primary Government from Component Unit Social Services		768,682
<b>Component Unit - School Board</b>		
Due from School Cafeteria Fund to County	-	290,125
Due to School Fund from County	<u>248,215</u>	<u>-</u>
Total	<u>248,215</u>	<u>290,125</u>
Net Due to Primary Government from Component Unit School Board		<u>41,910</u>
Total Net Due from/to Primary Government and Component Units	<u>\$ 810,592</u>	<u>\$ 810,592</u>

## 8 Due from Other Governmental Units

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

	<b>Governmental Activities</b>	<b>School Board</b>	<b>Henry- Martinsville Social Services</b>
<b>Commonwealth of Virginia</b>			
State and local sales taxes	\$ 711,680	\$ 1,421,785	\$ -
Communications tax	360,291	-	-
Auto rental tax	5,268	-	-
Mobile home tax	11,396	-	-
Compensation Board	504,443	-	-
Recordation tax	10,906	-	-
Comprehensive services	119,175	-	-
Victim witness	9,718	-	-
911 funds	130,559	-	-
LSR/BERM PSA grant	11,988	-	-
Emergency services	52,979	-	-
VDOT grants	43,071	-	-
Education technology	-	492,000	-
Transportation grants	1,527	-	-
Other reimbursements	10,319	1,410	-
Public assistance	-	-	163,266
	<u>1,983,320</u>	<u>1,915,195</u>	<u>163,266</u>
<b>Federal Government</b>			
Title VIB Flow-Through	-	298,466	-
Title VI Rural and Low Income	-	31,147	-
Preschool Handicapped	-	10,680	-
Title I	-	473,078	-
Title II	-	49,897	-
School food program	-	73,432	-
CTE federal payments - Carl Perkins	-	115,791	-
Law enforcement	4,409	-	-
Emergency services	48,073	-	-
LSR/BERM PSA grant	44,956	-	-
Victim witness	29,153	-	-
DMV grants	6,658	-	-
Transportation grants	4,992	-	-
Public assistance	-	-	293,676
Other reimbursements	<u>32,118</u>	<u>27,960</u>	<u>-</u>
	170,359	1,080,451	293,676
<b>Other Governmental Entities</b>			
City of Martinsville, VA - 911 funds	422,170	-	-
Social Services operations - City of Martinsville, VA	-	-	277,213
	<u>\$ 2,575,849</u>	<u>\$ 2,995,646</u>	<u>\$ 734,155</u>

## 9 Capital Assets

The following is a summary of changes in capital assets:

### Governmental Activities

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 3,095,261	\$ 176,895	\$ -	\$ 3,272,156
Construction in progress	<u>136,800</u>	<u>-</u>	<u>136,800</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	3,232,061	176,895	136,800	3,272,156
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	23,219,832	-	-	23,219,832
Furniture, equipment, and vehicles	<u>18,546,188</u>	<u>1,046,691</u>	<u>1,259,708</u>	<u>18,333,171</u>
Total Capital Assets - Depreciable	41,766,020	1,046,691	1,259,708	41,553,003
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	170,701	43,503	-	214,204
Buildings and improvements	13,006,127	579,691	-	13,585,818
Furniture, equipment, and vehicles	<u>14,254,512</u>	<u>1,267,968</u>	<u>1,050,186</u>	<u>14,472,294</u>
Total Accumulated Depreciation	<u>27,431,340</u>	<u>1,891,162</u>	<u>1,050,186</u>	<u>28,272,316</u>
Other Capital Assets, Net	<u>14,334,680</u>	<u>(844,471)</u>	<u>209,522</u>	<u>13,280,687</u>
Net Capital Assets before Allocation from School	<u>\$ 17,566,741</u>	<u>\$ (667,576)</u>	<u>\$ 346,322</u>	<u>16,552,843</u>
Add: Net school buildings allocated to County with outstanding debt				<u>34,813,767</u>
Net Capital Assets				<u>\$ 51,366,610</u>
Depreciation expense was allocated as follows:				
General government administration	\$ 227,980			
Judicial administration	248,627			
Public safety	1,212,318			
Public works	68,662			
Health and welfare	2,095			
Parks, recreation, and cultural	<u>131,480</u>			
Total Depreciation Expense	<u>\$ 1,891,162</u>			

**Business-Type Activities**

	<b>Balance July 1, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2017</b>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 51,876	\$ -	\$ -	\$ 51,876
Total Capital Assets Not Being Depreciated	51,876	-	-	51,876
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	1,182,485	-	-	1,182,485
Furniture, equipment, and vehicles	<u>168,870</u>	<u>-</u>	<u>-</u>	<u>168,870</u>
Total Capital Assets - Depreciable	1,351,355	-	-	1,351,355
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	4,034	1,729	-	5,763
Buildings and improvements	89,170	39,416	-	128,586
Furniture, equipment, and vehicles	<u>34,382</u>	<u>16,887</u>	<u>-</u>	<u>51,269</u>
Total Accumulated Depreciation	<u>127,586</u>	<u>58,032</u>	<u>-</u>	<u>185,618</u>
Other Capital Assets, Net	<u>1,223,769</u>	<u>(58,032)</u>	<u>-</u>	<u>1,165,737</u>
Net Capital Assets	<u>\$ 1,275,645</u>	<u>\$ (58,032)</u>	<u>\$ -</u>	<u>\$ 1,217,613</u>
Depreciation expense was allocated as follows:				
Marina expenses	<u>\$ 58,032</u>			
Total Depreciation Expense	<u>\$ 58,032</u>			

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**Component Unit - School Board**

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Capital Assets Not Being Depreciated</b>				
Land and land improvements	\$ 1,401,743	\$ -	\$ -	\$ 1,401,743
Construction in progress - school renovations	<u>2,003,457</u>	<u>13,226,541</u>	<u>415,186</u>	<u>14,814,812</u>
Total Capital Assets Not Being Depreciated	3,405,200	13,226,541	415,186	<b>16,216,555</b>
<b>Capital Assets, Depreciable</b>				
Buildings and improvements	80,114,114	1,736,303	-	<b>81,850,417</b>
Furniture and equipment	<u>12,263,387</u>	<u>947,105</u>	<u>351,753</u>	<u>12,858,739</u>
Total Capital Assets, Depreciable	92,377,501	2,683,408	351,753	<b>94,709,156</b>
<b>Less: Accumulated depreciation for</b>				
Land and land improvements	14,733	-	-	<b>14,733</b>
Buildings and improvements	37,778,639	1,730,834	-	<b>39,509,473</b>
Furniture and equipment	<u>9,613,118</u>	<u>737,886</u>	<u>351,753</u>	<u>9,999,251</u>
Total Accumulated Depreciation	<u>47,406,490</u>	<u>2,468,720</u>	<u>351,753</u>	<u>49,523,457</u>
Other Capital Assets, Net	<u>44,971,011</u>	<u>214,688</u>	<u>-</u>	<u>45,185,699</u>
Net Capital Assets before Allocation to County	<u>\$48,376,211</u>	<u>\$13,441,229</u>	<u>\$ 415,186</u>	<b>61,402,254</b>
Less: Net school buildings allocated to County with outstanding debt				<u>(34,813,767)</u>
Net Capital Assets				<b><u>\$26,588,487</u></b>

**Component Unit - IDA**

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Transfer to Henry County/ Decreases</u>	<u>Balance June 30, 2017</u>
<b>Capital Assets - Depreciable</b>				
Equipment	\$ 6,305	\$ -	\$ -	\$ 6,305
Total Capital Assets - Depreciable	6,305	-	-	<b>6,305</b>
<b>Less: Accumulated depreciation for</b>				
Equipment	<u>2,627</u>	<u>1,261</u>	<u>-</u>	<u>3,888</u>
Total Accumulated Depreciation	<u>2,627</u>	<u>1,261</u>	<u>-</u>	<u>3,888</u>
Net Capital Assets	<u>\$ 3,678</u>	<u>\$ (1,261)</u>	<u>\$ -</u>	<b><u>\$ 2,417</u></b>

**Component Unit - Henry-Martinsville Social Services**

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Transfer to Henry County/ Decreases</u>	<u>Balance June 30, 2017</u>
<b>Other Capital Assets</b>				
Machinery and equipment	\$ 272,792	\$ 23,874	\$ 39,467	\$ 257,199
Total Other Capital Assets	272,792	23,874	39,467	257,199
<b>Less: Accumulated depreciation for</b>				
Machinery and equipment	220,105	18,790	39,467	199,428
Total Accumulated Depreciation	220,105	18,790	39,467	199,428
Other Capital Assets, Net	52,687	5,084	-	57,771
Net Capital Assets	<u>\$ 52,687</u>	<u>\$ 5,084</u>	<u>\$ -</u>	<u>\$ 57,771</u>

## 10 Compensated Absences

County employees earn vacation based on length of service and sick leave at the rate of one day per month. Twenty-five percent of the amount for unused sick leave is paid for upon termination. All accumulated unused vacation is paid upon termination.

## 11 Long-Term Debt

### A. Long-term Debt Payable

The schedule below represents long-term debt payable at June 30, 2017:

#### Primary Government

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2017</u>
Va. Public School Authority Bonds - 2007B	\$ 2,711,471	\$ 131,778	5.10	2028	\$ 1,655,956
Va. Public School Authority Bonds - 2006	6,009,728	303,885	4.60-5.10	2027	3,344,232
Va. Public School Authority Bonds - 2005	2,342,487	119,204	4.60-5.10	2026	1,198,811
VML/VACO Recovery Zone Bonds - 2010	2,000,000	95,000	2.00-6.57	2030	1,485,000
VPSA QSCB Recovery Act Bonds - 2011	3,400,000	119,000	0.00	2027	2,917,200
Lease Revenue Bonds - 2015	10,000,000	100,000	2.50	2036	9,925,000
Lease Revenue Bonds - 2016	10,000,000	247,000	2.40	2036	10,000,000
Sanville Elementary Literary Loan - 1998	2,080,772	104,031	2.00	2018	104,031
Laurel Park Literary Loan - 1998	1,387,370	66,870	2.00	2018	66,870
Rich Acres Literary Loan - 1998	2,462,218	129,968	2.00	2018	129,968
Stanleytown Literary Loan - 1998	2,425,951	145,951	2.00	2018	145,951
Fieldale-Collinsville Literary Loan - 1998	2,500,000	125,000	2.00	2019	250,000
					<u>\$ 31,223,019</u>

**Component Unit - Industrial Development Authority**

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2017</u>
Public Improvement Bond - Series 2007	\$ 4,000,000	\$ 470,201	3.79	2018	\$ 470,201
Series 2013 Lease Revenue Bonds	3,500,000	-	1.95	2018	<u>3,461,955</u>
					<u>\$ 3,932,156</u>

**Component Unit - Schools**

<u>Description</u>	<u>Original Issue</u>	<u>Next Annual Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Outstanding June 30, 2017</u>
Technology Lease Dated 6/12/17	\$ 626,725	\$ 162,920	2.98	2021	\$ 626,725
Technology Lease Dated 6/24/16	375,633	90,257	2.65	2019	278,009
Technology Lease Dated 7/15/15	529,199	131,975	0.49	2019	264,597
Technology Lease Dated 7/15/15	205,700	50,672	2.89	2019	<u>102,808</u>
					<u>\$ 1,272,139</u>

**B. Governmental Obligation**

The following table is a summary of the changes in long-term liabilities that are recorded in the Statement of Net Position for the year ended June 30, 2017:

**Primary Government**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Capital leases - County	\$ 64,498	\$ -	\$ 64,498	\$ -	\$ -
Subtotal - County	64,498	-	64,498	-	-
General obligations bonds - public schools	9,801,221	-	685,022	<b>9,116,199</b>	673,867
Lease Revenue bonds	10,000,000	10,000,000	75,000	<b>19,925,000</b>	347,000
Literary Fund loans	1,238,109	-	541,289	<b>696,820</b>	571,820
Recovery Zone bonds	<u>1,575,000</u>	-	<u>90,000</u>	<u>1,485,000</u>	<u>95,000</u>
Subtotal - School-related debt	<u>22,614,330</u>	<u>10,000,000</u>	<u>1,391,311</u>	<u>31,223,019</u>	<u>1,687,687</u>
Subtotal - County and school	22,678,828	10,000,000	1,455,809	<b>31,223,019</b>	1,687,687
Add: Bond premiums	<u>249,368</u>	-	<u>23,266</u>	<u>226,102</u>	<u>23,266</u>
Subtotal after premiums	22,928,196	10,000,000	1,479,075	<b>31,449,121</b>	1,710,953
Note payable to Verizon (Tower)	107,200	-	19,200	<b>88,000</b>	19,200
Landfill closure monitoring	262,767	-	478	<b>262,289</b>	26,229
Compensated absences	<u>2,284,672</u>	<u>1,363,299</u>	<u>1,287,417</u>	<u>2,360,554</u>	<u>236,055</u>
	<u>\$ 25,582,835</u>	<u>\$ 11,363,299</u>	<u>\$ 2,786,170</u>	<u>\$ 34,159,964</u>	<u>\$ 1,992,437</u>

Compensated absences expenses are allocated by department and by fund. The change in compensated absences for the Statement of Activities is charged to general government.

Debt service on the preceding long-term debt in future years is as follows:

**Primary Government**

Fiscal Year Ending June 30.	Capital Leases and Lease Revenue Bonds		General Obligation Bonds School Board		Recovery Zone Bonds and Literary Fund Loans		Totals		Long-Term Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 347,000	\$ 552,125	\$ 673,867	\$ 278,632	\$ 666,820	\$ 65,006	\$ 1,687,687	\$ 895,763	\$ 19,200	\$ -
2019	651,000	479,697	940,985	252,515	220,000	50,774	1,811,985	782,986	19,200	-
2020	772,000	463,634	987,886	225,614	100,000	45,482	1,859,886	734,730	19,200	-
2021	876,000	444,656	933,414	198,087	100,000	42,543	1,909,414	685,286	19,200	-
2022	970,000	423,171	887,387	169,480	105,000	39,164	1,962,387	631,815	11,200	-
2023-2027	5,341,000	1,741,182	4,520,305	405,527	585,000	139,328	10,446,305	2,286,037	-	-
2028-2032	5,797,000	1,066,284	172,355	4,395	405,000	30,437	6,374,355	1,101,116	-	-
2033-2037	5,171,000	320,533	-	-	-	-	5,171,000	320,533	-	-
	<u>\$ 19,925,000</u>	<u>\$ 5,491,282</u>	<u>\$ 9,116,199</u>	<u>\$ 1,534,250</u>	<u>\$ 2,181,820</u>	<u>\$ 412,734</u>	<u>\$ 31,223,019</u>	<u>\$ 7,438,266</u>	<u>\$ 88,000</u>	<u>\$ -</u>

**C. Long-Term Agreement**

The County entered into a long-term agreement with Verizon in 2008 for construction and renovations made to a tower. The agreement was for \$265,600 and will be paid back over approximately 14 years in lieu of Verizon paying rent. The annual amount is \$19,200.

**D. Component Units**

Following is a summary of the changes in long-term liabilities that are recorded in the component units for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
<b>School Board</b>					
Technology Lease Dated 6/12/17	\$ -	\$ 626,725	\$ -	\$ 626,725	\$ 162,920
Technology Lease Dated 6/24/16	-	375,633	97,624	278,009	90,257
Technology Lease Dated 7/15/15	395,928	-	131,331	264,597	131,975
Technology Lease Dated 7/15/15	152,057	-	49,249	102,808	50,672
Compensated absences	778,655	17,695	-	796,350	79,635
Total	<u>\$ 1,326,640</u>	<u>\$ 1,020,053</u>	<u>\$ 278,204</u>	<u>\$ 2,068,489</u>	<u>\$ 515,459</u>

Estimated principal maturities for future years is as follows:

Fiscal Year Ending June 30.	Principal	Interest
2018	\$ 435,824	\$ 12,621
2019	427,491	20,953
2020	249,661	11,869
2021	159,163	4,743
	<u>\$ 1,272,139</u>	<u>\$ 50,186</u>

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
<b>Industrial Development Authority</b>					
Series 2013 Lease Revenue Bonds	\$ 3,461,955	\$ -	\$ -	\$ 3,461,955	\$ -
Public Improvement Bond - Series 2007	<u>923,232</u>	<u>-</u>	<u>453,031</u>	<u>470,201</u>	<u>470,201</u>
Total	<u>\$ 4,385,187</u>	<u>\$ -</u>	<u>\$ 453,031</u>	<u>\$ 3,932,156</u>	<u>\$ 470,201</u>

Estimated principal maturities for future years ended June 30 follows:

	<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018		\$ 470,201	\$ 77,160
2019		<u>3,461,955</u>	<u>33,754</u>
		<u>\$3,932,156</u>	<u>\$ 110,914</u>

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
<b>Henry-Martinsville Social Services</b>					
Compensated absences	\$ 339,619	\$ 210,283	\$ 202,168	\$ 347,734	\$ 34,773
Total	<u>\$ 339,619</u>	<u>\$ 210,283</u>	<u>\$ 202,168</u>	<u>\$ 347,734</u>	<u>\$ 34,773</u>

## 12 Net Investment in Capital Assets

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2017 is determined as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>School Board</u>	<u>Industrial Development Authority</u>	<u>Social Services</u>
<b>Net Investment in Capital Assets</b>					
Cost of capital assets	\$ 79,638,926	\$ 1,403,231	\$ 76,111,944	\$ 6,305	\$ 257,199
Less: Accumulated depreciation	<u>(28,272,316)</u>	<u>(185,618)</u>	<u>(49,523,457)</u>	<u>(3,888)</u>	<u>(199,428)</u>
Book value	51,366,610	1,217,613	26,588,487	2,417	57,771
Less: Restricted cash for capital projects	-	-	(7,327,401)	-	-
Less: Capital related debt	(31,311,019)	-	-	-	-
Less: Bond premiums	<u>(226,102)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 19,829,489</u>	<u>\$ 1,217,613</u>	<u>\$ 19,261,086</u>	<u>\$ 2,417</u>	<u>\$ 57,771</u>

## 13 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes and other local taxes and licenses are comprised of the following:

### Governmental Funds

#### General Fund

Delinquent taxes not collected within 60 days	\$ 1,573,584
Other liabilities	15,485
Delinquent business licenses	49,840
Delinquent meals taxes	<u>31,943</u>
Total Unavailable Revenue - Taxes and Licenses	1,670,852
Unearned grants	<u>112,457</u>
Total General Fund	1,783,309

#### Special Projects Fund

Unearned grants	<u>677,629</u>
Total Deferred Inflows of Resources - Governmental Funds	<u>\$ 2,460,938</u>

### Governmental Activities - Primary Government

Unearned grants	\$ 790,086
Deferred inflows for VRS pension liability	<u>179,841</u>
Total Deferred Inflows of Resources - Governmental Activities	<u>\$ 969,927</u>

### School Board - Fund Basis

Unearned grants	\$ 82,734
Held for scholarships	<u>47,820</u>
	<u>\$ 130,554</u>

### School Board - Component Unit - Governmental Activities

Unearned grants	\$ 82,734
Held for scholarships	47,820
Deferred inflows for VRS pension liability	<u>3,814,612</u>
	<u>\$ 3,945,166</u>

### Industrial Development Authority

Unearned grants	<u>\$ 165,005</u>
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### Henry-Martinsville Social Services

Deferred inflows for VRS pension liability	<u>\$ 38,537</u>
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## 14 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 and Virginia Association of Counties Group Self-Insurance Risk Pool, both public entity risk pools currently operating as a common risk management and insurance program for participating local governments. 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 units carry 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.

## 15 Commitments and Contingencies

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

## 16 Litigation

At June 30, 2017, there were no matters of litigation involving the County which would materially affect the County's financial position should any court decisions or pending matters not be favorable to such entities.

## 17 Performance Agreements

The County has signed performance agreements with various companies that have located within the County. As part of many of these agreements, the County has agreed to pay cash incentives to the companies. As of June 30, 2017, the County had no outstanding commitments for future payments under these agreements.

## 18 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 Property	<u>\$ 2,901,351,025</u>
Debt Limits per Constitution of Virginia - 10% Assessed Value	\$ 290,135,103
<i>Amount of Debt Applicable to Debt Limit</i>	
Gross Debt	<u>31,223,019</u>
Legal Debt Margin - June 30, 2017	<u>\$ 258,912,084</u>

**Note:** Includes all long-term general obligation bonded debt and Literary Fund Loans. Excludes capital leases, landfill closure, postretirement health care benefits, and compensated absences.

## 19 Surety Bond Information

The following constitutional officers and County employees are covered by Surety Bonds issued in the amounts shown at June 30, 2017:

Treasurer	\$ 750,000
Commissioner of Revenue	3,000
Clerk of Circuit Court	124,000
Sheriff	30,000
Employees of above officers - blanket bond	1,000,000
County Administrator	1,000,000
Employees of County and Board members - blanket bond	1,000,000
Clerk of the School Board	10,000
Director of Public Welfare	100,000
Employees of Social Services - blanket bond	100,000

## 20 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:

	<u>School Board</u>
Appropriation from General Fund	\$ 17,658,120
Net fixed asset and depreciation adjustment on the school buildings still owned by the County until the debt is paid off	(12,878,150)
Adjustment for the net allocation of internal service self-insurance fund services and costs	(1,097,659)
Adjustment for long-term debt paid by School on buildings owned by the County until the debt is paid off	(2,287,745)
Adjustment for new debt borrowed for school buildings	<u>10,000,000</u>
Appropriation to School Fund per Government-Wide Statements	<u>\$ 11,394,566</u>

## 21 Pension Plan

### *Plan Description*

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

The System administers three different benefit structures for covered employees and employees in the VRS Teacher Retirement Plan – 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, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government - County</u>	<u>School Board - General Employees</u>
	<u>Number</u>	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	246	224
Inactive members:		
Vested inactive members	48	18
Non-vested inactive members	56	31
Inactive members active elsewhere in VRS	<u>123</u>	<u>41</u>
Total inactive members	227	90
Active members	<u>373</u>	<u>184</u>
Total covered employees	<u>846</u>	<u>498</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 and school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00%-member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00%-member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

**If the employer used the certified rate:** The County’s political subdivision contractually required contribution rate for the year ended June 30, 2017 was 10.25% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The school board – general employees’ contribution rate was 8.69%.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the political subdivision for the County employees were \$1,610,625 and \$1,941,922 for the years ended June 30, 2017 and June 30, 2016, respectively.

For the school board – general employees, employer contributions were \$290,144 and \$349,031 for the years ended June 30, 2017 and June 30, 2016, respectively.

Each school divisions - teachers contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, which combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division - teachers were \$5,249,571 and \$4,907,154 for the years ended June 30, 2017 and June 30, 2016, respectively.

**Net Pension Liability**

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

**Net Pension Liability – Teacher Employee Retirement Plan**

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

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 44,182,326
Plan Fiduciary Net Position	<u>30,168,211</u>
Employer's Net Pension Liability (Asset)	<u>\$ 14,014,115</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 68.28%

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

**Actuarial Assumptions – General Employees and School Division - Teachers**

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

	<b>General Employees</b>	<b>Teachers</b>
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 (General Employees)

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 for general employees, males set forward 4 years and females were set back 2 years and for school divisions, males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 for general employees, males set forward 1 year and for school divisions, males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 for general employees, males set back 3 years and for school divisions, males set back 1 year and no provision for future mortality improvement for general employees or school divisions.

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

Largest 10 – Non-LEOS:

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

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

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

School Divisions:

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

**Actuarial Assumptions – Public Safety Employees**

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

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

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

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

**Long-Term Expected Rate of Return**

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

<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 member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan and school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers and school divisions 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

(Includes Component Unit - Henry-Martinsville Social Services)

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2015	\$ 73,007,444	\$ 65,794,242	\$ 7,213,202
<b>Changes for the Year</b>			
Service cost	1,817,186	-	1,817,186
Interest	4,978,356	-	4,978,356
Benefit changes	-	-	-
Differences between expected and actual experience	(201,848)	-	(201,848)
Contributions - employer	-	1,942,274	(1,942,274)
Contributions - employee	-	798,388	(798,388)
Net investment income	-	1,131,498	(1,131,498)
Benefit payments, including refunds of employee contributions	(3,776,137)	(3,776,137)	-
Administrative expenses	-	(40,955)	40,955
Other changes	-	(482)	482
Net Changes	<u>2,817,557</u>	<u>54,586</u>	<u>2,762,971</u>
Balances at June 30, 2016	<u>\$ 75,825,001</u>	<u>\$ 65,848,828</u>	<u>\$ 9,976,173</u>

**NOTE:** This Net Pension Liability is allocated between the Primary Government Henry County and the Component Unit Henry - Martinsville Social Services.

**Component Unit School Board -  
General Employees**

		<u>Increase (Decrease)</u>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>	
Balances at June 30, 2015	\$ 18,119,901	\$ 16,771,004	\$ 1,348,897	
<b>Changes for the Year</b>				
Service cost	360,509	-	360,509	
Interest	1,222,004	-	1,222,004	
Benefit changes	-	-	-	
Differences between expected and actual experience	63,285	-	63,285	
Contributions - employer	-	350,270	(350,270)	
Contributions - employee	-	155,088	(155,088)	
Net investment income	-	269,906	(269,906)	
Benefit payments, including refunds of employee contributions	(1,325,410)	(1,325,410)	-	
Administrative expenses	-	(10,720)	10,720	
Other changes	-	(119)	119	
Net Changes	<u>320,388</u>	<u>(560,985)</u>	<u>881,373</u>	
Balances at June 30, 2016	<u>\$ 18,440,289</u>	<u>\$ 16,210,019</u>	<u>\$ 2,230,270</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:

	<u>1.00% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1.00% Increase (8.00%)</u>
<b>Primary Government - County (includes Component Unit - Henry-Martinsville Social Services)</b>			
<b>Political subdivision's</b>			
Net Pension Liability	<u>\$ 19,660,202</u>	<u>\$ 9,976,173</u>	<u>\$ 1,909,953</u>
<b>Component Unit School Board - General Employees</b>	<u>\$ 4,061,730</u>	<u>\$ 2,230,270</u>	<u>\$ 665,695</u>
<b>School Division's Proportionate Share of the VRS Teacher Employee Retirement Plan</b>			
Net Pension Liability	<u>\$ 91,994,000</u>	<u>\$ 64,535,000</u>	<u>\$ 41,914,000</u>

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

For the year ended June 30, 2017, the County's political subdivision recognized pension expense of \$1,397,384.

For the year ended June 30, 2017, the school board - general employees recognized pension expense of \$261,051.

At June 30, 2017, the school division - teachers reported a liability of \$64,535,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .46050% as compared to .46490% at June 30, 2015.

For the year ended June 30, 2017, the school division recognized pension expense of \$5,043,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the political subdivision and school division - teachers reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Primary Government - County</b>		
<b>(Includes Component Unit - Henry-Martinsville Social Services)</b>		
Differences between expected and actual experience	\$ -	\$ 218,378
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,711,166	-
Employer contributions subsequent to the measurement date	<u>1,610,625</u>	<u>-</u>
Total - County and Social Services	<u>\$ 3,321,791</u>	<u>\$ 218,378</u>

**Note:** Amounts allocated between the Primary Government and the Component Unit – Henry-Martinsville Social Services.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Component Unit School Board - General Employees</b>		
Differences between expected and actual experience	\$ 33,850	\$ 10,612
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	424,189	-
Employer contributions subsequent to the measurement date	<u>290,144</u>	<u>-</u>
Total	<u>\$ 748,183</u>	<u>\$ 10,612</u>

**Component Unit School Board - Teachers**

Differences between expected and actual experience	\$ -	\$ 2,091,000
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	3,686,000	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	1,713,000
Employer contributions subsequent to the measurement date	<u>5,249,571</u>	<u>-</u>
Total	<u>\$ 8,935,571</u>	<u>\$ 3,804,000</u>

\$1,326,350 for the County, \$284,275 for social services and \$5,539,715 for the School Board reported as deferred outflows of resources related to pensions resulting from the political subdivision and school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

**Year Ended  
June 30.**

**Primary Government -  
County (Includes Component Unit -  
Henry-Martinsville Social Services)**

2018	\$ (73,302)
2019	(71,897)
2020	950,704
2021	687,283
2022	-
Thereafter	-

**Component Unit School Board -  
General Employees**

2018	\$ 16,018
2019	1,610
2020	254,804
2021	174,995
2022	-
Thereafter	-

**Component Unit School Board -  
Teachers**

2018	\$ (938,000)
2019	(938,000)
2020	1,159,000
2021	785,000
2022	(186,000)
Thereafter	-

**Pension Plan Fiduciary Net Position**

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

**22 Other Postemployment Benefits (OPEB)–Healthcare**

*Plan Description*

County of Henry, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses.

Three-year trend information is as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
<b>County</b>			
06/30/15	\$ 86,728	78.9%	\$ 1,111
06/30/16	90,993	152.1%	(46,305)
<b>06/30/17</b>	<b>86,434</b>	<b>142.3%</b>	<b>(82,842)</b>
<b>School Board</b>			
06/30/15	\$ 387,321	72.3%	\$ (88,475)
06/30/16	406,314	90.7%	(50,815)
<b>06/30/17</b>	<b>362,312</b>	<b>79.1%</b>	<b>24,959</b>

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
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**Henry-Martinsville Social Services**

06/30/15	\$ 16,130	73.1%	\$ (81,140)
06/30/16	17,359	117.6%	(84,197)
<b>06/30/17</b>	<b>7,073</b>	<b>176.6%</b>	<b>(89,616)</b>

Following are disclosures for the County's postemployment benefits:

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Plan Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Liability (b-a)</u>	<u>Normal Cost (c)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (d)</u>	<u>Unfunded % of Payroll (b-a)/(d)</u>
<b>County</b>							
7/1/2014	\$ 419,244	\$ 1,242,903	\$ 823,659	\$ 33,460	33.7%	\$ 10,590,336	7.8%
7/1/2014 (Rollforward)	465,625	1,339,503	873,878	34,297	34.8%	10,855,094	8.1%
<b>7/1/2016</b>	<b>547,969</b>	<b>1,403,221</b>	<b>855,252</b>	<b>31,568</b>	<b>39.1%</b>	<b>12,670,439</b>	<b>6.7%</b>
<b>School Board</b>							
7/1/2014	\$ 1,347,368	\$ 5,168,842	\$ 3,821,474	\$ 142,006	26.1%	\$ 36,110,104	10.6%
7/1/2014 (Rollforward)	1,375,405	5,418,761	4,043,356	145,556	25.4%	37,012,857	10.9%
<b>7/1/2016</b>	<b>1,367,385</b>	<b>4,819,111</b>	<b>3,451,726</b>	<b>138,883</b>	<b>28.4%</b>	<b>35,775,226</b>	<b>9.6%</b>
<b>Henry-Martinsville Social Services</b>							
7/1/2014	\$ 148,176	\$ 286,110	\$ 137,934	\$ 8,075	51.8%	\$ 2,978,532	4.6%
7/1/2014 (Rollforward)	150,804	304,028	153,224	8,277	49.6%	3,052,995	5.0%
<b>7/1/2016</b>	<b>149,473</b>	<b>172,620</b>	<b>23,147</b>	<b>6,346</b>	<b>86.6%</b>	<b>2,193,651</b>	<b>1.1%</b>

**Schedule of Contributions**

<u>FYE</u>	<u>Annual OPEB Cost</u>	<u>Contribution</u>	<u>% Contributed</u>
<b>County</b>			
June 30, 2015	\$ 86,728	\$ 68,430	78.9%
June 30, 2016	90,993	138,409	152.1%
<b>June 30, 2017</b>	<b>86,434</b>	<b>122,971</b>	<b>142.3%</b>
<b>School Board</b>			
June 30, 2015	\$ 387,321	\$ 280,088	72.3%
June 30, 2016	406,314	368,654	90.7%
<b>June 30, 2017</b>	<b>362,312</b>	<b>286,538</b>	<b>79.1%</b>
<b>Henry-Martinsville Social Services</b>			
June 30, 2015	\$ 16,130	\$ 11,787	73.1%
June 30, 2016	17,359	20,416	117.6%
<b>June 30, 2017</b>	<b>7,073</b>	<b>12,492</b>	<b>176.6%</b>

### Annual Pension OPEB Cost Summary

<u>Plan Year</u>	<u>Beginning of Year Net OPEB Obligation</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Interest</u>	<u>Annual Cost Adjustment</u>	<u>Total</u>	<u>Contributions</u>	<u>End of Year Net OPEB Obligation</u>	<u>Interest Rate</u>	<u>Amort. Period</u>
<b>County</b>									
2014-15	\$ (17,187)	\$ 86,927	\$ (1,289)	\$ 1,090	\$ 86,728	\$ 68,430	\$ 1,111	7.50%	30
2015-16	1,111	90,980	83	(70)	90,993	138,409	(46,305)	7.50%	30
<b>2016-17</b>	<b>(46,305)</b>	<b>86,970</b>	<b>(3,473)</b>	<b>2,937</b>	<b>86,434</b>	<b>122,971</b>	<b>(82,842)</b>	<b>7.50%</b>	<b>30</b>
<b>School Board</b>									
2014-15	\$ (195,708)	\$ 389,587	\$ (14,678)	\$ 12,412	\$ 387,321	\$ 280,088	\$ (88,475)	7.50%	30
2015-16	(88,475)	407,339	(6,636)	5,611	406,314	368,654	(50,815)	7.50%	30
<b>2016-17</b>	<b>(50,815)</b>	<b>362,900</b>	<b>(3,811)</b>	<b>3,223</b>	<b>362,312</b>	<b>286,538</b>	<b>24,959</b>	<b>7.50%</b>	<b>30</b>
<b>Henry-Martinsville Social Services</b>									
2014-15	\$ (85,483)	\$ 17,120	\$ (6,411)	\$ 5,421	\$ 16,130	\$ 11,787	\$ (81,140)	7.50%	30
2015-16	(81,140)	18,299	(6,086)	5,146	17,359	20,416	(84,197)	7.50%	30
<b>2016-17</b>	<b>(84,197)</b>	<b>8,048</b>	<b>(6,315)</b>	<b>5,340</b>	<b>7,073</b>	<b>12,492</b>	<b>(89,616)</b>	<b>7.50%</b>	<b>30</b>

#### *Virginia Retirement System (VRS)*

##### ***Plan Description***

County of Henry, Virginia provides postemployment health benefits in the form of medical insurance benefits to eligible retirees and their spouses through the Virginia Retirement System (VRS) Health Insurance Credit Program.

##### ***Summary of Main Benefit Provisions as Interpreted for Valuation Purposes***

Political subdivisions participating in the Virginia Retirement System (VRS) may elect to provide a credit toward the cost of health insurance coverage for any former employee who retired under VRS with at least 15 years of total creditable service. The amount of each monthly health insurance credit shall be \$1.50 per year of creditable service, which amount shall be paid monthly to any retired employee participating in the Health Insurance Credit Program. However, such credit shall not exceed the health insurance premium for retiree.

Disabled retirees are eligible to receive a maximum monthly credit of \$45.

If an eligible employee has worked for more than one employer in VRS, for the purpose of this valuation, their most current (or last) employer assumes full liability for that employee.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Health Insurance Credit Program**

Schedule of Funding Progress for County

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
		<b>Actuarial Accrued</b>				<b>UAAL as a Percentage of Covered</b>
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Liability (AAL) Projected Unit Credit</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Payroll</b>
June 30, 2014	\$ 301,886	\$ 244,329	\$ (57,557)	123.56%	\$ 5,153,028	-1.12%
June 30, 2015	302,669	259,531	(43,138)	116.62%	5,243,165	-0.82%
<b>June 30, 2016</b>	<b>292,376</b>	<b>256,316</b>	<b>(36,060)</b>	<b>114.07%</b>	<b>5,676,994</b>	<b>-0.64%</b>

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	19-27 Years
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions	
Investment Rate of Return <sup>1</sup>	7.00%
Payroll Growth Rate	3.00%

<sup>1</sup>Includes inflation at 2.5%

## 23 Fund Balances – Governmental Funds

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

	<u>Primary Government</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>E-911 Central Dispatch Fund</u>	<u>Law Library Fund</u>	<u>Fieldale Sanitary District Fund</u>	<u>Special Grant Projects Fund</u>	
Nonspendable - inventory	\$ 22,795	\$ -	\$ -	\$ -	\$ -	\$ 22,795
Restricted for specific use	620,990	-	116,111	92,328	-	829,429
Committed to special projects	1,823,268	-	-	-	-	1,823,268
Committed fund balance - revenue stabilization reserve	3,458,814	-	-	-	-	3,458,814
Assigned for specific projects	6,993,612	-	-	-	241,138	7,234,750
Unassigned	23,200,191	-	-	-	-	23,200,191
	<u>\$36,119,670</u>	<u>\$ -</u>	<u>\$ 116,111</u>	<u>\$ 92,328</u>	<u>\$ 241,138</u>	<u>\$ 36,569,247</u>

## **24** Landfill Post-Closure Care Cost

The County maintains a landfill, which was closed in 1993. In accordance with state and federal laws and regulations, the County placed a final cover on this site and was required to perform certain maintenance and monitoring functions at the site for a minimum of ten years after closure. The County is currently in compliance with the landfill gas regulations and is no longer required to operate an active system and reverted back to quarterly monitoring in fiscal year 2015. The County is currently in compliance with the groundwater protection standards and, as such, DEQ has allowed the County to stop groundwater monitoring. The County anticipates applying to DEQ later this year for termination of post-closure care.

The \$262,289 reported as landfill post-closure care liability at June 30, 2017 represents what it would cost to perform all future post-closure care. Also, actual costs for post-closure monitoring may change due to inflation, deflation, changes in technology, or changes in regulations. The County intends to fund these costs from general revenues. The County uses the financial test method of demonstrating assurance for post-closure care cost.

## **25** Notes Receivable – Component Unit

The Component Unit – Industrial Development Authority had a note receivable from a Company in the amount of \$1,164,024 as of June 30, 2017 with an associated allowance for collectability of \$839,939. The Company had been making payments in accordance with a bankruptcy decree from 1999. In 2007 with the Company coming out of bankruptcy and still owing the Industrial Development Authority a substantial amount of money on the note, the County filed a lawsuit against the shareholders, co-obligors of the note. In December 2008, the County, the Company, and co-obligors reached a settlement agreement. This agreement calls for monthly payments beginning January 1, 2009 of \$25,000 plus accrued interest. The County has granted temporary reduction in the amount of \$25,000 at times due to economic conditions. The interest rate can vary from 3 to 5 percent depending on the total payments the Company makes on an annual basis. The interest rate was at 5 percent from July 1, 2013 to December 31, 2013 and 3.50 percent from January 1, 2014 to June 30, 2017. As a part of the agreement, the co-obligors executed documents giving the County a third priority lien and security interest in certain real estate holdings on which the Company operates.

## **26** Revenue Sharing Agreements

The County of Henry, Virginia and the Henry County Industrial Development Authority have entered into three revenue sharing agreements with the City of Martinsville, Virginia.

Two of the agreements, one dated April 30, 2002 and one dated August 31, 2009, are related to the Patriot Centre Industrial Park. The third dated September 25, 2007 is related to the Commonwealth Crossing Business Centre Industrial Park and land currently being referred to as the Bryant Property which is located adjacent to the Patriot Centre Industrial Park.

All these agreements state that the County agrees when a business locates on one of the designated sites in these industrial parks, it will pay the City one-third of all revenues generated from real estate, personal property, machinery & tools, and consumer utility taxes. No revenues will be shared until such time the County has recovered the cumulative costs of developing and maintaining the parks.

In the past few years, several businesses have located on revenue sharing lots in the Patriot Centre Industrial Park. Based on the existing businesses, it is estimated it will be more than ten years before the County recovers its costs in order to share revenues.

There are currently no businesses located in the Commonwealth Crossing Business Centre; therefore, the County has not yet started to recover its cost related to this Industrial Park.

## 27 Enterprise Zone Incentive Program

The County has two Enterprise Zones as established by the Commonwealth of Virginia which provides existing and new companies locating in these zones both state and local incentives for meeting applicable investment and employment criteria.

Under the local program, the County provides funding to the Industrial Development Authority to provide refunds of local property taxes for qualified companies making investments for modernization, plant expansion or new operations. In addition, the County will waive building permit fees for the companies making the minimum required investments for the purpose of creating or retaining jobs.

Investments by applicable companies must be made in one or more of three categories: Real Estate, Machinery & Tools, or Furniture, Fixtures & Equipment. To qualify, the business must make investments in one or more of these categories with an assessed value of at least \$50,000. The tax refunds are calculated on the County's assessment and taxes on the company's new investments, it is verified the company paid all taxes, and the company's employment levels are equal to or greater than when the application for refund was submitted.

The qualifying companies are refunded 100% of the local taxes applicable to the new investments in year one. In years two through five, the companies are refunded 50% of the local taxes applicable to the new investments. All refunds are made through the Industrial Development Authority which is funded by the County.

During the year ended June 30, 2017, the Industrial Development Authority provided Enterprise Zone Incentive Program tax refunds of \$501,512 to twelve qualifying companies.

## 28 Restatement of Net Position – School Board

Net position was restated due to the following:

Beginning	\$	(25,293,900)
Record prior year capital leases		<u>(547,985)</u>
Restated	\$	<u><u>(25,841,885)</u></u>

## 29 Subsequent Events

On November 21, 2017, the County closed on a Series 2017 Line of Credit financing in the amount of \$10,000,000 with a 1.20% interest rate and a maturity date of December 1, 2018. This Line of Credit will allow the County to commence funding the architecture, engineering, and construction costs of a new jail facility in the County to replace the existing jail. The cost of the new jail facility is estimated to be approximately \$70,000,000. The County has requested the Commonwealth of Virginia reimburse 25% of the total costs and this will go before the General Assembly in the 2018 legislative session for approval. The County plans to refinance this Line of Credit into a long-term financing to cover the cost of the entire jail project prior to the maturity date of the Line of Credit.

On November 17, 2017, the County exercised an Option that was obtained for \$50,000 in fiscal year 2017 to purchase approximately 30 acres of land from E.I. Du Pont de Nemours and Company on which to locate the new jail facility. The total purchase cost of the land was \$500,000 including the option price.

# REQUIRED SUPPLEMENTARY INFORMATION



**County of Henry, Virginia**  
Budgetary Comparison Schedule  
Year Ended June 30, 2017  
**General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
<b>General Property Taxes</b>				
Property taxes - all years	\$ 23,403,869	\$ 23,403,869	\$ 23,910,221	\$ 506,352
Penalties - all tax years	250,000	250,000	259,655	9,655
Interest - all tax years	<u>185,000</u>	<u>185,000</u>	<u>174,674</u>	<u>(10,326)</u>
Total General Property Taxes	23,838,869	23,838,869	24,344,550	505,681
<b>Other Local Taxes</b>				
Local sales and use taxes	4,071,000	4,071,000	4,278,562	207,562
Consumer utility tax	2,680,000	2,680,000	2,748,488	68,488
Business license taxes	1,605,000	1,605,000	1,655,802	50,802
Motor vehicle licenses	880,000	880,000	867,476	(12,524)
Bank franchise taxes	180,500	180,500	232,264	51,764
Transient occupancy taxes	116,000	116,000	120,922	4,922
Taxes on recordation and wills	197,000	197,000	210,150	13,150
Restaurant food taxes	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,209,537</u>	<u>109,537</u>
Total Other Local Taxes	11,829,500	11,829,500	12,323,201	493,701
<b>Permits, Privilege Fees, and Regulatory Licenses</b>				
Animal licenses	10,000	10,000	9,729	(271)
Building and related permits	45,000	45,000	48,681	3,681
Other permits, licenses, and fees	<u>5,500</u>	<u>5,500</u>	<u>5,382</u>	<u>(118)</u>
Total Permits, Privilege Fees, and Regulatory Licenses	60,500	60,500	63,792	3,292
<b>Fines and Forfeitures</b>				
Court fines and forfeitures	157,000	157,000	214,626	57,626
<b>Revenue from Use of Money and Property</b>				
Revenue from use of money	315,000	315,000	158,023	(156,977)
Revenue from use of property	<u>362,015</u>	<u>362,015</u>	<u>399,500</u>	<u>37,485</u>
Total Revenue from Use of Money and Property	677,015	677,015	557,523	(119,492)
<b>Charges for Services</b>				
Sheriff fees	23,454	23,454	30,918	7,464
Commonwealth's attorney	4,500	4,500	5,242	742
County and hired attorneys	85,000	85,000	103,505	18,505
Law enforcement and traffic control	-	-	38,157	38,157
Charges for sanitation and waste removal	68,100	68,100	67,623	(477)
Treasurer's administrative collection fees	10,000	10,000	6,858	(3,142)
Parks and recreation	38,000	38,000	38,217	217
Utility bill collection	18,000	18,000	18,517	517
Jail monitoring	45,000	45,000	28,138	(16,862)
Miscellaneous other charges for services	<u>2,300</u>	<u>9,709</u>	<u>14,748</u>	<u>5,039</u>
Total Charges for Services	294,354	301,763	351,923	50,160

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Recovered Costs</b>				
Jail costs - Commonwealth of Virginia	320,000	320,000	330,800	10,800
Inmate housing fees	-	52,136	52,136	-
Salary - court secretary	21,000	21,000	27,379	6,379
City share of extension services	7,756	7,756	7,756	-
School share of school resource officer	204,577	204,577	209,522	4,945
EMS fees for service	705,000	705,000	832,741	127,741
M/HC Economic Development Corporation	784,568	908,808	655,105	(253,703)
Local and special grants	-	10,370	13,098	2,728
Transportation grants	59,756	76,316	68,488	(7,828)
Other recovered costs	-	46,938	52,610	5,672
Insurance recoveries	-	5,183	25,527	20,344
Miscellaneous refunds	250,925	362,502	257,492	(105,010)
Total Recovered Costs	<u>2,353,582</u>	<u>2,720,586</u>	<u>2,532,654</u>	<u>(187,932)</u>
<b>Miscellaneous</b>	35,000	35,000	56,051	21,051
<b>Intergovernmental</b>				
<i>Revenue from the Commonwealth of Virginia</i>				
<i>Noncategorical Aid</i>				
Rolling stock taxes - motor vehicle carriers tax	45,000	45,000	42,224	(2,776)
Mobile home titling tax	42,000	42,000	51,473	9,473
Tax on deeds	59,000	59,000	47,553	(11,447)
Auto rental sales tax	31,000	31,000	27,552	(3,448)
Personal Property Tax Relief Act funds	1,771,828	1,771,828	1,771,828	-
Communication tax	2,258,000	2,258,000	2,191,532	(66,468)
Total Noncategorical Aid	<u>4,206,828</u>	<u>4,206,828</u>	<u>4,132,162</u>	<u>(74,666)</u>
<i>Categorical Aid</i>				
<i>Shared Expenses</i>				
Commonwealth's Attorney	578,497	578,497	586,418	7,921
Sheriff	4,429,758	4,429,758	4,342,144	(87,614)
Commissioner of the Revenue	178,008	178,008	178,083	75
Treasurer	170,316	170,316	168,661	(1,655)
Electoral Board and General Registrar	46,000	46,000	46,977	977
Clerk of Circuit Court	445,628	445,628	458,814	13,186
Total Categorical Aid	<u>5,848,207</u>	<u>5,848,207</u>	<u>5,781,097</u>	<u>(67,110)</u>
<i>Other Categorical Aid</i>				
Emergency services grant	-	7,391	7,391	-
Fire programs fund	-	173,319	173,319	-
Victim witness program	27,416	42,215	37,936	(4,279)
Law enforcement grants	43,444	45,694	40,595	(5,099)
Transportation grant funds	33,858	34,939	34,939	-
Litter control program	21,151	21,151	20,379	(772)
State EMS Two for Life funds	-	52,979	52,979	-
Other state grants and awards	-	14,380	55,472	41,092
Tobacco Indemnification money	-	2,258,160	16,047	(2,242,113)
Asset forfeiture funds	-	50,035	83,911	33,876
Total Other Categorical Aid	<u>125,869</u>	<u>2,700,263</u>	<u>522,968</u>	<u>(2,177,295)</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Total Revenue from the Commonwealth of Virginia	10,180,904	12,755,298	10,436,227	(2,319,071)
<b>Revenue from the Federal Government</b>				
Payments in lieu of taxes	3,000	3,000	3,507	507
Emergency services	26,164	162,528	162,528	-
Law enforcement grants	-	125,475	53,888	(71,587)
Victim Witness Program	98,698	101,195	113,807	12,612
Asset forfeiture funds	-	94,956	64,451	(30,505)
Other federal grants	-	73,004	63,176	(9,828)
Transportation grants	45,714	68,618	46,530	(22,088)
Total Revenue from the Federal Government	<u>173,576</u>	<u>628,776</u>	<u>507,887</u>	<u>(120,889)</u>
Total Intergovernmental Revenue	<u>10,354,480</u>	<u>13,384,074</u>	<u>10,944,114</u>	<u>(2,439,960)</u>
Total Revenues	49,600,300	53,004,307	51,388,434	(1,615,873)

**Expenditures**

**Current**

*General Government Administration*

Board of Supervisors	114,284	132,284	130,833	1,451
County Administrator	342,947	342,947	341,610	1,337
Independent auditor	57,500	57,500	36,799	20,701
Human resources/training	61,132	61,132	55,956	5,176
County Attorney	165,519	165,519	176,965	(11,446)
Commissioner of Revenue	551,252	553,680	546,162	7,518
Assessors	203,094	203,094	184,200	18,894
Treasurer	583,167	583,167	574,601	8,566
Finance	371,461	371,461	364,645	6,816
Information services	314,355	323,688	309,792	13,896
Central purchasing	209,366	210,040	207,833	2,207
Board of Elections - registrar	277,512	285,128	272,014	13,114
Total General Government Administration	<u>3,251,589</u>	<u>3,289,640</u>	<u>3,201,410</u>	<u>88,230</u>

*Judicial Administration*

Circuit Court	93,435	93,435	87,132	6,303
General District Court	16,970	16,970	17,203	(233)
Magistrates	3,140	3,140	2,818	322
Juvenile and Domestic Relations	9,400	9,400	8,134	1,266
Clerk of the Circuit Court	735,543	740,727	729,045	11,682
Sheriff Civil and Court Security	1,080,523	1,080,809	1,037,499	43,310
Victim/Witness Assist	151,094	168,390	154,244	14,146
Commonwealth's Attorney	827,832	827,832	831,133	(3,301)
Total Judicial Administration	<u>2,917,937</u>	<u>2,940,703</u>	<u>2,867,208</u>	<u>73,495</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Public Safety</i>				
Law enforcement and traffic control	5,737,587	5,767,432	5,647,383	120,049
Law enforcement and traffic control - grants	-	127,975	56,110	71,865
School resource officer	248,021	248,021	247,867	154
Fire and rescue services	981,808	1,474,805	1,221,505	253,300
Emergency services operations	1,771,254	1,787,950	1,659,306	128,644
Emergency services training	270,859	261,795	242,451	19,344
Emergency services grants	-	169,210	169,048	162
Fire prevention	171,945	171,945	170,831	1,114
Correction and detention	2,990,654	3,489,954	3,298,263	191,691
Correction and detention grants	-	22,165	17,081	5,084
Probation	326,700	326,700	374,465	(47,765)
Code enforcement	345,091	437,800	363,820	73,980
Public safety	171,417	171,417	165,705	5,712
Public safety grants	-	60,000	43,818	16,182
Electronic monitoring	42,726	42,726	13,516	29,210
Animal control	183,748	185,444	170,941	14,503
Asset forfeiture	-	144,991	114,536	30,455
SPCA	11,667	11,667	11,667	-
Total Public Safety	<u>13,253,477</u>	<u>14,901,997</u>	<u>13,988,313</u>	<u>913,684</u>
<i>Public Works</i>				
Maintenance of highways, streets, bridges, sidewalks	9,000	9,000	4,838	4,162
Refuse collection	1,648,985	1,653,472	1,571,518	81,954
Refuse disposal - closure maintenance	12,000	12,000	7,158	4,842
<i>Maintenance of buildings and grounds</i>				
General engineering	294,632	294,632	283,863	10,769
Communication equipment	72,454	78,350	66,950	11,400
Administrative building	457,495	466,970	396,748	70,222
Courthouse	369,020	363,184	308,170	55,014
Sheriff's office	61,900	60,900	42,637	18,263
Jail	316,550	319,750	267,547	52,203
Other	311,622	327,008	290,796	36,212
Social services and health department	62,295	62,295	51,246	11,049
Dupont property	166,478	166,478	132,486	33,992
Total Maintenance of Buildings and Grounds	<u>2,112,446</u>	<u>2,139,567</u>	<u>1,840,443</u>	<u>299,124</u>
Total Public Works	<u>3,782,431</u>	<u>3,814,039</u>	<u>3,423,957</u>	<u>390,082</u>
<i>Health and Welfare</i>				
Henry-Martinsville Social Services	611,699	611,699	537,642	74,057
Health Department	305,000	305,000	305,000	-
Mental health and retardation	119,000	119,000	119,000	-
Transportation grants	149,193	196,891	156,591	40,300
Property tax relief for the elderly	80,500	80,500	85,599	(5,099)
Group home services	66,192	66,192	66,192	-
Other welfare and social services	81,083	82,997	82,997	-
Total Health and Welfare	<u>1,412,667</u>	<u>1,462,279</u>	<u>1,353,021</u>	<u>109,258</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<i>Education</i>				
Contributions to community colleges	56,611	56,611	56,611	-
Contributions to component unit - school board	<u>17,603,313</u>	<u>21,585,294</u>	<u>17,658,120</u>	<u>3,927,174</u>
Total Education	17,659,924	21,641,905	17,714,731	3,927,174
<i>Parks, Recreation, and Cultural</i>				
Parks, recreation, and cultural	1,056,684	1,120,251	1,045,284	74,967
Cultural enrichment	103,588	103,588	103,588	-
Library	<u>722,368</u>	<u>722,368</u>	<u>722,368</u>	<u>-</u>
Total Parks, Recreation, and Cultural	1,882,640	1,946,207	1,871,240	74,967
<i>Community Development</i>				
Planning and community development	295,719	295,719	285,346	10,373
Engineering and mapping	274,557	280,650	266,195	14,455
M/HC Economic Development Corporation - payroll related	784,568	784,568	757,562	27,006
M/HC Economic Development Corporation	460,500	460,500	460,500	-
Cooperative extension program	56,403	56,403	53,911	2,492
Henry County Industrial Development Authority	1,558,020	4,253,209	2,371,546	1,881,663
Other community and economic development	<u>144,191</u>	<u>234,658</u>	<u>173,037</u>	<u>61,621</u>
Total Community Development	3,573,958	6,365,707	4,368,097	1,997,610
<i>Nondepartmental</i>				
Employee benefits, pooled vehicles, mobile command	104,794	104,794	53,096	51,698
Contingency reserve	<u>250,000</u>	<u>76,669</u>	<u>-</u>	<u>76,669</u>
Total Nondepartmental	354,794	181,463	53,096	128,367
<i>Capital Projects</i>				
Henry County PSA for water and sewer projects	-	2,672,400	17,830	2,654,570
Correctional facility	-	50,000	50,010	(10)
Other miscellaneous capital projects	<u>246,000</u>	<u>1,504,701</u>	<u>729,811</u>	<u>774,890</u>
Total Capital Projects	246,000	4,227,101	797,651	3,429,450
<i>Debt Service</i>				
Principal	64,500	64,500	64,498	2
Interest and other costs	<u>2,900</u>	<u>2,900</u>	<u>2,835</u>	<u>65</u>
Total Debt Service	67,400	67,400	67,333	67
Total Expenditures	<u>48,402,817</u>	<u>60,838,441</u>	<u>49,706,057</u>	<u>11,132,384</u>
Excess (Deficiency) of Revenues Over Expenditures	1,197,483	(7,834,134)	1,682,377	9,516,511
<b>Other Financing Sources (Uses)</b>				
Transfers to other funds	<u>(1,197,483)</u>	<u>(1,299,437)</u>	<u>(1,089,755)</u>	<u>209,682</u>
Total Other Financing Sources (Uses)	<u>(1,197,483)</u>	<u>(1,299,437)</u>	<u>(1,089,755)</u>	<u>209,682</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(9,133,571)	592,622	9,726,193
Transfer from Surplus Funds	<u>-</u>	<u>9,133,571</u>	<u>-</u>	<u>(9,133,571)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	592,622	<u>\$ 592,622</u>
Fund Balance - Beginning of Year			<u>35,527,048</u>	
Fund Balance - End of Year			<u>\$ 36,119,670</u>	

Children's Services Act Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Recovered costs	\$ 42,621	\$ 42,621	\$ 42,621	\$ -
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	652,295	652,295	433,941	(218,354)
Revenue from the Federal Government	<u>-</u>	<u>-</u>	<u>8,572</u>	<u>8,572</u>
Total Intergovernmental Revenue	<u>652,295</u>	<u>652,295</u>	<u>442,513</u>	<u>(209,782)</u>
Total Revenues	694,916	694,916	485,134	(209,782)
<b>Expenditures</b>				
<b>Current</b>				
<i>Health and Welfare</i>				
Welfare and social services	<u>1,059,445</u>	<u>1,059,445</u>	<u>764,416</u>	<u>295,029</u>
Total Expenditures	<u>1,059,445</u>	<u>1,059,445</u>	<u>764,416</u>	<u>295,029</u>
Excess (Deficiency) of Revenues Over Expenditures	(364,529)	(364,529)	(279,282)	85,247
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>364,529</u>	<u>364,529</u>	<u>279,282</u>	<u>(85,247)</u>
Total Other Financing Sources (Uses)	<u>364,529</u>	<u>364,529</u>	<u>279,282</u>	<u>(85,247)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

E-911 Central Dispatch Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
<b>Local Revenues</b>				
Recovered costs	\$ 460,383	\$ 470,830	\$ 448,938	\$ (21,892)
Total Local Revenues	460,383	470,830	448,938	(21,892)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	463,799	463,799	465,065	1,266
Total Intergovernmental Revenues	463,799	463,799	465,065	1,266
Total Revenues	924,182	934,629	914,003	(20,626)
<b>Expenditures</b>				
<b>Current</b>				
Public safety	1,757,136	1,790,836	1,723,674	67,162
Total Expenditures	1,757,136	1,790,836	1,723,674	67,162
Net Change in Fund Balance Before Transfers	(832,954)	(856,207)	(809,671)	46,536
Transfer from Other Funds	832,954	856,207	809,671	(46,536)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			<u>\$ -</u>	

Law Library Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance With Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Charges for services	\$ 7,000	\$ 7,000	\$ 6,002	\$ (998)
Recovered costs	<u>6,000</u>	<u>6,000</u>	<u>3,709</u>	<u>(2,291)</u>
Total Revenues	13,000	13,000	9,711	(3,289)
<b>Expenditures</b>				
<b>Current</b>				
Judicial administration	<u>31,500</u>	<u>31,500</u>	<u>16,200</u>	<u>15,300</u>
Total Expenditures	<u>31,500</u>	<u>31,500</u>	<u>16,200</u>	<u>15,300</u>
Net Change in Fund Balance Before Transfer from Surplus	(18,500)	(18,500)	(6,489)	12,011
Transfer from Surplus Funds	<u>18,500</u>	<u>18,500</u>	-	<u>(18,500)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(6,489)	<u>\$ (6,489)</u>
Fund Balance - Beginning of Year			<u>122,600</u>	
Fund Balance - End of Year			<u>\$ 116,111</u>	

Fieldale Sanitary District Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from use of money and property	\$ 750	\$ 750	\$ 452	\$ (298)
Total Revenues	750	750	452	(298)
<b>Expenditures</b>				
<b>Current</b>				
Public works	<u>20,500</u>	<u>20,500</u>	<u>17,754</u>	<u>2,746</u>
Total Expenditures	<u>20,500</u>	<u>20,500</u>	<u>17,754</u>	<u>2,746</u>
Net Change in Fund Balance Before Transfer from Surplus	(19,750)	(19,750)	(17,302)	2,448
Transfer from Surplus Funds	<u>19,750</u>	<u>19,750</u>	<u>-</u>	<u>(19,750)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(17,302)	<u>\$ (17,302)</u>
Fund Balance - Beginning of Year			<u>109,630</u>	
Fund Balance - End of Year			<u>\$ 92,328</u>	

Henry County School Board  
School Fund

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Revenue from the use of money and property	\$ 23,000	\$ 98,282	\$ 106,834	\$ 8,552
Charges for services	67,500	623,810	543,286	(80,524)
Recovered costs	406,100	470,575	332,919	(137,656)
<b>Miscellaneous</b>				
Harvest Foundation	-	460,352	460,352	-
Other miscellaneous	350,000	353,400	333,307	(20,093)
Payment from Primary Government - Henry County	17,603,313	21,585,294	17,658,120	(3,927,174)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	49,199,695	51,234,430	50,841,597	(392,833)
Educational Technology - Commonwealth of Virginia	492,000	492,000	466,000	(26,000)
Revenue from the Federal Government	9,653,000	6,640,262	5,653,873	(986,389)
QSCB federal loan interest subsidy	-	-	143,574	143,574
Total Intergovernmental Revenues	<u>59,344,695</u>	<u>58,366,692</u>	<u>57,105,044</u>	<u>(1,261,648)</u>
Total Revenues	77,794,608	81,958,405	76,539,862	(5,418,543)
<b>Expenditures</b>				
Instruction	47,031,278	48,213,327	46,439,715	1,773,612
Administration, attendance, and health	3,209,869	3,168,932	3,002,986	165,946
Pupil transportation	5,358,376	6,113,532	5,385,559	727,973
Operation and maintenance	6,298,249	6,629,686	6,294,010	335,676
Facilities	284,000	20,612,401	14,324,050	6,288,351
Special grants	9,800,000	9,632,488	8,602,823	1,029,665
Technology	2,521,669	2,589,669	3,205,328	(615,659)
Contingency reserve	50,000	50,000	-	50,000
<b>Debt Service</b>				
Principal	1,466,311	1,466,311	1,669,515	(203,204)
Interest and other charges	1,183,840	1,261,342	902,769	358,573
Total Expenditures	<u>77,203,592</u>	<u>99,737,688</u>	<u>89,826,755</u>	<u>9,910,933</u>
Excess (Deficiency) of Revenues Over Expenditures	591,016	(17,779,283)	(13,286,893)	4,492,390
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	10,000,000	11,002,358	1,002,358
Transfers in (out)	(591,016)	(591,016)	(591,016)	-
Total Other Financing Sources (Uses)	<u>(591,016)</u>	<u>9,408,984</u>	<u>10,411,342</u>	<u>1,002,358</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(8,370,299)	(2,875,551)	5,494,748
Transfer from Surplus Funds	-	8,370,299	-	(8,370,299)
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	(2,875,551)	<u>\$ (2,875,551)</u>
Fund Balance - Beginning of Year			8,370,300	
Fund Balance - End of Year			<u>\$ 5,494,749</u>	

Henry County School Board  
School Textbook Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 5,064	\$ 5,064
Total Revenues	-	-	5,064	5,064
<b>Expenditures</b>				
Textbooks	<u>1,057,768</u>	<u>1,068,830</u>	<u>414,207</u>	<u>654,623</u>
Total Expenditures	<u>1,057,768</u>	<u>1,068,830</u>	<u>414,207</u>	<u>654,623</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,057,768)	(1,068,830)	(409,143)	659,687
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	<u>591,016</u>	<u>591,016</u>	<u>591,016</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>591,016</u>	<u>591,016</u>	<u>591,016</u>	<u>-</u>
Net Change in Fund Balance	(466,752)	(477,814)	181,873	659,687
Transfer from Surplus Funds	<u>466,752</u>	<u>477,814</u>	-	<u>(477,814)</u>
Net Change after Reserve	<u>\$ -</u>	<u>\$ -</u>	181,873	<u>\$ 181,873</u>
Fund Balance - Beginning of Year			<u>1,018,763</u>	
Fund Balance - End of Year			<u>\$ 1,200,636</u>	

Henry County School Board  
School Cafeteria Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Charges for services	\$ 659,558	\$ 1,036,263	\$ 651,476	\$ (384,787)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	95,188	99,723	157,756	58,033
Revenue from the Federal Government	<u>3,712,342</u>	<u>3,889,207</u>	<u>4,291,683</u>	<u>402,476</u>
Total Intergovernmental Revenues	<u>3,807,530</u>	<u>3,988,930</u>	<u>4,449,439</u>	<u>460,509</u>
Total Revenues	4,467,088	5,025,193	5,100,915	75,722
<b>Expenditures</b>				
Cafeteria	<u>4,467,088</u>	<u>5,025,193</u>	<u>4,943,236</u>	<u>81,957</u>
Total Expenditures	<u>4,467,088</u>	<u>5,025,193</u>	<u>4,943,236</u>	<u>81,957</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	157,679	<u>\$ 157,679</u>
Fund Balance - Beginning of Year			<u>685,594</u>	
Fund Balance - End of Year			<u>\$ 843,273</u>	

**County of Henry, Virginia**

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

**Primary Government (Includes Component Unit -  
Henry-Martinsville Social Services)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 1,817,186	\$ 1,825,934	\$ 1,744,503
Interest	4,978,356	4,793,088	4,595,301
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(201,848)	(139,048)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(3,776,137)</u>	<u>(3,890,440)</u>	<u>(3,138,102)</u>
<b>Net change in total pension liability</b>	<b>2,817,557</b>	<b>2,589,534</b>	<b>3,201,702</b>
<b>Total pension liability - beginning</b>	<u>73,007,444</u>	<u>70,417,910</u>	<u>67,216,208</u>
<b>Total pension liability - ending (a)</b>	<u><b>\$ 75,825,001</b></u>	<u><b>\$ 73,007,444</b></u>	<u><b>\$ 70,417,910</b></u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 1,942,274	\$ 1,860,929	\$ 1,851,310
Contributions - employee	798,388	736,140	720,333
Net investment income	1,131,498	2,906,849	8,808,287
Benefit Payments, including refunds of employee contributions	(3,776,137)	(3,890,440)	(3,138,102)
Administrative expense	(40,955)	(40,480)	(47,504)
Other	<u>(482)</u>	<u>(613)</u>	<u>464</u>
<b>Net change in plan fiduciary net position</b>	<b>54,586</b>	<b>1,572,385</b>	<b>8,194,788</b>
<b>Plan fiduciary net position - beginning</b>	<u>65,794,242</u>	<u>64,221,857</u>	<u>56,027,069</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><b>\$ 65,848,828</b></u>	<u><b>\$ 65,794,242</b></u>	<u><b>\$ 64,221,857</b></u>
<b>Political subdivision's net pension liability - ending (a) - (b)</b>	<u><b>\$ 9,976,173</b></u>	<u><b>\$ 7,213,202</b></u>	<u><b>\$ 6,196,053</b></u>
<b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>86.84%</b>	<b>90.12%</b>	<b>91.20%</b>
<b>Covered payroll</b>	\$ 15,541,311	\$ 14,834,279	\$ 14,700,626
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>64.19%</b>	<b>48.63%</b>	<b>42.15%</b>

**NOTE:** Primary Government figures include the Component Unit - Henry-Martinsville Social Services.

**County of Henry, Virginia**

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

School Board General Employees

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>			
Service cost	\$ 360,509	\$ 369,148	\$ 381,575
Interest	1,222,004	1,209,211	1,183,231
Changes of benefit terms	-	-	-
Differences between expected and actual experience	63,285	(128,520)	-
Changes in assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(1,325,410)</u>	<u>(1,208,758)</u>	<u>(1,178,562)</u>
<b>Net change in total pension liability</b>	<b>320,388</b>	<b>241,081</b>	<b>386,244</b>
<b>Total pension liability - beginning</b>	<u><b>18,119,901</b></u>	<u>17,878,820</u>	<u>17,492,576</u>
<b>Total pension liability - ending (a)</b>	<u><b>\$ 18,440,289</b></u>	<u>\$ 18,119,901</u>	<u>\$ 17,878,820</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 350,270	\$ 359,989	\$ 374,408
Contributions - employee	155,088	160,477	164,972
Net investment income	269,906	747,117	2,319,132
Benefit Payments, including refunds of employee contributions	<u>(1,325,410)</u>	<u>(1,208,758)</u>	<u>(1,178,562)</u>
Administrative expense	<u>(10,720)</u>	<u>(10,754)</u>	<u>(12,938)</u>
Other	<u>(119)</u>	<u>(157)</u>	<u>123</u>
<b>Net change in plan fiduciary net position</b>	<b>(560,985)</b>	<b>47,914</b>	<b>1,667,135</b>
<b>Plan fiduciary net position - beginning</b>	<u><b>16,771,004</b></u>	<u>16,723,090</u>	<u>15,055,955</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><b>\$ 16,210,019</b></u>	<u>\$ 16,771,004</u>	<u>\$ 16,723,090</u>
<b>Political subdivision's net pension liability - ending (a) - (b)</b>	<u><b>\$ 2,230,270</b></u>	<u>\$ 1,348,897</u>	<u>\$ 1,155,730</u>
<b>Plan fiduciary net position as a percentage of the total Pension liability</b>	<b>87.91%</b>	92.56%	93.54%
<b>Covered payroll</b>	\$ 3,179,921	\$ 3,254,767	\$ 3,304,105
<b>Political subdivision's net pension liability as a percentage of covered payroll</b>	<b>70.14%</b>	41.44%	34.98%

**County of Henry, Virginia**

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

For the Years Ended June 30, 2017, 2016, and 2015<sup>†</sup>

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	<b>0.46050%</b>	0.46490%	0.47694%
Employer's Proportionate Share of the Net Pension Liability (Asset)	<b>\$ 64,535,000</b>	\$ 58,514,000	\$ 57,636,000
Employer's Covered Payroll	<b>\$ 35,114,607</b>	\$ 34,564,083	\$ 34,824,957
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its covered payroll	<b>183.784%</b>	169.291%	165.502%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<b>68.28%</b>	70.68%	70.88%

*Schedule is intended to show information for 10 years. Since 2017 is the third year for this presentation, only one additional year of data is available. However, additional years will be included as they become available.*

<sup>†</sup>The amounts presented have a measurement date of the previous fiscal year end.

**County of Henry, Virginia**

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through 2017

Date	Contributions in Relation to			Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
	Contractually Required Contribution (1)	Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)		
<b>Primary Government -</b>					
<b>County (Includes Component Unit - Henry-Martinsville Social Services)</b>					
2017	\$ 1,634,651	\$ 1,634,651	\$ -	\$ 15,948,049	10.25%
2016	1,955,098	1,955,098	-	15,541,311	12.58%
2015	1,866,106	1,866,106	-	14,834,279	12.58%
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
<b>Component Unit School Board -</b>					
<b>General Employees</b>					
2017	\$ 300,176	\$ 300,176	\$ -	\$ 3,454,267	8.69%
2016	353,928	353,928	-	3,179,921	11.13%
2015	361,881	361,881	-	3,254,767	11.12%
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
<b>Teachers</b>					
2017	\$ 5,320,822	\$ 5,320,822	\$ -	\$ 36,294,838	14.66%
2016	4,937,114	4,937,114	-	35,114,607	14.06%
2015	5,015,024	5,015,024	-	34,564,083	14.51%
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A
2010	N/A	N/A	N/A	N/A	N/A
2009	N/A	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A

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

**For Reference Only:**

- Column 1 – Employer contribution rate multiplied by the employer's covered payroll
- Column 2 – Actual employer contribution remitted to VRS
- Column 4 – Employer's covered payroll amount for the fiscal year

## County of Henry, Virginia

### Notes to Required Supplementary Information

For the Year Ended June 30, 2017

**Changes of benefit terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2015 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2015 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 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 – VRS Teacher Retirement Plan:

- 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

# OTHER SUPPLEMENTARY INFORMATION



## County of Henry, Virginia

## Capital Projects Fund

June 30, 2017

## Special Grant Projects Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Recovered costs	\$ -	\$ 1,122,748	\$ 186,334	\$ (936,414)
<b>Intergovernmental</b>				
Revenue from the Commonwealth of Virginia	-	228,000	-	(228,000)
Revenue from the Federal Government	-	2,196,256	204,702	(1,991,554)
Total Intergovernmental	-	<u>2,424,256</u>	<u>204,702</u>	<u>(2,219,554)</u>
Total Revenues	-	3,547,004	391,036	(3,155,968)
<b>Expenditures</b>				
<b>Current</b>				
Community development	-	<u>3,644,156</u>	<u>369,313</u>	<u>3,274,843</u>
Total Expenditures	-	<u>3,644,156</u>	<u>369,313</u>	<u>3,274,843</u>
Net Change in Fund Balance Before Transfers	-	(97,152)	21,723	118,875
Transfer from Other Funds	-	<u>78,701</u>	<u>802</u>	<u>(77,899)</u>
Net Change in Fund Balance Before Transfer from Surplus	-	(18,451)	22,525	40,976
Transfer from Surplus Funds	-	<u>18,451</u>	-	<u>(18,451)</u>
Net Change in Fund Balance After Transfer from Surplus	<u>\$ -</u>	<u>\$ -</u>	22,525	<u>\$ 22,525</u>
Fund Balance - Beginning of Year			<u>218,613</u>	
Fund Balance - End of Year			<u>\$ 241,138</u>	

**County of Henry, Virginia**  
 Combining Balance Sheet  
 Component Unit - School Board  
 Year Ended June 30, 2017

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
<b>Assets</b>				
Cash	\$ 15,684	\$ 1,200,636	\$ 1,131,977	\$ 2,348,297
Cash - restricted	7,375,243	-	-	7,375,243
Receivables - net	97,343	-	37,152	134,495
Due from primary government	248,215	-	-	248,215
Due from other governments	<u>2,922,214</u>	<u>-</u>	<u>73,432</u>	<u>2,995,646</u>
Total Assets	<u>\$ 10,658,699</u>	<u>\$ 1,200,636</u>	<u>\$ 1,242,561</u>	<u>\$ 13,101,896</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,143,138	\$ -	\$ -	\$ 1,143,138
Accrued salaries and benefits	3,890,258	-	109,163	3,999,421
Due to primary government	<u>-</u>	<u>-</u>	<u>290,125</u>	<u>290,125</u>
Total Liabilities	5,033,396	-	399,288	5,432,684
<b>Deferred Inflows of Resources</b>				
Unexpended grants	130,554	-	-	130,554
<b>Fund Balances</b>				
Restricted	5,494,749	-	843,273	6,338,022
Assigned	<u>-</u>	<u>1,200,636</u>	<u>-</u>	<u>1,200,636</u>
Total Fund Balances	<u>5,494,749</u>	<u>1,200,636</u>	<u>843,273</u>	<u>7,538,658</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,658,699</u>	<u>\$ 1,200,636</u>	<u>\$ 1,242,561</u>	<u>\$ 13,101,896</u>
	Fund Balances - per above			\$ 7,538,658
	Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			26,588,486
	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	9,683,754
			Deferred inflows related to pensions	(3,814,612)
	The net VRS pension liability is a long-term liability related to pensions that is applicable to future periods and, therefore, is not reported in the funds.			(66,765,270)
	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:			
			Capital leases payable	\$ (1,272,139)
			Net OPEB obligation	(24,958)
			Compensated absences	<u>(796,350)</u>
				<u>(2,093,447)</u>
	Net Position of Governmental Activities			<u>\$ (28,862,431)</u>

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Component Unit - School Board

Year Ended June 30, 2017

	<u>School Fund</u>	<u>School Textbook Fund</u>	<u>School Cafeteria Fund</u>	<u>Total Public Schools</u>
<b>Revenues</b>				
Revenue from use of money and property	\$ 106,834	\$ 5,064	\$ -	\$ 111,898
Charges for services	543,286	-	651,476	1,194,762
Recovered costs	332,919	-	-	332,919
Miscellaneous	793,659	-	-	793,659
<b>Intergovernmental</b>				
County of Henry, Virginia	17,658,120	-	-	17,658,120
Commonwealth of Virginia	51,307,597	-	157,756	51,465,353
Federal	5,653,873	-	4,291,683	9,945,556
QSCB federal loan interest subsidy	<u>143,574</u>	<u>-</u>	<u>-</u>	<u>143,574</u>
Total Revenues	<u>76,539,862</u>	<u>5,064</u>	<u>5,100,915</u>	<u>81,645,841</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	46,439,715	414,207	-	46,853,922
Administration, attendance, and health	3,002,986	-	-	3,002,986
Pupil transportation	5,385,559	-	-	5,385,559
Operation and maintenance	6,294,010	-	-	6,294,010
Cafeteria - school food service	-	-	4,943,236	4,943,236
Facilities	14,324,050	-	-	14,324,050
Special grants	8,602,823	-	-	8,602,823
Technology	3,205,328	-	-	3,205,328
<b>Debt Service</b>				
Principal	1,669,515	-	-	1,669,515
Interest and other charges	<u>902,769</u>	<u>-</u>	<u>-</u>	<u>902,769</u>
Total Expenditures	<u>89,826,755</u>	<u>414,207</u>	<u>4,943,236</u>	<u>95,184,198</u>
Excess (Deficiency) of Expenditures Over Revenues	(13,286,893)	(409,143)	157,679	(13,538,357)
<b>Other Financing Sources (Uses)</b>				
Proceeds of loans	11,002,358	-	-	11,002,358
Transfers in	-	591,016	-	591,016
Transfers out	<u>(591,016)</u>	<u>-</u>	<u>-</u>	<u>(591,016)</u>
Total Other Financing Sources (Uses)	<u>10,411,342</u>	<u>591,016</u>	<u>-</u>	<u>11,002,358</u>
Net Change in Fund Balances	(2,875,551)	181,873	157,679	(2,535,999)
Fund Balances - Beginning of Year	<u>8,370,300</u>	<u>1,018,763</u>	<u>685,594</u>	<u>10,074,657</u>
Fund Balances - End of Year	<u>\$ 5,494,749</u>	<u>\$ 1,200,636</u>	<u>\$ 843,273</u>	<u>\$ 7,538,658</u>

County of Henry, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Component Unit - School Board

Year Ended June 30, 2017

Net Change in Fund Balances - per above \$ (2,535,999)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposition was less than capital outlays. 13,026,043

Construction related to renovation of school buildings is part of the County Primary Government since the debt is in the County name. However, the school building belongs to the County until such time the debt is paid off. All debt payments paid by the School Board are adjusted and shown as being paid by the County. (12,878,150)

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.

Proceeds of capital leases	\$ (1,002,358)	
Repayments on capital leases	<u>278,204</u>	
Net Adjustment		(724,154)

Governmental funds use the modified accrual basis of accounting whereas the Statement of Activities for the Governmental-Type statements use the full accrual method in reporting expenses and liabilities. Therefore, the following adjustment reflects the net changes in the following accounts:

Change in compensated absences	(17,695)
Change in net OPEB liability	(75,774)
Change in VRS deferred inflows	2,695,553
Change in VRS deferred outflows	4,392,003
Change in net VRS pension liability	<u>(6,902,373)</u>
Change in Net Position of Governmental Activities	<u>\$ (3,020,546)</u>

## County of Henry, Virginia

## Statement of Net Position

## Component Unit - Industrial Development Authority

At June 30, 2017

	<b>Industrial Site Project Fund #37</b>	<b>Main Operating Fund #45</b>	<b>Total Industrial Development Authority</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$ -	\$ 615,785	\$ 615,785
Due from primary government - Henry County, VA	769,882	-	769,882
Receivables - net	950,880	30,305	981,185
Inventory	<u>21,380,978</u>	<u>14,273,570</u>	<u>35,654,548</u>
Total Current Assets	23,101,740	14,919,660	38,021,400
<b>Noncurrent Assets</b>			
Fixed assets, net of accumulated depreciation	-	2,417	2,417
Notes receivables - net	<u>-</u>	<u>324,085</u>	<u>324,085</u>
Total Noncurrent Assets	-	326,502	326,502
Total Assets	<u>\$ 23,101,740</u>	<u>\$ 15,246,162</u>	<u>\$ 38,347,902</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,018,046	\$ 4,281	\$ 1,022,327
Accrued interest payable	-	30,941	30,941
Current portion of long-term debt	<u>-</u>	<u>470,201</u>	<u>470,201</u>
Total Current Liabilities	1,018,046	505,423	1,523,469
<b>Long-Term Liabilities</b>			
Long-term debt - due in more than one year	-	3,461,955	3,461,955
Due to other governmental unit	697,711	-	697,711
Due to primary government - Henry County, VA	<u>-</u>	<u>536,787</u>	<u>536,787</u>
Total Long-Term Liabilities	<u>697,711</u>	<u>3,998,742</u>	<u>4,696,453</u>
Total Liabilities	1,715,757	4,504,165	6,219,922
<b>Deferred Inflows of Resources</b>			
Unexpended grants payable	5,005	160,000	165,005
<b>Net Position</b>			
Net investment in capital assets	-	2,417	2,417
Unrestricted	<u>21,380,978</u>	<u>10,579,580</u>	<u>31,960,558</u>
Total Net Position	<u>21,380,978</u>	<u>10,581,997</u>	<u>31,962,975</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 23,101,740</u>	<u>\$ 15,246,162</u>	<u>\$ 38,347,902</u>

## County of Henry, Virginia

## Statement of Revenues, Expenses, and Changes in Net Position

## Component Unit - Industrial Development Authority

Year Ended June 30, 2017

	<b>Industrial Site Project Fund #37</b>	<b>Main Operating Fund #45</b>	<b>Total Industrial Development Authority</b>
<b>Operating Revenues</b>			
Payment from primary government	\$ 1,429,303	\$ 942,242	\$ 2,371,545
Tobacco Indemnification revenues	1,294,299	645,000	1,939,299
Commonwealth Development Opportunity Fund	-	350,000	350,000
Harvest Foundation	124,868	-	124,868
EDC share of costs	28,495	200,000	228,495
City of Martinsville, Virginia share of costs	<u>714,668</u>	<u>26,910</u>	<u>741,578</u>
Total Operating Revenues	3,591,633	2,164,152	5,755,785
<b>Operating Expenses</b>			
Economic development	873,234	1,706,306	2,579,540
Depreciation	<u>-</u>	<u>1,261</u>	<u>1,261</u>
Total Operating Expenses	<u>873,234</u>	<u>1,707,567</u>	<u>2,580,801</u>
Operating Income	2,718,399	456,585	3,174,984
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	-	45,331	45,331
Miscellaneous recoveries	-	39,475	39,475
Interest expense and bond issue costs	<u>-</u>	<u>(89,621)</u>	<u>(89,621)</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(4,815)</u>	<u>(4,815)</u>
Change in Net Position	2,718,399	451,770	3,170,169
Total Net Position - Beginning of Year	<u>18,662,579</u>	<u>10,130,227</u>	<u>28,792,806</u>
Total Net Position - End of Year	<u>\$ 21,380,978</u>	<u>\$ 10,581,997</u>	<u>\$ 31,962,975</u>

## County of Henry, Virginia

## Statement of Cash Flows

Component Unit - Industrial Development Authority

Year Ended June 30, 2017

	Industrial Site Project Fund #37	Main Operating Fund #45	Total Industrial Development Authority
<b>Cash Flows from Operating Activities</b>			
Receipts from primary government	\$ 1,429,303	\$ 942,242	\$ 2,371,545
Receipts from City of Martinsville, Virginia	-	24,517	24,517
Other miscellaneous receipts	33,500	205,452	238,952
Collection on note receivable	-	352,275	352,275
Harvest Foundation	1,500,000	-	1,500,000
State grants	449,655	1,055,000	1,504,655
Purchase of inventory for resale	(2,480,162)	-	(2,480,162)
Cash paid for economic development	(873,234)	(1,967,135)	(2,840,369)
Net Cash Provided by Operating Activities	59,062	612,351	671,413
<b>Cash Flows from Noncapital Financing Activities</b>			
Miscellaneous recoveries	-	39,475	39,475
Payments on Due to / Due from accounts from primary government	(59,062)	336,236	277,174
Net Cash Provided by (Used in) Noncapital Financing Activities	(59,062)	375,711	316,649
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments of principal on long-term debt	-	(453,031)	(453,031)
Interest payments on long-term debt	-	(89,621)	(89,621)
Net Cash Used in Capital and Related Financing Activities	-	(542,652)	(542,652)
<b>Cash Flows from Investing Activities</b>			
Interest income	-	45,331	45,331
Net Cash Provided by Investing Activities	-	45,331	45,331
Net Increase in Cash and Cash Equivalents	-	490,741	490,741
Cash and Cash Equivalents - Beginning of Year	-	125,044	125,044
Cash and Cash Equivalents - End of Year	\$ -	\$ 615,785	\$ 615,785
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 2,718,399	\$ 456,585	\$ 3,174,984
<i>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</i>			
Depreciation	-	1,261	1,261
<i>Changes in Assets and Liabilities</i>			
Receivables	530,488	355,334	885,822
Due to/from City of Martinsville, Virginia	(714,668)	-	(714,668)
Inventory	(2,718,400)	-	(2,718,400)
Unexpended grants payable	5,005	(190,000)	(184,995)
Accounts payable	238,238	(10,829)	227,409
Net Cash Provided by Operating Activities	\$ 59,062	\$ 612,351	\$ 671,413

## County of Henry, Virginia

## Balance Sheet

Component Unit - Henry-Martinsville Social Services

At June 30, 2017

**Assets**

Cash	\$ 66,599
Accounts receivable, net	3,487
Due from other governments	<u>734,155</u>
Total Assets	<u>\$ 804,241</u>

**Liabilities and Fund Balance****Liabilities**

Accrued liabilities	\$ 35,559
Due to County of Henry, Virginia	<u>768,682</u>
Total Liabilities	804,241

**Fund Balance**

Total Liabilities and Fund Balance	<u>\$ 804,241</u>
------------------------------------	-------------------

Fund Balance - per above	\$ -
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	57,771
---	--------

The net prepaid OPEB liability is a long-term asset and is not a financial resource and, therefore, is not reported in the funds.	89,616
---	--------

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	586,195
Deferred inflows related to pensions	(38,537)

The net VRS pension liability is a long-term liability related to pensions that is applicable to future periods and, therefore, is not reported in the funds.	(1,760,490)
---	-------------

Compensated absences are long-term liabilities and are not due and payable in the current period; therefore, are not reported in the funds.	<u>(347,734)</u>
---	------------------

Net Position (Deficit) of Governmental Activities	<u>\$ (1,413,179)</u>
---	-----------------------

## County of Henry, Virginia

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

## Component Unit - Henry-Martinsville Social Services

Year Ended June 30, 2017

**Revenues**

Payments from County of Henry, Virginia	\$ 537,642
Payments from City of Martinsville, Virginia	301,334
Miscellaneous refunds and revenues	23,394
<b><i>Intergovernmental</i></b>	
Revenue from the Commonwealth of Virginia	2,004,155
Revenue from the Federal Government	<u>3,578,928</u>
Total Intergovernmental	<u>5,583,083</u>
Total Revenues	6,445,453

**Expenditures**

Health and welfare	<u>6,445,453</u>
Net Change in Fund Balance	-
Fund Balance - Beginning of Year	<u>-</u>
Fund Balance - End of Year	<u><u>\$ -</u></u>
Net Change in Fund Balance - per above	\$ -

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation. 5,084

Governmental funds use the modified accrual basis of accounting whereas the Statement of Activities for the Governmental-Type statements use the full accrual method in reporting expenses and liabilities. Therefore, the following adjustment reflects the net changes in the following accounts:

Change in compensated absences	(8,115)
Change in net OPEB asset	5,419
Change in VRS deferred inflows	270,025
Change in VRS deferred outflows	253,828
Change in net VRS pension liability	<u>(534,246)</u>

Change in Net Position of Governmental Activities	<u><u>\$ (8,005)</u></u>
---	--------------------------

## County of Henry, Virginia

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

Agency Fund - Gateway Streetscape Foundation, Inc.

Year Ended June 30, 2017

**Revenues**

Interest income	\$ 140
Donations	6,981
County of Henry, Virginia contribution	19,992
City of Martinsville, Virginia contribution	19,090
Local grants	28,580
Federal grants	15,000
Miscellaneous	<u>332</u>
 Total Revenues	 90,115

**Expenditures**

Salaries	32,084
Fringe benefits	5,691
Professional services	870
Depreciation	1,035
Other	<u>17,107</u>
 Total Expenditures	 <u>56,787</u>
 Net Change in Amounts Held for Others	 33,328
 Amounts Held for Others - Beginning of Year	 <u>80,423</u>
 Amounts Held for Others - End of Year	 <u><u>\$ 113,751</u></u>

# OTHER INFORMATION SECTION



County of Henry, Virginia

General Governmental Revenues by Source<sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Total</u>
2008	\$ 21,256,169	\$ 11,996,247	\$ 100,628	\$ 208,384	\$ 1,045,777	\$ 2,356,744	\$ 1,528,184	\$ 3,227,325	\$ 73,789,646	\$ 115,509,104
2009	21,673,232	11,342,729	104,741	203,667	644,544	2,225,489	1,776,220	2,825,788	78,266,772	119,063,182
2010	21,654,940	11,222,729	71,864	202,580	1,369,419	2,153,388	2,050,650	3,095,842	73,978,745	115,800,157
2011	21,018,605	11,478,570	73,618	195,181	808,886	1,921,648	1,863,200	2,918,353	75,507,581	115,785,642
2012	21,323,023	11,428,075	65,347	163,957	711,338	1,895,145	2,011,196	3,744,985	73,962,487	115,305,553
2013	22,057,534	11,423,797	71,268	238,381	875,927	1,799,395	1,971,581	3,482,607	72,004,445	113,924,935
2014	23,277,658	11,449,845	67,111	199,043	668,693	1,701,181	2,182,125	3,258,893	71,996,224	114,800,773
2015	23,871,330	12,004,009	61,302	191,984	863,945	1,744,070	994,556	3,547,875	75,295,664	118,574,735
2016	24,025,389	12,219,982	64,192	171,390	909,608	1,613,667	853,693	3,774,357	76,880,284	120,512,562
<b>2017</b>	<b>24,344,550</b>	<b>12,323,201</b>	<b>63,792</b>	<b>214,626</b>	<b>669,873</b>	<b>1,552,687</b>	<b>873,104</b>	<b>3,547,175</b>	<b>79,495,294</b>	<b>123,084,302</b>

<sup>(1)</sup> Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

<sup>(2)</sup> Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from intergovernmental revenues.

## County of Henry, Virginia

General Governmental Expenditures by Function<sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Gov. Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
2008	\$ 2,957,629	\$ 2,595,729	\$ 11,566,312	\$ 3,550,417	\$ 7,639,331	\$ 81,419,251	\$ 1,756,762	\$ 5,008,458	\$ 20,103	\$ 2,710,262	\$ 2,225,500	\$ 121,449,754
2009	2,937,885	2,526,546	12,866,694	3,152,799	8,029,924	78,213,843	1,792,030	4,390,487	88,832	3,617,838	1,740,706	119,357,584
2010	2,887,154	2,482,649	12,241,610	3,071,751	7,967,127	76,139,038	1,752,236	2,798,099	48,338	3,474,700	2,382,271	115,244,973
2011	2,933,146	2,500,200	13,261,320	3,330,174	7,613,384	71,466,806	1,713,172	3,416,240	4,650	2,583,513	2,149,577	110,972,182
2012	2,941,801	2,491,649	13,046,844	3,121,304	7,798,792	78,781,597	1,746,487	2,910,237	74,988	2,790,336	2,649,852	118,353,887
2013	2,961,920	2,638,640	13,865,659	3,307,047	7,556,889	74,235,340	1,997,811	4,185,859	149,833	2,727,331	392,263	114,018,592
2014	3,022,708	2,727,076	14,610,351	3,328,411	7,602,105	73,570,985	1,762,935	3,337,157	14,401	2,808,718	344,113	113,128,960
2015	3,237,857	2,815,603	15,040,016	3,504,274	7,862,544	73,673,586	1,805,145	3,377,000	83,661	2,850,907	1,164,019	115,414,612
2016	3,138,381	2,895,916	15,432,462	3,473,137	7,755,323	77,873,789	1,832,590	3,793,880	93,018	2,140,166	1,474,742	119,903,404
<b>2017</b>	<b>3,201,410</b>	<b>2,883,408</b>	<b>15,711,987</b>	<b>3,441,711</b>	<b>8,025,248</b>	<b>92,668,525</b>	<b>1,871,240</b>	<b>4,737,410</b>	<b>53,096</b>	<b>2,639,617</b>	<b>797,651</b>	<b>136,031,303</b>

<sup>(1)</sup> Includes General and Special Revenue Funds of the Primary Government and Component Units - School Board and Social Services.

<sup>(2)</sup> Payments from County of Henry, Virginia to the Component Units - School Board and Social Services are excluded from the respective function.

## County of Henry, Virginia

## Assessed Value of Taxable Property

## Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Total</u>
2008	\$ 2,488,039,444	\$ 345,073,303	\$ 32,921,111	\$ 314,957,563	\$ 121,445,558	\$ 3,302,436,979
2009	2,517,050,185	364,278,309	32,545,185	314,962,269	117,198,478	3,346,034,426
2010	2,959,808,261	340,139,112	27,630,435	322,826,723	134,488,696	3,784,893,227
2011	2,960,170,435	342,974,030	27,318,696	328,036,218	149,576,812	3,808,076,191
2012	2,968,408,913	353,755,049	27,404,565	280,113,782	142,520,626	3,772,202,935
2013	2,987,070,870	358,575,743	27,320,870	262,429,189	149,525,937	3,784,922,609
2014	2,858,290,984	372,927,906	23,448,770	287,966,081	150,385,203	3,693,018,944
2015	2,865,947,336	386,921,487	24,055,943	293,438,784	160,532,186	3,730,895,736
2016	2,874,491,189	394,241,419	24,105,123	301,949,527	168,148,943	3,762,936,201
<b>2017</b>	<b>2,901,351,025</b>	<b>417,528,311</b>	<b>23,906,148</b>	<b>311,400,946</b>	<b>175,152,449</b>	<b>3,829,338,879</b>

## Property Tax Rates - Last Ten Fiscal Years

## Tax Rates per Hundred Dollars of Assessed Valuation

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Mobile Homes</u>	<u>Equipment/Machinery and Tools</u>
2008	\$ 0.54	\$ 1.48	\$ 0.54	\$ 1.19
2009	0.54	1.48	0.54	1.19
2010	0.46	1.48	0.46	1.19
2011	0.46	1.48	0.46	1.19
2012	0.46	1.48	0.46	1.48
2013	0.46	1.48	0.46	1.48
2014	0.488	1.48	0.488	1.48
2015	0.488	1.48	0.488	1.48
2016	0.488	1.48	0.488	1.48
<b>2017</b>	<b>0.488</b>	<b>1.48</b>	<b>0.488</b>	<b>1.48</b>

## County of Henry, Virginia

## Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
2008	\$22,887,615	\$21,986,728	96.06%	\$ 655,530	\$22,642,258	98.93%	\$ 3,470,897	15.16%
2009	23,299,439	22,271,371	95.59%	778,839	23,050,210	98.93%	3,623,359	15.55%
2010	22,984,112	22,025,810	95.83%	978,941	23,004,751	100.09%	3,499,486	15.23%
2011	23,165,358	21,919,693	94.62%	1,166,778	23,086,471	99.66%	3,054,362	13.19%
2012	22,739,964	21,732,919	95.57%	991,384	22,724,303	99.93%	2,956,764	13.00%
2013	23,746,769	22,741,314	95.77%	940,165	23,681,479	99.73%	3,038,563	12.80%
2014	24,580,458	23,559,604	95.84%	1,019,691	24,579,295	99.99%	3,151,339	12.82%
2015	24,957,730	24,023,981	96.26%	1,143,857	25,167,838	100.84%	3,018,626	12.09%
2016	25,272,038	24,321,388	96.24%	1,014,013	25,335,401	100.25%	2,776,267	10.99%
<b>2017</b>	<b>25,919,711</b>	<b>24,778,117</b>	<b>95.60%</b>	<b>903,931</b>	<b>25,682,048</b>	<b>99.08%</b>	<b>3,061,326</b>	<b>11.81%</b>

## County of Henry, Virginia

Ratio of Net General Obligation Bonded Debt  
to Assessed Taxable Value and Net General Obligation Bonded Debt Per Capita

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u> <sup>(1)</sup>	<u>Assessed Value</u> <sup>(2)</sup>	<u>Net Bonded Debt</u> <sup>(3)</sup>	<u>Ratio on Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2008	57,930	\$3,302,436,979	\$ 22,089,515	0.67%	\$ 381
2009	57,930	3,346,034,426	20,205,360	0.60%	349
2010	57,930	3,784,893,227	20,382,763	0.54%	352
2011	54,151	3,808,076,191	22,022,461	0.58%	407
2012	54,151	3,772,202,935	20,143,789	0.53%	372
2013	54,151	3,869,287,960	18,221,319	0.47%	336
2014	54,151	3,693,018,944	16,145,808	0.44%	298
2015	54,151	3,730,895,736	14,139,516	0.38%	261
2016	54,151	3,762,936,201	22,678,828	0.60%	419
<b>2017</b>	<b>54,151</b>	<b>3,829,338,879</b>	<b>31,223,019</b>	<b>0.82%</b>	<b>577</b>

<sup>(1)</sup> Weldon Cooper Center, University of Virginia, Latest Census Records.

<sup>(2)</sup> From Table 3.

<sup>(3)</sup> Includes all long-term general obligation bonded debt, bond anticipation notes, Literary Fund loans, and Recovery Zone bonds. Excludes compensated absences, OPEB obligation, and landfill closure monitoring liability.

## County of Henry, Virginia

Ratio of Annual Debt Service Expenditures for General Bonded Debt  
to Total General Governmental Expenditures <sup>(1)(2)</sup>

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
2008	\$ 1,744,629	\$ 965,633	\$ 2,710,262	\$ 121,449,754	2.23%
2009	1,884,155	1,022,165	2,906,320	119,357,584	2.43%
2010	1,822,155	940,585	2,762,740	115,244,973	2.40%
2011	1,760,302	823,211	2,583,513	110,972,182	2.33%
2012	1,878,672	911,664	2,790,336	118,353,887	2.36%
2013	1,922,470	804,861	2,727,331	114,018,592	2.39%
2014	2,075,511	733,207	2,808,718	113,128,960	2.48%
2015	2,199,904	651,003	2,850,907	115,414,612	2.47%
2016	1,460,688	679,478	2,140,166	119,903,404	1.78%
<b>2017</b>	<b>1,734,013</b>	<b>905,604</b>	<b>2,639,617</b>	<b>136,031,303</b>	<b>1.94%</b>

Amounts taken from Table 2.

<sup>(1)</sup> Excludes debt service payments on short-term notes payable.

<sup>(2)</sup> Excludes Component Unit - Industrial Development Authority debt.

# COMPLIANCE SECTION





## **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 Henry, 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 business-type activities, the discretely presented component units, and each major fund of the County of Henry, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Henry, Virginia's basic financial statements, and have issued our report thereon dated December 15, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of Henry, 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 Henry, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Henry, 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 Henry, 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  
December 15, 2017



## **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 Henry, Virginia

### **Report on Compliance for Each Major Federal Program**

We have audited the County of Henry, 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 Henry, Virginia's major federal programs for the year ended June 30, 2017. County of Henry, 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 Henry, 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 Henry, 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 Henry, Virginia's compliance.

### **Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

Management of the County of Henry, 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 Henry, 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 Henry, 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.

*Credle, Jones & Alga, P.C.*

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

South Hill, Virginia  
December 15, 2017



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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

To the Board of Supervisors  
County of Henry, Virginia

We have audited the financial statements of the County of Henry, Virginia, as of and for the year ended June 30, 2017, and have issued our report thereon dated December 15, 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 Henry, Virginia, is the responsibility of the County of Henry, 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 Henry, 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
- Children's 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 Henry, 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 Henry, 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.

*Credle, Jones & Alga, P.C.*

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

South Hill, Virginia  
December 15, 2017

**County of Henry, Virginia**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass- through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>PRIMARY GOVERNMENT</b>			
<b>U. S. Department of Interior</b>			
<b>Direct Payments</b>			
Payments in Lieu of Taxes - Public Law	15.226	N/A	\$ 3,507
<b>U. S. Department of Transportation</b>			
<b>Pass-Through Payments</b>			
<i>Department of Transportation</i>			
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	501	3,209
<i>Department of Motor Vehicles</i>			
Alcohol Open Container Requirements	20.607	530	29,488
State and Community Highway Safety	20.600	530	<u>6,528</u>
Subtotal - U. S. Department of Transportation			39,225
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Aging Cluster</i>			
<i>Southern Area Agency on Aging</i>			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	N/A	46,530
<b>U. S. Department of Justice</b>			
<b>Direct Payments</b>			
Equitable Sharing Program - Asset Forfeiture Sheriff	16.922	N/A	64,451
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	11,590
Bulletproof Vest Partnership Program	16.607	N/A	6,282
<b>Pass-Through Payments</b>			
<i>Department of Criminal Justice Services</i>			
Crime Victim Assistance	16.575	140	<u>113,807</u>
Subtotal - U. S. Department of Justice			196,130
<b>U. S. Department of Housing and Urban Development</b>			
<b>Pass-Through Payments</b>			
<i>Department of Housing and Community Development</i>			
Community Development Block Grant - States Program	14.228	165	198,993
<b>U. S. Department of Homeland Security</b>			
<b>Direct Payments</b>			
Assistance to Firefighters Grant	97.044	N/A	136,364
<b>Pass-Through Payments</b>			
<i>Department of Emergency Management</i>			
Emergency Management Performance Grants	97.042	127	48,073
Emergency Response and Recovery - Hazard Mitigation Grant (HMGP)	97.039	127	<u>41,267</u>
Subtotal - U. S. Department of Homeland Security			225,704

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass- through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>Appalachian Regional Commission (ARC)</b>			
<b>Direct Payments</b>			
Appalachian Area Development	23.002	N/A	2,500
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
Social services block grant	93.667	765	<u>8,572</u>
<b>Total - Primary Government</b>			<b>721,161</b>
<b>HENRY-MARTINSVILLE SOCIAL SERVICES</b>			
<b>U. S. Department of Agriculture</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	765	<u>609,906</u>
Total SNAP Cluster			609,906
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	10.596	765	<u>15,352</u>
Subtotal - U. S. Department of Agriculture			625,258
<b>U. S. Department of Health and Human Services</b>			
<b>Pass-Through Payments</b>			
<i>Department of Social Services</i>			
<i>CCDF Cluster</i>			
Child care and development block grant	93.575	765	(40)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	765	<u>112,006</u>
Total CCDF Cluster			111,966
<i>Department of Social Services</i>			
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	765	679,749
Chafee education and training vouchers program (ETV)	93.599	765	3,770
Promoting Safe and Stable Families	93.556	765	17,208
Refugee and Entrant Assistance - State Administered Programs	93.566	765	2,237
Low-Income Home Energy Assistance	93.568	765	74,403
Stephanie Tubbs Jones Child Welfare Services Program	93.645	765	1,162
Foster care - Title IV-E	93.658	765	431,701
Adoption assistance	93.659	765	346,862
Chafee foster care independence program	93.674	765	5,792
Children's Health Insurance Program (CHIP)	93.767	765	29,955
Social Services Block Grant	93.667	765	407,144
<i>Medicaid Cluster</i>			
Medical Assistance Program	93.778	765	<u>841,721</u>
Subtotal - U. S. Department of Health and Human Services			<u>2,953,670</u>
<b>Total - Henry-Martinsville Social Services</b>			<b>3,578,928</b>

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- through Entity Identifying Number	Total Federal Expenditures
<b>SCHOOL BOARD</b>			
<b>U. S. Department of Agriculture</b>			
<b>Direct Payments</b>			
<i>Department of Education</i>			
<i>Child Nutrition Cluster</i>			
Summer Food Service Program for Children (SFSPC)	10.559	N/A	143,847
<b>Pass-Through Payments</b>			
<i>Child Nutrition Cluster</i>			
<i>State Department of Agriculture and Consumer Services</i>			
Summer Food Service Program for Children (SFSPC) - Food distribution - donated commodities	10.559	301	2,535
National School Lunch Program (NSLP) - Food distribution - donated commodities	10.555	301	267,565
<i>Department of Education</i>			
School Breakfast Program (SBP)	10.553	197	1,230,911
National School Lunch Program (NSLP)	10.555	197	<u>2,593,245</u>
Total Child Nutrition Cluster			4,238,103
Child Nutrition Discretionary Grants	10.579	197	106,002
Fresh Fruit and Vegetable Program	10.582	197	<u>217,678</u>
Subtotal - U. S. Department of Agriculture			4,561,783
<b>U. S. Department of Education</b>			
<b>Pass-Through Payments</b>			
<i>Department of Education</i>			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	197	2,092,529
Special Education - Preschool Grants (IDEA Preschool)	84.173	197	<u>77,919</u>
Total Special Education Cluster (IDEA)			2,170,448
Title I grants to local educational agencies	84.010	197	2,665,374
Adult education - basic grants to states	84.002	197	133,276
Career and technical education - basic grants to states (Perkins IV)	84.048	197	173,690
English Language Acquisition State Grants	84.365	197	50,130
Advanced Placement Program - Advanced Placement Test Fee	84.330	197	677
Rural Education	84.358	197	124,146
Supporting Effective Instruction State Grant	84.367	197	<u>336,132</u>
Subtotal - U. S. Department of Education			<u>5,653,873</u>
<b>Subtotal - School Board</b>			<u><b>10,215,656</b></u>
<b>Grand Totals</b>			<u><b>\$ 14,515,745</b></u>

**NOTE:** There were no awards passed through to subrecipients.

See accompanying notes to schedule of expenditures of federal awards.

## Notes to Schedule of Expenditures of Federal Awards

### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of County of Henry, Virginia under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of County of Henry, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of County of Henry, Virginia.

### 2. Summary of Significant Accounting Policies

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

### 3. Indirect Cost Rate

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

### 4. Nonmonetary Assistance

In addition to amounts reported on the Schedule of Expenditures of Federal Awards, the County consumed nonmonetary assistance in the form of food commodities. Commodities with a fair value of \$270,100 at the time received were consumed during the year ended June 30, 2017. These commodities were included in the determination of federal awards expended during the year ended June 30, 2017.

### 5. Relationship to Financial Statements

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

## Intergovernmental Federal Revenues per the Basic Financial Statements

### Primary Government

General Fund	\$ 507,887
Comprehensive Services Act Fund	8,572
Special Grant Projects Fund	<u>204,702</u>
Total Primary Government	721,161

### Component Units

School Operating Fund	5,653,873
School Cafeteria Fund	<u>4,291,683</u>
Total Component Unit - School Board	9,945,556
Henry-Martinsville Social Services	<u>3,578,928</u>
Grand Total - Federal Expenditures	14,245,645

Add: Amounts Reported on Schedule of Expenditures of Federal Awards  
Not in Financial Statements

School Cafeteria Fund - Food Commodities	<u>270,100</u>
Total Federal Expenditures per Basic Financial Statements	<u>\$ 14,515,745</u>

Total Federal Expenditures per the Schedule of Expenditures of Federal Awards \$ 14,515,745

County of Henry, Virginia

Schedule of Findings and Questioned Costs

Year Ended June 30, 2017

SECTION I - 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>
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster
84.367	Supporting Effective Instruction State Grant
10.553, 10.555 & 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

None

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None