

County of Pittsylvania, Virginia

Annual Financial Report



Fiscal Year Ended June 30, 2016

COUNTY OF PITTSYLVANIA, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

COUNTY OF PITTSYLVANIA, VIRGINIA

BOARD OF SUPERVISORS

Elton W. Blackstock, Vice Chair	Jessie L. Barksdale, Chair	Jerry A. Hagerman
Joe Davis		Tim R. Barber
Ronald Scarce		Robert Warren

COUNTY SCHOOL BOARD

W. Neal Oakes, Vice Chair	Calvin D. Doss, Chair	J. Samuel Burton
George Henderson		Charles H. Miller, Jr.
Don C. Moon		R. Todd Sanders
	Janet Hancock, Clerk	

SOCIAL SERVICES BOARD

Earl C. Hodnett, Vice Chairperson	Rev. Stedman Payne, Sr., Chairperson	Susan Paynter
Jessie L. Barksdale		Gracie Mayes
Diane D. McMahon		Andrea Johnson
James B. Williams		

OTHER OFFICIALS

Clerk of the Circuit Court	Mark W. Scarce
Commonwealth's Attorney	Robert "Bryan" Haskins
Commissioner of the Revenue	Shirley Y. Hammock
Treasurer	Vincent E. Shorter
Sheriff	Michael W. Taylor
Superintendent of Schools	Mark R. Jones
Director of Social Services	Sherry R. Flanagan
County Administrator	Clarence C. Monday
County Attorney	J. Vaden Hunt
County Finance Director	Kimberly G. Van Der Hyde

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
County of Pittsylvania, Virginia
Chatham, 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 unit-School Board, each major fund, and the aggregate remaining fund information of County of Pittsylvania, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County'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 did not audit the financial statements of the Industrial Development Authority of Pittsylvania County, Virginia or the Pittsylvania County Service Authority. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Industrial Development Authority of Pittsylvania County, Virginia and the Pittsylvania County Service Authority is based solely on the report of the other auditors. 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 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, based on our audit and the report of other auditors, 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 unit-School Board, each major fund, and the aggregate remaining fund information of the County of Pittsylvania, Virginia, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 22 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 5-14, 90-92, and 93-98 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Information (Continued)

The other supplementary information and 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other statistical information have 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 November 24, 2016, on our consideration of the County of Pittsylvania, 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 County of Pittsylvania, Virginia's internal control over financial reporting and compliance.

Robinson, Jaeger, Cox Associates

Blacksburg, Virginia
November 24, 2016

Management's Discussion and Analysis

The following is a narrative overview and analysis of the financial activities of the County of Pittsylvania, Virginia for the fiscal year ended June 30, 2016. The purpose of this Management Discussion and Analysis is to provide an overview of the County's financial activity, to assist the reader in understanding significant financial issues and to provide information concerning changes in the County's financial position. This narrative provides additional information that should be read in conjunction with reviewing the County's Financial Statements.

Financial Highlights

Government-wide Financial Statements

The governmental activities assets and deferred outflows of resources of the County of Pittsylvania, Virginia exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$62,476,622 (net position). Of this amount, \$22,014,800 is unrestricted, or may be used to meet the government's ongoing obligations to creditors and citizens. Information concerning net position for the County, its business-type activities and its component units is located on Exhibit 1. The business-type activities include the Landfill Enterprise Fund. The business-type activities' liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$44,521. Of this amount, \$(3,198,169) is unrestricted. The component units include the School Board's net position totaling \$(49,973,527) of which \$(66,547,486) is unrestricted, the Industrial Development Authority's net position totaling \$2,180,056 all of which is unrestricted and Pittsylvania County Service Authority's net position totaling \$35,270,465 of which \$2,812,753 is unrestricted. (See Exhibit 1.) This exhibit provides insight into the future by using a full accrual accounting method. This model considers all factors when showing the financial position of the County.

The County's governmental activities net position increased by \$2,309,427. In addition, the School Board's net position increased by \$2,128,965 and the IDA's net position decreased by \$7,805 and the PCSA's net position decreased by \$340,289 (after restatement - Note 23). Business-type activities' net position increased by \$644,408. (See Exhibit 2.)

Fund Financial Statements

Unlike the Government-wide Financial Statements which use a full accrual accounting approach, the Fund Financial Statements use a modified accrual method of accounting. This method differs from the full accrual method by showing a picture of the County's financial position at the present time. A reconciliation of the two methods is provided in Exhibit 4 and Exhibit 6. At the end of the current fiscal year, unassigned fund balance for the general fund was \$28,727,228 or 38 percent of total general fund expenditures. (See Exhibit 3.) This amount includes taxes, accounts and notes receivable reflected in the fiscal year 2016 budget as well as funds allocated to the School Board (fund balance re-appropriated) and County Capital Improvement Projects for fiscal year 2017.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$35,544,474, a decrease of \$3,193,367 from last year. Approximately 91 percent of this total amount, or \$32,476,388 (which includes committed, assigned and unassigned funds), is available for spending at the government's discretion. This unrestricted balance has three parts, (1) committed funds which represents \$1,648,703, (2) assigned funds which represent \$2,100,457 and (3) unassigned funds which represents \$28,727,228. (See Exhibit 3.)

Overview of the Financial Statements

The Annual Financial Report consists of four sections: introductory, financial, statistical and compliance.

- The *introductory section* provides a listing of principal officers for 2015-2016.
- The *financial section* has three component parts - managements' discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplemental information.
- The *statistical section* includes selected financial and demographic data related to the County, generally presented on a multi-year basis.
- The *compliance section* is required under the provisions of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards* (Uniform Guidance).

Local government accounting and financial reporting originally focused on funds which were designed to enhance and demonstrate fiscal accountability. Now to be accompanied by government-wide financial statements, the objective of operational accountability will also be met. These objectives will provide financial statement users with both justification from the government that public monies have been used to comply with public decisions and as to whether operating objectives have been met efficiently and effectively and can continued to be met in the future.

Government-wide Financial Statements

Government-wide financial statements provide financial statement users with a general overview of County finances. The statements include all assets and liabilities using the accrual basis of accounting. All current year revenue and expenses are taken into account regardless of when cash is received or paid. Both the financial overview and accrual accounting factors are used in the reporting of a private-sector business. Two financial statements are used to present this information: 1) the statement of net position and 2) the statement of activities.

The statement of net position presents all of the County's permanent accounts, or assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between assets (and deferred outflows of resources) and liabilities (and deferred inflows of resources) is reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. Other non-financial factors will also need to be considered to determine the overall financial position of the County.

The statement of activities presents information showing how the government's net position changed during the fiscal year. The statement is focused on the gross and net cost of various government functions which are supported by general tax and other revenue. The statement of activities presents expenses before revenues, emphasizing that in government revenues are generated for the express purpose of providing services rather than as an end in themselves.

Both government-wide financial statements separate governmental activities and business-type activities of the County. Governmental activities are principally supported by taxes and intergovernmental revenues. They include general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation and cultural; and community development. Business-type activities recover all or a significant portion of their costs through user fees and charges. The County currently has one business-type activity which is the Landfill Enterprise Fund.

Overview of the Financial Statements (continued)

Government-wide Financial Statements (continued)

The government-wide financial statements include, in addition to the primary government or County, three component units: 1) the Pittsylvania County School Board, 2) Industrial Development Authority and 3) Pittsylvania County Service Authority. Although these component units are legally separate entities, the County is accountable or financially accountable for them. A primary government is accountable for an organization if the primary government appoints a majority of the organization's governing body. A primary government is financially accountable if, in addition, either the government is able to impose its will on the organization or the organization is capable of imposing specific financial burdens on the primary government. For example, the primary government may approve debt issuances, rate structures and/or provide significant funding for operations of the component units.

Fund Financial Statements

The fund financial statements will be more familiar to past financial statement users. The only difference from prior year presentation of the fund statements is that only major, or significant, funds will be presented. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds:

Governmental funds are used to account for essentially the same functions, or services, reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements, reconciliations between the two methods are presented in exhibits 4 and 6 of the financial section of this report.

Proprietary funds:

There are two types of proprietary funds: enterprise funds which are established to account for the delivery of goods and services to the general public and internal service funds which account for the delivery of goods and services to other departments or agencies of the government. Proprietary funds use accrual basis accounting, similar to private sector business.

The County of Pittsylvania has one enterprise fund, which is the Landfill Enterprise Fund and two internal service funds: the Central Stores Fund and the Self-Insurance Fund. The Central Stores Fund accounts for the government's consolidated purchasing of office supplies and telephone charges. The Self-Insurance Fund accounts for insurance premiums paid by the County and School Board for all departments. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds:

Fiduciary funds account for assets held by the government as a trustee or agent for another organization or individual. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds are not reflected in the government-wide financial statement because the funds are not available to support the County's own activities.

Overview of the Financial Statements (continued)

Notes to the financial statements

The notes provide additional information that is needed to fully understand the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

Governmental Activities

As previously noted, net position may serve as a useful indicator of a government's financial position. Again, the full accrual accounting method is used to derive these figures. For the County, the governmental activities assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$62,476,622 at the end of the fiscal year.

The County's net position is divided into three categories: (1) net investment in capital assets; (2) restricted; and (3) unrestricted.

	County of Pittsylvania's Net Position	
	2016	2015
	Governmental	Governmental
	Activities	Activities
Current and other assets	\$ 65,266,596	\$ 67,708,621
Capital assets	120,381,903	124,145,295
Total assets	<u>\$ 185,648,499</u>	<u>\$ 191,853,916</u>
Deferred Outflows of Resources	\$ 5,913,843	\$ 1,694,565
Long-term liabilities	\$ 104,694,921	\$ 107,804,643
Other liabilities	4,975,372	5,108,612
Total liabilities	<u>\$ 109,670,293</u>	<u>\$ 112,913,255</u>
Deferred Inflows of Resources	\$ 19,415,427	\$ 20,468,031
Net Position:		
Net investment in capital assets	\$ 33,554,887	\$ 26,122,377
Restricted	6,906,935	6,957,948
Unrestricted	22,014,800	27,086,870
Total net position	<u>\$ 62,476,622</u>	<u>\$ 60,167,195</u>

For the County, investment in capital assets (i.e., land, buildings, machinery, and equipment), net of related debt used to acquire those assets that is still outstanding, represents 54 percent of total net position. The County uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position represents resources that are subject to external restrictions on how they may be used. These assets include funds restricted for grants, law library, courthouse maintenance and courthouse security. Also included in these restricted assets are assets seized by the Sheriff's Department and can only be used for law enforcement. The County's restricted net position accounts for 11 percent of the total net position.

Government-wide Financial Analysis (continued)

Governmental Activities (continued)

The remaining balance of unrestricted net position, which is \$22,014,800 or 35 percent of total net position, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, the County is able to report positive balances in all three categories of net position.

The government's net position increased by \$2,309,427 during the current fiscal year. The majority of this increase was due to the large reduction in long-term debt during FY 2016, which in turn also increased the net investment in capital assets.

Governmental activities increased the County's net position by \$2,309,427. Key elements of this increase are as follows:

	2016 Business-type Activities	2016 Governmental Activities	2015 Business-type Activities	2015 Governmental Activities
Revenues:				
Program revenues:				
Charges for services	\$ 1,132,094	\$ 735,316	\$ 1,954,518	\$ 632,587
Operating grants and contributions	-	17,849,640	-	16,442,410
Capital grants and contributions	-	25,446	-	884,983
General revenues:				
General property taxes	-	36,527,161	-	34,348,146
Other local taxes	-	6,985,878	-	6,929,692
Use of money and property	-	760,917	-	729,073
Miscellaneous	9,675	688,752	13,814	259,499
Grants and contributions not spec.	-	6,580,065	-	6,647,166
Total Revenues	\$ 1,141,769	\$ 70,153,175	\$ 1,968,332	\$ 66,873,556
Expenses:				
General government	\$ -	\$ 3,120,093	\$ -	\$ 2,761,239
Judicial administration	-	1,630,364	-	1,570,133
Public safety	-	17,388,780	-	15,971,461
Public works	2,085,129	889,643	2,729,495	1,478,254
Health and welfare	-	13,295,781	-	11,762,632
Education	-	20,654,247	-	20,144,745
Parks, recreation, and cultural	-	1,625,932	-	1,653,432
Community development	-	3,050,989	-	4,328,561
Interest on long-term debt	-	4,600,151	-	4,156,131
Total Expenses	\$ 2,085,129	\$ 66,255,980	\$ 2,729,495	\$ 63,826,588
Transfers in/(out)	\$ 1,587,768	\$ (1,587,768)	\$ 1,444,798	\$ (1,444,798)
Increase/(Decrease) in net position	\$ 644,408	\$ 2,309,427	\$ 683,635	\$ 1,602,170
Net position, beginning	\$ (688,929)	\$ 60,167,195	\$ (1,372,564)	\$ 58,565,025
Net position, ending	\$ (44,521)	\$ 62,476,622	\$ (688,929)	\$ 60,167,195

Financial Analysis of the Government's Funds

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. Such information is useful in assessing the County's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$35,544,474. Approximately 81 percent of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is legally restricted for a specific purpose.

The general fund is the chief operating fund of the County. As of June 30, 2016, total fund balance of the general fund was \$31,593,965 of which \$28,727,228 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38 percent of total general fund expenditures, which includes transfers to and expenses on behalf of the School Board component unit of \$14,446,410.

An analysis of the supporting schedules (modified accrual) for fiscal year 2016 and 2015 reveals:

- Revenues: Real property taxes experienced an increase of 2%, public service corps experienced an increase of 7% and personal property taxes experienced an increase of 4%. These increases were due to expected growth in the County. No new tax rate increases were included in FY 2016.
- Revenues: Other local taxes experienced an overall increase of 1% from FY2015 with both increases and decreases in various categories. Increases in other local tax revenues occurred in the following categories: Local Sales and Use Tax (7%), Meals Tax (6%) and Taxes on Recordation and Wills (13%). Decreases in other local tax revenues occurred in the following categories: Consumers' Utility Tax (8%), Consumption Tax (13%), Franchise License Tax (5%), Business License Tax (79%), Motor Vehicle Licenses (1%) and Bank Stock Tax (9%).
- Expenses: Overall primary government expenditures increased by 43% from FY2015. This increase was due primarily from an increase in debt service of \$27,639,205, which included current refunding principal payments of \$22,588,848 (including issuance costs) and additional \$4,946,648 paid toward principal from fund balance. Also included in this overall increase is a school energy project totaling \$2,720,682, which is being funded by Qualified Energy Conservation Bonds (QECBs).
- Expenses: Education decreased 2% from FY2015. Decreased expenditures occurred in the following educational categories: Instructional Costs (2%), Pupil Transportation (12%) and Operation and Maintenance of School Plant (4%). Increases occurred in the following educational categories: Administration and health services (5%), Technology (less than 1%) and Food service and non-instructional (5%).
- Expenses: Industrial Development decreased by 54%. Planning and Community Development expenditures decreased because construction on the Berry Hill Project was delayed due to the process involved in receiving a permit from the Corp of Engineers regarding environmental issues.

Financial Analysis of the Government's Funds (continued)

Governmental funds (continued)

The Following is a reconciliation of the Treasurer's books to the Audited Financial Statements.

	<i>Per Treasurer 6/30/2016 <u>Cash Balance</u></i>	<i>Per Treasurer 6/30/2015 <u>Cash Balance</u></i>
General Fund	\$ 27,447,454	\$ 30,483,583
Animal Friendly Plates Revenue Fund	2,843	2,411
Debt Reserve - Human Services Fund	60,942	107,532
Jail Inmate Management Fund	218,991	104,392
Bond Fund	2,400	2,400
Grants Fund	899,786	687,086
Capital Improvements Fund	510,421	353,834
Rural Roads Fund	239,522	194,674
Courthouse Security Fund	752,016	696,022
Jail Processing Fee Fund	13,193	9,433
Library Gifts Fund	9,755	1,219
Courthouse Maintenance Fund	37,048	24,167
Law Library Fund	15,771	20,362
Rescue Billing Fund	88,529	120,205
	<hr/>	<hr/>
Total cash per Treasurer	\$ 30,298,671	\$ 32,807,320
Audit Adjustments to Cash:		
Adjustment for interest paid by schools due for debt	\$ 70,586	\$ -
Reversion of School Salaries Payable Fund	2,323,999	2,496,314
	<hr/>	<hr/>
Total cash as adjusted	\$ 32,693,256	\$ 35,303,634
Other Adjustments:		
Taxes and fees receivable	\$ (2,797,691)	\$ (950,374)
Accounts receivables	455,630	569,747
Due from other funds	216,141	216,141
Due from the other governments	3,351,016	2,200,989
Accounts payables	(1,598,710)	(1,287,636)
Salaries payable	(47,221)	(37,522)
Due to other funds	(88,529)	(120,205)
Due to the School Board	(589,927)	(422,996)
Total accrual adjustments	\$ (1,099,291)	\$ 168,144
	<hr/>	<hr/>
Ending General Fund - Fund Balance	\$ 31,593,965	\$ 35,471,778

The fund balance of the County's general fund decreased by \$3,877,813 during the current fiscal year. The majority of the decrease in the General Fund Balance can be attributed to the pay down of debt in the amount of \$4,946,648.

General Fund Budgetary Highlights

Differences between the original budgeted appropriations and the final amended budgeted appropriations were net increase of \$17,341,308. This increase occurred because of various budget increases/reductions that occurred after the 2016 budget process was complete. There were also increases that were made to the 2016 budget because of unforeseen events that occurred during the year. Significant budgetary supplements are included below:

- During the budget process, an estimate is made for carryover funds not expended in the prior year. These estimates are adjusted at July 1 to accurately show the true amount that remained in these funds at 6/30 of that year. Budgeted carryovers were increased by \$2,768,246 during FY 2016.
- Grant Funds increased the budget during FY 2016. New grants received during the year totaled \$1,603,618.
- Unexpected expenditures appropriated from undesignated fund balance totaled \$8,347,840, which included an appropriation to pay down debt in the amount of \$4.9 million along with a total of \$978,377 to purchase property for a new animal shelter and provide funds for architectural and engineering services and hiring a new animal shelter manager. In addition to these amounts, a total of \$1,896,482 was requested in new carryover amounts.
- A new appropriation was included to cover the School Energy Project in the amount of \$3,313,595.

Capital Asset and Debt Administration

Capital assets

The County's investment in capital assets for its governmental activities as of June 30, 2016 is \$120,381,903 (net of accumulated depreciation). This investment in capital assets includes land buildings and system, machinery and equipment, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Purchase of Property for new Animal Shelter, \$606,396
- New Animal Shelter Construction (A&E Services), \$247,292
- Moses Building Security Upgrade, \$24,322
- Moses Building Restroom Renovations, \$38,525
- CAD/RMS Server, \$99,419

County of Pittsylvania, Virginia Capital Assets (net of depreciation)				
	2016 Governmental activities	2016 Business-type activities	2015 Governmental activities	2015 Business-type activities
Land	\$ 5,510,544	\$ 95,000	\$ 4,904,148	\$ 95,000
Buildings and system	100,772,249		104,230,348	
Machinery and equipment	13,752,399	819,341	14,975,907	792,869
Infrastructure		4,989,450		4,885,931
Construction in progress	346,711	6,500	34,892	136,268
Total	\$ 120,381,903	\$ 5,910,291	\$ 124,145,295	\$ 5,910,068

Capital Asset and Debt Administration (continued)

Capital assets (continued)

School Board Assets financed with debt are considered assets of the General government until debt on these assets has been defeased. As such, the above listed assets include School Board Assets net of related depreciation of \$95,024,383. Additional information on the County's capital assets can be found in the notes to the financial statements.

Long-term debt

At the end of the fiscal year the County had the following outstanding debt:

County of Pittsylvania's Outstanding Debt

	2016 Business- type activities	2016 Governmental activities	2015 Business- type activities	2015 Governmental activities
General obligation bonds	\$ 2,569,999	73,256,763	\$ 3,184,999	84,416,941
Lease Revenue Notes		926,400		1,405,668
Deferred Amounts:				
Bond Premium	193,592	6,974,513	228,790	1,113,280
On Refunding				
Bond Discounts		-		(120,253)
Landfill closure/post-closure	2,962,576	-	3,412,860	-
Capital leases		11,273,192		12,905,295
QECB Revenue Bond		3,313,595		
Net pension liability	240,767	5,491,769	197,543	4,505,850
Net OPEB Obligation		1,081,000		977,000
Compensated absences	24,789	1,127,689	27,187	1,100,862
Contingency for CSA		1,250,000		1,500,000
Total	\$ 5,991,723	104,694,921	\$ 7,051,379	107,804,643

Legislations enacted in fiscal year ended June 30, 2002 requires that debt historically reported by the School Board has been assumed by the Primary Government. The legislation affects the reporting of local school capital assets as well.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

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Economic Factors and Next Year's Budgets and Rates

- At June 30, 2016, the unemployment rate for the County was 4.5 percent, which is a decrease from the rate of 6.0 percent a year ago. This compares unfavorably to the state's average unemployment rate of 3.7 percent and unfavorably to the national average rate of 4.9 percent.
- Pittsylvania County continues to work jointly with the City of Danville through a joint authority known as the Danville-Pittsylvania County Regional Facilities Authority. This authority works to attract industry and business to Southside Virginia.
- Pittsylvania County has a median household income of \$39,531 compared to the State median household income of \$66,262.
- Pittsylvania County's population was estimated at 62,194 in 2015 compared with 63,506 based on US Census Bureau information from 2010.

All of these factors were considered in preparing the County's budget for the 2016 fiscal year.

Appropriations for County funds lapse at fiscal year end, with the exception of the Capital Projects Fund, therefore, it is not anticipated that fund balance will be used to finance daily operations for the 2017 budget year.

Requests for Information

This financial report is designed to provide readers with a general overview of the County of Pittsylvania's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, P.O. Box 426, Chatham, Virginia 24531. The County's website at www.pittgov.org may also be visited to obtain valuable information about the County.

Information relative to the Pittsylvania County Public Service Authority and the Pittsylvania County Industrial Development Authority financial statements may be obtained from those organizations directly.

Basic Financial Statements

County of Pittsylvania, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Units		
	Governmental	Business-type	Total	School Board	Industrial Development Authority	Pittsylvania County Service Authority
	Activities	Activities				
ASSETS						
Cash and cash equivalents	\$ 39,349,991	\$ -	\$ 39,349,991	\$ 712,760	\$ 538,232	\$ 765,089
Investments	36,467	-	36,467	-	-	21,122
Receivables (net of allowance for uncollectibles):						
Taxes receivable	19,273,057	-	19,273,057	-	-	-
Accounts receivable	1,643,926	357,286	2,001,212	62,244	-	341,297
Notes receivable	-	-	-	-	358,699	-
Capital lease receivable	-	-	-	-	-	18,850
Due from primary government	-	-	-	589,927	-	-
Due from other governmental units	4,116,535	-	4,116,535	2,465,813	-	-
Inventories	7,555	-	7,555	-	-	30,774
Assets held for resale - Industrial sites	-	-	-	-	987,700	-
Internal balances	216,141	(216,141)	-	-	-	-
Prepaid items	-	-	-	1,034,089	-	56,999
Restricted assets:						
Cash and cash equivalents	622,924	-	622,924	35,287	-	-
Investments	-	-	-	-	-	2,254,455
Noncurrent assets:						
Notes receivable	-	-	-	-	5,894,031	-
Capital lease receivable	-	-	-	-	-	217,675
Net OPEB asset	-	-	-	337,000	-	-
Capital assets (net of accumulated depreciation):						
Land	5,510,544	95,000	5,605,544	2,709,971	-	-
Buildings and improvements	100,772,249	-	100,772,249	9,255,745	-	-
Machinery and equipment	13,752,399	819,341	14,571,740	3,307,603	-	-
Infrastructure	-	4,989,450	4,989,450	-	-	-
Utility plant in service	-	-	-	-	-	32,613,002
Construction in progress	346,711	6,500	353,211	567,411	-	-
Total assets	185,648,499	6,051,436	191,699,935	21,077,850	7,778,662	36,319,263
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charge on refunding	4,704,453	6,948	4,711,401	-	-	-
Change in proportionate share of net pension liability	-	-	-	1,885,000	-	-
Pension contributions subsequent to measurement date	1,209,390	51,961	1,261,351	5,892,740	-	73,630
Total deferred outflows of resources	5,913,843	58,909	5,972,752	7,777,740	-	73,630
LIABILITIES						
Accounts payable	1,861,734	37,603	1,899,337	774,133	-	254,783
Salaries payable	47,221	6,216	53,437	2,358,669	-	5,977
Customer deposits	-	-	-	-	-	162,766
Estimate of incurred but unreported health claims	1,206,700	-	1,206,700	-	-	-
Accrued interest payable	1,181,261	27,395	1,208,656	-	-	2,735
Amounts held for rescue squads	88,529	-	88,529	-	-	-
Due to component unit	589,927	-	589,927	-	-	-
Unearned revenue	-	22,500	22,500	-	-	68,639
Long-term liabilities:						
Due within one year	9,067,473	1,208,790	10,276,263	1,184,491	290,380	115,185
Due in more than one year	95,627,448	4,782,933	100,410,381	69,060,352	5,308,226	417,431
Total liabilities	109,670,293	6,085,437	115,755,730	73,377,645	5,598,606	1,027,516
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	17,831,796	-	17,831,796	-	-	-
Items related to measurement of net pension liability	1,583,631	69,429	1,653,060	5,451,472	-	94,912
Total deferred inflows of resources	19,415,427	69,429	19,484,856	5,451,472	-	94,912
NET POSITION						
Net investment in capital assets	33,554,887	3,153,648	36,708,535	15,840,730	-	32,457,712
Restricted:						
Construction	473,495	-	473,495	-	-	-
Grant funds	1,590,889	-	1,590,889	-	-	-
Asset forfeiture funds	933,116	-	933,116	-	-	-
Debt service	70,586	-	70,586	-	-	-
Health Insurance	3,838,849	-	3,838,849	-	-	-
School Cafeteria	-	-	-	733,229	-	-
Unrestricted	22,014,800	(3,198,169)	18,816,631	(66,547,486)	2,180,056	2,812,753
Total net position	\$ 62,476,622	\$ (44,521)	\$ 62,432,101	\$ (49,973,527)	\$ 2,180,056	\$ 35,270,465

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total		
PRIMARY GOVERNMENT:									
Governmental activities:									
General government administration	\$ 3,120,093	\$ 154,698	\$ 407,339	\$ -	\$ (2,558,056)	\$ -	\$ -	\$ -	\$ -
Judicial administration	1,630,364	12,094	1,148,245	-	(470,025)	-	-	-	-
Public safety	17,388,780	474,960	4,866,292	25,446	(12,022,082)	-	-	-	-
Public works	889,643	14,059	68,951	-	(806,633)	-	-	-	-
Health and welfare	13,295,781	-	10,506,212	-	(2,789,569)	-	-	-	-
Education	20,654,247	-	-	-	(20,654,247)	-	-	-	-
Parks, recreation, and cultural	1,625,932	79,505	154,711	-	(1,391,716)	-	-	-	-
Community development	3,050,989	-	697,890	-	(2,353,099)	-	-	-	-
Interest on long-term debt	4,600,151	-	-	-	(4,600,151)	-	-	-	-
Total governmental activities	66,255,980	735,316	17,849,640	25,446	(47,645,578)	-	-	-	-
Business-type activities:									
Landfill	2,085,129	1,132,094	-	-	-	(953,035)	-	-	-
Total primary government	\$ 68,341,109	\$ 1,867,410	\$ 17,849,640	\$ 25,446	\$ (47,645,578)	\$ (953,035)	\$ -	\$ -	\$ -
COMPONENT UNITS:									
School Board	\$ 85,857,257	\$ 1,873,412	\$ 67,093,640	\$ -	-	-	(16,890,205)	-	-
Industrial Development Authority	288,360	-	-	-	-	-	-	(288,360)	-
Pittsylvania County Service Authority	3,657,632	2,636,603	-	569,640	-	-	-	-	(451,389)
Total component units	\$ 89,803,249	\$ 4,510,015	\$ 67,093,640	\$ 569,640	\$ -	\$ -	\$ (16,890,205)	\$ (288,360)	\$ (451,389)
General revenues:									
General property taxes					36,527,161				
Other local taxes:									
Local sales and use taxes					2,247,171				
Consumers' utility taxes					1,172,910				
Motor vehicle licenses					2,203,325				
Other local taxes					1,362,472				
Unrestricted revenues from use of money and property					760,917		48,630	280,555	106,266
Miscellaneous					688,752	9,675	1,302,881	17,667,659	4,834
Payments from the County of Pittsylvania					6,580,065	-	-	-	-
Grants and contributions not restricted to specific programs					(1,587,768)	-	-	-	-
Transfers					49,955,005	1,597,443	19,019,170	280,555	111,100
Total general revenues and transfers					2,309,427	644,408	2,128,965	(7,805)	(340,289)
Change in net position					60,167,195	(688,929)	(52,102,492)	2,187,861	35,610,754
Net position - beginning, as restated					\$ 62,476,622	\$ (44,521)	\$ (49,973,527)	\$ 2,180,056	\$ 35,270,465
Net position - ending					\$ 62,476,622	\$ (44,521)	\$ (49,973,527)	\$ 2,180,056	\$ 35,270,465

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

County of Pittsylvania, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	General	Industrial Development	Workforce Investment Act	School Capital Improvements	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 32,586,203	\$ 1,657,858	\$ -	\$ 25,355	\$ 1,137,284	\$ 35,406,700
Investments	36,467	-	-	-	-	36,467
Receivables (net of allowance for uncollectibles):						
Taxes receivable	19,273,057	-	-	-	-	19,273,057
Accounts receivable	455,630	-	128,480	-	-	584,110
Due from other funds	216,141	-	-	-	-	216,141
Due from other governmental units	3,351,016	-	765,519	-	-	4,116,535
Restricted assets:						
Cash and cash equivalents	70,586	-	-	552,338	-	622,924
Total assets	<u>55,989,100</u>	<u>1,657,858</u>	<u>893,999</u>	<u>577,693</u>	<u>1,137,284</u>	<u>60,255,934</u>
LIABILITIES						
Reconciled overdraft	-	-	76,178	-	-	76,178
Accounts payable	1,598,710	9,155	126,718	104,198	76	1,838,857
Salaries payable	47,221	-	-	-	-	47,221
Amounts held for rescue squads	88,529	-	-	-	-	88,529
Due to component unit	589,927	-	-	-	-	589,927
Total liabilities	<u>2,324,387</u>	<u>9,155</u>	<u>202,896</u>	<u>104,198</u>	<u>76</u>	<u>2,640,712</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	22,070,748	-	-	-	-	22,070,748
FUND BALANCES						
Restricted:						
Construction	-	-	-	473,495	-	473,495
Grant funds	899,786	-	691,103	-	-	1,590,889
Asset Forfeiture Fund	-	-	-	-	933,116	933,116
Debt service	70,586	-	-	-	-	70,586
Committed:						
Special revenue funds	-	1,648,703	-	-	-	1,648,703
Assigned:						
Veterinary Expense Fund	2,483	-	-	-	-	2,483
Law Library Fund	15,771	-	-	-	-	15,771
Library Gifts Fund	9,755	-	-	-	-	9,755
Capital Outlay Fund	647,463	-	-	-	-	647,463
Jail Inmate Management Fund	115,771	-	-	-	-	115,771
Courthouse Maintenance Fund	37,048	-	-	-	-	37,048
Courthouse Security Fund	752,016	-	-	-	-	752,016
Jail Processing Fund	13,193	-	-	-	-	13,193
Rural Road Addition Fund	239,523	-	-	-	-	239,523
Debt Service Reserve Fund	-	-	-	-	204,092	204,092
Social Services Bond Fund	60,942	-	-	-	-	60,942
Schools Bond Fund	2,400	-	-	-	-	2,400
Unassigned	28,727,228	-	-	-	-	28,727,228
Total fund balances	<u>31,593,965</u>	<u>1,648,703</u>	<u>691,103</u>	<u>473,495</u>	<u>1,137,208</u>	<u>35,544,474</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 55,989,100</u>	<u>\$ 1,657,858</u>	<u>\$ 893,999</u>	<u>\$ 577,693</u>	<u>\$ 1,137,284</u>	<u>\$ 60,255,934</u>

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

County of Pittsylvania, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2016

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 35,544,474
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Jointly owned assets are included in the total capital assets.		
Land	\$ 5,510,544	
Buildings and improvements	100,772,249	
Machinery and equipment	13,752,399	
Construction in progress	<u>346,711</u>	120,381,903
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue - property taxes	\$ 4,238,952	
Items related to measurement of net pension liability	<u>(1,583,631)</u>	2,655,321
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		1,209,390
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
		3,857,263
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
General obligation bonds	\$ (73,256,763)	
Lease revenue notes	(926,400)	
QECC bond	(3,313,595)	
Capital leases	(11,273,192)	
Unamortized premiums	(6,974,513)	
Deferred charges on refundings	4,704,453	
Accrued interest payable	(1,181,261)	
Net OPEB obligation	(1,081,000)	
Net pension liability	(5,491,769)	
Compensated absences	(1,127,689)	
Due to the Commonwealth - CSA	<u>(1,250,000)</u>	<u>(101,171,729)</u>
Net position of governmental activities		<u>\$ 62,476,622</u>

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

County of Pittsylvania, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	Industrial Development	Workforce Investment Act	School Capital Improvements	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 35,693,771	\$ -	\$ -	\$ -	\$ -	\$ 35,693,771
Other local taxes	6,985,878	-	-	-	-	6,985,878
Permits, privilege fees, and regulatory licenses	157,941	-	-	-	-	157,941
Fines and forfeitures	207,431	-	-	-	-	207,431
Revenue from the use of money and property	415,971	-	344,592	-	354	760,917
Charges for services	369,944	-	-	-	-	369,944
Miscellaneous	649,599	-	1,732	-	37,421	688,752
Recovered costs	1,010,137	-	-	-	-	1,010,137
Intergovernmental:						
Commonwealth	17,698,041	692,640	72,596	-	197,103	18,660,380
Federal	2,583,133	-	2,936,192	-	25,446	5,544,771
Total revenues	<u>65,771,846</u>	<u>692,640</u>	<u>3,355,112</u>	<u>-</u>	<u>260,324</u>	<u>70,079,922</u>
EXPENDITURES						
Current:						
General government administration	3,274,249	-	-	-	-	3,274,249
Judicial administration	1,629,683	-	-	-	-	1,629,683
Public safety	15,314,937	-	-	-	720,429	16,035,366
Public works	1,467,351	-	-	-	-	1,467,351
Health and welfare	10,497,888	-	2,729,759	-	-	13,227,647
Education	14,455,415	-	-	-	-	14,455,415
Parks, recreation, and cultural	1,606,150	-	-	-	-	1,606,150
Community development	1,943,481	494,403	-	-	-	2,437,884
Capital projects	975,594	650,383	-	2,720,682	-	4,346,659
Debt service:						
Principal retirement	19,766,549	-	-	15,000,000	-	34,766,549
Bond issuance costs	345,282	-	-	298,009	-	643,291
Interest and other fiscal charges	4,070,647	-	-	54,839	-	4,125,486
Total expenditures	<u>75,347,226</u>	<u>1,144,786</u>	<u>2,729,759</u>	<u>18,073,530</u>	<u>720,429</u>	<u>98,015,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,575,380)</u>	<u>(452,146)</u>	<u>625,353</u>	<u>(18,073,530)</u>	<u>(460,105)</u>	<u>(27,935,808)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	499,310	-	1,461	(1,461)	499,310
Transfers out	(2,087,078)	-	-	-	-	(2,087,078)
Issuance of general obligation bond	-	-	-	13,275,000	-	13,275,000
Proceeds of QECCB bond	-	-	-	3,313,595	-	3,313,595
Premium on issuance	4,131,629	-	-	1,956,969	-	6,088,598
Payment to refunded bond escrow agent	(34,006,984)	-	-	-	-	(34,006,984)
Proceeds from advance refunding of bonds	37,660,000	-	-	-	-	37,660,000
Total other financing sources (uses)	<u>5,697,567</u>	<u>499,310</u>	<u>-</u>	<u>18,547,025</u>	<u>(1,461)</u>	<u>24,742,441</u>
Net change in fund balances	(3,877,813)	47,164	625,353	473,495	(461,566)	(3,193,367)
Fund balances - beginning	35,471,778	1,601,539	65,750	-	1,598,774	38,737,841
Fund balances - ending	<u>\$ 31,593,965</u>	<u>\$ 1,648,703</u>	<u>\$ 691,103</u>	<u>\$ 473,495</u>	<u>\$ 1,137,208</u>	<u>\$ 35,544,474</u>

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

County of Pittsylvania, Virginia
 Reconciliation of Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds \$ (3,193,367)

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

Capital outlays	\$ 1,725,730	
Depreciation expense	<u>(5,474,032)</u>	(3,748,302)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (15,090)

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

Property taxes	\$ 833,390	
Change in deferred inflows related to the measurement of the net pension liability	<u>1,620,286</u>	2,453,676

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

Debt Issued or Incurred:

Issuance of general obligation current refunding bonds	\$ (13,275,000)	
Issuance of QECB bond	(3,313,595)	
Issuance of general obligation advanced refunding bonds	(37,660,000)	
Premium on refunding bonds	(6,088,598)	

Principal Payments

General obligation bonds	32,655,178	
Lease revenue notes	479,268	
Capital leases	1,632,103	
Payment to escrow agent for refunding - principal	29,440,000	
Payment to escrow agent for refunding - interest	4,566,984	
Due to Commonwealth - CSA	<u>250,000</u>	8,686,340

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

Change in compensated absences	\$ (26,827)	
Change in accrued interest payable	445,572	
Change in net OPEB obligation	(104,000)	
Change in net pension liability	(985,919)	
Change in deferred outflows related to pensions	36,352	
Amortization of bond premium	227,365	
Amortization of bond discount	(120,253)	
Amortization of loss on refunding	<u>(384,058)</u>	(911,768)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (962,062)

Change in net position of governmental activities \$ 2,309,427

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

County of Pittsylvania, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

	Enterprise Fund Landfill Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ -	\$ 4,019,469
Accounts receivables, net of allowances for uncollectibles	357,286	1,059,816
Inventories	-	7,555
Total current assets	<u>357,286</u>	<u>5,086,840</u>
Noncurrent assets:		
Capital assets: (net of related depreciation)		
Land	95,000	-
Machinery and equipment	819,341	-
Infrastructure	4,989,450	-
Construction in progress	6,500	-
Total capital assets	<u>5,910,291</u>	<u>-</u>
Total noncurrent assets	<u>5,910,291</u>	<u>-</u>
Total assets	<u>6,267,577</u>	<u>5,086,840</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	6,948	-
Pension contributions subsequent to measurement date	51,961	-
	<u>58,909</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	37,603	22,877
Estimate of incurred but unreported health claims	-	1,206,700
Accrued salaries	6,216	-
Due to other funds	216,141	-
Interest payable	27,395	-
Unearned revenue	22,500	-
Compensated absences - current portion	18,592	-
Bonds payable - current portion	1,190,198	-
Total current liabilities	<u>1,518,645</u>	<u>1,229,577</u>
Noncurrent liabilities:		
Landfill closure/postclosure liability	2,962,576	-
Bonds payable - net of current portion	1,573,393	-
Compensated absences - net of current portion	6,197	-
Net pension liability	240,767	-
Total noncurrent liabilities	<u>4,782,933</u>	<u>-</u>
Total liabilities	<u>6,301,578</u>	<u>1,229,577</u>
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	69,429	-
NET POSITION		
Net investment in capital assets	3,153,648	-
Restricted for health insurance claims	-	3,838,849
Unrestricted	(3,198,169)	18,414
Total net position	<u>\$ (44,521)</u>	<u>\$ 3,857,263</u>

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

County of Pittsylvania, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Landfill Fund	Internal Service Funds
OPERATING REVENUES		
Charges for services:		
Materials and supplies	\$ -	\$ 298,384
Insurance premiums	-	11,336,568
Recycling	4,228	-
Solid waste collections	1,069,236	-
Penalties and interest	58,630	-
Miscellaneous	9,675	-
Total operating revenues	<u>1,141,769</u>	<u>11,634,952</u>
OPERATING EXPENSES		
Supplies, insurance and telephone	-	287,404
Insurance claims and expenses	-	12,309,610
Salaries	655,425	-
Fringes	230,514	-
Contractual services	446,424	-
Utilities	35,867	-
Insurance	20,055	-
Fuel	147,228	-
Supplies	174,119	-
Landfill monitoring	126,221	-
Miscellaneous	108,734	-
Depreciation	479,855	-
Total operating expenses	<u>2,424,442</u>	<u>12,597,014</u>
Change in Net Position	<u>(1,282,673)</u>	<u>(962,062)</u>
NONOPERATING REVENUES (EXPENSES)		
Recovered costs	423,037	-
Interest expense	(83,724)	-
Total nonoperating revenues (expenses)	<u>339,313</u>	<u>-</u>
Income before transfers	(943,360)	(962,062)
Transfers in	<u>1,587,768</u>	<u>-</u>
Change in Net Position	<u>644,408</u>	<u>(962,062)</u>
Total net position - beginning	(688,929)	4,819,325
Total net position - ending	<u>\$ (44,521)</u>	<u>\$ 3,857,263</u>

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

County of Pittsylvania, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Enterprise Fund Landfill Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,163,671	\$ -
Receipts for materials and supplies	-	286,942
Receipts for insurance premiums	-	11,314,558
Payments to suppliers	(1,631,788)	(298,655)
Payments to employees	(914,320)	-
Payments for insurance premiums	-	(12,083,310)
Net cash provided by (used for) operating activities	<u>(1,382,437)</u>	<u>(780,465)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	<u>1,587,768</u>	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of utility plant	(491,103)	-
Principal payments on bonds	(615,000)	-
Interest expense	(118,555)	-
Net cash provided by (used for) capital and related financing activities	<u>(1,224,658)</u>	-
Net increase (decrease) in cash and cash equivalents	(1,019,327)	(780,465)
Cash and cash equivalents - beginning	596,290	4,799,934
Cash and cash equivalents - ending	<u>\$ (423,037)</u>	<u>\$ 4,019,469</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	<u>\$ (1,282,673)</u>	<u>\$ (962,062)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	479,855	-
(Increase) decrease in accounts receivable	230,648	(33,452)
(Increase) decrease in inventories	-	5,649
(Increase) decrease in pension contributions subsequent to measurement date	(533)	-
Increase (decrease) in accrued salaries	2,361	-
Increase (decrease) in closure/postclosure liability	(450,284)	-
Increase (decrease) in accounts payable	(122,856)	209,400
Increase (decrease) in compensated absences	(2,398)	-
Increase (decrease) in unearned revenue	(208,746)	-
Increase (decrease) in net pension liability	43,224	-
Increase (decrease) items related to measurement of net pension liability	(71,035)	-
Increase (decrease) in due to other funds	-	-
Total adjustments	<u>(99,764)</u>	<u>181,597</u>
Net cash provided by (used for) operating activities	<u>\$ (1,382,437)</u>	<u>\$ (780,465)</u>
Noncash investing, capital, and financing activities:		
Prior year retainage payable	\$ 11,025	\$ -

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

County of Pittsylvania, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 339,812
Cash in custody of others	79,128
Total assets	\$ 418,940
 LIABILITIES	
Amounts held for social services clients	\$ 7,247
Amounts held for developers	332,565
Amounts held for land sales	59,895
Amounts held for inmates	19,233
Total liabilities	\$ 418,940

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

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1-Summary of Significant Accounting Policies:

The financial statements of the County of Pittsylvania, Virginia conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Financial Reporting Entity

The County of Pittsylvania, Virginia is a municipal corporation governed by an elected seven-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component units - None

Discretely Presented Component Units - The component unit columns in the financial statements include the financial data of the County's discretely presented component units.

The Pittsylvania County School Board operates the elementary and secondary public schools in the County. School Board members are popularly elected. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing powers. The School Board is presented as a governmental fund type and does not issue a separate financial statement.

The Industrial Development Authority of Pittsylvania County (IDA) encourages and provides financing for industrial development in Pittsylvania County. The County has executed a support agreement with the IDA to provide funding sufficient to meet principal and interest payments on the Authority's \$2,000,000 revenue bond dated August 1, 2005. As such, the IDA is fiscally dependent upon the County. The IDA's fiscal year end is December 31st and financial data presented herewith for the Authority is for the fiscal year ended December 31, 2015. The IDA issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

The Pittsylvania County Service Authority (Service Authority) provides water and sewer service to residents of Pittsylvania County. The County has executed two support agreements with the Service Authority to provide funding sufficient to meet principal and interest payments on the Service Authority's Series 2006 and 2007 Revenue Notes in the amount of \$622,117 and \$660,000, respectively. As such, the Service Authority is fiscally dependent upon the County. The Service Authority's fiscal year end is December 31st and financial data presented herewith for the Service Authority is for the fiscal year ended December 31, 2015. The Service Authority issues separate financial statements that may be obtained from the County of Pittsylvania, 21 North Main Street, Chatham, Virginia 24531.

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

A. Financial Reporting Entity (continued)

Related Organizations - The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment.

Jointly Governed Organizations - The County, in conjunction with the City of Danville, participates in supporting the Danville-Pittsylvania Community Services Board. The governing bodies of these organizations are appointed by the respective governing bodies of the participating jurisdictions. During the year, the County contributed \$267,194 to the Community Services Board.

The County in conjunction with the City of Danville participates in supporting the Regional Industrial Facilities Authority.

B. Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

B. Government-wide and Fund Financial Statements (continued)

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 the 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 (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues (property, 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 (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*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 un-collectible 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 in the month 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 expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the activities of the Social Services, Debt Reserve, Bond, Zoning, Grants, CIP, Jail Operations, Rural Roads, Building Code Academy, Courthouse Security, Jail Inmate Management, Landfill Bond, Library Gifts, Courthouse Maintenance, Law Library, Animal Friendly Plates, and Jail Processing Funds. The aforementioned Funds have been merged with the General Fund for financial reporting purposes.

The Industrial Development and Workforce Investment Act Funds serve as the County's major *Special Revenue Funds*. The Industrial Development Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for industrial and community development benefiting the County. The Industrial Development Fund includes the activities of the cyclical and non-cyclical industrial development funds. The Workforce Investment Act Fund accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for administering programs to improve the workforce of Pittsylvania County and surrounding jurisdictions.

The School Capital Improvements Fund is the County's capital projects fund related to school improvements.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The government reports the following nonmajor governmental funds:

The Forfeited Assets is a *Special Revenue Fund* that accounts for and reports financial resources to be used in connection with the Sheriff and Commonwealth Attorney's asset forfeiture funds.

The Debt Service Reserve Fund is the County's only *Debt Service Fund*. It accounts for and reports financial resources to be used for the payment of debt of the County as well as jointly governed organizations.

The County reports the following major enterprise fund:

The *Landfill Fund* accounts for activities of the landfill, including charges for services, expenses, assets, and related debts.

Additionally, the government reports the following fund types:

Internal Service Funds account for the financing of goods and services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The Internal Service Funds consist of the Central Stores and Self Insurance Funds.

Fiduciary funds (Trust and Agency funds) account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare, Cash Bond, Land Sales, and Sheriff's Inmate Trust and Canteen Account Funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to departments for sales and health insurance. Operating expenses for Internal Service Funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

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").

2. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds" (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds" (i.e. the noncurrent portion of interfund loans).

4. Property Taxes

Property is assessed at its value on January 1st. Property taxes attach as an enforceable lien on property as of January 1st. Real estate taxes are payable in installments on June 6th and December 5th. Personal property taxes are due and collectible in installments on June 6th and December 5th. The County bills and collects its own property taxes.

5. Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$923,150 at June 30, 2016 and is comprised solely of property taxes.

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

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

6. Use of Estimates

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

7. Prepaid Items

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

8. Capital Assets

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment and infrastructure of the primary government, as well as the Component Unit - School Board, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

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

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

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County only has two items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability. These include changes in proportion and differences between employer contributions and proportionate share of contributions and contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

10. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

10. Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

11. Compensated Absences

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

12. Pensions

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

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

13. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

The Board of Supervisors is the County's highest level of decision-making authority and a resolution is required prior to the last day of the fiscal year in order to establish, modify, or rescind a fund balance commitment. The amount subject to the constraint may be determined in the subsequent period.

The County's Board of Supervisors has authorized the Finance Director to assign fund balance in accordance with the County's fund balance policy.

The County will maintain an unassigned fund balance in the general fund equal to 10% of expenditures/revenues. The County considers a balance of less than 10% to be cause for concern, barring unusual, or deliberate circumstances.

The County considers restricted fund balance to be spent when an expenditure is incurred for purposes for which restricted and unassigned, assigned, or committed fund balances are available, unless prohibited by legal documents or contracts. When an expenditure is incurred for purposes for which committed, assigned or unassigned amounts are available, the County considers committed fund balance to be spent first, then assigned fund balance, and lastly unassigned fund balance.

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

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

14. Net Position

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

15. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary Information

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All Funds of the County have legally adopted budgets with the exception of Agency Funds.
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 function level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Fund) and the School Capital Projects Funds. The School Operating Fund and School Capital Projects Fund are integrated only at the level of legal adoption.

Note 2-Stewardship, Compliance, and Accountability: (continued)

B. Budgetary Information (continued)

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. The County's practice is to appropriate Capital Projects by Project. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the County's accounting system.

A. Excess of expenditures over appropriations

At June 30, 2016, no departments had expenditures in excess of its appropriations.

B. Deficit fund equity

At June 30, 2016, no funds had deficit fund equity.

Note 3-Deposits and Investments:

Deposits

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

Investments

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

Note 3-Deposits and Investments: (continued)

Credit Risk of Debt Securities

The County has not adopted an investment policy for credit risk.

The County's rated debt investments for LGIP and Government Obligations were rated by Standard and Poor's and Moody's, respectively, as of June 30, 2016 and the ratings are presented below using the respective rating scale.

County's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool (LGIP)	\$ 36,467

External Investment Pool

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

Interest Rate Risk

Investment Type	Fair Value	Less than 1 yr
Local Government Investment Pool (LGIP)	\$ 36,467	\$ 36,467

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 4-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 391,772	\$ -
Communication sales tax	358,888	-
State sales tax	-	1,737,543
Non-categorical aid	123,270	-
Categorical aid-shared expenses	476,405	-
Categorical aid-Virginia Public Assistance funds	99,151	-
Categorical aid-other	110,188	38,297
Categorical aid-Comprehensive Services Act funds	1,569,975	-
<u>Federal Government:</u>		
Categorical aid-Virginia Public Assistance funds	200,889	-
Categorical aid-Workforce Investment Act funds	765,519	-
Categorical aid-other	20,478	689,973
Total Amount Due from Other Governmental Units	<u>\$ 4,116,535</u>	<u>\$ 2,465,813</u>

Note 5-Interfund/Component-Unit Obligations:

<u>Fund</u>	<u>Due to Primary Government/ Component Unit</u>	<u>Due from Primary Government/ Component Unit</u>
Primary Government:		
General Fund	\$ <u>589,927</u>	\$ <u>-</u>
Component Unit - School Board:		
School Fund	\$ <u>-</u>	\$ <u>589,927</u>

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Note 5-Interfund/Component-Unit Obligations: (continued)

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

<u>Fund</u>	<u>Due to</u>	<u>Due from</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ 216,141	\$ -
<i>Enterprise Funds:</i>		
Landfill fund	-	216,141
Total	<u>\$ 216,141</u>	<u>\$ 216,141</u>

All balances are the results of time lag between dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The County expects all balances to be repaid within one year.

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
<i>Major Governmental Funds:</i>		
General Fund	\$ -	\$ (2,087,078)
Industrial Development Fund	499,310	-
School Capital Improvements Fund	1,461	-
<i>Enterprise Funds:</i>		
Landfill fund	1,587,768	-
<i>Nonmajor Governmental Funds:</i>		
Debt Service Reserve Fund	-	(1,461)
Total	<u>\$ 2,088,539</u>	<u>\$ (2,088,539)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

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COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation bonds	\$ 84,416,941	\$ 50,935,000	\$ (62,095,178)	\$ 73,256,763
Lease revenue notes	1,405,668	-	(479,268)	926,400
Unamortized bond premiums	1,113,280	6,081,067	(219,834)	6,974,513
Unamortized bond discounts	(120,253)	-	120,253	-
Capital leases	12,905,295	-	(1,632,103)	11,273,192
QECB Revenue Bond	-	3,313,595	-	3,313,595
Net pension liability	4,505,850	5,413,362	(4,427,443)	5,491,769
Net OPEB obligation	977,000	165,000	(61,000)	1,081,000
Compensated absences	1,100,862	852,474	(825,647)	1,127,689
Due to Commonwealth (CSA)	1,500,000	-	(250,000)	1,250,000
Total	\$ 107,804,643	\$ 66,760,498	\$ (69,870,220)	\$ 104,694,921

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness

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

Year Ending June 30,	General Obligation Bonds		QECB Energy Revenue Bond	
	Principal	Interest	Principal	Interest
2017	\$ 5,859,955	\$ 3,124,156	\$ 216,581	\$ 128,077
2018	5,191,821	2,856,112	217,941	107,466
2019	5,419,830	2,611,657	218,440	99,904
2020	5,649,045	2,358,693	218,941	92,324
2021	5,899,907	2,085,304	219,442	84,727
2022-2026	27,281,205	6,144,207	1,104,771	309,065
2027-2031	17,955,000	1,524,550	1,117,479	116,506
Totals	<u>\$ 73,256,763</u>	<u>\$ 20,704,679</u>	<u>\$ 3,313,595</u>	<u>\$ 938,069</u>

Year Ending June 30,	Lease Revenue Notes	
	Principal	Interest
2017	\$ 243,000	\$ 32,116
2018	252,700	22,226
2019	262,700	11,944
2020	168,000	3,352
Totals	<u>\$ 926,400</u>	<u>\$ 69,638</u>

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COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations: (continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	Interest Rates	Date Issued	Final Maturity Date	Installment Amounts	Amount of Original Issue	Balance Governmental Activities	Amount Due Within One Year
General Obligation Bonds:							
General Obligation Bond (2)	3.00-5.00%	8/21/2015	2/1/2030	\$625,000-3,600,000 a+	\$ 37,660,000	\$ 37,035,000	\$ 735,000
General Obligation Bond (1)	3.00-5.00%	6/2/2016	6/15/2031	\$605,000-1,150,000 a+	13,275,000	13,275,000	605,000
General Obligation Bond (1)	4.10-5.60%	11/10/2004	7/15/2024	\$999,906-1,010,000 a+	15,735,749	8,081,763	809,955
General Obligation Bond	3.50-5.75%	10/30/2008	2/1/2030	\$2,330,368-3,574,906 a+	40,000,000	5,510,000	1,750,000
General Obligation Bond (1)	3.00%	5/21/2009	3/1/2017	\$132,575-918,575 a+	1,612,500	905,000	905,000
General Obligation Bond	2.00-5.00%	4/22/2010	3/1/2023	\$1,189,963-1,414,500 a+	12,485,000	8,450,000	1,055,000
Total GO Bonds						<u>\$ 73,256,763</u>	<u>\$ 5,859,955</u>
Lease Revenue Notes:							
Revenue Bond - SSB	3.99%	4/27/2006	7/15/2019	\$244,017-271,292 a+	\$ 2,900,000	\$ 926,400	\$ 243,000
QECB Energy Revenue Bond:							
QECB Energy Revenue Bond:	3.47%	1/20/2016	3/1/2031	\$216,581-224,519 a+	3,313,595	<u>\$ 3,313,595</u>	<u>\$ 216,581</u>
Deferred amounts:							
Plus:							
Unamortized Premium						<u>\$ 6,974,513</u>	<u>\$ 266,177</u>
Other Obligations:							
Capital Leases (Note 7)						\$ 11,273,192	\$ 1,385,993
Net OPEB Obligation						1,081,000	-
Net Pension Liability						5,491,769	-
Compensated Absences						1,127,689	845,767
CSA-Due to Commonwealth (Note 13)						1,250,000	250,000
Total Other Obligations						<u>\$ 20,223,650</u>	<u>\$ 2,481,760</u>
Total Long-Term Obligations						<u>\$ 104,694,921</u>	<u>\$ 9,067,473</u>

- (1) Refunding bond
- (2) Advanced refunding bond
- (a+) - annual principal installments shown, does not include semi-annual interest installments

The County issued a \$37,660,000 general obligation refunding bond with a premium of \$4,131,629 and an interest rate of 3.00-5.00%. The bond was used to advance refund a portion of the 2008 general obligation bond in the amount of \$29,440,000 and current refund a 2007 general obligation bond in the amount of \$7,236,000. The net proceeds, along with other funds, were deposited into an irrevocable trust with an escrow agent to provide funds for future debt service payments on the advance refunded bond. As a result, the refunded portion of the 2008 general obligation bond is considered defeased, and the County has removed the liability from the statement of net position. The advance refunding reduced total debt service payments over the next 14 years by \$4,359,624. This results in an economic gain (difference between the present values on the old and new debt) of \$3,692,549.

The County also issued a general obligation refunding bond in the amount of \$13,275,000 with a premium of \$1,956,969 and an interest rate of 3.00%-5.00%. The County used \$15,000,000 of this issuance to refund an outstanding loan anticipation note. The net proceeds, along with \$4,945,000 of County funds, were used to pay off the 2012 loan anticipation note.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations: (continued)

Primary Government - Business-type Activities Indebtedness

The following is a summary of long-term obligation transactions of the County for the year ended June 30, 2016:

	Balance July 1, 2015	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2016
General obligation bonds	\$ 3,184,999	\$ -	\$ (615,000)	\$ 2,569,999
Unamortized bond premiums	228,790	-	(35,198)	193,592
Net pension liability	197,543	237,329	(194,105)	240,767
Landfill closure/postclosure	3,412,860	-	(450,284)	2,962,576
Compensated absences	27,187	17,992	(20,390)	24,789
Total	\$ 7,051,379	\$ 255,321	\$ (1,314,977)	\$ 5,991,723

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 1,155,000	\$ 82,803
2018	260,000	57,784
2019	270,000	46,426
2020	280,000	35,157
2021	295,000	22,422
2022	309,999	7,944
Totals	\$ 2,569,999	\$ 252,536

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COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 6-Long-Term Obligations: (continued)

Primary Government - Business-type Activities Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Installment Amount</u>	<u>Amount of Original Issue</u>	<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>
General Obligation Bonds:							
General Obligation Bond	2.125-5.125%	11/16/2011	11/1/2021	\$268,616-317,944 a+	\$ 2,555,000	\$ 1,665,000	\$ 250,000
General Obligation Bond (1)	3.00%	5/21/2009	3/1/2017	\$110,000-905,000 a+	1,612,500	904,999	905,000
Total GO Bonds						<u>\$ 2,569,999</u>	<u>\$ 1,155,000</u>
Deferred amounts:							
Plus:							
Unamortized Premium						\$ 193,592	\$ 35,198
<u>Other Obligations:</u>							
Net Pension Liability						\$ 240,767	\$ -
Landfill Closure/Postclosure Liability						2,962,576	-
Compensated Absences						24,789	18,592
Total Other Obligations						<u>\$ 3,228,132</u>	<u>\$ 18,592</u>
Total Long-Term Obligations						<u>\$ 5,991,723</u>	<u>\$ 1,208,790</u>

(1) Refunding Bond

a+ - annual principal installments shown, does not include semi-annual interest payments

sa - semiannual installments, includes interest as applicable

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 7-Capital Leases:

Primary Government

The School Board issued a lease purchase agreement to pay for supplies and non-capitalized equipment used to implement an energy savings plan and to purchase school buses. The County entered into a capital lease agreement to upgrade its E-911 equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum lease payments at the date of inception.

The assets acquired through capital leases are as follows:

	E - 911 Equipment	School Buses
Machinery and equipment	\$ 13,310,986	\$ 672,610
Less: Accumulated depreciation	<u>(2,689,576)</u>	<u>(129,362)</u>
Net capital assets	<u>\$ 10,621,410</u>	<u>\$ 543,248</u>

The future minimum lease obligations and the net present value of minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30,	School Buses	Energy Savings Lease	E - 911 Equipment Lease	Total
2017	\$ 226,861	\$ 324,043	\$ 1,415,540	\$ 1,966,444
2018	-	324,043	1,415,535	1,739,578
2019	-	324,043	1,415,534	1,739,577
2020	-	-	1,415,539	1,415,539
2021	-	-	1,415,540	1,415,540
2022-2024	-	-	<u>4,246,614</u>	<u>4,246,614</u>
Subtotal	\$ 226,861	\$ 972,129	\$ 11,324,302	\$ 12,523,292
Less, amount representing interest	<u>(2,668)</u>	<u>(72,730)</u>	<u>(1,174,702)</u>	<u>(1,250,100)</u>
Present Value of Lease Agreement	<u>\$ 224,193</u>	<u>\$ 899,399</u>	<u>\$ 10,149,600</u>	<u>\$ 11,273,192</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 8-Long-Term Obligations-Component Unit School Board:

Discretely Presented Component Unit-School Board-Indebtedness

The following is a summary of long-term obligation transactions of the Component-Unit School Board for the year ended June 30, 2016:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Net pension liability	\$ 64,357,928	\$ 17,919,870	\$ (13,612,276)	\$ 68,665,522
Compensated absences	1,565,989	1,187,824	(1,174,492)	1,579,321
Total	<u>\$ 65,923,917</u>	<u>\$ 19,107,694</u>	<u>\$ (14,786,768)</u>	<u>\$ 70,244,843</u>

Details of long-term indebtedness:

<u>Other Obligations:</u>	Total Amount	Amount Due Within One Year
Net pension liability	\$ 68,665,522	\$ -
Compensated absences	1,579,321	1,184,491
Total Long-Term Obligations	<u>\$ 70,244,843</u>	<u>\$ 1,184,491</u>

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Note 9—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>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.</p>

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>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.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>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.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> •Hybrid Retirement Plan members are ineligible for ported service. •The cost for purchasing refunded service is the 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. <p><u>Defined Contribution Component:</u> Not applicable.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9—Pension Plan: (Continued)

Plan Description (Continued)

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

Employees Covered by Benefit Terms

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

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	195	167
Inactive members:		
Vested inactive members	29	12
Non-vested inactive members	65	41
Inactive members active elsewhere in VRS	93	11
Total inactive members	187	64
Active members	343	161
Total covered employees	<u>725</u>	<u>392</u>

Contributions

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

The County’s contractually required contribution rate for the year ended June 30, 2016 was 11.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. However, during 2016, the County paid a reduced, certified rate approved by the VRS of 9.20% of covered employee compensation.

Note 9—Pension Plan: (Continued)

Contributions (continued)

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,261,351 and \$1,217,249 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board’s contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 10.74% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board’s nonprofessional employees were \$295,656 and \$283,578 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

The County’s and Component Unit School Board’s (nonprofessional) net pension liabilities were measured as of June 30, 2015. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions - General Employees

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

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

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

Note 9—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (continued)

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

Note 9—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees

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

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

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

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set 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) - Non-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

Note 9—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

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Note 9—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9—Pension Plan: (Continued)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 59,257,539	\$ 54,554,146	\$ 4,703,393
Changes for the year:			
Service cost	\$ 1,561,447	\$ -	\$ 1,561,447
Interest	4,054,448	-	4,054,448
Differences between expected and actual experience	(255,709)	-	(255,709)
Contributions - employer	-	1,217,249	(1,217,249)
Contributions - employee	-	666,219	(666,219)
Net investment income	-	2,482,371	(2,482,371)
Benefit payments, including refunds of employee contributions	(2,673,712)	(2,673,712)	-
Administrative expenses	-	(34,270)	34,270
Other changes	-	(526)	526
Net changes	\$ 2,686,474	\$ 1,657,331	\$ 1,029,143
Balances at June 30, 2015	\$ 61,944,013	\$ 56,211,477	\$ 5,732,536

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9—Pension Plan: (Continued)

Changes in Net Pension Liability (continued)

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 13,954,815	\$ 12,725,887	\$ 1,228,928
Changes for the year:			
Service cost	\$ 346,582	\$ -	\$ 346,582
Interest	944,972	-	944,972
Differences between expected and actual experience	(93,323)	-	(93,323)
Contributions - employer	-	283,578	(283,578)
Contributions - employee	-	132,471	(132,471)
Net investment income	-	570,904	(570,904)
Benefit payments, including refunds of employee contributions	(910,435)	(910,435)	-
Administrative expenses	-	(8,196)	8,196
Other changes	-	(120)	120
Net changes	\$ 287,796	\$ 68,202	\$ 219,594
Balances at June 30, 2015	\$ 14,242,611	\$ 12,794,089	\$ 1,448,522

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 9—Pension Plan: (Continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
Pittsylvania County			
Net Pension Liability (Asset)	\$ 13,551,345	\$ 5,732,536	\$ (791,624)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 3,075,717	\$ 1,448,522	\$ 74,011

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$555,071 and \$124,205, respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 190,808	\$ -	\$ 59,993
Change in assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,462,252	-	349,479
Employer contributions subsequent to the measurement date	1,261,351	-	295,656	-
Total	\$ 1,261,351	\$ 1,653,060	\$ 295,656	\$ 409,472

Note 9—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,261,351 and \$295,656 reported as deferred outflows of resources related to pensions resulting from the County’s and Component Unit School Board’s (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2017	\$ (639,487)	\$ (169,977)
2018	(639,487)	(163,310)
2019	(635,593)	(136,646)
2020	261,507	60,461
Thereafter	-	-

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information regarding the plan description can be found in the first section of this note.

Contributions

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

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Contributions (Continued)

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013 adjusted for the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however, it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were \$5,597,084 and \$5,715,044 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of \$67,217,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was 0.53405% as compared to 0.52239% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of \$5,366,000. 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.

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Note 9—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 926,000
Net difference between projected and actual earnings on pension plan investments	-	4,116,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,885,000	-
Employer contributions subsequent to the measurement date	<u>5,597,084</u>	<u>-</u>
Total	<u>\$ 7,482,084</u>	<u>\$ 5,042,000</u>

\$5,597,084 reported as deferred outflows of resources related to pensions resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2017	\$ (1,379,000)
2018	(1,379,000)
2019	(1,379,000)
2020	940,000
Thereafter	40,000

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

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

- 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

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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

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

Note 9—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that 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 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, 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.

Sensitivity of the School Division’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division’s 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:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 98,364,000	\$ 67,217,000	\$ 41,574,000

Pension Plan Fiduciary Net Position

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

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,904,148	\$ 606,396	\$ -	\$ 5,510,544
Construction in progress	34,892	346,711	(34,892)	346,711
Total capital assets not being depreciated	<u>\$ 4,939,040</u>	<u>\$ 953,107</u>	<u>\$ (34,892)</u>	<u>\$ 5,857,255</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 141,731,378	\$ 62,847	\$ -	\$ 141,794,225
Machinery and equipment	30,376,041	744,668	(948,089)	30,172,620
Total capital assets being depreciated	<u>\$ 172,107,419</u>	<u>\$ 807,515</u>	<u>\$ (948,089)</u>	<u>\$ 171,966,845</u>
Accumulated depreciation:				
Buildings and improvements	\$ (37,501,030)	\$ (3,520,946)	\$ -	\$ (41,021,976)
Machinery and equipment	(15,400,134)	(1,953,086)	932,999	(16,420,221)
Total accumulated depreciation	<u>\$ (52,901,164)</u>	<u>\$ (5,474,032)</u>	<u>\$ 932,999</u>	<u>\$ (57,442,197)</u>
Total capital assets being depreciated, net	<u>\$ 119,206,255</u>	<u>\$ (4,666,517)</u>	<u>\$ (15,090)</u>	<u>\$ 114,524,648</u>
Governmental activities capital assets, net	<u>\$ 124,145,295</u>	<u>\$ (3,713,410)</u>	<u>\$ (49,982)</u>	<u>\$ 120,381,903</u>

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COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Capital Assets: (continued)

Primary Government: (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Construction in progress	136,268	298,661	(428,429)	6,500
Total capital assets not being depreciated	<u>\$ 231,268</u>	<u>\$ 298,661</u>	<u>\$ (428,429)</u>	<u>\$ 101,500</u>
Capital assets, being depreciated:				
Infrastructure	\$ 7,349,972	\$ 443,105	\$ -	\$ 7,793,077
Machinery and equipment	4,211,958	166,741	(24,936)	4,353,763
Total capital assets being depreciated	<u>\$ 11,561,930</u>	<u>\$ 609,846</u>	<u>\$ (24,936)</u>	<u>\$ 12,146,840</u>
Accumulated depreciation:				
Infrastructure	\$ (2,464,041)	\$ (339,586)	\$ -	\$ (2,803,627)
Machinery and equipment	(3,419,089)	(140,269)	24,936	(3,534,422)
Total accumulated depreciation	<u>\$ (5,883,130)</u>	<u>\$ (479,855)</u>	<u>\$ 24,936</u>	<u>\$ (6,338,049)</u>
Total capital assets being depreciated, net	<u>\$ 5,678,800</u>	<u>\$ 129,991</u>	<u>\$ -</u>	<u>\$ 5,808,791</u>
Business-type activities capital assets, net	<u>\$ 5,910,068</u>	<u>\$ 428,652</u>	<u>\$ (428,429)</u>	<u>\$ 5,910,291</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General governmental administration	\$ 91,213
Judicial administration	17,880
Public safety	1,693,400
Public works	262,073
Health and welfare	70,732
Education	3,221,249
Parks, recreation, and cultural	49,023
Community development	68,462
Total depreciation expense-governmental activities	<u>\$ 5,474,032</u>
Business-type activities:	
Public works	<u>\$ 479,855</u>

COUNTY OF PITTSYLVANIA, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 10-Capital Assets: (continued)

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

Discretely Presented Component Unit:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,709,971	\$ -	\$ -	\$ 2,709,971
Construction in progress	-	567,411	-	567,411
Total capital assets not being depreciated	<u>\$ 2,709,971</u>	<u>\$ 567,411</u>	<u>\$ -</u>	<u>\$ 3,277,382</u>
Capital assets, being depreciated:				
Buildings and improvements	\$ 22,920,567	\$ -	\$ -	\$ 22,920,567
Machinery and equipment	16,422,049	874,181	(7,630)	17,288,600
Total capital assets being depreciated	<u>\$ 39,342,616</u>	<u>\$ 874,181</u>	<u>\$ (7,630)</u>	<u>\$ 40,209,167</u>
Accumulated depreciation:				
Buildings and improvements	\$ (13,328,644)	\$ (336,178)	\$ -	\$ (13,664,822)
Machinery and equipment	(13,227,610)	(761,017)	7,630	(13,980,997)
Total accumulated depreciation	<u>\$ (26,556,254)</u>	<u>\$ (1,097,195)</u>	<u>\$ 7,630</u>	<u>\$ (27,645,819)</u>
Total capital assets being depreciated, net	<u>\$ 12,786,362</u>	<u>\$ (223,014)</u>	<u>\$ -</u>	<u>\$ 12,563,348</u>
Governmental activities capital assets, net	<u>\$ 15,496,333</u>	<u>\$ 344,397</u>	<u>\$ -</u>	<u>\$ 15,840,730</u>

Note 11-Risk Management:

The County and its Component Unit - School Board are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County participates with other localities in a public entity risk pool for their coverage of general liability, property, crime and auto insurance with the Virginia Association of Counties Risk Pool. Each member of each of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The County pays the Risk Pool contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available excess insurance, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County and its Component Unit - School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12-Contingent Liabilities:

Federal programs in which the County participates were audited in accordance with the provisions of Uniform Guidance. Pursuant to the provisions of this guidance all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by 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 disallowances of current grant program expenditures, if any, would be immaterial.

Note 13-Comprehensive Services Act-Amount Due to Commonwealth:

In an Order entered December 16, 2011, the State Executive Council (“SEC”) found that Pittsylvania County is liable for \$7,699,933 in reimbursement for CSA funds used for ineligible students and services based on an audit conducted by the Auditor of Public Accounts. The SEC agreed to allow the CPMB to pay the Commonwealth of Virginia \$250,000 per year for a ten (10) year period, and if the CPMB abides by several probationary actions during the ten (10) year period, the SEC will forgo requiring the CPMB to repay the balance of the amount due and owing. At the December 20, 2011, Pittsylvania County Board of Supervisors’ (“BOS”) meeting, the BOS objected to the findings in the SEC’s Order, but agreed to its disposition of the matter, i.e. repayment of \$2.5 million dollars over a ten (10) year period with probationary measures.

Note 14-Surety Bonds:

Primary Government:

<u>Fidelity & Deposit Company of Maryland-Surety:</u>	
Mark Scarce, Clerk of the Circuit Court	\$ 25,000
Vincent Shorter, Treasurer	750,000
Shirley Y. Hammock, Commissioner of the Revenue	3,000
Michael W. Taylor, Sheriff	30,000
All constitutional officers' employees: blanket bond	50,000
<u>VACo Insurance Programs:</u>	
All County employees - blanket bond	\$ 250,000
<u>National Grange Mutual Insurance Company:</u>	
All Social Services employees - blanket bond	\$ 100,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 15-Landfill Closure and Postclosure Care Cost:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. \$4,711,733 is the total estimated closure and postclosure care liability at June 30, 2016. This represents the cumulative amount based on the use of 100% of the estimated capacity of the landfill and is based on what it would cost to perform all remaining closure and postclosure in 2016. The liability on the statement of net position of \$2,962,576 is based on the County’s estimate that the landfill has reached 100% of Phase I and 31% of Phase II of capacity with a remaining useful life of 20 years for phase II. Actual costs for closure and postclosure monitoring may change due to inflation, deflation, changes in technology or changes in regulations. The County uses the Commonwealth of Virginia’s financial assurance mechanism to meet the Department of Environmental Quality’s assurance requirements for landfill closure and postclosure costs. The County demonstrated financial assurance requirements for closure, post-closure care and corrective action costs through the submission of a Local Government Test to the Virginia Department of Environmental Quality in accordance with Section 9VA C20-70 of the Virginia Administrative Code.

Note 16-Self Health Insurance:

The County of Pittsylvania, Virginia established a limited risk management program for health insurance. Premiums are paid into the health plan fund from the County and are available to pay claims, and administrative costs of the program. During the fiscal year 2016, a total of \$12,309,610 was paid in benefits and administrative costs. The risk assumed by the County is based on the number of participants in the program. The risk varies by the number of participants and their specific plan type (Keycare, Bluecare, etc.). Incurred but not reported claims of \$1,206,700 have been accrued as a liability based primarily on actual cost incurred prior to June 30 but paid after year-end. Interfund premiums are based primarily upon the insured funds’ claims experience and are reported as quasi-external interfund transactions. Changes in the claims liability during fiscal year 2016 and the two previous years were as follows:

<u>Fiscal Year</u>	<u>Balance at Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Fiscal Year</u>
2015-16	\$ 980,400	\$ 12,535,910	\$ (12,309,610)	\$ 1,206,700
2014-15	767,795	11,397,425	(11,184,820)	980,400
2013-15	844,286	10,016,187	(10,092,678)	767,795

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 17- Deferred/Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue is comprised of the following:

	<u>Unavailable</u>
Delinquent property taxes receivable-2nd half 2016	\$ 14,179,625
Prepaid taxes	3,652,171
Total unavailable revenue for governmental activities	<u>\$ 17,831,796</u>
Taxes receivable due prior to June 30, 2016, not collected within 60 days	\$ 4,238,952
Total unavailable revenue for governmental funds	<u>\$ 22,070,748</u>

Note 18-Commitments and Contingencies:

The Board of Supervisors approved moral obligation support agreements with the Pittsylvania County Service Authority, whereby the County will provide funding (subject to annual appropriations), if necessary, to repay the Service Authority's Series 2006 and 2007 Revenue Notes. The County contributed \$158,474 towards these agreements in fiscal year 2016.

The Board of Supervisors of Pittsylvania County and the City Council of the City of Danville, Virginia approved support agreements with the Danville-Pittsylvania Regional Industrial Facility Authority to provide funding (subject to annual appropriations) sufficient to meet principal and interest payments on the Authority's \$7,300,000 revenue bonds. The County contributed \$648,199 towards these agreements in fiscal year 2016.

The County has obligated funds for the projects described below as of June 30, 2016:

	Original Contract	Amount Paid As of 6/30/2016	Remaining Contract Amount
Animal Shelter Consultants	\$ 270,450	\$ 197,000	\$ 73,450
Mega Park Water System	1,006,200	983,400	22,800
Paving Engineering and Design	9,000	6,500	2,500
School energy improvements	3,181,050	2,719,081	461,969
Total Contracts	<u>\$ 4,466,700</u>	<u>\$ 3,905,981</u>	<u>\$ 560,719</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 18-Commitments and Contingencies: (continued)

The County has also obligated funds for the development of projects initiated by the Regional Industrial Facilities Authority. The County's share of the projects as described below was 50% as of June 30, 2016:

Contractor	Service Provided	Project	Contract Total	Paid as of 6/30/2016	Contract Remaining
Dewberry	Engineering	Berry Hill Industrial Park	\$ 2,640,836	\$ 2,069,132	\$ 571,704
Dewberry	Engineering	Cane Creek Park	71,881	22,479	49,402
Wetland Studies & Solutions	Consulting	Berry Hill Permit Assistance	141,996	76,966	65,030
Totals			\$ 2,854,713	\$ 2,168,577	\$ 686,136
County's 50% obligation			\$ 1,427,357	\$ 1,084,289	\$ 343,068

School Board Early Retirement Incentive Program:

The Component Unit - School Board administers an early retirement incentive program for School Board employees. Early retirement is available to those employees with a minimum of twenty years of service in the Pittsylvania School System, including the five consecutive years immediately preceding the effective date of retirement. In addition, employees must be at least 55 years of age and less than 65 years of age to be eligible for the program. To participate, the employee must be a vested member of the Virginia Retirement System (VRS). In addition, employees may not work for any other agency covered under the VRS during their tenure in the program. The program allows for payment of 20% of an employee's final contracted salary, earned before the effective date of retirement, for a period of 7 years or until the participant reaches the age of sixty-five. The School Board reserves the right to amend or terminate the program. Employees are required to work twenty days per year to receive their payment. At June 30, 2016 the commitment related to the Early Retirement Incentive Program was \$6,573,153.

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Note 19-Other Postemployment Benefits-Health Insurance:

From an accrual accounting perspective, the cost of postemployment health care benefits (OPEB), like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in future years when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2009, the County recognizes the cost of postemployment health care in the year when the employee services are rendered, reports the accumulating liability, and provides information useful in assessing potential demands on the County’s future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

A. Plan Description

The County of Pittsylvania and Pittsylvania County’s Component Unit - School Board administers a single-employer healthcare plan (“the Plan”). The Plan provides for participation by eligible retirees and their dependents in the health insurance programs available to County and School Board employees. The Plan will provide retiring employees the option to continue health insurance offered by the County and School Board. Any County eligible retiree may receive this benefit until death. Any School Board eligible retiree may receive this benefit until he/she has reached sixty five years of age.

To be eligible for this benefit a retiree must meet at least one of the following criteria: attained age 50 and 10 years of service, attained age 55 and five years of service, or disabled with no age or service requirements. In addition, the School System has an Early Retirement Incentive Program that allows retirees to continue working and receive special benefits for five years if they retire after age 55 with 20 years as a participant of the Virginia Retirement System and have a minimum of 20 years of full-time employment with Pittsylvania County School System. The benefits, employee contributions and the employer contributions are governed by the Board of Supervisors and the School Board and can be amended through the Board of Supervisors and the School Board action respectively. The Plan does not issue a publicly available financial report.

B. Funding Policy

The County and School Board currently pay for the post-retirement health care benefits on a pay-as-you-go basis. The County and School Board currently have 340 and 1,039 employees that are eligible, respectively, for the program. In addition, 100 percent of premiums are the responsibility of the retiree.

Health benefits include Medical, Dental, and Vision coverage for retirees and eligible spouses/dependents.

Retirees are eligible to choose one of the following medical options through the County and School Board. The rates are as follows:

Medical & Dental	KeyCare 500	Key Care 30	Dental Basic	Dental Comprehensive
Employee Only	552.31	496.08	23.96	41.00
Employee & Spouse	1,219.95	1,096.16	47.04	81.84
Employee & Child	847.18	761.14	39.76	69.16
Family	1,653.89	1,486.26	78.76	118.70

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 19-Other Postemployment Benefits-Health Insurance: (continued)

B. Funding Policy (continued)

The County eligible retirees may continue to receive the benefit past the age of 65. The rates for this group are as follows:

Medical & Dental	KeyCare 500	Key Care 30	Dental Basic	Dental Comprehensive
Employee Only	496.70	446.06	23.96	41.00
Employee & Spouse	993.40	892.12	47.04	81.84
Employee & Child	NA	NA	39.76	69.16
Family	NA	NA	78.76	118.70

C. Annual OPEB Cost and Net OPEB Obligation

The County’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 174,000
Interest on net OPEB obligation	39,000
Adjustment to annual required contribution	<u>(41,000)</u>
Annual OPEB cost (expense)	172,000
Contributions made	<u>(62,000)</u>
Increase in net OPEB obligation	110,000
Net OPEB obligation - beginning of year	<u>983,000</u>
Net OPEB obligation - end of year	\$ 1,093,000

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2014 \$	169,000	37%	\$ 868,000
6/30/2015	165,000	30%	983,000
6/30/2016	172,000	36%	1,093,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 19-Other Postemployment Benefits-Health Insurance: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

For 2016, the School Board’s annual OPEB cost (expense) of \$653,000 was not equal to the ARC of \$652,000. The obligation calculation is as follows:

Annual required contribution	\$ 652,000
Interest on net OPEB obligation	(10,000)
Adjustment to annual required contribution	<u>11,000</u>
Annual OPEB cost (expense)	653,000
Contributions made	<u>(737,000)</u>
Increase (Decrease) in net OPEB obligation	(84,000)
Net OPEB asset - beginning of year	<u>(253,000)</u>
Net OPEB asset - end of year	\$ (337,000)

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2016 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2014	\$ 680,000	125%	\$ (134,000)
6/30/2015	642,000	119%	(253,000)
6/30/2016	653,000	113%	(337,000)

D. Funded Status and Funding Progress

The funded status of the Plan for the County as of July 1, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 1,681,000
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 1,681,000
Funded ratio (actuarial value of plan assets / AAL)	0.00%
Covered payroll (active plan members)	\$ 12,573,000
UAAL as a percentage of covered payroll	13.37%

Note 19-Other Postemployment Benefits-Health Insurance: (continued)

D. Funded Status and Funding Progress (continued)

The funded status of the Plan for the School Board as of July 1, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	6,947,000
Actuarial value of plan assets	\$	-
Unfunded actuarial accrued liability (UAAL)	\$	6,947,000
Funded ratio (actuarial value of plan assets / AAL)		0.00%
Covered payroll (active plan members)	\$	47,030,511
UAAL as a percentage of covered payroll		14.77%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information, as it becomes available, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014, the most recent actuarial valuation, the projected unit of credit actuarial cost method was used. Under this method, future benefits are projected and the present value of such benefits is allocated from date of hire to date of eligibility the actuarial assumptions included: inflations at 2.5 percent, and investments rate of return at 4.00 percent, and a health care trend rate of 8.33 percent graded to 5.00 percent over 10 years. The UAAL is being amortized as a level percentage over the remaining amortization period, which at July 1, 2014 was 30 years.

Note 20—Other Postemployment Benefits-VRS Health Insurance Credit:

County:

A. Plan Description

The County participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

An employee of the County, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 9.

B. Funding Policy

As a participating local political subdivision, the County is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County's contribution rate for the fiscal year ended 2015 was 0.19% of annual covered payroll.

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The County is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016

Note 20—Other Postemployment Benefits-VRS Health Insurance Credit: (continued)

County: (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

For 2016, the County’s contribution of \$26,314 was equal to the ARC and OPEB cost. The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Primary Government:	Fiscal Year	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
County	6/30/2014	\$ 16,805	100.00%	\$ -
	6/30/2015	25,285	100.00%	-
	6/30/2016	26,314	100.00%	-

D. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 580,341
Actuarial value of plan assets	\$ 349,145
Unfunded actuarial accrued liability (UAAL)	\$ 231,196
Funded ratio (actuarial value of plan assets/AAL)	60.16%
Covered payroll (active plan members)	\$ 13,165,911
UAAL as a percentage of covered payroll	1.76%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents 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. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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Note 20—Other Postemployment Benefits-VRS Health Insurance Credit: (continued)

County: (continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.00% investment rate of return, compounded annually, including an inflation component of 2.50%, and a payroll growth rate of 3.00%. The UAAL is being amortized as a level percentage of payrolls on an open basis. The remaining open amortization period at June 30, 2015 was 19-28 years.

Professional Employees - Discretely Presented Component Unit School Board:

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board's contributions to VRS for the year ended June 30, 2016 was \$424,684 and equaled the required contributions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

Note 21—Litigation:

As of June 30, 2016, there were no matters of litigation involving the County which would materially affect the County's financial position should an court decisions on pending matters not be favorable.

Note 22—Adoption of Accounting Principles:

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

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

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

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

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

The County early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 23—Restatement of Beginning Balances:

The Pittsylvania County Service Authority, a discretely presented component unit of the County, restated beginning net position from \$35,729,297 to \$35,610,754 as a result of the implementation of GASB Statement 68. For more information see their separately issued audit report.

Note 24—Significant Change in Revenue Structure:

Effective January 1, 2016, the County did not charge the solid waste fee generating a significant portion of the revenue in the Landfill fund. At this time, it is anticipated the Landfill fund will be merged into the General fund.

Note 25—Subsequent Events:

On July 5, 2016, the County entered into a construction contract in the amount of \$120,891 for a compactor site paving.

On August 17, 2016, the County entered into a construction contract in the amount of \$3,243,000 for the construction of the new animal shelter.

On September 29, 2016, the School Board agreed to the terms of a school bus capital lease in the amount of \$972,924 with an annual interest rate of 1.12%. The lease will consist of three annual payments beginning September 29, 2016.

Note 26—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Note 26—Upcoming Pronouncements: (Continued)

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

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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

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

Required Supplementary Information

County of Pittsylvania, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
General property taxes	\$ 35,022,749	\$ 35,022,749	\$ 35,693,771	\$ 671,022
Other local taxes	6,871,600	6,871,600	6,985,878	114,278
Permits, privilege fees, and regulatory licenses	177,900	177,900	157,941	(19,959)
Fines and forfeitures	245,200	245,200	207,431	(37,769)
Revenue from the use of money and property	450,000	449,997	415,971	(34,026)
Charges for services	252,500	252,500	369,944	117,444
Miscellaneous	153,400	614,612	649,599	34,987
Recovered costs	774,904	961,471	1,010,137	48,666
Intergovernmental:				
Commonwealth	18,274,770	18,964,888	17,698,041	(1,266,847)
Federal	2,785,536	2,783,530	2,583,133	(200,397)
Total revenues	65,008,559	66,344,447	65,771,846	(572,601)
EXPENDITURES				
Current:				
General government administration	3,334,154	3,454,045	3,274,249	179,796
Judicial administration	1,656,755	1,697,999	1,629,683	68,316
Public safety	16,142,208	16,742,895	15,314,937	1,427,958
Public works	1,440,624	1,510,657	1,467,351	43,306
Health and welfare	10,596,526	11,394,772	10,497,888	896,884
Education	16,047,813	17,231,969	14,455,415	2,776,554
Parks, recreation, and cultural	1,760,898	1,817,821	1,606,150	211,671
Community development	2,559,695	2,547,005	1,943,481	603,524
Capital projects	391,011	2,031,214	975,594	1,055,620
Debt service:				
Principal retirement	9,635,813	13,677,813	19,766,549	(6,088,736)
Bond issuance costs	-	-	345,282	(345,282)
Interest and other fiscal charges	2,152,680	3,055,680	4,070,647	(1,014,967)
Total expenditures	65,718,177	75,161,870	75,347,226	(185,356)
Excess (deficiency) of revenues over (under) expenditures	(709,618)	(8,817,423)	(9,575,380)	(757,957)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	115,975	-	(115,975)
Transfers out	(1,744,538)	(2,233,673)	(2,087,078)	146,595
Bond premium	-	-	4,131,629	4,131,629
Payment to refunded bond escrow agent	-	-	(34,006,984)	(34,006,984)
Proceeds from advance refunding of bonds	-	-	37,660,000	37,660,000
Total other financing sources (uses)	(1,744,538)	(2,117,698)	5,697,567	7,815,265
Net change in fund balances	(2,454,156)	(10,935,121)	(3,877,813)	7,057,308
Fund balances - beginning	2,454,156	10,935,121	35,471,778	24,536,657
Fund balances - ending	\$ -	\$ -	\$ 31,593,965	\$ 31,593,965

County of Pittsylvania, Virginia
Special Revenue Fund - Industrial Development
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Commonwealth	\$ 7,284,991	\$ 6,022,138	\$ 692,640	\$ (5,329,498)
Total revenues	7,284,991	6,022,138	692,640	(5,329,498)
EXPENDITURES				
Current:				
Community development	8,237,633	7,422,475	494,403	6,928,072
Capital projects	774,639	767,047	650,383	116,664
Total expenditures	9,012,272	8,189,522	1,144,786	7,044,736
Excess (deficiency) of revenues over (under) expenditures	(1,727,281)	(2,167,384)	(452,146)	1,715,238
OTHER FINANCING SOURCES (USES)				
Transfers in	499,310	499,310	499,310	-
Net change in fund balances	(1,227,971)	(1,668,074)	47,164	1,715,238
Fund balances - beginning	1,227,971	1,668,074	1,601,539	(66,535)
Fund balances - ending	\$ -	\$ -	\$ 1,648,703	\$ 1,648,703

County of Pittsylvania, Virginia
Special Revenue Fund - Workforce Investment Act
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ 248,864	\$ 344,592	\$ 95,728
Miscellaneous	-	423	1,732	1,309
Intergovernmental:				
Commonwealth	-	23,540	72,596	49,056
Federal	2,208,188	5,222,261	2,936,192	(2,286,069)
Total revenues	2,208,188	5,495,088	3,355,112	(2,139,976)
EXPENDITURES				
Current:				
Health and welfare	2,208,188	5,496,729	2,729,759	2,766,970
Excess (deficiency) of revenues over (under) expenditures	-	(1,641)	625,353	626,994
Net change in fund balances	-	(1,641)	625,353	626,994
Fund balances - beginning	-	1,641	65,750	64,109
Fund balances - ending	\$ -	\$ -	\$ 691,103	\$ 691,103

County of Pittsylvania, Virginia
 Schedule of OPEB Funding Progress
 For the Year Ended June 30, 2016

Primary Government

County VRS Health Insurance Credit Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
June 30, 2015	\$ 349,145	\$ 580,341	\$ 231,196	60.16%	\$ 13,165,911	1.76%
June 30, 2014	340,360	556,224	215,864	61.19%	12,956,893	1.67%
June 30, 2013	307,513	537,319	229,806	57.23%	12,657,967	1.82%

County Healthcare Plan:

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2014	\$ -	\$ 1,681,000	\$ 1,681,000	0.00%	\$ 12,573,000	13.37%
July 1, 2012	-	1,532,000	1,532,000	0.00%	12,781,000	11.99%
July 1, 2010	-	2,009,000	2,009,000	0.00%	12,354,518	16.26%

Discretely Presented Component Unit:

School Board Healthcare Plan

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2)/(3)	Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
July 1, 2014	\$ -	\$ 6,947,000	\$ 6,947,000	0.00%	\$ 47,030,511	14.77%
July 1, 2012	-	7,559,000	7,559,000	0.00%	40,344,647	18.74%
July 1, 2010	-	8,562,000	8,562,000	0.00%	46,278,550	18.50%

County of Pittsylvania, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 1,561,447	\$ 1,597,926
Interest	4,054,448	3,853,717
Changes of benefit terms	-	-
Differences between expected and actual experience	(255,709)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(2,673,712)	(2,494,405)
Net change in total pension liability	\$ 2,686,474	\$ 2,957,238
Total pension liability - beginning	59,257,539	56,300,301
Total pension liability - ending (a)	\$ 61,944,013	\$ 59,257,539
Plan fiduciary net position		
Contributions - employer	\$ 1,217,249	\$ 1,162,861
Contributions - employee	666,219	649,664
Net investment income	2,482,371	7,499,569
Benefit payments, including refunds of employee contributions	(2,673,712)	(2,494,405)
Administrative expense	(34,270)	(40,586)
Other	(526)	396
Net change in plan fiduciary net position	\$ 1,657,331	\$ 6,777,499
Plan fiduciary net position - beginning	54,554,146	47,776,647
Plan fiduciary net position - ending (b)	\$ 56,211,477	\$ 54,554,146
County's net pension liability - ending (a) - (b)	\$ 5,732,536	\$ 4,703,393
Plan fiduciary net position as a percentage of the total pension liability	90.75%	92.06%
Covered payroll	\$ 13,230,967	\$ 12,928,614
County's net pension liability as a percentage of covered payroll	43.33%	36.38%

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

County of Pittsylvania, Virginia
 Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	\$ 346,582	\$ 331,124
Interest	944,972	918,214
Changes of benefit terms	-	-
Differences between expected and actual experience	(93,323)	-
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(910,435)	(823,734)
Net change in total pension liability	\$ 287,796	\$ 425,604
Total pension liability - beginning	13,954,815	13,529,211
Total pension liability - ending (a)	\$ 14,242,611	\$ 13,954,815
Plan fiduciary net position		
Contributions - employer	\$ 283,578	\$ 228,996
Contributions - employee	132,471	152,042
Net investment income	570,904	1,768,407
Benefit payments, including refunds of employee contributions	(910,435)	(823,734)
Administrative expense	(8,196)	(9,813)
Other	(120)	93
Net change in plan fiduciary net position	\$ 68,202	\$ 1,315,991
Plan fiduciary net position - beginning	12,725,887	11,409,896
Plan fiduciary net position - ending (b)	\$ 12,794,089	\$ 12,725,887
School Division's net pension liability - ending (a) - (b)	\$ 1,448,522	\$ 1,228,928
Plan fiduciary net position as a percentage of the total pension liability	89.83%	91.19%
Covered payroll	\$ 2,640,391	\$ 3,045,724
School Division's net pension liability as a percentage of covered payroll	54.86%	40.35%

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

County of Pittsylvania, Virginia
 Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Year Ended June 30, 2016

	<u>2015</u>	<u>2014</u>
Employer's Proportion of the Net Pension Liability	0.53%	0.52%
Employer's Proportionate Share of the Net Pension Liability	\$ 67,217,000	\$ 63,129,000
Employer's Covered Payroll	\$ 39,414,097	\$ 38,164,275
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.54%	165.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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

County of Pittsylvania, Virginia
 Schedule of Employer Contributions
 For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess)* (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2016	\$ 1,592,630	\$ 1,261,351	\$ 331,279	\$ 13,710,337	9.20%
2015	1,530,582	1,217,249	313,333	13,230,967	9.20%
2014	1,595,391	1,163,575	431,816	12,928,614	9.00%
2013	1,542,684	1,125,134	417,550	12,501,494	9.00%
2012	1,111,822	1,111,822	-	12,353,575	9.00%
2011	1,105,290	1,105,290	-	12,280,999	9.00%
2010	1,095,418	1,095,418	-	12,308,072	8.90%
2009	1,110,605	1,110,605	-	12,478,715	8.90%
2008	886,917	886,917	-	11,857,181	7.48%
2007	834,684	834,684	-	11,158,880	7.48%
Component Unit School Board (nonprofessional)					
2016	\$ 295,656	\$ 295,656	\$ -	\$ 2,752,849	10.74%
2015	283,578	283,578	-	2,640,391	10.74%
2014	327,415	229,343	98,072	3,045,724	7.53%
2013	316,132	221,440	94,692	2,940,764	7.53%
2012	201,188	201,188	-	2,980,557	6.75%
2011	208,691	208,691	-	3,091,713	6.75%
2010	210,680	210,680	-	3,135,115	6.72%
2009	214,411	214,411	-	3,190,647	6.72%
2008	241,494	241,494	-	3,014,911	8.01%
2007	240,170	240,170	-	2,998,383	8.01%
Component Unit School Board (professional)					
2016	\$ 5,597,084	\$ 5,597,084	\$ -	\$ 39,808,563	14.06%
2015	5,715,044	5,715,044	-	39,414,097	14.50%
2014	5,430,544	5,430,544	-	38,164,275	14.23%
2013	6,167,731	6,167,731	-	37,015,327	16.66%
2012	4,383,891	4,383,891	-	38,692,772	11.33%
2011	3,499,380	3,499,380	-	39,186,784	8.93%
2010	4,716,692	4,716,692	-	41,857,232	11.27%
2009	5,824,975	5,824,975	-	42,179,399	13.81%
2008	6,201,218	6,201,218	-	40,530,837	15.30%
2007	5,640,287	5,640,287	-	39,720,332	14.20%

*The difference relates to the County using an agreed upon reduced rate from the VRS. This amount will impact the calculation of the net pension liability in the next fiscal year.

Current year contributions are from County and School Board records. All School Board professional contributions are from School Board records. All other prior year contributions are from the VRS actuarial valuations performed each year.

County of Pittsylvania, Virginia
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

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

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

Component Unit School Board - Professional Employees

- 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 retirement
- Reduce rates of salary increase by 0.25% per year

Other Supplementary Information

County of Pittsylvania, Virginia
 Capital Projects Fund - School Capital Improvements
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2016

	School Capital Improvements			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
EXPENDITURES				
Current:				
Capital projects	\$ -	\$ 3,122,343	\$ 2,720,682	\$ 401,661
Debt service:				
Principal retirement	-	-	15,000,000	(15,000,000)
Bond issuance costs	-	298,009	298,009	-
Interest and other fiscal charges	-	62,500	54,839	7,661
Total expenditures	-	3,482,852	18,073,530	(14,590,678)
Excess (deficiency) of revenues over (under) expenditures	-	(3,482,852)	(18,073,530)	(14,590,678)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,461	1,461
Issuance of general obligation bonds	-	169,257	13,275,000	13,105,743
Premium on issuance	-	-	1,956,969	1,956,969
Proceeds of QECB bond	-	3,313,595	3,313,595	-
Total other financing sources (uses)	-	3,482,852	18,547,025	15,064,173
Net change in fund balances	-	-	473,495	473,495
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 473,495	\$ 473,495

County of Pittsylvania, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Forfeited Assets Fund	Debt Service Reserve Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 933,192	\$ 204,092	\$ 1,137,284
Total assets	<u>933,192</u>	<u>204,092</u>	<u>1,137,284</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	76	-	76
Total liabilities	<u>76</u>	<u>-</u>	<u>76</u>
Fund balances:			
Committed:			
Forfeited Assets Fund	933,116	-	933,116
Assigned:			
Debt service	-	204,092	204,092
Total fund balances	<u>933,116</u>	<u>204,092</u>	<u>1,137,208</u>
Total liabilities and fund balances	<u>\$ 933,192</u>	<u>\$ 204,092</u>	<u>\$ 1,137,284</u>

County of Pittsylvania, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Forfeited Assets Fund	Debt Service Reserve Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 354	\$ -	\$ 354
Miscellaneous	37,421	-	37,421
Intergovernmental:			
Commonwealth	197,103	-	197,103
Federal	25,446	-	25,446
Total revenues	<u>260,324</u>	-	<u>260,324</u>
EXPENDITURES			
Current:			
Public safety	720,429	-	720,429
Total expenditures	<u>720,429</u>	-	<u>720,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(460,105)</u>	-	<u>(460,105)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(1,461)	(1,461)
Net change in fund balances	(460,105)	(1,461)	(461,566)
Fund balances - beginning	1,393,221	205,553	1,598,774
Fund balances - ending	<u>\$ 933,116</u>	<u>\$ 204,092</u>	<u>\$ 1,137,208</u>

County of Pittsylvania, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Fund
 For the Year Ended June 30, 2016

	Forfeited Assets Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 300	\$ 300	\$ 354	\$ 54
Miscellaneous	-	-	37,421	37,421
Intergovernmental:				
Commonwealth	5,000	5,000	197,103	192,103
Federal	10,000	10,000	25,446	15,446
Total revenues	15,300	15,300	260,324	245,024
EXPENDITURES				
Current:				
Public safety	185,091	819,669	720,429	99,240
Excess (deficiency) of revenues over (under) expenditures	(169,791)	(804,369)	(460,105)	344,264
Net change in fund balances	(169,791)	(804,369)	(460,105)	344,264
Fund balances - beginning	169,791	804,369	1,393,221	588,852
Fund balances - ending	\$ -	\$ -	\$ 933,116	\$ 933,116

County of Pittsylvania, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Debt Service Reserve Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (1,461)	\$ (1,461)
Net change in fund balances	-	-	(1,461)	(1,461)
Fund balances - beginning	-	-	205,553	205,553
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,092</u>	<u>\$ 204,092</u>

County of Pittsylvania, Virginia
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,270	\$ 4,015,199	\$ 4,019,469
Accounts receivables, net of allowances for uncollectibles	29,466	1,030,350	1,059,816
Inventories	7,555	-	7,555
Total assets	<u>41,291</u>	<u>5,045,549</u>	<u>5,086,840</u>
LIABILITIES			
Current liabilities:			
Accounts payable	22,877	-	22,877
Estimate of incurred but unreported health claims	-	1,206,700	1,206,700
Total liabilities	<u>22,877</u>	<u>1,206,700</u>	<u>1,229,577</u>
NET POSITION			
Restricted for health insurance claims	-	3,838,849	3,838,849
Unrestricted	18,414	-	18,414
Total net position	<u>\$ 18,414</u>	<u>\$ 3,838,849</u>	<u>\$ 3,857,263</u>

County of Pittsylvania, Virginia
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services:			
Materials and supplies	\$ 298,384	\$ -	\$ 298,384
Insurance premiums	-	11,336,568	11,336,568
Total operating revenues	<u>298,384</u>	<u>11,336,568</u>	<u>11,634,952</u>
OPERATING EXPENSES			
Supplies, insurance and telephone	287,404	-	287,404
Insurance claims and expenses	-	12,309,610	12,309,610
Total operating expenses	<u>287,404</u>	<u>12,309,610</u>	<u>12,597,014</u>
Operating income (loss)	<u>10,980</u>	<u>(973,042)</u>	<u>(962,062)</u>
Total net position - beginning	7,434	4,811,891	4,819,325
Total net position - ending	<u>\$ 18,414</u>	<u>\$ 3,838,849</u>	<u>\$ 3,857,263</u>

County of Pittsylvania, Virginia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016

	Central Stores <u>Fund</u>	Self- Insurance <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts for materials and supplies	\$ 286,942	\$ -	\$ 286,942
Receipts for insurance premiums	-	11,314,558	11,314,558
Payments to suppliers	(298,655)	-	(298,655)
Payments for premiums	-	(12,083,310)	(12,083,310)
Net cash provided by (used for) operating activities	<u>(11,713)</u>	<u>(768,752)</u>	<u>(780,465)</u>
Net increase (decrease) in cash and cash equivalents	(11,713)	(768,752)	(780,465)
Cash and cash equivalents - beginning	15,983	4,783,951	4,799,934
Cash and cash equivalents - ending	<u>\$ 4,270</u>	<u>\$ 4,015,199</u>	<u>\$ 4,019,469</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 10,980	\$ (973,042)	\$ (962,062)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
(Increase) decrease in accounts receivable	(11,442)	(22,010)	(33,452)
(Increase) decrease in inventories	5,649	-	5,649
Increase (decrease) in accounts payable	(16,900)	226,300	209,400
Total adjustments	<u>(22,693)</u>	<u>204,290</u>	<u>181,597</u>
Net cash provided by (used for) operating activities	<u>\$ (11,713)</u>	<u>\$ (768,752)</u>	<u>\$ (780,465)</u>

County of Pittsylvania, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds				Total
	<u>Special Welfare</u>	<u>Cash Bond Fund</u>	<u>Land Sales Fund</u>	<u>Sheriff's Inmate Trust and Canteen Account Fund</u>	
ASSETS					
Cash and cash equivalents	\$ 7,247	\$ 332,565	\$ -	\$ -	\$ 339,812
Cash in custody of others	-	-	59,895	19,233	79,128
Total assets	<u>7,247</u>	<u>332,565</u>	<u>59,895</u>	<u>19,233</u>	<u>418,940</u>
LIABILITIES					
Amounts held for social services clients	7,247	-	-	-	7,247
Amounts held for developers	-	332,565	-	-	332,565
Amounts held for land sales	-	-	59,895	-	59,895
Amounts held for inmates	-	-	-	19,233	19,233
Total liabilities	<u>\$ 7,247</u>	<u>\$ 332,565</u>	<u>\$ 59,895</u>	<u>\$ 19,233</u>	<u>\$ 418,940</u>

County of Pittsylvania, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2016

	Agency Funds			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
ASSETS				
Cash and cash equivalents:				
Special Welfare Fund	\$ 21,478	\$ 69,907	\$ 84,138	\$ 7,247
Cash Bond Fund	332,565	-	-	332,565
Land Sales Fund	147,357	193,936	281,398	59,895
Cash in Custody of Others:				
Sheriff Inmate Trust Fund	6,251	154,569	152,127	8,693
Sheriff Canteen Fund	1,074	61,306	51,840	10,540
Total assets	<u>508,725</u>	<u>479,718</u>	<u>569,503</u>	<u>418,940</u>
LIABILITIES				
Amounts held for social services clients	\$ 21,478	\$ 69,907	\$ 84,138	\$ 7,247
Amounts held for developers	332,565	-	-	332,565
Amounts held for land sales	147,357	193,936	281,398	59,895
Amounts held for inmates	7,325	215,875	203,967	19,233
Total liabilities	<u>\$ 508,725</u>	<u>\$ 479,718</u>	<u>\$ 569,503</u>	<u>\$ 418,940</u>

County of Pittsylvania, Virginia
Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

		School Operating Fund
ASSETS		
Cash and cash equivalents	\$	712,760
Receivables (net of allowance for uncollectibles):		
Accounts receivable		62,244
Due from primary government		589,927
Due from other governmental units		2,465,813
Restricted assets:		
Cash and cash equivalents		35,287
Total assets		<u>3,866,031</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		774,133
Salaries payable		2,358,669
Total liabilities		<u>3,132,802</u>
Fund balances:		
Restricted:		
School cafeteria		733,229
Total fund balances		<u>733,229</u>
Total liabilities and fund balances		<u>\$ 3,866,031</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	733,229
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	\$	2,709,971
Construction in progress		567,411
Buildings and improvements		9,255,745
Machinery and equipment		<u>3,307,603</u>
		15,840,730
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Items related to the measurement of the net pension liability		(5,451,472)
The net OPEB asset is not an available resource and, therefore, is not reported in the funds.		
		337,000
Other long-term assets are not available to pay for current period expenditures, and, therefore are reported as unavailable revenue in the funds.		
Prepaid items		1,034,089
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		
		5,892,740
Long-term liabilities, including early retirement incentives, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	\$	(68,665,522)
Items related to the measurement of the net pension liability		1,885,000
Compensated absences		<u>(1,579,321)</u>
		(68,359,843)
Net position of governmental activities		<u>\$ (49,973,527)</u>

County of Pittsylvania, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2016

		School Operating Fund
REVENUES		
Revenue from the use of money and property	\$	48,630
Charges for services		1,873,412
Miscellaneous		1,302,881
Recovered costs		556,798
Intergovernmental:		
Local government		14,446,410
Commonwealth		58,045,899
Federal		8,017,741
Total revenues		<u>84,291,771</u>
EXPENDITURES		
Current:		
Education		<u>84,191,718</u>
Excess (deficiency) of revenues over (under) expenditures		<u>100,053</u>
Net change in fund balances		100,053
Fund balances - beginning		633,176
Fund balances - ending	\$	<u><u>733,229</u></u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Net change in fund balances - total governmental funds - per above	\$	100,053
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital assets additions exceeded depreciation in the current period.		
Capital asset additions	\$	1,441,592
Depreciation in current year		<u>(1,097,195)</u> 344,397
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows related to the measurement of the net pension liability	\$	4,705,967
One-time payment to VRS Teacher Pension Plan from Virginia Literary Fund		<u>1,030,000</u> 5,735,967
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
(Increase) decrease in compensated absences	\$	(13,332)
(Increase) decrease in net pension liability		(5,337,594)
Increase (decrease) in deferred outflows related to the net pension liability		1,053,410
Increase (decrease) in net OPEB asset		<u>84,000</u> (4,213,516)
Certain items reported as expenditures in the fund statements are deferred and shown as assets on the statement of net position.		
Increase (decrease) in prepaid items		162,064
Change in net position of governmental activities	\$	<u><u>2,128,965</u></u>

County of Pittsylvania, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2016

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 36,950	\$ 36,950	\$ 48,630	\$ 11,680
Charges for services	5,210,635	5,281,766	1,873,412	(3,408,354)
Miscellaneous	1,041,372	1,041,372	1,302,881	261,509
Recovered costs	329,878	388,985	556,798	167,813
Intergovernmental:				
Local government	16,038,808	17,222,964	14,446,410	(2,776,554)
Commonwealth	58,068,741	58,068,741	58,045,899	(22,842)
Federal	8,005,134	8,005,134	8,017,741	12,607
Total revenues	<u>88,731,518</u>	<u>90,045,912</u>	<u>84,291,771</u>	<u>(5,754,141)</u>
EXPENDITURES				
Current:				
Education	<u>88,731,518</u>	<u>90,045,912</u>	<u>84,191,718</u>	<u>5,854,194</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	100,053	100,053
Net change in fund balances	-	-	100,053	100,053
Fund balances - beginning	-	-	633,176	633,176
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 733,229</u>	<u>\$ 733,229</u>

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2016

Schedule 1
 Page 1 of 6

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real Property Tax	\$ 23,328,078	\$ 23,328,078	\$ 23,145,800	\$ (182,278)
Real and Personal PSC Tax	2,236,273	2,236,273	2,502,396	266,123
Personal Property Tax	6,724,161	6,724,161	6,755,463	31,302
Mobile Home Tax	264,040	264,040	255,586	(8,454)
Machinery and Tools Tax	1,638,614	1,638,614	1,690,392	51,778
Merchants Capital	263,983	263,983	532,033	268,050
Penalties	340,600	340,600	371,871	31,271
Interest	227,000	227,000	440,230	213,230
Total general property taxes	<u>\$ 35,022,749</u>	<u>\$ 35,022,749</u>	<u>\$ 35,693,771</u>	<u>\$ 671,022</u>
Other local taxes:				
Local Sales and Use Tax	\$ 2,050,000	\$ 2,050,000	\$ 2,247,171	\$ 197,171
Consumers' Utility Tax	1,190,000	1,190,000	1,172,910	(17,090)
Consumption Taxes	175,000	175,000	179,712	4,712
Franchise License Tax	-	-	37,264	37,264
Business License Tax	2,600	2,600	650	(1,950)
Meals Tax	700,000	700,000	765,225	65,225
Motor Vehicle Licenses	2,385,000	2,385,000	2,203,325	(181,675)
Bank Stock Tax	71,000	71,000	69,659	(1,341)
Taxes on Recordation and Wills	298,000	298,000	309,962	11,962
Total other local taxes	<u>\$ 6,871,600</u>	<u>\$ 6,871,600</u>	<u>\$ 6,985,878</u>	<u>\$ 114,278</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 112,000	\$ 112,000	\$ 90,166	\$ (21,834)
Cellular tower fees	20,000	20,000	19,044	(956)
Animal licenses	21,000	21,000	28,009	7,009
Permits and other licenses	24,900	24,900	20,722	(4,178)
Total permits, privilege fees, and regulatory licenses	<u>\$ 177,900</u>	<u>\$ 177,900</u>	<u>\$ 157,941</u>	<u>\$ (19,959)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 245,200	\$ 245,200	\$ 207,431	\$ (37,769)
Revenue from use of money and property:				
Revenue from use of money	\$ 250,000	\$ 249,997	\$ 272,934	\$ 22,937
Revenue from use of property	200,000	200,000	143,037	(56,963)
Total revenue from use of money and property	<u>\$ 450,000</u>	<u>\$ 449,997</u>	<u>\$ 415,971</u>	<u>\$ (34,026)</u>
Charges for services:				
Charges for courthouse security	\$ 75,000	\$ 75,000	\$ 71,494	\$ (3,506)
Charges for parks and recreation	50,000	50,000	49,889	(111)
Charges for jail inmates	24,700	24,700	66,472	41,772
Charges for administration	44,500	44,500	44,429	(71)
Charges for library	22,000	22,000	29,616	7,616
Charges for courthouse maintenance	-	-	14,059	14,059
Charges for law library	16,000	16,000	8,111	(7,889)

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for fire prevention	\$ 4,500	\$ 4,500	\$ 3,985	\$ (515)
Charges for commonwealth's attorney	3,200	3,200	3,983	783
Charges for law enforcement	5,000	5,000	4,808	(192)
Charges for animal control	3,500	3,500	2,595	(905)
Other charges for services	4,100	4,100	70,503	66,403
Total charges for services	\$ 252,500	\$ 252,500	\$ 369,944	\$ 117,444
Miscellaneous:				
Tax sales	\$ -	\$ -	\$ 24,646	\$ 24,646
Miscellaneous other	93,400	141,242	208,643	67,401
Recreation grants	-	225,965	172,557	(53,408)
Danville regional foundation	-	150,000	150,000	-
Gifts and donations	20,000	57,405	48,385	(9,020)
City of Danville, Virginia revenue sharing	40,000	40,000	45,368	5,368
Total miscellaneous	\$ 153,400	\$ 614,612	\$ 649,599	\$ 34,987
Recovered costs:				
Jail reimbursements	\$ 205,000	\$ 205,000	\$ 284,843	\$ 79,843
Sheriffs extra duty	125,000	125,000	120,834	(4,166)
Soil and water conservation district	122,542	122,542	97,385	(25,157)
School resource officer	95,000	95,000	98,706	3,706
City of Danville, Virginia	65,000	65,000	40,593	(24,407)
Health department	60,000	60,000	73,187	13,187
Social Services	52,000	52,000	48,967	(3,033)
Other recovered costs	50,362	236,929	245,622	8,693
Total recovered costs	\$ 774,904	\$ 961,471	\$ 1,010,137	\$ 48,666
Total revenue from local sources	\$ 43,948,253	\$ 44,596,029	\$ 45,490,672	\$ 894,643
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 102,970	\$ 102,970	\$ 89,930	\$ (13,040)
Mobile home titling tax	45,000	45,000	70,336	25,336
Motor vehicle rental tax	5,000	5,000	4,773	(227)
State recordation tax	87,863	87,863	78,598	(9,265)
State communications tax	2,335,000	2,335,000	2,197,151	(137,849)
Personal property tax relief act funds	4,139,276	4,139,276	4,139,277	1
Total noncategorical aid	\$ 6,715,109	\$ 6,715,109	\$ 6,580,065	\$ (135,044)

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	\$ 561,112	\$ 561,112	\$ 568,264	\$ 7,152
Sheriff	4,091,500	4,091,500	4,120,953	29,453
Commissioner of Revenue	161,133	161,133	159,667	(1,466)
Treasurer	168,628	168,628	169,244	616
Registrar/electoral board	46,336	46,336	78,428	32,092
Clerk of the Circuit Court	413,879	423,692	429,489	5,797
Circuit Court	65,000	65,000	75,564	10,564
Total Shared Expenses	<u>\$ 5,507,588</u>	<u>\$ 5,517,401</u>	<u>\$ 5,601,609</u>	<u>\$ 84,208</u>
Other categorical aid:				
Victim witness grant	\$ 18,206	\$ 20,937	\$ 17,405	\$ (3,532)
VJCCA grant	41,765	41,765	41,765	-
Records preservation grant	5,000	5,000	-	(5,000)
Law enforcement grants	3,440	3,440	-	(3,440)
E-911 grants	192,220	192,220	60,758	(131,462)
Criminal history grants	11,000	11,000	-	(11,000)
VDOT revenue sharing grants	-	-	47,898	47,898
EMS grants	75,000	75,000	65,962	(9,038)
Fire program funds	190,000	190,700	189,804	(896)
Library grants	149,442	154,711	154,711	-
Litter control grants	30,000	30,000	21,053	(8,947)
Public assistance	2,002,533	2,146,988	1,165,903	(981,085)
Children's Services Act	3,205,887	3,725,887	3,594,788	(131,099)
Babycare grant	-	-	10,208	10,208
School resource officer	102,580	102,580	140,862	38,282
Other state grants	25,000	32,150	5,250	(26,900)
Total other categorical aid	<u>\$ 6,052,073</u>	<u>\$ 6,732,378</u>	<u>\$ 5,516,367</u>	<u>\$ (1,216,011)</u>
Total categorical aid	<u>\$ 11,559,661</u>	<u>\$ 12,249,779</u>	<u>\$ 11,117,976</u>	<u>\$ (1,131,803)</u>
Total revenue from the Commonwealth	<u>\$ 18,274,770</u>	<u>\$ 18,964,888</u>	<u>\$ 17,698,041</u>	<u>\$ (1,266,847)</u>
Revenue from the federal government:				
Categorical aid:				
Transportation enhancement grant	\$ 118,687	\$ 118,687	\$ -	\$ (118,687)
DMV grants	50,000	50,000	-	(50,000)
Emergency management preparedness	22,803	22,803	22,803	-
Law enforcement block grants	103,000	92,801	26,282	(66,519)
Crime victim assistance	54,618	62,811	57,523	(5,288)
Public assistance	2,436,428	2,436,428	2,476,525	40,097
Total categorical aid	<u>\$ 2,785,536</u>	<u>\$ 2,783,530</u>	<u>\$ 2,583,133</u>	<u>\$ (200,397)</u>
Total revenue from the federal government	<u>\$ 2,785,536</u>	<u>\$ 2,783,530</u>	<u>\$ 2,583,133</u>	<u>\$ (200,397)</u>
Total General Fund	<u>\$ 65,008,559</u>	<u>\$ 66,344,447</u>	<u>\$ 65,771,846</u>	<u>\$ (572,601)</u>

County of Pittsylvania, Virginia
 Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Industrial Development Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Tobacco indemnification funds	\$ 7,284,991	\$ 6,022,138	\$ 692,640	\$ (5,329,498)
Total revenue from the Commonwealth	<u>\$ 7,284,991</u>	<u>\$ 6,022,138</u>	<u>\$ 692,640</u>	<u>\$ (5,329,498)</u>
Total Industrial Development Fund	<u>\$ 7,284,991</u>	<u>\$ 6,022,138</u>	<u>\$ 692,640</u>	<u>\$ (5,329,498)</u>
Workforce Investment Act Fund:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ 248,864	\$ 344,592	\$ 95,728
Miscellaneous:				
Other miscellaneous	\$ -	\$ 423	\$ 1,732	\$ 1,309
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ -	\$ 23,540	\$ 72,596	\$ 49,056
Revenue from the federal government:				
Categorical aid:				
WIA adult programs, youth activities, and dislocated workers	\$ 2,208,188	\$ 5,222,261	2,936,192	\$ (2,286,069)
Total Workforce Investment Act Fund	<u>\$ 2,208,188</u>	<u>\$ 5,495,088</u>	<u>\$ 3,355,112</u>	<u>\$ (2,139,976)</u>
Nonmajor Special Revenue Funds:				
Forfeited Assets Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 300	\$ 300	\$ 354	\$ 54
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 37,421	\$ 37,421
Total revenue from local sources	<u>\$ 300</u>	<u>\$ 300</u>	<u>\$ 37,775</u>	<u>\$ 37,475</u>

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Forfeited Assets Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Asset forfeiture funds	\$ 5,000	\$ 5,000	\$ 197,103	\$ 192,103
Revenue from the federal government:				
Categorical aid:				
Asset forfeiture funds	\$ 10,000	\$ 10,000	\$ 25,446	\$ 15,446
Total Forfeited Assets Fund	\$ 15,300	\$ 15,300	\$ 260,324	\$ 245,024
Total Primary Government	\$ 74,517,038	\$ 77,876,973	\$ 70,079,922	\$ (7,797,051)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 545	\$ 545
Revenue from the use of property	36,950	36,950	48,085	11,135
Total revenue from use of money and property	\$ 36,950	\$ 36,950	\$ 48,630	\$ 11,680
Charges for services:				
School food	\$ 5,104,005	\$ 5,175,136	\$ 1,744,551	\$ (3,430,585)
Tuition and payments from other divisions	106,630	106,630	128,861	22,231
Total charges for services	\$ 5,210,635	\$ 5,281,766	\$ 1,873,412	\$ (3,408,354)
Miscellaneous:				
Other miscellaneous	\$ 1,041,372	\$ 1,041,372	\$ 1,302,881	\$ 261,509
Recovered costs:				
Other recovered costs	\$ 329,878	\$ 388,985	\$ 556,798	\$ 167,813
Total revenue from local sources	\$ 6,618,835	\$ 6,749,073	\$ 3,781,721	\$ (2,967,352)
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Pittsylvania, Virginia	\$ 16,038,808	\$ 17,222,964	\$ 14,446,410	\$ (2,776,554)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 9,638,784	\$ 9,638,784	\$ 9,696,608	\$ 57,824
Basic Aid	29,040,346	29,040,346	29,055,833	15,487
Remedial summer education	257,681	257,681	254,062	(3,619)
Regular foster care	52,747	52,747	14,339	(38,408)
Gifted and talented	311,809	311,809	311,738	(71)
Remedial education	1,180,892	1,180,892	1,180,624	(268)
Special education	3,947,365	3,947,365	3,946,469	(896)
Textbook payment	638,346	638,346	638,200	(146)

County of Pittsylvania, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Alternative education	\$ 192,240	\$ 192,240	\$ 191,853	\$ (387)
Algebra readiness	158,247	158,247	153,615	(4,632)
Mentor teacher program	4,292	4,292	5,882	1,590
Social security fringe benefits	1,870,852	1,870,852	1,870,427	(425)
Group life	119,416	119,416	119,389	(27)
Retirement fringe benefits	3,701,899	3,701,899	3,701,058	(841)
Governor's school	17,630	17,630	17,630	-
Early reading intervention	201,943	201,943	201,943	-
Homebound education	105,999	105,999	118,434	12,435
Vocation education	1,182,830	1,182,830	1,162,143	(20,687)
Salary Supplement	513,710	513,710	513,642	(68)
JROTC	273,122	273,122	248,879	(24,243)
Special education - foster children	-	-	46,199	46,199
At risk payments	1,214,850	1,214,850	1,214,544	(306)
Primary class size	1,432,916	1,432,916	1,420,973	(11,943)
Technology	712,400	712,400	544,214	(168,186)
At risk four-year olds	1,070,000	1,070,000	1,070,000	-
School Food	93,545	93,545	89,595	(3,950)
English as a second language	106,993	106,993	110,715	3,722
Extended Summer School	-	-	62,500	62,500
Other state funds	4,311	4,311	51,185	46,874
GED prep program	23,576	23,576	23,576	-
Project Graduation	-	-	9,630	9,630
Total categorical aid	<u>\$ 58,068,741</u>	<u>\$ 58,068,741</u>	<u>\$ 58,045,899</u>	<u>\$ (22,842)</u>
Total revenue from the Commonwealth	<u>\$ 58,068,741</u>	<u>\$ 58,068,741</u>	<u>\$ 58,045,899</u>	<u>\$ (22,842)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 2,328,469	\$ 2,328,469	\$ 1,938,502	\$ (389,967)
Special Education	1,940,650	1,940,650	1,862,469	(78,181)
Title VI-B, preschool	23,137	23,137	32,493	9,356
Vocational education	153,296	153,296	155,173	1,877
School food program	3,025,022	3,025,022	3,528,199	503,177
Adult Education	131,074	131,074	117,549	(13,525)
Title II	340,390	340,390	365,680	25,290
Title IV Part B-21	-	-	280	280
Language acquisition	15,096	15,096	17,396	2,300
Other federal funds	48,000	48,000	-	(48,000)
Total categorical aid	<u>\$ 8,005,134</u>	<u>\$ 8,005,134</u>	<u>\$ 8,017,741</u>	<u>\$ 12,607</u>
Total revenue from the federal government	<u>\$ 8,005,134</u>	<u>\$ 8,005,134</u>	<u>\$ 8,017,741</u>	<u>\$ 12,607</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 88,731,518</u>	<u>\$ 90,045,912</u>	<u>\$ 84,291,771</u>	<u>\$ (5,754,141)</u>

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 167,399	\$ 198,233	\$ 181,923	\$ 16,310
General and financial administration:				
County administrator	\$ 287,165	\$ 290,979	\$ 283,089	\$ 7,890
Legal services	186,309	196,000	190,101	5,899
Independent auditor	80,500	80,500	72,502	7,998
Human Resources	107,989	123,327	97,399	25,928
Commissioner of revenue	629,849	651,779	627,122	24,657
Treasurer	658,227	681,292	639,592	41,700
Central accounting	320,960	321,009	312,539	8,470
Management information systems	386,154	399,483	394,247	5,236
Central purchasing	115,936	117,023	110,857	6,166
Grants administration	78,080	78,834	76,059	2,775
Total general and financial administration	<u>\$ 2,851,169</u>	<u>\$ 2,940,226</u>	<u>\$ 2,803,507</u>	<u>\$ 136,719</u>
Board of elections:				
Electoral board	\$ 159,821	\$ 163,821	\$ 152,111	\$ 11,710
Registrar	155,765	151,765	136,708	15,057
Total board of elections	<u>\$ 315,586</u>	<u>\$ 315,586</u>	<u>\$ 288,819</u>	<u>\$ 26,767</u>
Total general government administration	<u>\$ 3,334,154</u>	<u>\$ 3,454,045</u>	<u>\$ 3,274,249</u>	<u>\$ 179,796</u>
Judicial administration:				
Courts:				
Circuit court	\$ 140,105	\$ 141,247	\$ 130,826	\$ 10,421
General district court	11,706	11,706	10,088	1,618
Special magistrates	4,500	4,500	3,719	781
Juvenile and domestic relations court	20,950	20,950	14,806	6,144
Clerk of the circuit court	649,873	676,020	664,411	11,609
Law Library	25,800	25,800	21,516	4,284
Victim and witness assistance	72,824	83,748	74,927	8,821
Commissioner of accounts	1,850	1,850	-	1,850
Total courts	<u>\$ 927,608</u>	<u>\$ 965,821</u>	<u>\$ 920,293</u>	<u>\$ 45,528</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 729,147	\$ 732,178	\$ 709,390	\$ 22,788
Total judicial administration	<u>\$ 1,656,755</u>	<u>\$ 1,697,999</u>	<u>\$ 1,629,683</u>	<u>\$ 68,316</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff - law enforcement	\$ 6,583,651	\$ 6,768,951	\$ 6,494,691	\$ 274,260
Sheriff - grants	437,555	646,407	375,911	270,496
Sheriff - E911 system	59,685	59,685	42,453	17,232
Total law enforcement and traffic control	<u>\$ 7,080,891</u>	<u>\$ 7,475,043</u>	<u>\$ 6,913,055</u>	<u>\$ 561,988</u>

County of Pittsylvania, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Fire marshal	\$ 93,511	\$ 94,817	\$ 85,232	\$ 9,585
Volunteer fire department	1,996,650	2,167,491	1,768,470	399,021
Ambulance and rescue services	110,000	110,000	62,620	47,380
Total fire and rescue services	<u>\$ 2,200,161</u>	<u>\$ 2,372,308</u>	<u>\$ 1,916,322</u>	<u>\$ 455,986</u>
Correction and detention:				
Sheriff - correction and detention	\$ 4,486,184	\$ 4,497,489	\$ 4,270,883	\$ 226,606
Court services unit	425,300	428,755	394,174	34,581
Other correction and detention	26,100	26,100	19,679	6,421
Total correction and detention	<u>\$ 4,937,584</u>	<u>\$ 4,952,344</u>	<u>\$ 4,684,736</u>	<u>\$ 267,608</u>
Inspections:				
Building inspections	\$ 310,692	\$ 313,731	\$ 305,049	\$ 8,682
Other protection:				
Animal control	\$ 274,268	\$ 301,135	\$ 299,038	\$ 2,097
Medical examiner	2,500	2,500	680	1,820
E911 System	1,313,309	1,303,031	1,179,280	123,751
Emergency management	22,803	22,803	16,777	6,026
Total other protection	<u>\$ 1,612,880</u>	<u>\$ 1,629,469</u>	<u>\$ 1,495,775</u>	<u>\$ 133,694</u>
Total public safety	<u>\$ 16,142,208</u>	<u>\$ 16,742,895</u>	<u>\$ 15,314,937</u>	<u>\$ 1,427,958</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Public works	\$ 165,420	\$ 169,838	\$ 166,843	\$ 2,995
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 1,096,805	\$ 1,119,975	\$ 1,100,872	\$ 19,103
Fleet management	178,399	220,844	199,636	21,208
Total maintenance of general buildings and grounds	<u>\$ 1,275,204</u>	<u>\$ 1,340,819</u>	<u>\$ 1,300,508</u>	<u>\$ 40,311</u>
Total public works	<u>\$ 1,440,624</u>	<u>\$ 1,510,657</u>	<u>\$ 1,467,351</u>	<u>\$ 43,306</u>
Health and welfare:				
Health:				
Local health department	\$ 507,570	\$ 507,570	\$ 507,570	-
Mental health and mental retardation:				
Mental health and mental retardation	\$ 267,194	\$ 267,194	\$ 267,194	-

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Welfare administration	\$ 4,153,821	\$ 4,348,776	\$ 3,867,016	\$ 481,760
Public assistance	1,120,000	1,114,500	646,473	468,027
Children's Services Act	4,502,941	5,156,732	5,209,635	(52,903)
Family preservation grant	45,000	-	-	-
Total welfare	<u>\$ 9,821,762</u>	<u>\$ 10,620,008</u>	<u>\$ 9,723,124</u>	<u>\$ 896,884</u>
Total health and welfare	<u>\$ 10,596,526</u>	<u>\$ 11,394,772</u>	<u>\$ 10,497,888</u>	<u>\$ 896,884</u>
Education:				
Other instructional costs:				
Contribution to local school board	\$ 16,038,808	\$ 17,222,964	\$ 14,446,410	\$ 2,776,554
Contributions to community college	9,005	9,005	9,005	-
Total education	<u>\$ 16,047,813</u>	<u>\$ 17,231,969</u>	<u>\$ 14,455,415</u>	<u>\$ 2,776,554</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Administration of parks and recreation	\$ 482,609	\$ 486,423	\$ 342,939	\$ 143,484
State Forestry	33,600	33,600	33,521	79
Total parks and recreation	<u>\$ 516,209</u>	<u>\$ 520,023</u>	<u>\$ 376,460</u>	<u>\$ 143,563</u>
Library:				
Library administration	\$ 1,244,689	\$ 1,297,798	\$ 1,229,690	\$ 68,108
Total parks, recreation, and cultural	<u>\$ 1,760,898</u>	<u>\$ 1,817,821</u>	<u>\$ 1,606,150</u>	<u>\$ 211,671</u>
Community development:				
Planning and community development:				
Planning commission	\$ 173,519	\$ 174,778	\$ 172,703	\$ 2,075
Community development	680,209	709,595	483,205	226,390
Zoning board	243,633	245,592	234,442	11,150
Economic development	1,227,922	1,151,187	851,033	300,154
Total planning and community development	<u>\$ 2,325,283</u>	<u>\$ 2,281,152</u>	<u>\$ 1,741,383</u>	<u>\$ 539,769</u>
Environmental management:				
Soil and water conservation district	\$ 122,542	\$ 122,542	\$ 97,502	\$ 25,040
Other environmental management	30,000	61,441	27,529	33,912
Total environmental management	<u>\$ 152,542</u>	<u>\$ 183,983</u>	<u>\$ 125,031</u>	<u>\$ 58,952</u>
Cooperative extension program:				
Cooperative extension program	\$ 81,870	\$ 81,870	\$ 77,067	\$ 4,803
Total community development	<u>\$ 2,559,695</u>	<u>\$ 2,547,005</u>	<u>\$ 1,943,481</u>	<u>\$ 603,524</u>

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Capital projects:				
Other capital projects	\$ 391,011	\$ 1,009,431	\$ 136,099	\$ 873,332
Animal shelter	-	1,021,783	839,495	182,288
Total capital projects	<u>\$ 391,011</u>	<u>\$ 2,031,214</u>	<u>\$ 975,594</u>	<u>\$ 1,055,620</u>
Debt service:				
Principal retirement	\$ 9,635,813	\$ 13,677,813	\$ 19,766,549	\$ (6,088,736)
Bond issuance costs	-	-	345,282	(345,282)
Interest and other fiscal charges	2,152,680	3,055,680	4,070,647	(1,014,967)
Total debt service	<u>\$ 11,788,493</u>	<u>\$ 16,733,493</u>	<u>\$ 24,182,478</u>	<u>\$ (7,448,985)</u>
Total General Fund	<u>\$ 65,718,177</u>	<u>\$ 75,161,870</u>	<u>\$ 75,347,226</u>	<u>\$ (185,356)</u>
Special Revenue Funds:				
Industrial Development Fund:				
Community development:				
Planning and community development:				
Industrial development	\$ 976,654	\$ 1,476,485	\$ 423,729	\$ 1,052,756
Berry Hill Projects	7,260,979	5,870,835	70,674	5,800,161
Hurt Klopman Mills water and sewer improvements	-	75,155	-	75,155
Total planning and community development	<u>\$ 8,237,633</u>	<u>\$ 7,422,475</u>	<u>\$ 494,403</u>	<u>\$ 6,928,072</u>
Capital projects:				
Capital Projects	\$ 774,639	\$ 767,047	\$ 650,383	\$ 116,664
Total Industrial Development Fund	<u>\$ 9,012,272</u>	<u>\$ 8,189,522</u>	<u>\$ 1,144,786</u>	<u>\$ 7,044,736</u>
Workforce Investment Act Fund:				
Health and welfare:				
Welfare:				
Workforce investment act	2,208,188	5,496,729	2,729,759	2,766,970
Total Workforce Investment Act Fund	<u>\$ 2,208,188</u>	<u>\$ 5,496,729</u>	<u>\$ 2,729,759</u>	<u>\$ 2,766,970</u>
Nonmajor Special Revenue Funds:				
Forfeited Assets Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 185,091	\$ 819,669	\$ 720,429	\$ 99,240
Total Forfeited Asset Fund	<u>\$ 185,091</u>	<u>\$ 819,669</u>	<u>\$ 720,429</u>	<u>\$ 99,240</u>

County of Pittsylvania, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Schedule 2
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<u>Fund, Function, Activity and Element</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Capital Projects Funds:				
School Capital Improvements Fund:				
Capital projects expenditures:				
School energy project	\$ -	\$ 3,122,343	\$ 2,720,682	\$ 401,661
Debt service:				
Principal retirement	\$ -	-	\$ 15,000,000	\$ (15,000,000)
Bond issuance costs	-	298,009	298,009	-
Interest and other fiscal charges	-	62,500	54,839	7,661
Total debt service	\$ -	\$ 360,509	\$ 15,352,848	\$ (14,992,339)
Total School Capital Improvements Fund	\$ -	\$ 3,482,852	\$ 18,073,530	\$ (14,590,678)
Total Primary Government	\$ 77,123,728	\$ 93,150,642	\$ 98,015,730	\$ (4,865,088)
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
Administration and health services	\$ 3,416,946	\$ 3,614,271	\$ 3,366,210	\$ 248,061
Instruction costs:				
Instructional costs	\$ 59,730,684	\$ 59,515,136	\$ 58,697,208	\$ 817,928
Technology	2,557,955	2,435,132	2,611,412	(176,280)
Total instruction costs	\$ 62,288,639	\$ 61,950,268	\$ 61,308,620	\$ 641,648
Operating costs:				
Pupil transportation	\$ 6,069,946	\$ 6,243,525	\$ 6,000,951	\$ 242,574
Operation and maintenance of school plant	8,412,060	9,438,974	7,919,793	1,519,181
Food service and non-instructional	8,543,927	8,798,874	5,596,144	3,202,730
Total operating costs	\$ 23,025,933	\$ 24,481,373	\$ 19,516,888	\$ 4,964,485
Total education	\$ 88,731,518	\$ 90,045,912	\$ 84,191,718	\$ 5,854,194
Total Discretely Presented Component Unit - School Board	\$ 88,731,518	\$ 90,045,912	\$ 84,191,718	\$ 5,854,194

Other Statistical Information

Table 1

County of Pittsylvania, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (2)	Health and Welfare	Education (1)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Debt	Landfill (2)	Total
2015-16	\$ 3,120,093	\$ 1,630,364	\$ 17,388,780	\$ 889,643	\$ 13,295,781	\$ 20,654,247	\$ 1,625,932	\$ 3,050,989	\$ -	\$ 4,600,151	\$ 2,085,129	\$ 68,341,109
2014-15	2,761,239	1,570,134	15,971,461	1,478,254	11,762,632	20,144,745	1,653,432	4,328,560	-	4,156,131	2,729,495	66,556,083
2013-14	2,779,007	1,616,010	15,412,321	1,065,750	11,203,241	17,456,021	1,544,778	3,595,993	-	4,462,480	2,610,768	61,746,369
2012-13	3,151,761	1,577,467	14,150,804	1,722,616	11,742,309	17,610,398	1,519,663	4,541,281	-	5,044,241	(355,066)	60,705,474
2011-12	2,352,270	1,604,516	14,004,881	1,312,173	11,725,859	17,483,731	1,389,794	5,297,007	-	4,852,814	3,192,265	63,215,310
2010-11	2,317,903	1,521,622	13,492,424	5,199,400	15,013,208	16,068,919	1,212,790	6,009,715	-	5,052,047	-	65,888,028
2009-10	3,008,491	1,289,615	13,884,135	5,552,474	18,784,848	11,601,833	1,179,959	5,879,792	-	5,658,339	-	66,839,486
2008-09	2,953,224	1,579,879	13,399,420	4,495,239	15,855,096	13,030,727	1,163,559	6,642,658	-	4,706,088	-	63,825,890
2007-08	2,268,035	1,554,911	12,356,590	4,416,883	15,780,009	15,904,724	1,170,737	7,041,212	-	2,799,504	-	63,292,605
2006-07	2,271,683	1,464,735	11,577,156	3,420,748	16,364,479	14,808,363	938,209	6,967,075	-	2,677,642	-	60,490,090

(1) Debt financed assets are transferred to the School Board upon defeasance of debt.

This amounts includes assets (net of related depreciation) that were transferred to the School Board during the fiscal year.

(2) In FY 2012, the County implemented a Landfill Fund which decreased the Public Works expenses.

County of Pittsylvania, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total
	Charges for Services (2)	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes (1)	Unrestricted Investment Earnings	Miscellaneous Programs (1)	Grants and Contributions Not Restricted to Specific		
2015-16	\$ 1,867,410	\$ 17,849,640	\$ 25,446	\$ 36,527,161	\$ 6,985,878	\$ 760,917	\$ 698,427	\$ 6,580,065	\$ 71,294,944		
2014-15	2,587,105	16,442,410	884,983	34,348,146	6,929,692	729,073	273,313	6,647,166	68,841,888		
2013-14	2,716,427	16,833,132	234,754	32,312,752	7,058,150	817,859	303,887	6,674,699	66,951,660		
2012-13	2,952,151	16,862,088	-	31,959,232	6,759,321	640,925	449,990	6,781,594	66,405,301		
2011-12	924,023	15,633,076	2,405,211	31,373,406	6,805,947	651,947	409,617	6,698,703	64,901,930		
2010-11	861,632	16,037,575	3,564,213	28,781,337	6,696,327	646,849	673,095	6,760,306	64,021,334		
2009-10	885,248	21,413,814	3,006,599	27,907,392	6,414,085	1,174,002	758,424	6,748,918	68,308,482		
2008-09	776,068	22,813,227	-	29,680,376	8,304,925	1,520,387	272,379	4,483,640	67,851,002		
2007-08	924,114	24,461,459	-	24,012,434	7,748,448	1,708,824	512,564	4,523,327	63,891,170		
2006-07	829,230	14,801,890	-	39,379,257	5,932,477	1,477,238	494,659	13,480,047	76,394,798		

(1) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.

(2) The Landfill fund created in fiscal year 2012 started billings in fiscal year 2013.

County of Pittsylvania, Virginia
 General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works (3)	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Capital Projects	Non-departmental	Debt Service	Total
2015-16 (4)	\$ 3,274,249	\$ 1,629,683	\$ 16,035,366	\$ 1,467,351	\$ 13,227,647	\$ 84,200,723	\$ 1,606,150	\$ 2,437,884	\$ 4,346,659	\$ -	\$ 17,299,326	\$ 145,525,038
2014-15	3,165,000	1,565,244	15,181,758	1,380,874	11,818,253	86,172,273	1,635,900	4,456,982	939,715	-	11,896,121	138,212,120
2013-14	3,294,816	1,575,143	15,788,738	1,113,579	11,225,531	84,740,262	1,497,279	3,842,302	4,840,641	-	11,946,638	139,864,929
2012-13 (4)	3,495,374	1,566,578	14,763,371	1,300,429	11,927,840	84,680,673	1,509,918	7,586,932	5,794,131	-	9,450,033	142,075,279
2011-12	2,768,169	1,566,584	14,222,860	1,215,984	11,862,939	85,983,611	1,384,918	5,540,095	3,705,766	-	9,948,658	138,199,584
2010-11	2,784,289	1,494,085	13,806,655	3,244,763	12,690,342	82,087,870	1,178,396	6,502,580	398,872	-	9,436,325	133,624,177
2009-10 (4)	3,149,941	1,536,157	14,173,636	3,634,763	18,836,521	82,202,930	1,116,757	6,385,274	-	8,342	10,609,182	141,653,503
2008-09	3,138,333	1,610,990	14,046,712	3,867,606	16,044,417	85,614,779	1,101,641	11,053,679	-	14,414	9,655,047	146,147,618
2007-08	2,540,697	1,563,729	12,980,722	3,474,763	15,680,679	80,580,365	1,117,971	8,628,219	-	10,123	8,428,853	135,006,121
2006-07	2,410,245	1,457,412	11,716,463	3,258,613	17,740,409	79,929,753	1,059,877	7,240,548	-	17,966	7,985,324	132,816,610

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.
 (2) Excludes contribution from Primary Government to Discretely Presented Component Unit.
 (3) In FY 2012, the County implemented a Landfill Fund which decreased the Public Works expenditures.
 (4) Refunding debt excluded from Debt Service.

County of Pittsylvania, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes (4)	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services (4)	Miscellaneous	Recovered Costs	Inter-governmental (2,3)	Total
2015-16	\$ 35,693,771	\$ 6,985,878	\$ 157,941	\$ 207,431	\$ 809,547	\$ 2,243,356	\$ 1,991,633	\$ 1,566,935	\$ 90,268,791	\$ 139,925,283
2014-15	34,603,292	6,929,692	153,455	174,184	771,975	2,079,998	1,530,400	1,959,553	89,836,994	138,039,543
2013-14	32,986,528	7,058,150	175,564	224,057	858,598	2,076,001	1,385,352	4,932,637	87,106,346	136,803,233
2012-13	31,732,883	6,759,321	188,607	197,581	638,443	2,509,379	1,250,731	7,523,537	87,096,527	137,897,009
2011-12	29,536,089	6,805,947	162,287	173,265	670,207	2,393,242	1,270,149	4,672,806	88,822,247	134,506,239
2010-11	29,100,604	6,696,327	178,650	170,237	688,107	2,877,131	1,173,698	5,320,326	88,957,513	135,162,593
2009-10	29,247,029	6,414,085	179,480	166,937	740,864	2,801,689	981,228	1,779,199	100,511,627	142,822,138
2008-09	28,538,436	8,304,925	187,789	76,900	728,070	2,778,471	413,763	5,608,484	97,486,830	144,123,668
2007-08	26,648,575	7,748,448	228,189	59,939	1,617,807	2,807,395	752,137	2,865,162	93,065,615	135,793,267
2006-07	37,457,835	5,932,477	190,647	59,261	1,502,448	2,664,912	928,174	2,930,935	91,314,513	142,981,202

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Unit-School Board. Excludes Capital Projects fund.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

(3) Communication sales tax reported as non-categorical aid for first time in fiscal year 2009-10 instead of other local taxes.

(4) In fiscal year 2011-2012 the County implemented a Landfill fund and charges for those services were included in that fund.

Table 5

County of Pittsylvania, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,2)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections (2)	Percent of		Percent of	
						Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes to Tax Levy
2015-16	\$ 39,880,759	\$ 38,231,862	95.87%	\$ 1,601,186	\$ 39,833,048	99.88%	\$ 4,842,100	12.14%	
2014-15	38,263,674	35,807,738	93.58%	2,291,993	38,099,731	99.57%	5,987,436	15.65%	
2013-14	38,160,477	35,105,305	91.99%	1,417,570	36,522,875	95.71%	5,996,958	15.72%	
2012-13	35,706,993	34,265,018	95.96%	908,882	35,173,900	98.51%	4,969,523	13.92%	
2011-12	34,990,189	32,026,677	91.53%	1,158,500	33,185,177	94.84%	4,388,377	12.54%	
2010-11	32,592,883	31,183,881	95.68%	1,432,717	32,616,598	100.07%	4,024,379	12.35%	
2009-10	31,940,215	30,753,521	96.28%	2,000,871	32,754,392	102.55%	4,372,838	13.69%	
2008-09	32,080,815	31,031,751	96.73%	1,055,873	32,087,624	100.02%	6,093,598	18.99%	
2007-08	30,622,788	29,287,616	95.64%	995,228	30,282,844	98.89%	5,162,664	16.86%	
2006-07	42,906,728	40,904,736	95.33%	1,372,240	42,276,976	98.53%	5,442,012	12.68%	

(1) Exclusive of penalties and interest.

(2) Includes amount received under the Personal Property Tax Relief Act.

Table 6

County of Pittsylvania, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property	Machinery and Tools				Merchant's Capital	Mobile Homes	Public Service (2)	Total
2015-16	\$ 3,944,880,745	\$ 129,084,080	\$ 30,643,700	\$ 18,824,710	\$ 44,879,870	\$ 399,383,840	\$ 4,567,696,945			
2014-15	3,923,602,695	123,687,595	33,048,510	11,472,330	44,465,390	374,927,366	4,511,203,886			
2013-14	3,880,009,003	122,969,818	39,320,240	9,880,649	44,322,009	355,616,806	4,452,118,525			
2012-13	3,765,453,474	119,660,633	39,087,600	8,899,321	47,871,206	338,873,822	4,319,846,056			
2011-12	3,701,567,643	116,972,188	35,378,260	8,856,290	46,913,277	316,586,962	4,226,274,620			
2010-11	3,703,464,286	112,839,901	34,298,350	8,580,130	47,038,600	326,907,505	4,233,128,772			
2009-10	3,658,961,545	111,212,898	30,661,670	8,358,600	46,670,090	302,840,801	4,158,705,604			
2008-09	3,441,025,740	116,284,250	27,960,420	10,958,360	53,850,620	279,532,952	3,929,612,342			
2007-08	3,340,200,900	126,995,535	30,406,175	14,075,345	53,156,985	303,006,203	3,867,841,143			
2006-07	3,283,464,100	124,122,610	31,212,500	14,007,680	52,996,310	319,260,819	3,825,064,019			

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission-includes all property types.

Table 7

County of Pittsylvania, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery & Tools	Merchant's Capital	Mobile Homes	Generating Equipment (2)
2015-16	\$ 0.59	\$ 8.75	\$ 4.50	\$ 2.75	\$ 0.59	0.59
2014-15	0.59	8.75	4.50	2.75	0.59	0.59
2013-14	0.56/0.59	8.75	4.50	2.75	0.56/0.59	0.56/0.59
2012-13	0.56	8.75	4.50	2.75	0.56	0.56
2011-12	0.52/0.56	8.75	4.50	2.75	0.52/0.56	0.52/0.56
2010-11	0.52	8.50	4.50	2.75	0.52	0.52
2009-10	0.56/0.52	8.50	4.50	2.75	0.56/0.52	0.56/0.52
2008-09	0.53/0.56	7.75/8.50	4.50	2.75	0.53/0.56	0.53/0.56
2007-08	0.53	7.75	4.50	2.75	0.53	0.53
2006-07	0.50	7.75	4.50	2.75	0.50	0.48

(1) Per \$100 of assessed value. Property taxes are assessed on January 1 of each year and therefore, the rates for amounts due on December 5th, may be different from the rates for amounts due on June 5th.

(2) Included as part of Public Service Corporations in other schedules

Table 8

County of Pittsylvania, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2015-16	63,506	\$ 4,511,204	\$ 76,753,162	76,753,162	1.70%	\$ 1,209
2014-15	63,506	4,452,119	89,007,609	89,007,609	2.00%	1,402
2013-14	63,506	4,319,846	95,451,194	95,451,194	2.21%	1,503
2012-13	63,506	4,319,846	101,616,973	101,616,973	2.35%	1,600
2011-12	63,506	4,226,275	107,562,022	107,562,022	2.55%	1,694
2010-11	63,506	4,233,129	110,332,166	110,332,166	2.61%	1,737
2009-10	61,745	4,158,706	114,021,227	114,021,227	2.74%	1,847
2008-09	61,745	3,929,612	116,514,098	116,514,098	2.97%	1,887
2007-08	61,745	3,867,841	60,326,400	60,326,400	1.56%	977
2006-07	61,745	3,825,064	54,194,748	54,194,748	1.42%	878

(1) Bureau of the Census.

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans.
Excludes revenue bonds, landfill closure/post-closure care liability, capital leases, and compensated absen

Table 9

County of Pittsylvania, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2015-16 (2)	\$ 17,299,326	\$ 145,525,038	11.89%
2014-15	11,896,121	138,212,120	8.61%
2012-13 (2)	9,450,033	142,075,279	6.65%
2011-12	9,948,658	138,199,584	7.20%
2010-11	9,436,325	133,624,177	7.06%
2009-10 (2)	10,992,554	141,653,503	7.76%
2008-09	9,587,217	146,147,618	6.56%
2007-08	8,428,853	135,006,121	6.24%
2006-07	7,985,324	132,816,610	6.01%

(1) Includes all governmental funds of the Primary Government and Special Revenue funds of the Discretely Presented Component Unit-School Board.

(2) Excludes refunding debt.

Table 10

County of Pittsylvania, Virginia
Assessed Valuation of Top Ten Taxpayers
Fiscal Year 2016

Taxpayer	Type of Business	2016 Assessed Valuation	Percentage of Total Assessed Valuation
Virginia Electric & Power	Electric Utility	\$ 132,420,916	2.90%
Appalachian Power Company	Electric Utility	74,184,029	1.62%
Transcontinental Gas Pipeline	Gas Utility	54,079,426	1.18%
Swedwood	Manufacturer	32,676,050	0.72%
Colonial Pipeline	Gas Utility	26,867,590	0.59%
Mecklenburg Electric Coop, Inc.	Electric Utility	23,640,678	0.52%
Norfolk Southern	Rail Road	23,040,218	0.50%
Intertape Polymer Corp	Electric Utility	21,423,350	0.47%
IKEA	Manufacturer	7,078,920	0.15%
R V Outlet USA Inc.	Manufacturer	3,256,100	0.07%
Total		\$ 398,667,277	8.73%
All Others		\$ 4,169,029,668	91.27%
Total Assessed Valuation		\$ 4,567,696,945	100.00%

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Board of Supervisors
County of Pittsylvania, Virginia
Chatham, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of 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 unit-School Board, each major fund, and the aggregate remaining fund information of the County of Pittsylvania, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Pittsylvania, Virginia's basic financial statements, and have issued our report thereon dated November 24, 2016. Our report includes a reference to other auditors who audited the financial statements of Pittsylvania County Service Authority and Pittsylvania County Industrial Development Authority, as described in our report on the County of Pittsylvania, Virginia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Pittsylvania, 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 County of Pittsylvania, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Pittsylvania, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness (2016-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Pittsylvania, 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*.

County of Pittsylvania, Virginia's Response to Finding

County of Pittsylvania, Virginia's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Pittsylvania, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 24, 2016

*Independent Auditors' 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 Pittsylvania, Virginia
Chatham, Virginia

Report on Compliance for Each Major Federal Program

We have audited County of Pittsylvania, 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 County of Pittsylvania, Virginia's major federal programs for the year ended June 30, 2016. County of Pittsylvania, 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 County of Pittsylvania, 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 County of Pittsylvania, 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 County of Pittsylvania, Virginia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of County of Pittsylvania, 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 County of Pittsylvania, 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 County of Pittsylvania, 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.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
November 24, 2016

County of Pittsylvania, Virginia
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950114, 0950115	\$ 18,710	
Temporary Assistance for Needy Families	93.558	0400115, 0400116	491,534	
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115, 0500116	527	
Low-Income Home Energy Assistance	93.568	0600415, 0600416	56,886	
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	0770116	\$ (727)	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115, 0760116	<u>79,447</u>	
Total Child Care and Development Fund Cluster				78,720
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115, 0900116		2,741
Foster Care - Title IV-E	93.658	1100115, 1100116		253,028
Adoption Assistance	93.659	1120115, 1120116		59,234
Social Services Block Grant	93.667	1000115, 1000116		346,736
Chafee Foster Care Independence Program	93.674	9150115, 9150116		4,651
Children's Health Insurance Program	93.767	0540115, 0540116		22,874
Medical Assistance Program	93.778	1200115, 1200116		<u>657,790</u>
Total Department of Health and Human Services			\$ 1,993,431	
Department of Agriculture:				
Pass Through Payments:				
Child Nutrition Cluster:				
Virginia Department of Agriculture & Consumer Services:				
Food Distribution-Schools (Note C)	10.555	Not applicable	\$ 354,231	
Department of Education:				
National School Lunch Program	10.555	40623	<u>2,514,144</u>	\$ 2,868,375
Virginia Department of Agriculture & Consumer Services:				
Summer Food Service Program for Children (Note C)	10.559	Not applicable		1,583
Department of Education:				
School Breakfast Program	10.553	40591	<u>606,080</u>	
Total Child Nutrition Cluster				\$ 3,476,038
Child Nutrition Discretionary Grants Limited Availability	10.579	40593		22,708
Fresh Fruit and Vegetable Program	10.582	40601		<u>29,453</u>
Department of Social Services:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program				
	10.561	0010115, 0010116, 0030115, 0030116, 0040115, 0040116, 0050115, 0050116	\$ 480,332	
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort Under Supplemental Nutrition Assistance Program (SNAP)				
	10.596	0060115	<u>2,762</u>	
Total Department of Agriculture				\$ 4,011,293
Department of Justice:				
Direct payments:				
Equitable Sharing Program	16.922	Not applicable	\$ 451,380	
Pass Through Payments:				
Department of Criminal Justice Services:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16-H1225L015		897
Crime Victim Assistance	16.575	15VAGX0043		<u>57,523</u>
Total Department of Justice				\$ 509,800
Department of Transportation:				
Pass Through Payments:				
Department of Motor Vehicles:				
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	K8-2015-55228-5967 K8-2016-56308-6508	\$ 19,795	
State and Community Highway Safety (402 Funds)	20.600	SC-2016-56394-6594 OP-2016-56390-6590		<u>5,590</u>
Total Department of Transportation				\$ 25,385

County of Pittsylvania, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
Department of Labor:				
Pass Through Payments:				
Virginia Community College System:				
Workforce Investment Act Cluster:				
Workforce Investment Act Adult Program	17.258	53427	\$ 1,131,658	\$ 1,018,492
Workforce Investment Act Dislocated Worker Formula Grants	17.278	53427	499,044	449,140
Workforce Investment Act Youth Activities	17.259	53427	970,883	873,795
Total Workforce Investment Act Cluster			\$ 2,601,585	
Workforce Investment Act National Emergency Grants	17.277	53427	260,736	
Workforce Innovation Fund	17.283	53427	73,871	
Total Department of Labor			\$ 2,936,192	
Department of Education:				
Pass Through Payments:				
Department of Education:				
Adult Education - Basic Grants to States	84.002	42801	\$ 117,549	
Title I Grants to Local Educational Agencies	84.010	42901	1,938,502	
Special Education Cluster:				
Special Education: Grants to States	84.027	43071	\$ 1,862,469	
Special Education: Preschool Grants	84.173	62521	32,493	
Total Special Education Cluster			1,894,962	
Career and Technical Education Basic Grants to States	84.048	61095	155,173	
Twenty-First Century Community Learning Centers	84.287	60565	280	
English Language Acquisition State Grants	84.365	60512	17,396	
Supporting Effective Instruction State Grant	84.367	61480	365,680	
Total Department of Education			\$ 4,489,542	
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Management:				
Emergency Management Performance Grants	97.042	62744	\$ 22,803	
Total Expenditures of Federal Awards			\$ 13,988,446	\$ 2,341,427

Notes to the Expenditures of Federal Awards

Note A -- Basis of Presentation

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

Note B -- Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The County did not elect an indirect cost rate because they only request direct costs for reimbursement.

Note C -- Food Donation

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, The Pittsylvania County School Board had food commodities totaling \$0 in inventory.

Note D -- Relationship to Financial Statements

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

Primary government:	
General Fund	\$ 2,583,133
Workforce Investment Act Fund	2,936,192
Forfeited Assets Fund	25,446
Plus: Use of federal Forfeited Assets fund balance	425,934
Total primary government:	\$ 5,970,705
Component Unit School Board:	
School Operating Fund	\$ 8,017,741
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 13,988,446

County of Pittsylvania, Virginia

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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

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

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.173/84.027	Special Education Program Cluster
84.367	Supporting Effective Instruction State Grant

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

Auditee qualified as low-risk auditee? No

Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2016

Section II - Financial Statement Findings

2016-001

Criteria: Per Statement on Auditing Standards 115, an auditee should have sufficient controls in place to produce financial statements in accordance with applicable standards. Furthermore, reliance on the auditor to propose *adjustments* necessary to comply with reporting standards is not a component of such controls.

Condition: The financial statements as presented for audit, did not contain all necessary adjustments to comply with generally accepted accounting principles (GAAP). As such, the auditor proposed adjustments that were material to the financial statements.

Cause of Condition: The reversion of the School Board contribution at year end has been more complicated as a result of the CSA transactions. In addition, the County experienced difficult debt related transactions.

Effect of Condition: There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal controls over financial reporting.

Recommendation: The County now has implemented a reconciliation schedule to process the annual reversion of the school contribution and we recommend staff continue to gain an understanding of the debt related transactions.

Management's Response: Management agrees with this finding and will continue to work toward having the financial statements more accurate for audit.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs.

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior year audit findings related to federal programs.