

COUNTY OF HALIFAX, VIRGINIA



FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

COUNTY OF HALIFAX, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

**COUNTY OF HALIFAX, VIRGINIA
JUNE 30, 2017**

BOARD OF SUPERVISORS

Joseph A. Rogers	Dennis G. Witt, Chairman	S. Lawrence Giordano
Thomas E. West	J.T. Davis, Vice-Chairman	Hubert Pannell
William Bryant Claiborne		Garland B. Ricketts

COUNTY SCHOOL BOARD

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R.H. "Fay" Satterfield	Orey T. Hill, Vice-Chairman	Joe Gasperini
Walter C. Potts		Freddie Edmunds

BOARD OF SOCIAL SERVICES

Patricia Taylor	Jewel Bellamy, Chairman	Debbie Ferguson
	Earl Howerton, Vice-Chairman	
	Hubert Pannell	

OTHER OFFICIALS

Judge of the Circuit Court	Leslie M. Osborn
Judge of the Circuit Court	Kimberley S. White
Clerk of the Circuit Court	Cathy M. Cosby
Judge of the General District Court	Robert G. Woodson
Judge of the Juvenile and Domestic Relations Court	Nora J. Miller
Commonwealth's Attorney	Tracy Q. Martin
Commissioner of the Revenue	Brenda P. Powell
Treasurer	Ruth Ann Oakes
Sheriff	Fred S. Clark
Superintendent of Schools	Merle Herndon
Director of Department of Social Services	Kathy Andrews
County Administrator	James Halasz

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

**To the Honorable Members of
The Board of Supervisors
County of Halifax, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Halifax, Virginia, as of and for the year ended June 30, 2017, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Halifax, Virginia, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-9, 77-78, and 79-85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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 Halifax, Virginia's basic financial statements. The combining and individual fund financial statements and schedules, 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.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2017, on our consideration of the County of Halifax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Halifax, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 17, 2017

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County of Halifax, Virginia Management's Discussion and Analysis

As management of the County of Halifax (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. Please read it in conjunction with the County's basic financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources position of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$29.67 million (*net position*). Of this amount, approximately \$20.79 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$3,596,067 in fiscal year 2017 in comparison to an increase of \$2,378,092 in fiscal year 2016.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$42.25 million, an increase of \$18.61 million. Twenty-five percent, or \$10.77 million of this amount, is *available for spending* at the County's discretion (*unassigned fund balance*). Details of the increase in fund balance is described under the Financial Analysis of the County's Funds.
- At the end of the current fiscal year, fund balance for the General Fund was approximately \$22.78 million, or 51% of total governmental fund expenditures less capital outlay.
- The County's total governmental activities debt increased by \$14.6 million during the current fiscal year after the issuance of the 2016C Lease Revenue Bonds and the routine payment of principal, recognizing the change in net pension liability, OPEB obligation and compensated absences.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of how the financial position of the County may be changing. Increases in net position may indicate an improved financial position; however, even decreases in net position may reflect a changing manner in which the County may have used previously accumulated funds.

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

Overview of the Financial Statements (Continued)

Government-wide financial statements: (Continued)

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government administration, judicial administration, public safety, public works, health and welfare, parks, recreation and cultural, community development, and education.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate industrial development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 10 through 12 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The County maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Virginia Public Assistance Fund and the Capital Projects fund, all of which are considered to be major funds. Data from the other County funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund, Virginia Public Assistance fund, Capital Projects fund, State and Federal Grants fund, William M. Tuck Airport fund. Budgetary comparison statements have been provided to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found on page 17 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 76 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the General Fund and the Virginia Public Assistance Fund. Required supplementary information can be found on pages 77 through 85 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 86 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities and deferred inflows by \$29.67 million at the close of the most recent fiscal year. A large portion of the County's net position (\$8.78 million, 30% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, 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 (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

The following table summarizes the County's Statement of Net Position:

**Comparative Summary of Net Position
As of June 30, 2017 and 2016**

	Governmental Activities	
	2017	2016
Current and other assets	\$ 63,563,135	\$ 43,391,971
Capital assets	48,998,481	51,095,275
Subtotal assets	\$ 112,561,616	\$ 94,487,246
Deferred outflows of resources	\$ 1,438,259	\$ 813,056
Total assets and deferred outflows of resources	\$ 113,999,875	\$ 95,300,302
Long-term liabilities outstanding	\$ 64,552,712	\$ 49,934,695
Current liabilities	1,336,438	1,142,308
Subtotal liabilities	65,889,150	51,077,003
Deferred inflows of resources	\$ 18,436,943	\$ 18,177,640
Total liabilities and deferred inflows of resources	\$ 84,326,093	\$ 69,254,643
Net position:		
Net investment in capital assets	\$ 8,783,060	\$ 7,841,497
Restricted	94,314	94,577
Unrestricted	20,796,408	18,141,641
Total net position	\$ 29,673,782	\$ 26,077,715

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

Government-Wide Financial Analysis: (Continued)

As noted previously, the County's total net position increased by \$3,596,067 during the current fiscal year.

The following table summarizes the County's Statement of Activities:

**Comparative Statement of Changes in Net Position
As of June 30, 2017 and 2016**

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 706,430	\$ 694,359
Operating grants and contributions	9,430,222	9,104,536
Capital grants and contributions	639,097	17,124
General revenues:		
Property taxes	27,264,924	26,313,725
Other taxes	6,680,061	6,725,483
Unrestricted revenues	427,396	346,296
Miscellaneous	358,835	521,278
Grants and contributions not restricted to specific programs	2,823,257	2,837,831
Total revenues	\$ 48,330,222	\$ 46,560,632
Expenses:		
General governmental administration	\$ 2,390,611	\$ 2,173,095
Judicial administration	1,852,914	1,971,714
Public safety	8,463,570	8,892,448
Public works	3,627,228	3,380,010
Health and welfare	7,371,651	7,117,283
Parks, recreation, and cultural	407,567	418,643
Community development	1,139,119	1,313,406
Interest on long-term debt	2,307,304	1,815,323
Education	17,174,191	17,100,618
Total expenses	\$ 44,734,155	\$ 44,182,540
Increase (decrease) in net position	\$ 3,596,067	\$ 2,378,092
Net position - beginning of year	26,077,715	23,699,623
Net position - end of year	\$ 29,673,782	\$ 26,077,715

Generally, net position changes are the difference between revenues and expenses. Key elements of this decrease are as follows:

- General property taxes, excluding the payments received from the State as reimbursement under the State's personal property tax relief program, were \$27.26 million, which represents an increase of approximately \$951,000 or 4%.
- Other local taxes decreased approximately \$45,000.
- Expenses of the governmental activities were approximately \$551,000 more than fiscal year 2016. The largest increases in expenses were reported in the general government administration and health and welfare functions.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$42.23 million, an increase of \$18.61 million over the prior year. As noted below, a substantial portion of this increase in fund balance represents unspent proceeds from a bond issuance.

The General Fund is the chief operating fund of the County. Including transfers to and from other funds, the general fund's revenues exceeded expenditures by \$2.15 million. At the end of the current fiscal year, total fund balance of the General Fund was \$22.78 million. The unassigned fund balance is \$10.77 million, nonspendable amounts total \$129,977, restricted amounts total \$94,314, committed amounts total \$578,429, and assigned amounts represent \$11.20 million. As a measure of the General Fund's liquidity, the fund balance represents 51% of general government expenditures, excluding capital outlay.

The County Capital Improvements Fund accounts for all major general public improvements, excluding capital projects related to education, which are accounted for elsewhere. At the end of the fiscal year, the fund balance was \$18.85 million, which largely represented unexpended debt proceeds and other accumulated funds to be used for capital projects. The County issued the 2016C Lease Revenue Bonds to fund the courthouse and related construction projects. As of June 30, 2017 the County reported unexpended bond proceeds as restricted cash of approximately \$18.0 million. The unexpended proceeds are reported as restricted fund balance.

Nonmajor special revenue funds included the Airport Fund and the State and Federal Grants Fund. Both funds accounted for the total reported as committed special revenue funds in the amount of \$897,339.

General Fund Budgetary Highlights

There was an increase of \$454,976 between the original budget and the final amended budget expenditures excluding transfers out. However, actual expenditures were less than the amended budget by \$1,056,490, excluding transfers out. Actual revenues were more than the budgeted amounts by \$417,482.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$48.99 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment as well as construction in progress.

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

- Courthouse renovation and related projects
- Airport improvements - expansion of the apron

Capital Asset and Debt Administration: (Continued)

Capital assets, net of accumulated depreciation, are illustrated in the following table:

	Governmental Activities	Total
Land	\$ 5,075,550	\$ 5,075,550
Buildings and systems	40,198,727	40,198,727
Machinery & Equipment	1,485,325	1,485,325
Contruction in progress	2,238,879	2,238,879
Total	<u>\$ 48,998,481</u>	<u>\$ 48,998,481</u>

Additional information on the County's capital assets can be found in note 7 on pages 33 through 34 of this report.

Long-term obligations: At the end of the current fiscal year, the County had total outstanding obligations of \$64.55 million excluding premium on bond issuance. Details are summarized in the following table:

	Governmental Activities	Total
Bonds Payable:		
General obligation bonds	\$ 37,080,306	\$ 37,080,306
Revenue bonds	17,856,000	17,856,000
Literary loans	3,266,801	3,266,801
Landfill Closure/Postclosure	1,671,166	1,671,166
Net pension liability	2,915,987	2,915,987
Capital leases	75,624	75,624
Note payable	544,459	544,459
Net OPEB obligation	256,500	256,500
Compensated absences	885,869	885,869
Total	<u>\$ 64,552,712</u>	<u>\$ 64,552,712</u>

The County's total governmental activities debt increased by \$14.6 million during the current fiscal year after the issuance of 2016C Lease Revenue Bonds and payment of principal, recognizing the change in net pension liability, OPEB obligation and compensated absences

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County as of September 2017 was 5.2%. The State's average unemployment rate was 3.7% and the national average rate was 4.2%.
- One of the greatest economic impacts to the County currently is the uncertainty of how the State allocations to local governments will be adjusted due to State budgetary issues being addressed by the State.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, County of Halifax, 1030 Cowford Road, P.O. Box 699, Halifax, VA 24558.

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2017

	Primary Government	Component Units		
	Governmental Activities	School Board	Industrial Development Authority	Regional Library
ASSETS				
Cash and cash equivalents	\$ 19,036,900	\$ 3,799,233	\$ 2,455,519	\$ 20,309
Receivables (net of allowance for uncollectibles):				
Taxes receivable	19,922,143	-	-	-
Accounts receivable	230,763	335,984	-	-
Notes receivable	-	-	51,755	-
Due from component unit	4,415,410	-	-	-
Due from other governmental units	1,670,318	3,306,484	80,897	-
Prepaid items	129,977	571,537	-	-
Property held for resale	-	-	2,553,098	-
Restricted assets:				
Cash and cash equivalents	18,157,624	-	-	-
Capital assets (net of accumulated depreciation):				
Land	5,075,550	130,523	1,328,342	-
Buildings and systems	40,198,727	25,256,349	30,819,158	-
Machinery and equipment	1,485,325	1,201,736	1,139,670	-
Construction in progress	2,238,879	-	1,714,259	-
Total assets	<u>\$ 112,561,616</u>	<u>\$ 34,601,846</u>	<u>\$ 40,142,698</u>	<u>\$ 20,309</u>
DEFERRED OUTLOWS OF RESOURCES				
Post measurement date employer pension contributions	\$ 530,187	\$ 4,439,754	\$ 16,123	\$ 9,588
Changes in proportionate share of employer contributions	-	474,000	-	-
Net difference of actual and expected pension liability earnings	821,721	3,271,662	25,569	15,667
Net difference of actual and expected experience - pension	86,351	-	2,687	1,646
Total deferred inflows of resources	<u>\$ 1,438,259</u>	<u>\$ 8,185,416</u>	<u>\$ 44,379</u>	<u>\$ 26,901</u>
LIABILITIES				
Accounts payable	\$ 328,902	\$ 201,579	\$ 103,004	\$ 4,300
Accrued liabilities	105	2,992,656	-	-
Accrued interest payable	1,007,431	-	-	-
Unearned revenue	-	-	99,360	-
Due to primary government	-	4,166,010	249,400	-
Long-term liabilities:				
Due within one year	4,569,461	184,402	920,549	-
Due in more than one year	59,983,251	54,604,130	7,942,932	63,396
Total liabilities	<u>\$ 65,889,150</u>	<u>\$ 62,148,777</u>	<u>\$ 9,315,245</u>	<u>\$ 67,696</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 18,356,785	\$ -	\$ -	\$ -
Changes in proportionate share of employer contributions	-	1,496,000	-	-
Net difference of actual and expected experience - pension	80,158	2,073,739	2,494	1,528
Total deferred inflows of resources	<u>\$ 18,436,943</u>	<u>\$ 3,569,739</u>	<u>\$ 2,494</u>	<u>\$ 1,528</u>
NET POSITION				
Net investment in capital assets	\$ 8,783,060	\$ 26,264,095	\$ 26,244,534	\$ -
Restricted:				
Public safety	94,314	-	-	-
Unrestricted	20,796,408	(49,195,349)	4,624,804	(22,014)
Total net position	<u>\$ 29,673,782</u>	<u>\$ (22,931,254)</u>	<u>\$ 30,869,338</u>	<u>\$ (22,014)</u>

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

COUNTY OF HALIFAX, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 2,390,611	\$ -	\$ 297,301	\$ -
Judicial administration	1,852,914	41,127	959,928	-
Public safety	8,463,570	342,634	2,605,825	-
Public works	3,627,228	293,724	17,606	16,673
Health and welfare	7,371,651	-	5,544,562	-
Education	17,174,191	-	-	-
Parks, recreation, and cultural	407,567	10,280	5,000	-
Community development	1,139,119	18,665	-	622,424
Interest on long-term debt	2,307,304	-	-	-
Total governmental activities	<u>\$ 44,734,155</u>	<u>\$ 706,430</u>	<u>\$ 9,430,222</u>	<u>\$ 639,097</u>
Total primary government	<u>\$ 44,734,155</u>	<u>\$ 706,430</u>	<u>\$ 9,430,222</u>	<u>\$ 639,097</u>
COMPONENT UNITS:				
School Board	\$ 59,060,750	\$ 815,339	\$ 41,831,120	\$ -
Industrial Development Authority	3,157,062	1,841,422	-	413,434
Regional Library	447,955	40,209	197,986	-
Total component units	<u>\$ 62,665,767</u>	<u>\$ 2,696,970</u>	<u>\$ 42,029,106</u>	<u>\$ 413,434</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers utility taxes

Motor vehicle licenses

Solid waste disposal fee

Other local taxes

Unrestricted revenues from use of money and property

Payments from Halifax County

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government Governmental Activities	Component Units			
	School Board	Industrial Development Authority	Regional Library	
\$ (2,093,310)	\$ -	\$ -	\$ -	
(851,859)	-	-	-	
(5,515,111)	-	-	-	
(3,299,225)	-	-	-	
(1,827,089)	-	-	-	
(17,174,191)	-	-	-	
(392,287)	-	-	-	
(498,030)	-	-	-	
(2,307,304)	-	-	-	
<u>\$ (33,958,406)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (33,958,406)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (16,414,291)	\$ -	\$ -	
-	-	(902,206)	-	
-	-	-	(209,760)	
<u>\$ -</u>	<u>\$ (16,414,291)</u>	<u>\$ (902,206)</u>	<u>\$ (209,760)</u>	
\$ 27,264,924	\$ -	\$ -	\$ -	
2,988,281	-	-	-	
939,107	-	-	-	
951,985	-	-	-	
634,100	-	-	-	
1,166,588	-	-	-	
427,396	-	312,428	-	
-	17,093,953	523,149	195,000	
358,835	768,787	138	21,421	
2,823,257	-	-	-	
<u>\$ 37,554,473</u>	<u>\$ 17,862,740</u>	<u>\$ 835,715</u>	<u>\$ 216,421</u>	
\$ 3,596,067	\$ 1,448,449	\$ (66,491)	\$ 6,661	
26,077,715	(24,379,703)	30,935,829	(28,675)	
<u>\$ 29,673,782</u>	<u>\$ (22,931,254)</u>	<u>\$ 30,869,338</u>	<u>\$ (22,014)</u>	

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Fund Financial Statements

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Balance Sheet

Governmental Funds

June 30, 2017

	General	Virginia Public Assistance	County Capital Projects	Total Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 17,349,199	\$ -	\$ 788,790	\$ 898,911	\$ 19,036,900
Receivables (net of allowance for uncollectibles):					
Taxes receivable	19,922,143	-	-	-	19,922,143
Accounts receivable	230,763	-	-	-	230,763
Due from other funds	668,267	-	-	4,261	672,528
Due from component units	4,415,410	-	-	-	4,415,410
Due from other governmental units	999,722	668,267	-	2,329	1,670,318
Prepaid items	129,977	-	-	-	129,977
Restricted assets:					
Cash and cash equivalents	94,314	-	18,063,310	-	18,157,624
Total assets	<u>\$ 43,809,795</u>	<u>\$ 668,267</u>	<u>\$ 18,852,100</u>	<u>\$ 905,501</u>	<u>\$ 64,235,663</u>
LIABILITIES					
Accounts payable	\$ 49,102	\$ -	\$ 271,638	\$ 8,162	\$ 328,902
Accrued liabilities	105	-	-	-	105
Due to other funds	4,261	668,267	-	-	672,528
Total liabilities	<u>\$ 53,468</u>	<u>\$ 668,267</u>	<u>\$ 271,638</u>	<u>\$ 8,162</u>	<u>\$ 1,001,535</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 20,977,477	\$ -	\$ -	\$ -	\$ 20,977,477
Total deferred inflows of resources	<u>\$ 20,977,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,977,477</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	\$ 129,977	\$ -	\$ -	\$ -	\$ 129,977
Restricted:					
Public safety	94,314	-	-	-	94,314
Capital projects	-	-	18,063,310	-	18,063,310
Committed:					
Future projects/grant matching	-	-	-	417,090	417,090
Airport operations	-	-	-	480,249	480,249
Asset forfeiture, local share	21,578	-	-	-	21,578
E-911 operations	266,207	-	-	-	266,207
Courthouse maintenance	220,786	-	-	-	220,786
Law library	69,858	-	-	-	69,858
Assigned:					
Future capital projects	-	-	517,152	-	517,152
Budget carryovers	252,280	-	-	-	252,280
Long-term debt	6,904,352	-	-	-	6,904,352
Fiscal policy - capital & long-term debt	4,048,156	-	-	-	4,048,156
Unassigned	10,771,342	-	-	-	10,771,342
Total fund balances	<u>\$ 22,778,850</u>	<u>\$ -</u>	<u>\$ 18,580,462</u>	<u>\$ 897,339</u>	<u>\$ 42,256,651</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 43,809,795</u>	<u>\$ 668,267</u>	<u>\$ 18,852,100</u>	<u>\$ 905,501</u>	<u>\$ 64,235,663</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 42,256,651
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 75,429,899	
Accumulated depreciation	<u>(26,431,418)</u>	48,998,481

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable or capitalized in the funds.

Unavailable property taxes	2,620,692	
Items related to measurement of net pension liability	<u>(80,158)</u>	2,540,534

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.	530,187
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	\$ (55,754,511)	
Capital leases	(75,624)	
Unamortized premium on bonds	(2,993,055)	
Accrued interest payable	(1,007,431)	
Net OPEB obligation	(256,500)	
Compensated absences	(885,869)	
Items related to measurement of net pension liability	908,072	
Net pension liability	(2,915,987)	
Landfill postclosure liability	<u>(1,671,166)</u>	<u>(64,652,071)</u>

Net position of governmental activities	\$ <u>29,673,782</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Virginia Public Assistance	County Capital Projects	Total Nonmajor Governmental Funds	Total
REVENUES					
General property taxes	\$ 26,818,027	\$ -	\$ -	\$ -	\$ 26,818,027
Other local taxes	6,680,061	-	-	-	6,680,061
Permits, privilege fees, and regulatory licenses	173,170	-	-	-	173,170
Fines and forfeitures	111,148	-	-	-	111,148
Revenue from the use of money and property	290,120	-	82,451	54,825	427,396
Charges for services	422,112	-	-	-	422,112
Miscellaneous	268,432	42,597	17,757	30,049	358,835
Recovered costs	458,276	-	-	-	458,276
Intergovernmental:					
Local government	160,910	-	-	-	160,910
Commonwealth	5,877,421	3,083,719	-	935,736	9,896,876
Federal	60,902	2,460,843	-	313,045	2,834,790
Total revenues	\$ 41,320,579	\$ 5,587,159	\$ 100,208	\$ 1,333,655	\$ 48,341,601
EXPENDITURES					
Current:					
General government administration	\$ 2,276,628	\$ -	\$ -	\$ -	\$ 2,276,628
Judicial administration	1,715,575	-	-	118,018	1,833,593
Public safety	7,961,478	-	-	517,309	8,478,787
Public works	2,962,589	-	-	-	2,962,589
Health and welfare	433,955	7,045,258	-	-	7,479,213
Education	13,899,081	-	-	-	13,899,081
Parks, recreation, and cultural	415,325	-	-	10,000	425,325
Community development	1,174,857	-	-	81,251	1,256,108
Nondepartmental	112,162	-	-	-	112,162
Capital projects	-	-	1,363,967	674,250	2,038,217
Debt service:					
Principal retirement	3,572,757	-	-	-	3,572,757
Interest and other fiscal charges	2,167,553	-	197,318	-	2,364,871
Total expenditures	\$ 36,691,960	\$ 7,045,258	\$ 1,561,285	\$ 1,400,828	\$ 46,699,331
Excess (deficiency) of revenues over (under) expenditures	\$ 4,628,619	\$ (1,458,099)	\$ (1,461,077)	\$ (67,173)	\$ 1,642,270
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 1,458,099	\$ 1,000,478	\$ 20,737	\$ 2,479,314
Transfers out	(2,479,314)	-	-	-	(2,479,314)
Issuance of lease revenue bonds	-	-	14,455,000	-	14,455,000
Premium on issuance of bonds	-	-	2,509,919	-	2,509,919
Total other financing sources (uses)	\$ (2,479,314)	\$ 1,458,099	\$ 17,965,397	\$ 20,737	\$ 16,964,919
Net change in fund balances	\$ 2,149,305	\$ -	\$ 16,504,320	\$ (46,436)	\$ 18,607,189
Fund balances - beginning	20,629,545	-	2,076,142	943,775	23,649,462
Fund balances - ending	\$ 22,778,850	\$ -	\$ 18,580,462	\$ 897,339	\$ 42,256,651

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

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, 2017

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

Net change in fund balances - total governmental funds	\$	18,607,189
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the details of this difference:

Capital asset additions	\$	2,327,894	
Net transfer of joint tenancy assets		(2,348,584)	
Depreciation expense		<u>(2,076,104)</u>	(2,096,794)

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

Property taxes recognized as revenue	446,897	
Change in deferred inflows related to the measurement of the net pension liability	<u>788,780</u>	1,235,677

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. The following are the details of these differences:

Issuance of long-term debt, net of premium and discounts	(16,964,919)	
Principal payments	<u>3,572,757</u>	(13,392,162)

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 net OPEB obligation	\$	(10,200)	
(Increase) decrease in premium on bond issuance		214,757	
(Increase) decrease in compensated absences		3,861	
(Increase) decrease in accrued interest payable		(157,190)	
(Increase) decrease in net pension liability		(1,412,828)	
Increase (decrease) in deferred outflows related to pension		625,203	
(Increase) decrease in landfill postclosure liability		<u>(21,446)</u>	(757,843)

Change in net position of governmental activities	\$	<u><u>3,596,067</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 219,558
Total assets	\$ <u>219,558</u>
LIABILITIES	
Amounts held for social services clients	\$ 95,697
Amounts held for employees	1,261
Amounts held for other organizations	122,600
Total liabilities	\$ <u>219,558</u>

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

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COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017

Note 1—Summary of Significant Accounting Policies:

The County of Halifax, Virginia (the "County") is governed by an elected eight member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and volunteer fire protection and rescue services; sanitation services; recreational activities, cultural events, education, and social services.

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

A. Financial Statement Presentation

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 the financial position of the primary government 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)

A. Financial Statement Presentation: (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. The County does not allocate indirect expenses. The Operating grants include operating-specific and discretionary (operating or capital) grants while the capital grants column reflects capital specific grants. Internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expenses categories based on the internal charges to each function.

Separate financial statements are provided for governmental funds, proprietary funds, internal service 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 are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the government's original budget, final budget and actual results.

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

B. Financial Reporting Entity

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

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Individual Component Unit Disclosures

Blended Component Units. The County has no blended component units.

Discretely Presented Component Units.

The School Board members are elected by the citizens of Halifax County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding of the school board is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2017.

The Halifax County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority's board members are appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2017. Complete financial statements for the Authority are available from the Authority in South Boston, Virginia.

The Halifax County - South Boston Regional Library provides public library services to residents of the County and Town. The County appoints four of the five members of the library board. The library is fiscally dependent upon the County for operating contributions. The financial statements of the library are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2017. The library does not issue separate financial statements.

D. Other Related Organizations

Included in the County's Financial Report

None

Jointly Governed Organizations

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

The County, in conjunction with other localities, has created the Southside 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 \$135,000 to the Southside Community Services Board.

The County in conjunction with the Towns of Halifax and South Boston jointly govern the Halifax County Service Authority, a regional authority providing water and sewer service. The Authority's governing body is appointed by the participating governments. The participating governments do not have access to resources and surpluses nor are they liable for the Authority's debt or deficits. During the year, the County contributed \$126,488 to the Halifax County Service Authority.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Other Related Organizations: (Continued)

Jointly Governed Organizations: (Continued)

Southside Regional Public Service Authority

The County, in conjunction with the Counties of Mecklenburg and Charlotte are members of the Southside Regional Public Service Authority. The Authority operates as a regional solid waste landfill facility. The County paid the Authority tipping fees of \$898,977 for solid waste transferred to the Authority in fiscal year 2017.

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

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

Note 1—Summary of Significant Accounting Policies: (Continued)

E. 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 uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the County.

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the County. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board.

Special Revenue Funds - Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the following funds: Virginia Public Assistance Fund, State and Federal Grants Fund and William M. Tuck Airport Fund.

The Virginia Public Assistance Fund is a major special revenue fund used to account for and report the administration of the County's social services program.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

1. Governmental Funds: (Continued)

Capital Projects Funds – The Capital Projects Funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. The County Capital Projects Fund is reported as a major fund.

2. Proprietary Funds – Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. The County does not have a proprietary fund(s).

3. Fiduciary Funds – (Agency Funds) – Fiduciary funds account for assets held by the County in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds. Agency funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements. Agency Funds consist of the Special Welfare Fund, Halifax County War Memorial Fund, Heritage Festival Fund, Health Savings Fund and the Undistributed Local Sales tax Fund.

4. Component Unit

The Halifax County School Board has the following funds:

Governmental Funds:

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

Special Revenue Funds: Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special revenue funds consist of the following funds:

The School Cafeteria Fund – Accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and state and federal grants. This fund is considered a nonmajor fund.

The School Textbook Fund – Accounts for and reports the operations of the textbook rental program. This fund is considered a nonmajor fund.

Note 1—Summary of Significant Accounting Policies: (Continued)

E. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

4. Component Unit: (Continued)

Governmental Funds: (Continued)

The Capital Projects Fund: Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

The School Capital Projects Fund – Accounts for and reports all financial resources used for the acquisition or construction of major capital facilities. This fund is considered a major fund.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

G. 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.

H. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$420,438 at June 30, 2017 for property taxes.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

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

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Due Date	June 5	N/A
Lien Date	January 1	January 1

The County bills and collects its own property taxes.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia.

The Component Unit Industrial Development Authority, a proprietary fund type, is required to capitalize its capital assets including the infrastructure constructed at the business park.

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

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Motor vehicles	5-10
Equipment	2-15
Infrastructure	25
Buildings	15-40

Note 1—Summary of Significant Accounting Policies: (Continued)

J. 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as “terminal leave” prior to retirement.

K. Use of Estimates

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

L. 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 prepaids) 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.

When fund balance resources are available for a specific purpose in more than one classification, it is the County’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Fund Equity: (Continued)

The County establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Supervisors through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

M. Long-term Obligations

In the government-wide financial statements, other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

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.

N. Bond Issuance Costs

Bond issuance costs are expensed as incurred.

O. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Component Unit-Industrial Development Authority consists of land held for resale. Inventory is valued and recorded at the lower of cost and market.

P. 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.

Q. 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 1—Summary of Significant Accounting Policies: (Continued)

R. 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 reports multiple items that qualify for reporting in this category. One item is comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. The other items include the net difference of actual and expected experience, changes in proportion and differences between employer contributions and related to the pension plan changes in proportionate share of employer contributions and net different of actual and expected pension liability earnings. 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 three 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, the net difference between projected and actual earnings on pension plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions and the net difference of actual and expected experience related to the pension. For more detailed information on these items, reference the pension note.

S. 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 of Halifax, Virginia's Retirement Plan and the additions to/deductions from the County of Halifax, Virginia's Retirement Plan 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.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 2—Stewardship, Compliance, and Accounting:

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

1. Prior to March 30th, 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.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the Component Unit 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 and budgets are legally adopted for the General Fund, Special Revenue Funds, and Capital Projects Funds of the Primary Government and Component Unit – School Board.
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. Several Supplemental Appropriations were necessary during the fiscal year.

Expenditures exceeded appropriations in the following funds at June 30, 2017:

- William M. Tuck Airport Fund
- School Textbook Fund
- School Capital Projects Fund

Note 3—Deposits and Investments:

Deposits

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 3—Deposits and Investments: (Continued)

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).

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

Credit Risk of Debt Securities

The County’s rated debt investments as of June 30, 2017 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale.

Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 1,046,430
State Non-Arbitrage Program	18,063,310
Total	\$ 19,109,740

Interest Rate Risk

The County reports investment maturities as follows:

Investment Type	Investment Maturity*	
	Fair Value	Less than 1
Local Government Investment Pool	\$ 1,046,430	\$ 1,046,430
State Non-Arbitrage Program	18,063,310	18,063,310
Total investments	\$ 19,109,740	\$ 19,109,740

* Weighted average maturity in years.

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission. In May 2016, the Board voted to convert the SNAP fund to an LGIP structure, which would be managed in conformance with GASB 79. On October 3, 2016, the Prime Series became a government money market fund and the name was changed to Government Select Series. The Government Select Series has a policy of investing at least 99.5% of its assets in cash, U.S. government securities (including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities) and/or repurchase agreements that are collateralized fully.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 3—Deposits and Investments: (Continued)

External Investment Pools: (Continued)

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

Note 4—Due from Other Governments:

At June 30, 2017, the County has receivables from other governments as follows:

	Component Units		
	Primary Government	School Board	Industrial Development Authority
Component Units:			
Halifax County School Board	\$ 4,166,010	\$ -	\$ -
Halifax County Industrial Development Authority	249,400	-	-
Total due from component units	<u>\$ 4,415,410</u>	<u>\$ -</u>	<u>\$ -</u>
Other Governments:			
Commonwealth of Virginia:			
Local sales tax	\$ 525,574	\$ -	\$ -
Communications tax	180,299	-	-
Shared revenues	31,780	-	-
Shared expenses	218,400	-	-
VPA funds	95,340	-	-
CSA funds	394,266	-	-
State Sales Tax	-	1,032,143	-
Other state grants	43,669	1,797	-
Federal Government:			
School fund grants	-	2,272,544	-
VPA funds	178,661	-	-
Other federal grants	2,329	-	-
Total due from other governments	<u>\$ 1,670,318</u>	<u>\$ 3,306,484</u>	<u>\$ -</u>
Amounts due to other governments are as follows:			
Other Local Governments:			
Halifax County	\$ -	\$ 4,166,010	\$ 249,400

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2017, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 668,267	\$ 4,261
State and Federal Grants	4,261	-
Virginia Public Assistance	-	668,267
Total	<u>\$ 672,528</u>	<u>\$ 672,528</u>

Note 6—Interfund Transfers:

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 2,479,314
State and Federal Grants	20,737	-
County Capital Projects	1,000,478	-
Virginia Public Assistance	1,458,099	-
Component Unit - School Board		
School Operating	-	57,597
School Textbook	57,597	-
Total	<u>\$ 2,536,911</u>	<u>\$ 2,536,911</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 and School Operating Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 7—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<u>Primary Government:</u>				
Capital assets not being depreciated:				
Land	\$ 5,075,550	\$ -	\$ -	\$ 5,075,550
Construction in progress	<u>529,066</u>	<u>1,709,813</u>	<u>-</u>	<u>2,238,879</u>
Total capital assets not being depreciated	\$ <u>5,604,616</u>	\$ <u>1,709,813</u>	\$ <u>-</u>	\$ <u>7,314,429</u>
Capital assets being depreciated:				
Buildings and systems	\$ 61,348,740	\$ 22,541	\$ 3,178,112	\$ 58,193,169
Machinery and equipment	<u>9,326,761</u>	<u>595,540</u>	<u>-</u>	<u>9,922,301</u>
Total capital asset being depreciated	\$ <u>70,675,501</u>	\$ <u>618,081</u>	\$ <u>3,178,112</u>	\$ <u>68,115,470</u>
Accumulated depreciation:				
Buildings and systems	\$ 17,319,309	\$ 1,504,661	\$ 829,528	\$ 17,994,442
Machinery and equipment	<u>7,865,533</u>	<u>571,443</u>	<u>-</u>	<u>8,436,976</u>
Total accumulated depreciation	\$ <u>25,184,842</u>	\$ <u>2,076,104</u>	\$ <u>829,528</u>	\$ <u>26,431,418</u>
Capital assets, depreciable, net	\$ <u>45,490,659</u>	\$ <u>(1,458,023)</u>	\$ <u>2,348,584</u>	\$ <u>41,684,052</u>
Net capital assets primary government	\$ <u><u>51,095,275</u></u>	\$ <u><u>251,790</u></u>	\$ <u><u>2,348,584</u></u>	\$ <u><u>48,998,481</u></u>
<u>Component Unit-School Board:</u>				
Capital assets not being depreciated:				
Land	\$ <u>130,523</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>130,523</u>
Total capital assets not being depreciated	\$ <u>130,523</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>130,523</u>
Capital assets being depreciated:				
Machinery and equipment	\$ 8,638,121	\$ -	\$ -	\$ 8,638,121
Buildings and systems	<u>45,489,878</u>	<u>3,178,112</u>	<u>-</u>	<u>48,667,990</u>
Total capital assets being depreciated	\$ <u>54,127,999</u>	\$ <u>3,178,112</u>	\$ <u>-</u>	\$ <u>57,306,111</u>
Accumulated depreciation:				
Machinery and equipment	\$ 7,188,054	\$ 248,331	\$ -	\$ 7,436,385
Buildings and systems	<u>21,442,885</u>	<u>1,968,756</u>	<u>-</u>	<u>23,411,641</u>
Total accumulated depreciation	\$ <u>28,630,939</u>	\$ <u>2,217,087</u>	\$ <u>-</u>	\$ <u>30,848,026</u>
Capital assets, depreciable, net	\$ <u>25,497,060</u>	\$ <u>961,025</u>	\$ <u>-</u>	\$ <u>26,458,085</u>
Net capital assets component unit school board	\$ <u><u>25,627,583</u></u>	\$ <u><u>961,025</u></u>	\$ <u><u>-</u></u>	\$ <u><u>26,588,608</u></u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 7—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	53,094
Public safety		327,344
Public works		703,846
Health and welfare		57,606
Parks, recreation and cultural		7,688
Subtotal depreciation expense - governmental activities	\$	1,149,578
Education - depreciation on joint tenancy assets		926,526
Total Governmental activities	\$	2,076,104
Component Unit School Board:		
Depreciation expense	\$	1,387,559
Depreciation on joint tenancy assets		829,528
Total Component Unit School Board	\$	2,217,087

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the Code of Virginia, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Halifax, Virginia for the year ended June 30, 2017, is that school financed assets in the amount of \$28,259,365 (excluding accumulated depreciation) are reported in the Primary Government for financial reporting purposes.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 8—Long-Term Obligations:

Primary Government:

A summary of the long-term obligations' transactions are as follows:

	Balance July 1, 2016	Issuance/ Increases	Retirement/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities Obligations:					
Incurring by County:					
Compensated absences	\$ 889,730	\$ -	\$ 3,861	\$ 885,869	\$ 88,587
Net OPEB obligation	246,300	50,000	39,800	256,500	-
Net pension liability	1,503,160	3,113,093	1,700,266	2,915,987	-
Landfill postclosure and corrective action costs	1,649,720	21,446	-	1,671,166	-
General obligation bond	348,000	-	55,000	293,000	56,000
Revenue bonds	3,625,000	14,455,000	224,000	17,856,000	675,000
Capital leases	148,965	-	73,341	75,624	75,624
Note payable	586,763	-	42,304	544,459	44,066
Total incurred by County	\$ 8,997,638	\$ 17,639,539	\$ 2,138,572	\$ 24,498,605	\$ 939,277
Incurring by School Board:					
State Literary Fund Loans	\$ 3,733,471	\$ -	\$ 466,670	\$ 3,266,801	\$ 466,670
General obligation bonds	36,505,693	-	2,711,442	33,794,251	2,846,095
Total incurred by School Board	\$ 40,239,164	\$ -	\$ 3,178,112	\$ 37,061,052	\$ 3,312,765
Premium on bond issuance	697,893	2,509,919	214,757	2,993,055	317,419
Total incurred by School Board- Financial Statement Presentation	\$ 40,937,057	\$ 2,509,919	\$ 3,392,869	\$ 40,054,107	\$ 3,630,184
Total Governmental Activities Obligations	\$ 49,934,695	\$ 20,149,458	\$ 5,531,441	\$ 64,552,712	\$ 4,569,461

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations							
	General Obligation Bond		Revenue Bonds		Capital Lease		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 56,000	\$ 6,153	\$ 675,000	\$ 778,226	\$ 75,624	\$ 2,354	\$ 44,066	\$ 24,896
2019	58,000	4,977	695,000	756,095	-	-	45,829	22,896
2020	59,000	3,759	730,000	726,771	-	-	48,473	20,774
2021	60,000	2,520	756,000	696,141	-	-	50,236	18,428
2022	60,000	1,260	792,000	663,357	-	-	52,880	15,982
2023	-	-	735,000	627,188	-	-	55,523	13,515
2024	-	-	769,000	591,188	-	-	58,167	10,900
2025	-	-	809,000	553,393	-	-	60,811	8,042
2026	-	-	848,000	513,791	-	-	63,455	4,935
2027	-	-	888,000	472,265	-	-	65,019	1,675
2028	-	-	868,000	430,171	-	-	-	-
2029	-	-	913,000	387,529	-	-	-	-
2030	-	-	953,000	342,804	-	-	-	-
2031	-	-	1,003,000	295,866	-	-	-	-
2032	-	-	1,053,000	246,459	-	-	-	-
2033	-	-	1,099,000	199,311	-	-	-	-
2034	-	-	1,145,000	154,718	-	-	-	-
2035	-	-	1,000,000	108,281	-	-	-	-
2036	-	-	1,040,000	66,206	-	-	-	-
2037	-	-	1,085,000	22,378	-	-	-	-
Total	\$ 293,000	\$ 18,669	\$ 17,856,000	\$ 8,632,138	\$ 75,624	\$ 2,354	\$ 544,459	\$ 142,043

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)**Primary Government: (Continued)**

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

Year Ending June 30,	Incurred by School Board			
	General Obligation Bonds		State Literary Fund Loans	
	Principal	Interest	Principal	Interest
2018	\$ 2,846,095	\$ 1,392,261	\$ 466,670	\$ 65,336
2019	2,979,485	1,247,155	466,670	56,003
2020	3,118,537	1,100,136	466,670	46,669
2021	3,267,990	935,829	466,670	37,336
2022	3,413,489	774,824	466,670	28,002
2023	3,564,581	614,643	466,670	18,669
2024	3,730,870	440,355	466,781	9,336
2025	3,892,866	264,105	-	-
2026	4,065,754	84,108	-	-
2027	2,914,584	12,640	-	-
Total	\$ <u>33,794,251</u>	\$ <u>6,866,056</u>	\$ <u>3,266,801</u>	\$ <u>261,351</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-term Obligations:

	<u>Amount Outstanding</u>
<u>Revenue Bonds:</u>	
\$677,000 Public Facilities Lease Revenue Refunding Note, Series 2014 dated April 11, 2014, issued to refund the remaining balance of the \$985,995 Lease Revenue Refunding Bond dated May 8, 2009. The refunding bond is due in varying annual installments through May 2022 with interest payable semi-annually at a rate of 2.1%. The refunding resulted in an economic gain of \$30,000.	\$ 437,000
\$2,771,000 Lease Revenue Refunding Bonds, Series 2014 dated April 11, 2014 due in varying annual principal installments through May 2034 with interest payable semi-annually at a rate of 3.25%.	2,464,000
\$14,455,000 Lease Revenue Bonds, Series 2016C dated November 16, 2016 due in varying annual principal installments through October 2026 with interest payable semi-annually, interest at 3.062%.	14,455,000
\$670,000 Lease Revenue Bonds, Series 2011 (Energy Efficiency Improvements) dated April 15, 2011 due in varying annual principal installments through October 2026 with interest payable semi-annually, interest at 2.125% - 5.125%.	500,000
Total Revenue Bonds - Incurred by Primary Government	\$ <u>17,856,000</u>
<u>General Obligation Bond - Incurred by Primary Government:</u>	
\$455,000 General Obligation Refunding Bond dated April 11, 2014, issued to refund the remaining balance of the \$663,075 General Obligation Refunding Bond dated May 8, 2009. The refunding bond is due in varying annual installments through May 2022 with interest payable semi-annually at a rate of 2.1%. The refunding resulted in an economic gain of \$20,000.	\$ 293,000
Total General Obligation Bond - Incurred by Primary Government	\$ <u>293,000</u>
<u>General Obligation Bonds - Incurred by School Board:</u>	
\$16,615,000 School Bonds, issued November 10, 2005, through the Virginia Public School Authority, due in varying annual installments each July 15 through 2025, interest payable semi-annually at rates ranging from 4.6% to 5.1%.	\$ 9,535,000
\$31,030,000 School Bonds, issued May 11, 2006, through Virginia Public School Authority, due in varying annual installments each July 15 through fiscal year 2027, interest payable semi-annually at rates ranging from 4.6% to 5.1%.	19,295,000

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)**Primary Government: (Continued)**

Details of Long-term Obligations:

	<u>Amount Outstanding</u>
<u>General Obligation Bonds - Incurred by School Board: (Continued)</u>	
\$8,920,992 School Bonds, issued November 9, 2006, through the Virginia Public School Authority due in varying annual installments each July 15 through 2026, interest payable semi-annually at rates ranging from 4.6% to 5.1%.	\$ 4,964,251
Premium on bonds issued	<u>2,993,055</u>
Total General Obligation Bonds - Incurred by School Board	<u>\$ 36,787,306</u>
<u>State Literary Fund Loans:</u>	
\$2,500,000, authorized, due in annual principal installments of \$466,670 over 20 years, interest payable annually at 2%. Amount drawn to date.	\$ 791,173
\$4,000,000, authorized, due in annual principal installments of \$183,655 over 20 years, interest payable annually at 2%. Amount drawn to date.	1,285,592
\$3,500,000, authorized, due in annual principal installments of \$170,003 over 20 years, interest payable annually at 2%. Amount drawn to date.	<u>1,190,036</u>
Total State Literary Fund Loans	<u>\$ 3,266,801</u>
<u>Capital Lease:</u>	
\$296,506 Equipment Lease Purchase Agreement dated June, secured by equipment due in monthly installments of \$22,400 through August 15, 2017, includes interest at 3.112%.	\$ <u>75,624</u>
Total Capital Leases	<u>\$ 75,624</u>
<u>Note Payable:</u>	
\$900,000 note payable to the Town of South Boston for the Prizery renovations. The note is due in varying annual payments with interest at a rate of 1.94%. Principal and interest payable through fiscal year 2027.	\$ <u>544,459</u>
Compensated absences	\$ <u>885,869</u>
Net OPEB obligation	\$ <u>256,500</u>
Landfill postclosure and corrective action costs	\$ <u>1,671,166</u>
Net pension liability	\$ <u>2,915,987</u>
Total long-term obligations	<u><u>\$ 64,552,712</u></u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Units: (Continued)

The following is a summary of long-term debt transactions of the Component Units for the year ended June 30, 2017:

	Balance July 1, 2016	Issuance/ Increases	Retirement/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
<u>Component Unit—School Board:</u>					
Compensated absences	\$ 728,471	\$ 52,124	\$ -	\$ 780,595	\$ 78,060
Capital lease	429,068	-	104,555	324,513	106,342
Net pension liability	47,718,693	14,114,080	8,376,449	53,456,324	-
Net OPEB obligation	<u>216,500</u>	<u>192,200</u>	<u>181,600</u>	<u>227,100</u>	<u>-</u>
Total long-term obligations	<u>\$ 49,092,732</u>	<u>\$ 14,358,404</u>	<u>\$ 8,662,604</u>	<u>\$ 54,788,532</u>	<u>\$ 184,402</u>

Capital Lease Obligations:

\$744,118 Equipment Lease Purchase Agreement dated June 25, 2013, secured by equipment due in annual installments of \$111,891 through July 2019, includes interest at 1.71%.

Year Ending June 30,	School Board Capital Lease	
	Principal	Interest
2018	\$ 106,342	\$ 5,549
2019	108,161	3,731
2020	<u>110,010</u>	<u>1,881</u>
Total	<u>\$ 324,513</u>	<u>\$ 11,161</u>

	Balance July 1, 2016	Issuance/ Increases	Retirement/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
<u>Component Unit—Library:</u>					
Net pension liability	\$ 28,659	\$ 59,355	\$ 32,418	\$ 55,596	-
Net OPEB obligation	<u>7,000</u>	<u>800</u>	<u>-</u>	<u>7,800</u>	<u>-</u>
Total long-term obligations	<u>\$ 35,659</u>	<u>\$ 60,155</u>	<u>\$ 32,418</u>	<u>\$ 63,396</u>	<u>-</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 9—Landfill Postclosure Costs:

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County records a liability for a portion of these closure and postclosure care costs in each period based on landfill capacity used as of each balance sheet date. Closure of the County's landfill site is complete. The \$1,270,652 reported as landfill postclosure care liability, and corrective action liability of \$393,145 at June 30, 2017, represents the cumulative amount reported based on the use of 100% percent of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all postclosure care and corrective action in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulation. Additionally, the County reports closure care liability in the amount of \$7,369, the estimated liability for the transfer station. The County intends to fund these costs from tipping fee revenues and from any fund accumulated for this purpose, including available bond issue proceeds in the County Capital Projects Fund. The County provides for financial assurance requirements for closure and postclosure care, and corrective action costs through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC-20-70 of the Virginia Administrative Code.

In addition to the landfill owned and operated by the County, the County participates in the Southside Regional Public Service Authority (SRPSA). SRPSA is a regional authority created by three localities to accept waste. The County is required to demonstrate financial assurance through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC-20-70 of the Virginia Administrative Code for the County's allocable portion of the future liability.

Note 10—Deferred Inflows of Resources:

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. Deferred inflows of resources from unavailable property taxes is comprised of the following:

Primary Government - Property Taxes

Governmental Activities - Exhibit 1:

Prepaid property taxes - property taxes paid in advance	\$ 1,475,992
2nd half property tax assessments	16,880,793
Total deferred inflows of resources - governmental activities (Exhibit 1)	<u>18,356,785</u>

Governmental Funds:

Delinquent taxes not collected within 60 days	2,620,692
Total deferred inflows of resources - governmental funds (Exhibit 3)	<u>\$ 20,977,477</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 11—Commitments and Contingencies:

Federal programs in which the County and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Uniform Guidance. Pursuant to the provisions of this circular 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 disallowance of current grant program expenditures, if any, would be immaterial.

The County has the following contractual commitments at June 30, 2017:

<u>Project</u>	<u>Amount of Contract Outstanding</u>
Industrial Arts / Circuit Court Relocation	2,465,691

Note 12—Litigation:

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

Note 13—Risk Management:

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

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

Note 14—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the County (Primary Government and component units Industrial Development Authority and Regional Library) 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
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	About the Hybrid Retirement Plan (Cont.) • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • School division employees • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. *Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.	Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	Vesting Same as Plan 1.	Vesting <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. <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. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Note 14—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	Calculating the Benefit See definition under Plan 1.	Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1 <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. Sheriffs and regional jail superintendents: Same as Plan 1. Political subdivision hazardous duty employees: Same as Plan 1.	Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. Sheriffs and regional jail superintendents: Not applicable. Political subdivision hazardous duty employees: Not applicable. Defined Contribution Component: Not applicable.
Normal Retirement Age VRS: Age 65. Political subdivisions hazardous duty employees: Age 60.	Normal Retirement Age VRS: Normal Social Security retirement age. Political subdivisions hazardous duty employees: Same as Plan 1.	Normal Retirement Age Defined Benefit Component: VRS: Same as Plan 2. Political subdivisions hazardous duty employees: Not applicable. Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
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%. <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. 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. <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: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	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%. <u>Eligibility:</u> Same as Plan 1. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.	Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2. <u>Defined Contribution Component:</u> Not applicable. <u>Eligibility:</u> Same as Plan 1 and Plan 2. <u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) <u>Exceptions to COLA Effective Dates:</u> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)	Cost-of-Living Adjustment (COLA) in Retirement (Cont.)
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.	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.	Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service 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.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Employees Covered by Benefit Terms

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

	Primary Government, Industrial Development Authority and Regional Library	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	136	135
Inactive members:		
Vested inactive members	33	15
Non-vested inactive members	41	36
Inactive members active elsewhere in VRS	85	32
Total inactive members	159	83
Active members	198	110
Total covered employees	493	328

* Includes Primary Government and Component Units, Halifax County Industrial Development Authority and Halifax County Regional Library

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 (Primary Government and Component Units Industrial Development Authority and Regional Library) contractually required contribution rate for the year ended June 30, 2017 was 7.27% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 Primary Government were \$530,187 and \$670,634; Component Unit Industrial Development Authority were \$16,123 and \$22,986 and Component Unit Regional Library were \$9,588 and \$14,883, for the years ended June 30, 2017 and June 30, 2016, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2017 was 8.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—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 Component Unit School Board's nonprofessional employees were \$157,793 and \$203,679 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The County's (Primary Government and Component Units Industrial Development Authority and Regional Library) and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's (Primary Government and Component Units Industrial Development Authority and Regional Library) and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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

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

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

Largest 10 – Non-LEOS:

Pre-Retirement:

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

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Largest 10 - Non-LEOS:

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

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

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

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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 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.

Note 14—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

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

Post-Disablement:

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

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—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 (Primary Government and Component Units Industrial Development Authority and Regional Library) 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			Halifax County Industrial Development Authority		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 33,879,195	\$ 32,376,035	\$ 1,503,160	\$ 1,054,238	\$ 1,007,463	\$ 46,775
Changes for the year:						
Service cost	\$ 779,075	\$ -	\$ 779,075	\$ 24,243	\$ -	\$ 24,243
Interest	2,313,571	-	2,313,571	71,994	-	71,994
Differences between expected and actual experience	(112,741)	-	(112,741)	(3,508)	-	(3,508)
Contributions - employer	-	673,810	(673,810)	-	20,968	(20,968)
Contributions - employee	-	358,651	(358,651)	-	11,160	(11,160)
Net investment income	-	555,064	(555,064)	-	17,273	(17,273)
Benefit payments, including refunds of employee contributions	(1,656,210)	(1,656,210)	-	(51,537)	(51,537)	-
Administrative expenses	-	(20,213)	20,213	-	(629)	629
Other changes	-	(234)	234	-	(7)	7
Net changes	\$ 1,323,695	\$ (89,132)	\$ 1,412,827	\$ 41,192	\$ (2,772)	\$ 43,964
Balances at June 30, 2016	\$ 35,202,890	\$ 32,286,903	\$ 2,915,987	\$ 1,095,430	\$ 1,004,691	\$ 90,739

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Changes in Net Pension Liability

	Component School Board (nonprofessional)			Halifax County Regional Library		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 14,028,808	\$ 12,306,115	\$ 1,722,693	\$ 645,931	\$ 617,272	\$ 28,659
Changes for the year:						
Service cost	\$ 234,268	\$ -	\$ 234,268	\$ 14,854	\$ -	\$ 14,854
Interest	949,873	-	949,873	44,111	-	44,111
Differences between expected and actual experience	(781,526)	-	(781,526)	(2,150)	-	(2,150)
Contributions - employer	-	203,113	(203,113)	-	12,847	(12,847)
Contributions - employee	-	91,360	(91,360)	-	6,838	(6,838)
Net investment income	-	198,450	(198,450)	-	10,583	(10,583)
Benefit payments, including refunds of employee contributions	(918,376)	(918,376)	-	(31,577)	(31,577)	-
Administrative expenses	-	(7,852)	7,852	-	(385)	385
Other changes	-	(87)	87	-	(5)	5
Net changes	\$ (515,761)	\$ (433,392)	\$ (82,369)	\$ 25,238	\$ (1,699)	\$ 26,937
Balances at June 30, 2016	\$ 13,513,047	\$ 11,872,723	\$ 1,640,324	\$ 671,169	\$ 615,573	\$ 55,596

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

The following presents the net pension liability of the Primary Government, Component Units Industrial Development Authority and Regional Library 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%)
County of Halifax - Primary Government			
Net Pension Liability (Asset)	\$ 7,348,558	\$ 2,915,987	\$ (770,296)
Halifax County Industrial Development Authority			
Net Pension Liability (Asset)	\$ 228,672	\$ 90,739	\$ (23,970)
Halifax County Regional Library			
Net Pension Liability (Asset)	\$ 140,147	\$ 55,596	\$ (14,691)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 3,063,036	\$ 1,640,324	\$ 429,340

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

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

For the year ended June 30, 2017, the Primary Government, Component Unit Industrial Development Authority, Component Unit Regional Library and Component Unit School Board (nonprofessional) recognized pension expense of \$529,031, \$17,707, \$12,183 and (\$232,554), respectively. At June 30, 2017, the Primary Government, Component Unit Industrial Development Authority, Component Unit Regional Library 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 Industrial Development Authority		Component Unit Regional Library		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 86,351	\$ 80,158	\$ 2,687	\$ 2,494	\$ 1,646	\$ 1,528	\$ -	\$ 394,739
Net difference between projected and actual earnings on pension plan investments	821,721	-	25,569	-	15,667	-	311,662	-
Employer contributions subsequent to the measurement date	530,187	-	16,123	-	9,588	-	157,793	-
Total	\$ 1,438,259	\$ 80,158	\$ 44,379	\$ 2,494	\$ 26,901	\$ 1,528	\$ 469,455	\$ 394,739

\$530,187, \$16,123, \$9,588 and \$157,793 reported as deferred outflows of resources related to pensions resulting from the Primary Government, Component Unit Industrial Development Authority, Component Unit Regional Library 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit Industrial Development Authority	Component Unit Regional Library	Component Unit School Board (nonprofessional)
2018	\$ 21,538	\$ 670	\$ 411	\$ (396,610)
2019	(4,253)	(132)	(81)	(1,871)
2020	472,888	14,715	9,016	187,232
2021	337,741	10,509	6,439	128,172
2022	-	-	-	-
Thereafter	-	-	-	-

Note 14—Pension Plan: (Continued)

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 school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2017 was 14.66% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$705,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. 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 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the School Board were \$4,281,961 and \$3,927,810 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the school division reported a liability of \$51,816,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school division's proportion was .36974% as compared to .36544% at June 30, 2015.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—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)

For the year ended June 30, 2017, the school division recognized pension expense of \$4,046,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2017, the 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	\$ -	\$ 1,679,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	474,000	1,496,000
Net difference between projected and actual earnings on pension plan investments	2,960,000	-
Employer contributions subsequent to the measurement date	<u>4,281,961</u>	<u>-</u>
Total	<u>\$ 7,715,961</u>	<u>\$ 3,175,000</u>

\$4,281,961 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 fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (756,000)
2019	(756,000)
2020	1,013,000
2021	824,000
2022	(66,000)
Thereafter	-

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—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, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.95%
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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

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

- 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

Net Pension Liability

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

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

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—Pension Plan: (Continued)

Long-Term Expected Rate of Return

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

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

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 14—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)	\$	73,864,000	\$ 51,816,000	\$ 33,654,000

Pension Plan Fiduciary Net Position

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

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 15—Surety Bonds:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Cathy Cosby, Clerk of the Circuit Court	\$ 1,500,000
Ruth A. Oakes, Treasurer	400,000
Brenda P. Powell, Commissioner of the Revenue	50,000
Fred Clark, Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Nationwide Insurance Company - Surety	
Merle Herndon, Superintendent of Schools	50,000
Merle Herndon, Clerk of the School Board	50,000
Continental Insurance Company - Surety	
All County employees - blanket bond	25,000
Selective Insurance Company of America - Surety	
Faithful performance blanket position bond all social service employees	100,000

Note 16—Other Postemployment Benefits—Health Insurance:

Background

Governmental Accounting Standards Board (GASB) Statement No. 45 addresses how local governments should account for and report their costs related to postemployment health-care and non-pension benefits, such as the County's retiree health benefit subsidy. Historically, the County's subsidy was funded on a pay-as-you go basis, but GASB Statement No. 45 requires that the County accrue the cost of the retiree health subsidy and other postemployment benefits during the period of the employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits.

A. Plan Description

In addition to the pension benefits described in Note 14, the County, including the discretely presented component units, provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits through a single-employer plan. Retired employees, who are participating in the County's medical coverage are eligible to elect post-retirement coverage if the retiree was employed before July 1, 2010 and is at least age 55 with at least 5 years of service; age 50 with at least 10 years of service; or has at least 30 years of service and retirees employed after July 1, 2010 is at least 60 years of age with 5 years of service. Retirees are eligible to remain on the County's medical plan with 100% of the premium paid by the retiree. The retiree's spouse can receive benefits under the plan with the premium to be paid by the retiree. Retirees' coverage ceases at eligibility for Medicare. The Plan does not issue separately audited financial statements.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)**B. Funding Policy:**

The County establishes employer contribution rates for plan participants as part of the budgetary process each year. The County also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. Retirees pay the full premium for health insurance coverage. Retirees pay 100% of spousal premiums.

C. Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post-employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits for the County, School Board, and Library was \$50,000, \$192,200, \$800, respectively, for fiscal year 2017. The County and component units have paid \$39,800, \$181,600, and \$0, respectively towards this obligation during the fiscal year. The County is required to contribute 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 estimated contributions are based on projected medical premium payments and credit for the implicit rate subsidy made during the year for the retirees by the County. The following table shows the components of the County's and component units' (excluding IDA) annual OPEB cost for the year, the estimated annual contributions to the plan, and changes in the net OPEB obligation.

	<u>County</u>	<u>School Board</u>	<u>Regional Library</u>
Annual required contribution	\$ 50,100	\$ 192,300	\$ 800
Interest on net OPEB obligation	10,500	9,200	300
Adjustment to annual required contribution	(10,600)	(9,300)	(300)
Annual OPEB cost (expense)	\$ 50,000	\$ 192,200	\$ 800
Estimated contributions made	(39,800)	(181,600)	-
Increase in net OPEB obligation	\$ 10,200	\$ 10,600	\$ 800
Net OPEB obligation, beginning of year	246,300	216,500	7,000
Net OPEB obligation, end of year	\$ <u>256,500</u>	\$ <u>227,100</u>	\$ <u>7,800</u>

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

For 2017, the County, School Board's, and Library's expected cash payments of \$39,800, \$181,600, and \$0, respectively were \$10,200, \$10,600, and \$800 less than the OPEB cost, respectively. The County's and component units' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017, 2016 and 2015 are as follows:

County:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 50,100	37%	\$ 223,700
June 30, 2016	52,300	57%	246,300
June 30, 2017	50,000	80%	256,500

School Board:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 268,100	82%	\$ 184,900
June 30, 2016	273,200	88%	216,500
June 30, 2017	192,200	94%	227,100

Regional Library:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 1,000	0%	\$ 6,000
June 30, 2016	1,000	0%	7,000
June 30, 2017	800	0%	7,800

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)**D. Funded Status and Funding Progress: (Continued)**

The funded status of the plan as of June 30, 2017 (based on the July 1, 2016 valuation) is as follows:

	<u>County</u>	<u>School Board</u>	<u>Regional Library</u>
Actuarial accrued liability (AAL)	\$ 636,100	\$ 2,483,000	\$ 9,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability	636,100	2,483,000	9,000
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Covered payroll (active plan members)	N/A	N/A	N/A
UAAL as a percentage of covered payroll	N/A	N/A	N/A

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. 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 revisions 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. In the July 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.25% investment rate of return. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a period of 30 years.

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 the 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, 2016, the most recent actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.25 percent investment rate of return and an annual healthcare cost trend rate of 7.00 percent initially, reduced by decrements to an ultimate rate of 5 percent. Both rates included a 2.50 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2016 was 30 years.

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

E. Actuarial Methods and Assumptions: (Continued)

Cost Method

The entry age normal cost method is used to determine the plan’s funding liabilities and costs. Under this cost method, the actuarial present value of projected benefits of every active participant as if the plan’s provisions on the valuation date had always been in effect, is determined as a level percentage of expected annual earnings for each future year of expected service. A normal cost for each year from the assumed entry date is determined by applying this level percentage of pay to the assumed earnings for that year (or if benefits are not pay related, the level amount for each year).

Under these methods, inactive participants have no normal cost, and their actuarial liability is the present value of the plan benefits to which they and their beneficiaries are entitled. The plan’s total annual normal cost and actuarial liability are the sum of the individual participant amounts.

An experience gain or loss is a decrease or increase in the unfunded actuarial liability attributable to actual experience that differed from that expected by the actuarial assumptions. Such gains or losses are explicitly recognized under this method.

Assumptions

Discount rate (unfunded)	4.25%
Amortization payment increase rate	2.50%
Amortization period	30 years
Health care trend rates	7% - 5%

VRS Health Insurance Credit Program

A. Plan Description

The County and School Board participate 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 either the County or School Board 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.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

VRS Health Insurance Credit Program: (Continued)

A. Plan Description: (Continued)

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.

B. Funding Policy

As a participating local political subdivision, the County and School Board are 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 and School Board's nonprofessional contribution rate for the fiscal year ended June 30, 2017 was .1106% and .64%, respectively, 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 and School Board are 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.

For 2017, the County and School Board's contribution of \$8,725 and \$13,167, respectively, was equal to the ARC and OPEB cost. The 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:

	<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
County:				
	June 30, 2017	\$ 8,725	100%	\$ -
	June 30, 2016	7,343	100%	-
	June 30, 2015	7,688	100%	-
School Board (nonprofessional):				
	June 30, 2017	\$ 13,167	100%	\$ -
	June 30, 2016	12,001	100%	-
	June 30, 2015	15,236	100%	-

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)**VRS Health Insurance Credit Program: (Continued)****D. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, is as follows:

	<u>County</u>	<u>School Board</u>
Actuarial accrued liability (AAL)	\$ 169,888	\$ 298,107
Actuarial value of plan assets	99,193	109,621
Unfunded actuarial accrued liability (UAAL)	70,695	188,486
Funded Ratio (actuarial value of plan assets / AAL)	58.39%	36.77%
Covered payroll (active plan members)	3,763,973	1,807,445
UAAL as a percentage of covered payroll	1.88%	10.43%

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.

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 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2016 was 18-27 years.

COUNTY OF HALIFAX, VIRGINIA

Notes to Financial Statements
June 30, 2017 (Continued)

Note 16—Other Postemployment Benefits—Health Insurance: (Continued)

VRS Health Insurance Credit Program: (Continued)

F. Professional Employees - Discretely Presented Component Unit School Board

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.

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 1.11% of annual covered payroll. The School Board's contribution to VRS for the year ended June 30, 2017, 2016 and 2015 was \$326,396, \$297,730 and \$283,599, respectively, and equaled the required contributions for each year.

Note 17—Restricted Cash:

Cash is temporarily restricted for the following purposes:

Asset forfeiture	\$	94,314
Unexpended debt proceeds		18,063,310

Note 19—Upcoming Pronouncements:

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

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

Note 19—Upcoming Pronouncements: (Continued)

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

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

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

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

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

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Required Supplementary Information

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 26,616,902	\$ 26,780,498	\$ 26,818,027	\$ 37,529
Other local taxes	6,508,749	6,508,749	6,680,061	171,312
Permits, privilege fees, and regulatory licenses	168,000	168,000	173,170	5,170
Fines and forfeitures	72,000	72,000	111,148	39,148
Revenue from the use of money and property	282,594	282,594	290,120	7,526
Charges for services	448,750	448,750	422,112	(26,638)
Miscellaneous	75,554	181,974	268,432	86,458
Recovered costs	224,750	404,722	458,276	53,554
Intergovernmental:				
Local government	151,000	151,000	160,910	9,910
Commonwealth	5,838,758	5,864,810	5,877,421	12,611
Federal	40,000	40,000	60,902	20,902
Total revenues	\$ 40,427,057	\$ 40,903,097	\$ 41,320,579	\$ 417,482
EXPENDITURES				
Current:				
General government administration	\$ 2,353,216	\$ 2,381,791	\$ 2,276,628	\$ 105,163
Judicial administration	1,712,914	1,797,443	1,715,575	81,868
Public safety	8,267,527	8,440,775	7,961,478	479,297
Public works	3,391,404	3,469,517	2,962,589	506,928
Health and welfare	396,199	396,199	433,955	(37,756)
Education	13,842,315	13,895,033	13,899,081	(4,048)
Parks, recreation, and cultural	462,016	462,016	415,325	46,691
Community development	1,240,803	1,277,996	1,174,857	103,139
Nondepartmental	193,700	194,300	112,162	82,138
Debt service:				
Principal retirement	3,572,757	3,572,757	3,572,757	-
Interest and other fiscal charges	1,860,623	1,860,623	2,167,553	(306,930)
Total expenditures	\$ 37,293,474	\$ 37,748,450	\$ 36,691,960	\$ 1,056,490
Excess (deficiency) of revenues over (under) expenditures	\$ 3,133,583	\$ 3,154,647	\$ 4,628,619	\$ 1,473,972
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,086,214)	\$ (2,873,917)	\$ (2,479,314)	\$ 394,603
Total other financing sources (uses)	\$ (2,086,214)	\$ (2,873,917)	\$ (2,479,314)	\$ 394,603
Net change in fund balances	\$ 1,047,369	\$ 280,730	\$ 2,149,305	\$ 1,868,575
Fund balances - beginning	(1,047,369)	(280,730)	20,629,545	20,910,275
Fund balances - ending	\$ -	\$ -	\$ 22,778,850	\$ 22,778,850

Virginia Public Assistance Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 42,597	\$ 42,597
Intergovernmental:				
Commonwealth	3,475,251	3,475,251	3,083,719	(391,532)
Federal	2,315,131	2,315,131	2,460,843	145,712
Total revenues	<u>\$ 5,790,382</u>	<u>\$ 5,790,382</u>	<u>\$ 5,587,159</u>	<u>\$ (203,223)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 7,636,616	\$ 7,636,616	\$ 7,045,258	\$ 591,358
Total expenditures	<u>\$ 7,636,616</u>	<u>\$ 7,636,616</u>	<u>\$ 7,045,258</u>	<u>\$ 591,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,846,234)</u>	<u>\$ (1,846,234)</u>	<u>\$ (1,458,099)</u>	<u>\$ 388,135</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,846,234	\$ 1,846,234	\$ 1,458,099	\$ (388,135)
Total other financing sources (uses)	<u>\$ 1,846,234</u>	<u>\$ 1,846,234</u>	<u>\$ 1,458,099</u>	<u>\$ (388,135)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF HALIFAX, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios

Primary Government and Component Units Halifax County Industrial Development Authority and

Halifax County Regional Library

For the Years Ended June 30, 2015 through June 30, 2017

	2016		
	Primary Government	Industrial Development Authority	Regional Library
Total pension liability			
Service cost	\$ 779,075	\$ 24,243	\$ 14,854
Interest	2,313,571	71,994	44,111
Differences between expected and actual experience	(112,741)	(3,508)	(2,150)
Benefit payments, including refunds of employee contributions	(1,656,210)	(51,537)	(31,577)
Net change in total pension liability	\$ 1,323,695	\$ 41,192	\$ 25,238
Total pension liability - beginning	33,879,195	1,054,238	645,931
Total pension liability - ending (a)	<u>\$ 35,202,890</u>	<u>\$ 1,095,430</u>	<u>\$ 671,169</u>
Plan fiduciary net position			
Contributions - employer	\$ 673,810	\$ 20,968	\$ 12,847
Contributions - employee	358,651	11,160	6,838
Net investment income	555,064	17,273	10,583
Benefit payments, including refunds of employee contributions	(1,656,210)	(51,537)	(31,577)
Administrative expense	(20,213)	(629)	(385)
Other	(234)	(7)	(5)
Net change in plan fiduciary net position	\$ (89,132)	\$ (2,772)	\$ (1,699)
Plan fiduciary net position - beginning	32,376,035	1,007,463	617,272
Plan fiduciary net position - ending (b)	<u>\$ 32,286,903</u>	<u>\$ 1,004,691</u>	<u>\$ 615,573</u>
Net pension liability - ending (a) - (b)	\$ 2,915,987	\$ 90,739	\$ 55,596
Plan fiduciary net position as a percentage of the total pension liability	91.72%	91.72%	91.72%
Covered payroll	\$ 7,269,350	\$ 249,134	\$ 161,325
Net pension liability as a percentage of covered payroll	40.11%	36.42%	34.46%

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.

2015			2014		
Primary Government	Industrial Development Authority	Regional Library	Primary Government	Industrial Development Authority	Regional Library
\$ 825,925	\$ 25,702	\$ 15,747	\$ 826,346	\$ 25,713	\$ 15,754
2,214,719	68,917	42,226	2,135,142	66,438	40,706
198,493	6,177	3,784	-	-	-
(1,997,565)	(62,160)	(38,086)	(1,651,739)	(51,396)	(31,490)
\$ 1,241,572	\$ 38,636	\$ 23,671	\$ 1,309,749	\$ 40,755	\$ 24,970
32,637,623	1,015,602	622,260	31,327,890	974,818	597,259
\$ 33,879,195	\$ 1,054,238	\$ 645,931	\$ 32,637,639	\$ 1,015,573	\$ 622,229
\$ 678,950	\$ 21,128	\$ 12,945	\$ 790,792	\$ 24,607	\$ 15,076
363,627	11,315	6,933	367,756	11,443	7,011
1,448,398	45,071	27,615	4,392,966	136,694	83,751
(1,997,565)	(62,160)	(38,086)	(1,651,739)	(51,396)	(31,490)
(20,446)	(636)	(390)	(23,867)	(743)	(455)
(303)	(9)	(6)	232	7	4
\$ 472,661	\$ 14,709	\$ 9,011	\$ 3,876,140	\$ 120,612	\$ 73,897
31,903,374	992,754	608,261	28,027,250	872,113	534,333
\$ 32,376,035	\$ 1,007,463	\$ 617,272	\$ 31,903,390	\$ 992,725	\$ 608,230
\$ 1,503,160	\$ 46,775	\$ 28,659	\$ 734,249	\$ 22,848	\$ 13,999
95.56%	95.56%	95.56%	97.75%	97.75%	97.75%
\$ 7,348,452	\$ 228,433	\$ 140,456	\$ 7,410,339	\$ 230,587	\$ 141,278
20.46%	20.48%	20.40%	9.91%	9.91%	9.91%

Schedule of Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 234,268	\$ 325,663	\$ 332,205
Interest	949,873	936,401	905,803
Differences between expected and actual experience	(781,526)	(183,885)	-
Benefit payments, including refunds of employee contributions	(918,376)	(853,050)	(748,730)
Net change in total pension liability	\$ (515,761)	\$ 225,129	\$ 489,278
Total pension liability - beginning	14,028,808	13,803,679	13,314,401
Total pension liability - ending (a)	\$ 13,513,047	\$ 14,028,808	\$ 13,803,679
Plan fiduciary net position			
Contributions - employer	\$ 203,113	\$ 234,453	\$ 217,625
Contributions - employee	91,360	106,219	148,448
Net investment income	198,450	546,114	1,699,873
Benefit payments, including refunds of employee contributions	(918,376)	(853,050)	(748,730)
Administrative expense	(7,852)	(7,872)	(9,403)
Other	(87)	(115)	90
Net change in plan fiduciary net position	\$ (433,392)	\$ 25,749	\$ 1,307,903
Plan fiduciary net position - beginning	12,306,115	12,280,366	10,972,463
Plan fiduciary net position - ending (b)	\$ 11,872,723	\$ 12,306,115	\$ 12,280,366
School Division's net pension liability - ending (a) - (b)	\$ 1,640,324	\$ 1,722,693	\$ 1,523,313
Plan fiduciary net position as a percentage of the total pension liability	87.86%	87.72%	88.96%
Covered payroll	\$ 1,868,079	\$ 2,143,702	\$ 2,946,669
School Division's net pension liability as a percentage of covered payroll	87.81%	80.36%	51.70%

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.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.36974%	0.36544%	0.37552%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 51,816,000	\$ 45,996,000	\$ 45,380,000
Employer's Covered Payroll	28,206,524	26,974,861	27,484,133
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	183.70%	170.51%	165.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.28%	70.88%	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.

Schedule of Employer Contributions
For the Year Ended June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2015	\$ 687,092	\$ 687,092	\$ -	\$ 7,348,452	9.35%
2016	670,634	670,634	-	7,269,350	9.23%
2017	530,187	530,187	-	7,511,881	7.06%
Component Unit Industrial Development Authority					
2015	\$ 21,380	\$ 21,380	\$ -	\$ 228,433	9.36%
2016	22,986	22,986	-	249,134	9.23%
2017	16,123	16,123	-	233,563	6.90%
Component Unit Regional Library					
2015	\$ 13,099	\$ 13,099	\$ -	\$ 140,456	9.33%
2016	14,883	14,883	-	161,325	9.23%
2017	9,588	9,588	-	145,187	6.60%
Component Unit School Board (nonprofessional)					
2015	\$ 235,378	\$ 235,378	\$ -	\$ 2,143,702	10.98%
2016	203,679	203,679	-	1,868,079	10.90%
2017	157,793	157,793	-	1,731,405	9.11%
Component Unit School Board (professional)					
2015	\$ 3,753,274	\$ 3,753,274	\$ -	\$ 26,974,861	13.91%
2016	3,927,810	3,927,810	-	28,206,524	13.93%
2017	4,281,961	4,281,961	-	27,984,897	15.30%

Schedule is intended to show information for 10 years. 2015 is the first year for this presentation, no other data is available. Additional years will be included as available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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

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

Largest 10 – Non-LEOS:

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

Largest 10 – LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) – LEOS:

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

Component Unit School Board - Professional Employees

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

Schedule of OPEB Funding Progress

County:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 509,500	\$ 509,500	0.00%	\$ n/a	n/a
7/1/2014	-	541,400	541,400	0.00%	n/a	n/a
7/1/2016	-	636,100	636,100	0.00%	n/a	n/a

School Board:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 3,136,700	\$ 3,136,700	0.00%	\$ n/a	n/a
7/1/2014	-	3,181,200	3,181,200	0.00%	n/a	n/a
7/1/2016	-	2,483,000	2,483,000	0.00%	n/a	n/a

Regional Library:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2014	\$ -	\$ 11,400	\$ 11,400	0.00%	\$ n/a	n/a
7/1/2014	-	12,400	12,400	0.00%	n/a	n/a
7/1/2016	-	9,000	9,000	0.00%	n/a	n/a

County - VRS Health Insurance Credit Program:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2014	\$ 103,378	\$ 154,512	\$ 51,134	66.91%	\$ 3,975,154	1.29%
6/30/2015	102,920	167,317	64,397	61.51%	3,702,290	1.74%
6/30/2016	99,193	169,888	70,695	58.39%	3,763,973	1.88%

School Board - VRS Health Insurance Credit Program:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2014	\$ 132,554	\$ 364,746	\$ 232,192	36.34%	\$ 2,946,669	7.88%
6/30/2015	125,076	329,128	204,052	38.00%	2,118,543	9.63%
6/30/2016	109,621	298,107	188,486	36.77%	1,807,445	10.43%

Other Supplementary Information

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Combining and Individual Fund Financial Statements and Schedules

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Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
County Capital Projects Fund
For the Year Ended June 30, 2017

County Capital Projects Fund					
					Variance with Final Budget Positive (Negative)
Budgeted Amounts					
	Original	Final	Actual		
REVENUES					
Revenue from the use of money and property	\$ -	\$ 5,000	\$ 82,451	\$	77,451
Miscellaneous	-	-	17,757		17,757
Total revenues	\$ -	\$ 5,000	\$ 100,208	\$	95,208
EXPENDITURES					
Capital projects	\$ 340,000	\$ 19,755,287	\$ 1,363,967	\$	18,391,320
Debt service:					
Interest and other fiscal charges	-	-	197,318		(197,318)
Total expenditures	\$ 340,000	\$ 19,755,287	\$ 1,561,285	\$	18,194,002
Excess (deficiency) of revenues over (under)					
expenditures	\$ (340,000)	\$ (19,750,287)	\$ (1,461,077)	\$	18,289,210
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 233,511	\$ 886,605	\$ 1,000,478	\$	113,873
Issuance of lease revenue bonds	-	14,455,000	14,455,000		-
Premium on issuance of bonds	-	2,312,600	2,509,919		197,319
Total other financing sources (uses)	\$ 233,511	\$ 17,654,205	\$ 17,965,397	\$	311,192
Net change in fund balances					
Fund balances - beginning	106,489	2,096,082	2,076,142		(19,940)
Fund balances - ending	\$ -	\$ -	\$ 18,580,462	\$	18,580,462

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 898,911	\$ 898,911
Due from other funds	4,261	4,261
Due from other governmental units	2,329	2,329
Total assets	<u>\$ 905,501</u>	<u>\$ 905,501</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 8,162	\$ 8,162
Total liabilities	<u>\$ 8,162</u>	<u>\$ 8,162</u>
Fund balances:		
Committed:		
Future projects/grant matching	\$ 417,090	\$ 417,090
Airport operations	480,249	480,249
Total fund balances	<u>\$ 897,339</u>	<u>\$ 897,339</u>
Total liabilities and fund balances	<u>\$ 905,501</u>	<u>\$ 905,501</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES		
Revenue from the use of money and property	\$ 54,825	\$ 54,825
Miscellaneous	30,049	30,049
Intergovernmental:		
Commonwealth	935,736	935,736
Federal	313,045	313,045
Total revenues	<u>\$ 1,333,655</u>	<u>\$ 1,333,655</u>
EXPENDITURES		
Current:		
Judicial administration	\$ 118,018	\$ 118,018
Public safety	517,309	517,309
Parks, recreation, and cultural	10,000	10,000
Community development	81,251	81,251
Capital projects	674,250	674,250
Total expenditures	<u>\$ 1,400,828</u>	<u>\$ 1,400,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (67,173)</u>	<u>\$ (67,173)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	\$ 20,737	\$ 20,737
Total other financing sources (uses)	<u>\$ 20,737</u>	<u>\$ 20,737</u>
Net change in fund balances	\$ (46,436)	\$ (46,436)
Fund balances - beginning	943,775	943,775
Fund balances - ending	<u><u>\$ 897,339</u></u>	<u><u>\$ 897,339</u></u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2017

	State and Federal Grants Fund	William M. Tuck Airport Fund	Total
ASSETS			
Cash and cash equivalents	\$ 416,348	\$ 482,563	\$ 898,911
Due from other funds	4,261	-	4,261
Due from other governmental units	2,329	-	2,329
Total assets	<u>\$ 422,938</u>	<u>\$ 482,563</u>	<u>\$ 905,501</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,848	\$ 2,314	\$ 8,162
Total liabilities	<u>\$ 5,848</u>	<u>\$ 2,314</u>	<u>\$ 8,162</u>
Fund balances:			
Committed:			
Future projects/grant matching	\$ 417,090	\$ -	\$ 417,090
Airport operations	-	480,249	480,249
Total fund balances	<u>\$ 417,090</u>	<u>\$ 480,249</u>	<u>\$ 897,339</u>
Total liabilities and fund balances	<u>\$ 422,938</u>	<u>\$ 482,563</u>	<u>\$ 905,501</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2017

	State and Federal Grants Fund	William M. Tuck Airport Fund	Total
REVENUES			
Revenue from the use of money and property	\$ -	\$ 54,825	\$ 54,825
Miscellaneous	30,049	-	30,049
Intergovernmental:			
Commonwealth	581,400	354,336	935,736
Federal	44,957	268,088	313,045
Total revenues	<u>\$ 656,406</u>	<u>\$ 677,249</u>	<u>\$ 1,333,655</u>
EXPENDITURES			
Current:			
Judicial administration	\$ 118,018	\$ -	\$ 118,018
Public safety	517,309	-	517,309
Parks, recreation, and cultural	10,000	-	10,000
Community development	22,274	58,977	81,251
Capital projects	-	674,250	674,250
Total expenditures	<u>\$ 667,601</u>	<u>\$ 733,227</u>	<u>\$ 1,400,828</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,195)</u>	<u>\$ (55,978)</u>	<u>\$ (67,173)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 20,737	\$ -	\$ 20,737
Total other financing sources (uses)	<u>\$ 20,737</u>	<u>\$ -</u>	<u>\$ 20,737</u>
Net change in fund balances	\$ 9,542	\$ (55,978)	\$ (46,436)
Fund balances - beginning	407,548	536,227	943,775
Fund balances - ending	<u><u>\$ 417,090</u></u>	<u><u>\$ 480,249</u></u>	<u><u>\$ 897,339</u></u>

COUNTY OF HALIFAX, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	State and Federal Grants Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	180	30,049	29,869
Intergovernmental:				
Commonwealth	588,238	637,008	581,400	(55,608)
Federal	-	104,604	44,957	(59,647)
Total revenues	\$ 588,238	\$ 741,792	\$ 656,406	\$ (85,386)
EXPENDITURES				
Current:				
Judicial administration	\$ 58,916	\$ 215,051	\$ 118,018	\$ 97,033
Public safety	507,791	525,946	517,309	8,637
Parks, recreation, and cultural	10,000	10,000	10,000	-
Community development	18,000	35,500	22,274	13,226
Capital projects	-	-	-	-
Total expenditures	\$ 594,707	\$ 786,497	\$ 667,601	\$ 118,896
Excess (deficiency) of revenues over (under) expenditures	\$ (6,469)	\$ (44,705)	\$ (11,195)	\$ 33,510
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 6,469	\$ 27,205	\$ 20,737	\$ (6,468)
Total other financing sources (uses)	\$ 6,469	\$ 27,205	\$ 20,737	\$ (6,468)
Net change in fund balances	\$ -	\$ (17,500)	\$ 9,542	\$ 27,042
Fund balances - beginning	-	17,500	407,548	390,048
Fund balances - ending	\$ -	\$ -	\$ 417,090	\$ 417,090

William M. Tuck Airport Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ 60,000	\$ 60,000	\$ 54,825	\$	(5,175)
-	-	-		-
-	-	354,336		354,336
-	-	268,088		268,088
<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 677,249</u>	<u>\$</u>	<u>617,249</u>
\$ -	\$ -	\$ -	\$	-
-	-	-		-
-	-	-		-
60,000	60,000	58,977		1,023
-	-	674,250		(674,250)
<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 733,227</u>	<u>\$</u>	<u>(673,227)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (55,978)</u>	<u>\$</u>	<u>(55,978)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>-</u>
\$ -	\$ -	\$ (55,978)	\$	(55,978)
-	-	536,227		536,227
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 480,249</u>	<u>\$</u>	<u>480,249</u>

Combining Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Agency Funds				Total
	Special Welfare	Halifax County War Memorial	Heritage Festival	Health Savings Account	
ASSETS					
Cash and cash equivalents	\$ 95,697	\$ 14,043	\$ 108,557	\$ 1,261	\$ 219,558
LIABILITIES					
Amounts held for social services clients	\$ 95,697	\$ -	\$ -	\$ -	\$ 95,697
Amounts held for employees	-	-	-	1,261	1,261
Amounts held for other organizations	-	14,043	108,557	-	122,600
Total liabilities	\$ 95,697	\$ 14,043	\$ 108,557	\$ 1,261	\$ 219,558

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2017

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	\$ 67,109	\$ 103,098	\$ 74,510	\$ 95,697
Liabilities:				
Amounts held for social service clients	\$ 67,109	\$ 103,098	\$ 74,510	\$ 95,697
Heritage Festival:				
Assets:				
Cash and cash equivalents	\$ 132,439	\$ 32,353	\$ 56,235	\$ 108,557
Liabilities:				
Amounts held for other organizations	\$ 132,439	\$ 32,353	\$ 56,235	\$ 108,557
Halifax County War Memorial:				
Assets:				
Cash and cash equivalents	\$ 14,043	\$ -	\$ -	\$ 14,043
Liabilities:				
Accrued liabilities	\$ 14,043	\$ -	\$ -	\$ 14,043
Undistributed Local Sales Tax Fund:				
Assets:				
Cash and cash equivalents	\$ -	\$ 475,163	\$ 475,163	\$ -
Liabilities:				
Amounts held for other organizations	\$ -	\$ 475,163	\$ 475,163	\$ -
Health Savings Account Fund:				
Assets:				
Cash and cash equivalents	\$ 1,439	\$ 8,950	\$ 9,128	\$ 1,261
Liabilities:				
Amounts held for employees	\$ 1,439	\$ 8,950	\$ 9,128	\$ 1,261
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	\$ 215,030	\$ 619,564	\$ 615,036	\$ 219,558
Liabilities:				
Amounts held for social service clients	\$ 67,109	\$ 103,098	\$ 74,510	\$ 95,697
Amounts held for employees	1,439	8,950	9,128	1,261
Amounts held for other organizations	146,482	507,516	531,398	122,600
Total liabilities	\$ 215,030	\$ 619,564	\$ 615,036	\$ 219,558

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Discretely Presented Component Units

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2017

	School Operating Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,905,638	\$ 299,226	\$ 594,369	\$ 3,799,233
Receivables (net of allowance for uncollectibles):				
Accounts receivable	335,984	-	-	335,984
Due from other funds	32,056	-	-	32,056
Due from other governmental units	3,306,484	-	-	3,306,484
Prepaid items	571,537	-	-	571,537
Total assets	<u>\$ 7,151,699</u>	<u>\$ 299,226</u>	<u>\$ 594,369</u>	<u>\$ 8,045,294</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 49,929	\$ -	\$ 151,650	\$ 201,579
Accrued liabilities	2,935,760	-	56,896	2,992,656
Due to other funds	-	-	32,056	32,056
Due to primary government	4,166,010	-	-	4,166,010
Total liabilities	<u>\$ 7,151,699</u>	<u>\$ -</u>	<u>\$ 240,602</u>	<u>\$ 7,392,301</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 571,537	\$ -	\$ -	\$ 571,537
Committed:				
Education - major capital projects	-	299,226	-	299,226
Education - food service	-	-	373,560	373,560
Unassigned	(571,537)	-	(19,793)	(591,330)
Total fund balances	<u>\$ -</u>	<u>\$ 299,226</u>	<u>\$ 353,767</u>	<u>\$ 652,993</u>
Total liabilities and fund balances	<u>\$ 7,151,699</u>	<u>\$ 299,226</u>	<u>\$ 594,369</u>	<u>\$ 8,045,294</u>

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances per above \$ 652,993

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

Capital assets	\$ 57,436,634	
Accumulated depreciation	(30,848,026)	26,588,608

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

Items related to measurement of net pension liability - deferred inflows of resources (3,569,739)

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.

4,439,754

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net OPEB obligation	\$ (227,100)	
Net pension liability	(53,456,324)	
Items related to measurement of net pension liability - deferred outflows	3,745,662	
Capital lease	(324,513)	
Compensated absences	(780,595)	(51,042,870)

Net position of governmental activities \$ (22,931,254)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	School Operating Fund	School Capital Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Charges for services	\$ 35,918	\$ -	\$ 779,421	\$ 815,339
Miscellaneous	768,787	-	-	768,787
Intergovernmental:				
Local government	13,766,125	52,718	-	13,818,843
Commonwealth	34,956,182	-	39,565	34,995,747
Federal	4,775,411	-	2,059,962	6,835,373
Total revenues	<u>\$ 54,302,423</u>	<u>\$ 52,718</u>	<u>\$ 2,878,948</u>	<u>\$ 57,234,089</u>
EXPENDITURES				
Current:				
Education	\$ 54,132,935	\$ -	\$ 3,168,602	\$ 57,301,537
Capital projects	-	-	-	-
Debt service:				
Principal retirement	104,554	-	-	104,554
Interest and other fiscal charges	7,337	-	-	7,337
Total expenditures	<u>\$ 54,244,826</u>	<u>\$ -</u>	<u>\$ 3,168,602</u>	<u>\$ 57,413,428</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 57,597</u>	<u>\$ 52,718</u>	<u>\$ (289,654)</u>	<u>\$ (179,339)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 57,597	\$ 57,597
Transfers out	(57,597)	-	-	(57,597)
Total other financing sources (uses)	<u>\$ (57,597)</u>	<u>\$ -</u>	<u>\$ 57,597</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ 52,718	\$ (232,057)	\$ (179,339)
Fund balances - beginning	-	246,508	585,824	832,332
Fund balances - ending	<u>\$ -</u>	<u>\$ 299,226</u>	<u>\$ 353,767</u>	<u>\$ 652,993</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 \$ (179,339)

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 capital outlays exceeded depreciation expense in the current period.

Net transfer of joint tenancy assets	\$ 2,348,584	
Depreciation expense	(1,387,558)	961,026

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 assets. Also, governmental funds report the effect of issuance costs, 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.

Principal payments	104,554
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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	2,308,636
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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 net OPEB obligation	\$ (10,600)	
Increase (decrease) in deferred outflows related to pension	4,053,927	
(Increase) decrease in net pension liability	(5,737,631)	
(Increase) decrease in compensated absences	(52,124)	(1,746,428)

Change in net assets of governmental activities	\$ 1,448,449
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COUNTY OF HALIFAX, 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, 2017

	School Operating Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ -	\$ -	\$ 35,918	\$ 35,918
Miscellaneous	-	-	768,787	768,787
Intergovernmental:				
Local government	13,762,077	13,762,077	13,766,125	4,048
Commonwealth	34,350,920	34,350,920	34,956,182	605,262
Federal	6,691,669	6,691,669	4,775,411	(1,916,258)
Total revenues	<u>\$ 54,804,666</u>	<u>\$ 54,804,666</u>	<u>\$ 54,302,423</u>	<u>\$ (502,243)</u>
EXPENDITURES				
Current:				
Education	\$ 54,838,913	\$ 54,838,913	\$ 54,132,935	\$ 705,978
Debt service:				
Principal retirement	-	-	104,554	(104,554)
Interest and other fiscal charges	-	-	7,337	(7,337)
Total expenditures	<u>\$ 54,838,913</u>	<u>\$ 54,838,913</u>	<u>\$ 54,244,826</u>	<u>\$ 594,087</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (34,247)</u>	<u>\$ (34,247)</u>	<u>\$ 57,597</u>	<u>\$ 91,844</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (57,597)	\$ (57,597)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,597)</u>	<u>\$ (57,597)</u>
Net change in fund balances	\$ (34,247)	\$ (34,247)	\$ -	\$ 34,247
Fund balances - beginning	34,247	34,247	-	(34,247)
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

School Capital Projects Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ -	\$ -	\$ -	\$	-
-	-	-		-
-	-	52,718		52,718
-	-	-		-
-	-	-		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,718</u>	<u>\$</u>	<u>52,718</u>
\$ -	\$ -	\$ -	\$	-
-	-	-		-
-	-	-		-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>	<u>-</u>
\$ -	\$ -	\$ 52,718	\$	52,718
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ 52,718	\$	52,718
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ 52,718	\$	52,718
-	-	246,508		246,508
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,226</u>	<u>\$</u>	<u>299,226</u>

Combining Balance Sheet

Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board

June 30, 2017

	School Cafeteria Fund	School Textbook Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 430,456	\$ 163,913	\$ 594,369
Total assets	\$ <u>430,456</u>	\$ <u>163,913</u>	\$ <u>594,369</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 151,650	\$ 151,650
Accrued liabilities	56,896	-	56,896
Due to other funds	-	32,056	32,056
Total liabilities	\$ <u>56,896</u>	\$ <u>183,706</u>	\$ <u>240,602</u>
Fund balances:			
Committed:			
Education - food service	\$ 373,560	\$ -	\$ 373,560
Education - textbooks	-	(19,793)	(19,793)
Total fund balances	\$ <u>373,560</u>	\$ <u>(19,793)</u>	\$ <u>353,767</u>
Total liabilities and fund balances	\$ <u>430,456</u>	\$ <u>163,913</u>	\$ <u>594,369</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2017

	School Cafeteria Fund	School Textbook Fund	Total
REVENUES			
Charges for services	\$ 770,293	\$ 9,128	\$ 779,421
Intergovernmental:			
Commonwealth	39,565	-	39,565
Federal	2,059,962	-	2,059,962
Total revenues	<u>\$ 2,869,820</u>	<u>\$ 9,128</u>	<u>\$ 2,878,948</u>
EXPENDITURES			
Current:			
Education	\$ 2,634,601	\$ 534,001	\$ 3,168,602
Total expenditures	<u>\$ 2,634,601</u>	<u>\$ 534,001</u>	<u>\$ 3,168,602</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 235,219</u>	<u>\$ (524,873)</u>	<u>\$ (289,654)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 57,597	\$ -	\$ 57,597
Total other financing sources (uses)	<u>\$ 57,597</u>	<u>\$ -</u>	<u>\$ 57,597</u>
Net change in fund balances	\$ 292,816	\$ (524,873)	\$ (232,057)
Fund balances - beginning	80,744	505,080	585,824
Fund balances - ending	<u>\$ 373,560</u>	<u>\$ (19,793)</u>	<u>\$ 353,767</u>

COUNTY OF HALIFAX, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2017

	School Cafeteria Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,000,000	\$ 1,000,000	\$ 770,293	\$ (229,707)
Intergovernmental:				
Commonwealth	-	-	39,565	39,565
Federal	1,850,000	1,850,000	2,059,962	209,962
Total revenues	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ 2,869,820</u>	<u>\$ 19,820</u>
EXPENDITURES				
Current:				
Education	\$ 2,850,000	\$ 2,850,000	\$ 2,634,601	\$ 215,399
Total expenditures	<u>\$ 2,850,000</u>	<u>\$ 2,850,000</u>	<u>\$ 2,634,601</u>	<u>\$ 215,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235,219</u>	<u>\$ 235,219</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 57,597	\$ 57,597
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,597</u>	<u>\$ 57,597</u>
Net change in fund balances	\$ -	\$ -	\$ 292,816	\$ 292,816
Fund balances - beginning	-	-	80,744	80,744
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373,560</u>	<u>\$ 373,560</u>

Exhibit 29

School Textbook Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ -	\$ -	\$ 9,128	\$ 9,128
376,714	376,714	-	(376,714)
-	-	-	-
<u>\$ 376,714</u>	<u>\$ 376,714</u>	<u>\$ 9,128</u>	<u>\$ (367,586)</u>
\$ 376,714	\$ 376,714	\$ 534,001	\$ (157,287)
<u>\$ 376,714</u>	<u>\$ 376,714</u>	<u>\$ 534,001</u>	<u>\$ (157,287)</u>
\$ -	\$ -	\$ (524,873)	\$ (524,873)
\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ (524,873)	\$ (524,873)
		505,080	505,080
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,793)</u>	<u>\$ (19,793)</u>

Balance Sheet

Discretely Presented Component Unit - Regional Library

June 30, 2017

		<u>Regional Library</u>
ASSETS		
Cash and cash equivalents	\$	20,309
Total assets	\$	<u>20,309</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$	4,300
Total liabilities		<u>4,300</u>
Fund balance:		
Assigned		
Library operations	\$	16,009
Total fund balance	\$	<u>16,009</u>
Total liabilities and fund balances	\$	<u>20,309</u>
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Total fund balances per above	\$	16,009
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Items related to measurement of net pension liability		17,313
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.		
		9,588
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Net OPEB obligation	\$	(7,800)
Items related to measurement of net pension liability		(1,528)
Net pension liability		<u>(55,596)</u> <u>(64,924)</u>
Net position of governmental activities	\$	<u>(22,014)</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Regional Library
For the Year Ended June 30, 2017

		Regional Library
REVENUES		
Charges for services	\$	40,209
Miscellaneous		21,421
Intergovernmental:		
Local government		282,500
Commonwealth		110,486
Total revenues	\$	<u>454,616</u>
EXPENDITURES		
Current:		
Parks, recreation, and cultural	\$	444,560
Total expenditures	\$	<u>444,560</u>
Excess (deficiency) of revenues over (under) expenditures	\$	<u>10,056</u>
Net change in fund balances	\$	10,056
Fund balances - beginning		5,953
Fund balances - ending	\$	<u><u>16,009</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	\$	10,056
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		15,039
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 deferred outflows related to pension payments subsequent to the measurement date	\$	(5,295)
Increase (decrease) in deferred outflows related to net pension liability		14,598
(Increase) decrease in net OPEB obligation		(800)
(Increase) decrease in net pension liability		<u>(26,937)</u>
Change in net position of governmental activities	\$	<u><u>6,661</u></u>

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 12,866,902	\$ 12,866,902	\$ 12,610,635	\$ (256,267)
Real and personal public service corporation taxes	5,157,000	5,315,296	5,408,221	92,925
Personal property taxes	6,450,000	6,450,000	6,529,117	79,117
Mobile home taxes	60,000	60,000	73,448	13,448
Machinery and tools taxes	1,318,000	1,318,000	1,367,162	49,162
Penalties and administrative fees	445,000	450,300	542,309	92,009
Interest	320,000	320,000	287,135	(32,865)
Total general property taxes	\$ 26,616,902	\$ 26,780,498	\$ 26,818,027	\$ 37,529
Other local taxes:				
Local sales and use taxes	\$ 3,000,000	\$ 3,000,000	\$ 2,988,281	\$ (11,719)
Consumers' utility taxes	880,549	880,549	939,107	58,558
Utility consumption tax	110,000	110,000	106,952	(3,048)
Business license taxes	298,200	298,200	298,485	285
Utility license taxes	45,000	45,000	43,754	(1,246)
Motor vehicle licenses	935,000	935,000	951,985	16,985
Solid waste disposal fee	600,000	600,000	634,100	34,100
Taxes on recordation and wills	165,000	165,000	216,924	51,924
Transient lodging tax	200,000	200,000	210,681	10,681
Meals tax	275,000	275,000	289,792	14,792
Total other local taxes	\$ 6,508,749	\$ 6,508,749	\$ 6,680,061	\$ 171,312
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 47,000	\$ 47,000	\$ 41,033	\$ (5,967)
Transfer fees	1,000	1,000	1,092	92
Building permits	120,000	120,000	131,045	11,045
Total permits, privilege fees, and regulatory licenses	\$ 168,000	\$ 168,000	\$ 173,170	\$ 5,170
Fines and forfeitures:				
Court fines and forfeitures	\$ 72,000	\$ 72,000	\$ 111,148	\$ 39,148
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 8,062	\$ 7,062
Revenue from use of property	281,594	281,594	282,058	464
Total revenue from use of money and property	\$ 282,594	\$ 282,594	\$ 290,120	\$ 7,526
Charges for services:				
Charges for law library	\$ 8,500	\$ 8,500	\$ 8,099	\$ (401)
Sheriff fees	2,500	2,500	(1,607)	(4,107)
Charges for courthouse maintenance	22,000	22,000	14,228	(7,772)
Courthouse construction fees	24,000	24,000	20,353	(3,647)
Charges for courthouse security	55,000	55,000	49,045	(5,955)
Charges for commonwealth's attorney	4,000	4,000	5,454	1,454
Animal redemption fees	2,000	2,000	1,671	(329)
Charges for sanitation and waste removal	\$ 309,000	\$ 309,000	\$ 293,724	\$ (15,276)
Charges for parks and recreation	6,250	6,250	10,280	4,030
Charges for planning fees	15,500	15,500	18,665	3,165
Charges for project lifesaver program	-	-	2,200	2,200
Total charges for services	\$ 448,750	\$ 448,750	\$ 422,112	\$ (26,638)

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Miscellaneous:				
Miscellaneous	\$ 56,554	\$ 85,724	\$ 175,531	\$ 89,807
County fair donations and other revenue	19,000	19,000	15,466	(3,534)
Insurance recoveries	-	74,595	74,595	-
Crime prevention collections	-	2,655	2,840	185
Total miscellaneous	\$ 75,554	\$ 181,974	\$ 268,432	\$ 86,458
Recovered costs:				
Soil and water conservation technician	\$ 109,750	\$ 129,284	\$ 122,025	\$ (7,259)
Blue Ridge Regional Jail Authority refund	115,000	207,642	207,642	-
Detention home refund	-	40,796	40,796	-
Other recovered costs	-	27,000	87,813	60,813
Total recovered costs	\$ 224,750	\$ 404,722	\$ 458,276	\$ 53,554
Total revenue from local sources	\$ 34,397,299	\$ 34,847,287	\$ 35,221,346	\$ 374,059
Intergovernmental:				
Revenue from local government:				
Town of South Boston	\$ 151,000	\$ 151,000	\$ 160,910	\$ 9,910
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 70,000	\$ 70,000	\$ 63,527	\$ (6,473)
Mobile home titling tax	40,000	40,000	59,135	19,135
Motor vehicle rental tax	8,000	8,000	3,261	(4,739)
State recordation tax	45,000	45,000	53,173	8,173
Personal property tax relief funds	1,503,234	1,503,234	1,503,234	-
Communications taxes	1,139,893	1,139,893	1,096,698	(43,195)
Total noncategorical aid	\$ 2,806,127	\$ 2,806,127	\$ 2,779,028	\$ (27,099)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 454,176	\$ 456,683	\$ 476,665	\$ 19,982
Drug prosecutor	123,100	123,100	120,824	(2,276)
Sheriff	1,582,678	1,561,559	1,512,930	(48,629)
Commissioner of revenue	131,544	130,832	138,188	7,356
Treasurer	119,598	118,744	117,217	(1,527)
Registrar/electoral board	40,043	40,043	41,896	1,853
Clerk of the Circuit Court	307,668	336,898	334,054	(2,844)
Total shared expenses	\$ 2,758,807	\$ 2,767,859	\$ 2,741,774	\$ (26,085)
Other categorical aid:				
Emergency medical services grants	\$ 122,000	\$ 124,550	\$ 109,993	\$ (14,557)
Virginia juvenile community crime control act grant	61,824	61,824	63,762	1,938
Fire program funds	70,000	84,450	170,094	85,644
Other state funds	20,000	20,000	12,770	(7,230)
Total other categorical aid	\$ 273,824	\$ 290,824	\$ 356,619	\$ 65,795
Total categorical aid	\$ 3,032,631	\$ 3,058,683	\$ 3,098,393	\$ 39,710
Total revenue from the Commonwealth	\$ 5,838,758	\$ 5,864,810	\$ 5,877,421	\$ 12,611

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the federal government:				
Noncategorical aid:				
Payments in lieu of taxes	\$ 40,000	\$ 40,000	\$ 44,229	\$ 4,229
Categorical aid:				
Highway planning and construction	\$ -	\$ -	\$ 16,673	\$ 16,673
Total categorical aid	\$ -	\$ -	\$ 16,673	\$ 16,673
Total revenue from the federal government	\$ 40,000	\$ 40,000	\$ 60,902	\$ 20,902
Total General Fund	\$ 40,427,057	\$ 40,903,097	\$ 41,320,579	\$ 417,482
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous	\$ -	\$ -	\$ 42,597	\$ 42,597
Total revenue from local sources	\$ -	\$ -	\$ 42,597	\$ 42,597
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,192,643	\$ 1,192,643	\$ 1,257,524	\$ 64,881
Comprehensive Services Act program	2,282,608	2,282,608	1,826,195	(456,413)
Total categorical aid	\$ 3,475,251	\$ 3,475,251	\$ 3,083,719	\$ (391,532)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,315,131	\$ 2,315,131	\$ 2,409,504	\$ 94,373
Comprehensive Services Act program - Federal	-	-	51,339	51,339
Total categorical aid	\$ 2,315,131	\$ 2,315,131	\$ 2,460,843	\$ 145,712
Total Virginia Public Assistance Fund	\$ 5,790,382	\$ 5,790,382	\$ 5,587,159	\$ (203,223)
State and Federal Grants Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ -	\$ 180	\$ 30,049	\$ 29,869
Total miscellaneous	\$ -	\$ 180	\$ 30,049	\$ 29,869
Total revenue from local sources	\$ -	\$ 180	\$ 30,049	\$ 29,869
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Litter control grant	\$ 18,000	\$ 18,000	\$ 17,606	\$ (394)
Community corrections board grant	507,791	508,841	508,841	-
Crime victims grant	57,447	57,447	21,568	(35,879)
Commission for the arts grant	5,000	5,000	5,000	-
Other state funds	-	47,720	28,385	(19,335)
Total categorical aid	\$ 588,238	\$ 637,008	\$ 581,400	\$ (55,608)
Total revenue from the Commonwealth	\$ 588,238	\$ 637,008	\$ 581,400	\$ (55,608)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Alcohol open container requirements	\$ -	\$ 17,105	\$ 14,333	\$ (2,772)
State and community highway safety	-	-	8,731	8,731
Drug forfeiture	-	87,499	5,717	(81,782)
Crime victim assistance	-	-	16,176	16,176
Total categorical aid	\$ -	\$ 104,604	\$ 44,957	\$ (59,647)
Total revenue from the federal government	\$ -	\$ 104,604	\$ 44,957	\$ (59,647)
Total State and Federal Grants Fund	\$ 588,238	\$ 741,792	\$ 656,406	\$ (85,386)
William M. Tuck Airport Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 60,000	\$ 60,000	\$ 54,825	\$ (5,175)
Total revenue from local sources	\$ 60,000	\$ 60,000	\$ 54,825	\$ (5,175)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Airport aid	\$ -	\$ -	\$ 354,336	\$ 354,336
Total categorical aid	\$ -	\$ -	\$ 354,336	\$ 354,336
Total revenue from the Commonwealth	\$ -	\$ -	\$ 354,336	\$ 354,336
Revenue from the federal government:				
Categorical aid:				
Airport aid - FAA	\$ -	\$ -	\$ 268,088	\$ 268,088
Total revenue from the federal government	\$ -	\$ -	\$ 268,088	\$ 268,088
Total William M. Tuck Airport Fund	\$ 60,000	\$ 60,000	\$ 677,249	\$ 617,249
Capital Projects Fund:				
County Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 5,000	\$ 82,451	\$ 77,451
Total revenue from use of money and property	\$ -	\$ 5,000	\$ 82,451	\$ 77,451
Miscellaneous:				
Miscellaneous	\$ -	\$ -	\$ 17,757	\$ 17,757
Total miscellaneous	\$ -	\$ -	\$ 17,757	\$ 17,757
Total revenue from local sources	\$ -	\$ 5,000	\$ 100,208	\$ 95,208
Total County Capital Projects Fund	\$ -	\$ 5,000	\$ 100,208	\$ 95,208
Total Primary Government	\$ 46,865,677	\$ 47,500,271	\$ 48,341,601	\$ 841,330

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Charges for services:				
Charges for education	\$ -	\$ -	\$ 35,918	\$ 35,918
Total charges for services	\$ -	\$ -	\$ 35,918	\$ 35,918
Miscellaneous:				
Other miscellaneous	\$ -	\$ -	\$ 768,787	\$ 768,787
Total revenue from local sources	\$ -	\$ -	\$ 804,705	\$ 804,705
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Halifax, Virginia	\$ 13,762,077	\$ 13,762,077	\$ 13,766,125	\$ 4,048
Total revenues from local governments	\$ 13,762,077	\$ 13,762,077	\$ 13,766,125	\$ 4,048
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,963,834	\$ 5,963,834	\$ 5,815,332	\$ (148,502)
Basic school aid	16,061,632	16,061,632	15,836,391	(225,241)
Medicaid	-	-	45,898	45,898
Gifted and talented	168,145	168,145	165,383	(2,762)
Remedial education	854,451	854,451	840,417	(14,034)
Special education	3,555,064	3,555,064	3,496,676	(58,388)
Textbook payment	-	-	69,290	69,290
Vocational standards of quality payments	329,427	329,427	324,016	(5,411)
Fringe benefits	3,445,256	3,445,256	3,388,671	(56,585)
Early reading intervention	102,501	102,501	107,057	4,556
K-3 Primary class	959,119	959,119	901,914	(57,205)
At risk payments	919,092	919,092	1,569,663	650,571
Other state funds	1,992,399	1,992,399	2,395,474	403,075
Total categorical aid	\$ 34,350,920	\$ 34,350,920	\$ 34,956,182	\$ 605,262
Total revenue from the Commonwealth	\$ 34,350,920	\$ 34,350,920	\$ 34,956,182	\$ 605,262
Revenue from the federal government:				
Categorical aid:				
Title I	\$ -	\$ -	\$ 2,090,093	\$ 2,090,093
Title VI-B, special education flow-through	1,473,224	1,473,224	1,460,678	(12,546)
Vocational education	-	-	97,500	97,500
Title VI-B, special education pre-school	-	-	82,292	82,292
English language acquisition grants	-	-	2,747	2,747
School improvement grants	-	-	607,867	607,867
Title II, Part A; Improving teacher quality - state grants	-	-	297,256	297,256
JROTC	-	-	18,481	18,481
Title VI, Rural and low income schools	-	-	118,269	118,269
AP incentive payments	-	-	228	228
Other federal funds	5,218,445	5,218,445	-	(5,218,445)
Total categorical aid	\$ 6,691,669	\$ 6,691,669	\$ 4,775,411	\$ (1,916,258)
Total revenue from the federal government	6,691,669	6,691,669	4,775,411	(1,916,258)
Total School Operating Fund	\$ 54,804,666	\$ 54,804,666	\$ 54,302,423	\$ (502,243)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds:				
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ 1,000,000	\$ 1,000,000	\$ 770,293	\$ (229,707)
Total revenue from local sources	\$ 1,000,000	\$ 1,000,000	\$ 770,293	\$ (229,707)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ -	\$ -	\$ 39,565	\$ 39,565
Total revenue from the Commonwealth	\$ -	\$ -	\$ 39,565	\$ 39,565
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,850,000	\$ 1,850,000	\$ 2,059,962	\$ 209,962
Total revenue from the federal government	\$ 1,850,000	\$ 1,850,000	\$ 2,059,962	\$ 209,962
Total School Cafeteria Fund	\$ 2,850,000	\$ 2,850,000	\$ 2,869,820	\$ 19,820
School Textbook Fund:				
Revenue from local sources:				
Charges for services:				
Textbook rentals	\$ -	\$ -	\$ 9,128	\$ 9,128
Total charges for services	\$ -	\$ -	\$ 9,128	\$ 9,128
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ 376,714	\$ 376,714	\$ -	\$ (376,714)
Total categorical aid	\$ 376,714	\$ 376,714	\$ -	\$ (376,714)
Total revenue from the Commonwealth	\$ 376,714	\$ 376,714	\$ -	\$ (376,714)
Total School Textbook Fund	\$ 376,714	\$ 376,714	\$ 9,128	\$ (367,586)
Capital Projects Fund:				
School Capital Improvements Fund:				
Revenue from local sources:				
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Halifax, Virginia	\$ -	\$ -	\$ 52,718	\$ 52,718
Total revenues from local governments	\$ -	\$ -	\$ 52,718	\$ 52,718
Total School Capital Improvements Fund	\$ -	\$ -	\$ 52,718	\$ 52,718
Total Discretely Presented Component Unit-School Board	\$ 58,031,380	\$ 58,031,380	\$ 57,234,089	\$ (797,291)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 221,018	\$ 231,218	\$ 207,426	\$ 23,792
General and financial administration:				
County administrator	\$ 273,372	\$ 277,595	\$ 273,126	\$ 4,469
Legal services	65,000	65,000	63,956	1,044
Commissioner of revenue	363,297	363,297	361,056	2,241
Assessment	194,881	194,881	180,079	14,802
Treasurer	437,007	442,518	430,807	11,711
Central accounting	532,940	541,451	524,160	17,291
Professional services	60,000	60,000	37,500	22,500
Total general and financial administration	\$ 1,926,497	\$ 1,944,742	\$ 1,870,684	\$ 74,058
Board of elections:				
Electoral board and officials	\$ 96,388	\$ 96,518	\$ 86,518	\$ 10,000
Registrar	109,313	109,313	112,000	(2,687)
Total board of elections	\$ 205,701	\$ 205,831	\$ 198,518	\$ 7,313
Total general government administration	\$ 2,353,216	\$ 2,381,791	\$ 2,276,628	\$ 105,163
Judicial administration:				
Courts:				
Circuit court	\$ 48,944	\$ 48,944	\$ 46,025	\$ 2,919
General district court	18,700	18,700	12,887	5,813
Special magistrates	2,400	2,400	2,246	154
Juvenile and domestic relations district court	16,150	16,150	14,128	2,022
Law library	8,500	8,500	14,504	(6,004)
Courthouse security	260,201	260,201	266,121	(5,920)
Courthouse maintenance	22,000	22,000	-	22,000
Clerk of the circuit court	531,819	578,901	553,894	25,007
Total courts	\$ 908,714	\$ 955,796	\$ 909,805	\$ 45,991
Commonwealth's attorney:				
Commonwealth's attorney	\$ 652,758	\$ 682,796	\$ 651,524	\$ 31,272
Multi-jurisdictional drug prosecutor	151,442	158,851	154,246	4,605
Total commonwealth's attorney	\$ 804,200	\$ 841,647	\$ 805,770	\$ 35,877
Total judicial administration	\$ 1,712,914	\$ 1,797,443	\$ 1,715,575	\$ 81,868
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,008,321	\$ 3,061,279	\$ 2,758,867	\$ 302,412
Emergency operations center	902,301	902,301	850,369	51,932
Total law enforcement and traffic control	\$ 3,910,622	\$ 3,963,580	\$ 3,609,236	\$ 354,344

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire department	\$ 747,001	\$ 825,617	\$ 831,585	\$ (5,968)
Ambulance and rescue services	195,775	235,234	179,623	55,611
Emergency services	118,225	108,629	107,626	1,003
Forestry service	31,887	31,887	31,887	-
Total fire and rescue services	<u>\$ 1,092,888</u>	<u>\$ 1,201,367</u>	<u>\$ 1,150,721</u>	<u>\$ 50,646</u>
Correction and detention:				
Regional jail and other corrections	<u>\$ 2,708,081</u>	<u>\$ 2,687,345</u>	<u>\$ 2,687,697</u>	<u>\$ (352)</u>
Inspections:				
Building	<u>\$ 243,822</u>	<u>\$ 257,812</u>	<u>\$ 223,176</u>	<u>\$ 34,636</u>
Other protection:				
Animal control	\$ 311,614	\$ 330,171	\$ 290,228	\$ 39,943
Medical examiner	500	500	420	80
Total other protection	<u>\$ 312,114</u>	<u>\$ 330,671</u>	<u>\$ 290,648</u>	<u>\$ 40,023</u>
Total public safety	<u>\$ 8,267,527</u>	<u>\$ 8,440,775</u>	<u>\$ 7,961,478</u>	<u>\$ 479,297</u>
Public works:				
Sanitation and waste removal:				
Public works and environmental services	\$ 2,356,192	\$ 2,400,998	\$ 2,105,637	\$ 295,361
Contribution to Halifax County Service Authority -debt service	126,488	126,488	126,488	-
Total sanitation and waste removal	<u>\$ 2,482,680</u>	<u>\$ 2,527,486</u>	<u>\$ 2,232,125</u>	<u>\$ 295,361</u>
Maintenance of general buildings and grounds:				
General properties	<u>\$ 908,724</u>	<u>\$ 942,031</u>	<u>\$ 730,464</u>	<u>\$ 211,567</u>
Total public works	<u>\$ 3,391,404</u>	<u>\$ 3,469,517</u>	<u>\$ 2,962,589</u>	<u>\$ 506,928</u>
Health and welfare:				
Health:				
Supplement of local health department	<u>\$ 249,199</u>	<u>\$ 249,199</u>	<u>\$ 249,199</u>	<u>\$ -</u>
Mental health and mental retardation:				
Community services board	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>\$ 135,000</u>	<u>\$ -</u>
Welfare:				
Tax relief for the elderly	\$ -	\$ -	\$ 37,756	\$ (37,756)
Other social services	12,000	12,000	12,000	-
Total welfare	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 49,756</u>	<u>\$ (37,756)</u>
Total health and welfare	<u>\$ 396,199</u>	<u>\$ 396,199</u>	<u>\$ 433,955</u>	<u>\$ (37,756)</u>

Schedule of Expenditures - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Education:				
Other instructional costs:				
Contributions to community colleges	\$ 80,238	\$ 80,238	\$ 80,238	\$ -
Contribution to County School Board	13,762,077	13,814,795	13,818,843	(4,048)
Total education	<u>\$ 13,842,315</u>	<u>\$ 13,895,033</u>	<u>\$ 13,899,081</u>	<u>\$ (4,048)</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 226,516	\$ 226,516	\$ 183,125	\$ 43,391
Contribution to YMCA	6,500	6,500	3,250	3,250
County fair	34,000	34,000	33,950	50
Total parks and recreation	<u>\$ 267,016</u>	<u>\$ 267,016</u>	<u>\$ 220,325</u>	<u>\$ 46,691</u>
Library:				
Contribution to county library	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 462,016</u>	<u>\$ 462,016</u>	<u>\$ 415,325</u>	<u>\$ 46,691</u>
Community development:				
Planning and community development:				
Planning and zoning	\$ 167,532	\$ 133,842	\$ 64,772	\$ 69,070
Tri-County Community Action Agency	50,766	63,459	63,459	-
Southside Planning District	45,301	45,301	45,301	-
Halifax County tourism	123,747	156,303	156,195	108
Contribution to Industrial Development Authority	543,122	543,122	523,149	19,973
Total planning and community development	<u>\$ 930,468</u>	<u>\$ 942,027</u>	<u>\$ 852,876</u>	<u>\$ 89,151</u>
Environmental management:				
Environmental management	<u>\$ 124,450</u>	<u>\$ 149,284</u>	<u>\$ 149,246</u>	<u>\$ 38</u>
Cooperative extension program:				
Extension office	\$ 118,429	\$ 118,429	\$ 107,810	\$ 10,619
Agricultural development agent	67,456	68,256	64,925	3,331
Total cooperative extension program	<u>\$ 185,885</u>	<u>\$ 186,685</u>	<u>\$ 172,735</u>	<u>\$ 13,950</u>
Total community development	<u>\$ 1,240,803</u>	<u>\$ 1,277,996</u>	<u>\$ 1,174,857</u>	<u>\$ 103,139</u>
Nondepartmental:				
Miscellaneous	\$ 193,700	\$ 194,300	\$ 112,162	\$ 82,138
Total nondepartmental	<u>\$ 193,700</u>	<u>\$ 194,300</u>	<u>\$ 112,162</u>	<u>\$ 82,138</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 3,572,757	\$ 3,572,757	\$ 3,572,757	\$ -
Interest and other fiscal charges	1,860,623	1,860,623	2,167,553	(306,930)
Total debt service	<u>\$ 5,433,380</u>	<u>\$ 5,433,380</u>	<u>\$ 5,740,310</u>	<u>\$ (306,930)</u>
Total General Fund	<u>\$ 37,293,474</u>	<u>\$ 37,748,450</u>	<u>\$ 36,691,960</u>	<u>\$ 1,056,490</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration and assistance	\$ 4,593,138	\$ 4,593,138	\$ 4,625,382	\$ (32,244)
Comprehensive services	3,043,478	3,043,478	2,419,876	623,602
Total welfare and social services	<u>\$ 7,636,616</u>	<u>\$ 7,636,616</u>	<u>\$ 7,045,258</u>	<u>\$ 591,358</u>
Total Virginia Public Assistance Fund	<u>\$ 7,636,616</u>	<u>\$ 7,636,616</u>	<u>\$ 7,045,258</u>	<u>\$ 591,358</u>
State and Federal Grants Fund:				
Judicial administration:				
Courts:				
Crime victims grant	\$ 58,916	\$ 58,916	\$ 77,824	\$ (18,908)
Federal drug court	-	108,416	11,804	96,612
Refurbishing clerk of circuit court	-	47,719	28,390	19,329
Total judicial administration	<u>\$ 58,916</u>	<u>\$ 215,051</u>	<u>\$ 118,018</u>	<u>\$ 97,033</u>
Public safety:				
Correction and detention:				
Community corrections board	\$ 507,791	\$ 508,841	\$ 508,030	\$ 811
Sheriff grants	-	17,105	9,279	7,826
Total public safety	<u>\$ 507,791</u>	<u>\$ 525,946</u>	<u>\$ 517,309</u>	<u>\$ 8,637</u>
Parks, recreation, and cultural:				
Cultural enrichment:				
Commission for the Arts	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Improvement council	\$ 18,000	\$ 18,000	\$ 11,044	\$ 6,956
Halifax downtown project	-	17,500	11,230	6,270
Total community development	<u>\$ 18,000</u>	<u>\$ 35,500</u>	<u>\$ 22,274</u>	<u>\$ 13,226</u>
Total State and Federal Grants Fund	<u>\$ 594,707</u>	<u>\$ 786,497</u>	<u>\$ 667,601</u>	<u>\$ 118,896</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
William M. Tuck Airport Fund:				
Community development:				
Planning and community development:				
Airport expenditures	\$ 60,000	\$ 60,000	\$ 58,977	\$ 1,023
Capital projects:				
Capital projects	\$ -	\$ -	\$ 674,250	\$ (674,250)
Total William M. Tuck Airport Fund	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 733,227</u>	<u>\$ (673,227)</u>
Capital Projects Fund:				
County Capital Projects Fund:				
Capital projects expenditures:				
VFD capital project	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
VISION - CAMA system	-	60,742	-	60,742
Broadband system	-	36,000	16,000	20,000
Public works equipment	240,000	240,000	215,708	24,292
Voting machines	-	136,110	-	136,110
Farm Service building renovation	-	19,272	-	19,272
Sheriffs office relocation	-	181,600	10,696	170,904
Phase I: Sheriffs office renovation	-	1,807,586	315,723	1,491,863
STEM Center renovation	-	135,699	-	135,699
Event center	-	270,678	23,700	246,978
Courthouse renovation	-	16,767,600	682,140	16,085,460
Total capital projects	<u>\$ 340,000</u>	<u>\$ 19,755,287</u>	<u>\$ 1,363,967</u>	<u>\$ 18,391,320</u>
Debt service:				
Other debt service	\$ -	\$ -	\$ 197,318	\$ (197,318)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,318</u>	<u>\$ (197,318)</u>
Total County Capital Projects Fund	<u>\$ 340,000</u>	<u>\$ 19,755,287</u>	<u>\$ 1,561,285</u>	<u>\$ 18,194,002</u>
Total Primary Government	<u>\$ 45,924,797</u>	<u>\$ 65,986,850</u>	<u>\$ 46,699,331</u>	<u>\$ 19,287,519</u>
Discretely Presented Component Unit - School Board:				
School Operating Fund:				
Education:				
Administration of schools:				
School board and administration	\$ 2,726,714	\$ 2,726,714	\$ 3,163,726	\$ (437,012)
Instruction costs:				
Elementary and secondary schools	\$ 39,642,203	\$ 39,642,203	\$ 38,233,004	\$ 1,409,199
Federal programs	3,300,000	3,300,000	2,868,765	431,235
Total instruction costs	<u>\$ 42,942,203</u>	<u>\$ 42,942,203</u>	<u>\$ 41,101,769</u>	<u>\$ 1,840,434</u>
Operating costs:				
Pupil transportation	\$ 4,026,320	\$ 4,026,320	\$ 4,166,895	\$ (140,575)
Operation and maintenance of school plant	5,143,676	5,143,676	5,700,545	(556,869)
Total operating costs	<u>\$ 9,169,996</u>	<u>\$ 9,169,996</u>	<u>\$ 9,867,440</u>	<u>\$ (697,444)</u>
Total education	<u>\$ 54,838,913</u>	<u>\$ 54,838,913</u>	<u>\$ 54,132,935</u>	<u>\$ 705,978</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2017 (Continued)

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Debt service:				
Principal retirement	\$ -	\$ -	\$ 104,554	\$ (104,554)
Interest and other fiscal charges	-	-	7,337	(7,337)
Total debt service	\$ -	\$ -	\$ 111,891	\$ (111,891)
 Total School Fund	 \$ 54,838,913	 \$ 54,838,913	 \$ 54,244,826	 \$ 594,087
Special Revenue Funds:				
School Cafeteria Fund:				
Education:				
School food services	\$ 2,850,000	\$ 2,850,000	\$ 2,634,601	\$ 215,399
 Total School Cafeteria Fund	 \$ 2,850,000	 \$ 2,850,000	 \$ 2,634,601	 \$ 215,399
School Textbook Fund:				
Education:				
Instruction	\$ 376,714	\$ 376,714	\$ 534,001	\$ (157,287)
 Total School Textbook Fund	 \$ 376,714	 \$ 376,714	 \$ 534,001	 \$ (157,287)
 Total Discretely Presented Component Unit - School Board	 \$ 58,065,627	 \$ 58,065,627	 \$ 57,413,428	 \$ 652,199

Other Statistical Information

COUNTY OF HALIFAX, VIRGINIA

Table 1

Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Administration	Public Safety		Public Works	Health and Welfare		Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-term Debt		Business-Type Activities (1)	Total
	Administration	Administration		Safety	Works		Welfare	Education				Debt	Activities (1)		
2007-08 \$	2,580,816	\$ 1,382,701	\$ 7,353,873	\$ 2,096,176	\$ 7,708,608	\$ 22,012,386	\$ 894,038	\$ 3,302,635	\$ 2,318,580	\$ 4,950,117	\$ 54,599,930				
2008-09	2,312,849	1,405,780	7,804,899	3,990,358	8,085,471	18,242,542	612,848	1,767,995	2,815,705	-	47,038,447				
2009-10	3,090,119	1,429,764	7,325,326	3,812,180	7,787,497	16,063,821	552,569	2,002,198	2,585,383	-	44,648,857				
2010-11	2,418,864	1,482,464	7,564,127	5,195,264	7,904,249	17,312,615	632,558	1,680,884	2,471,149	-	46,662,174				
2011-12	2,272,954	1,487,486	7,594,784	3,752,716	7,760,643	16,442,784	436,121	2,132,612	2,346,703	-	44,226,803				
2012-13	2,325,357	1,596,842	7,458,534	3,531,002	7,551,029	16,578,196	474,772	2,754,844	2,240,418	-	44,510,994				
2013-14	2,198,400	1,638,022	7,190,142	3,810,125	6,813,100	17,009,842	454,679	2,014,030	1,177,375	-	42,305,715				
2014-15	2,245,594	1,623,467	8,236,832	3,238,819	6,958,509	16,189,829	413,002	1,249,001	2,000,501	-	42,155,554				
2015-16	2,173,095	1,971,714	8,892,448	3,380,010	7,117,283	17,100,618	418,643	1,313,406	1,815,323	-	44,182,540				
2016-17	2,390,611	1,852,914	8,463,570	3,627,228	7,371,651	17,174,191	407,567	1,139,119	2,307,304	-	44,734,155				

Table includes primary government only.

(1) The water and sewer operations, including the blended component unit, were transferred to the Halifax County Service Authority during FY 2008.

COUNTY OF HALIFAX, VIRGINIA

Table 2

Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes (1)	Unrestricted Investment Earnings	Miscellaneous	Restricted to Specific Programs (1)	
2007-08	\$ 582,735	\$ 9,808,887	\$ 1,774,373	\$ 30,744,187	\$ 6,393,593	\$ 2,320,614	\$ 718,423	\$ 2,201,320	\$ 54,544,132
2008-09	638,515	9,801,128	1,177,293	24,538,078	5,905,056	589,508	437,425	1,502,504	44,589,507
2009-10	695,753	9,934,844	347,708	23,945,473	4,686,780	411,274	1,104,045	2,658,996	43,784,873
2010-11	690,073	9,353,614	440,717	23,996,264	4,834,750	406,707	854,368	2,577,185	43,153,678
2011-12	620,628	9,329,540	1,442,756	22,779,396	5,236,780	394,117	519,922	2,602,321	42,925,460
2012-13	672,784	9,034,629	1,461,144	24,306,577	6,164,352	343,065	302,982	2,667,870	44,953,403
2013-14	706,508	8,537,054	928,245	24,807,716	6,583,756	343,804	507,624	2,897,174	45,311,881
2014-15	741,032	8,951,159	201,229	25,366,255	7,086,089	314,961	309,273	2,874,716	45,844,714
2015-16	694,359	9,104,536	17,124	26,313,725	6,725,483	346,296	521,278	2,837,831	46,560,632
2016-17	706,430	9,430,222	639,097	27,264,924	6,680,061	427,396	358,835	2,823,257	48,330,222

Table includes primary government only.

(1) Beginning in fiscal year 2010 communication tax revenue is reported as noncategorical aid from Commonwealth. In prior years, communication tax revenue was reported as other local taxes.

COUNTY OF HALIFAX, VIRGINIA

Table 3

General Governmental Expenditures by Function

Last Ten Fiscal Years

Fiscal Year	General Government		Judicial Administration	Public Safety		Public Works	Health and Welfare		Parks, Recreation, and Cultural		Community Development	Non-Departmental	Debt Service		Total
	Administration	Government		Public Safety	Public Works		Welfare	Education (1)	Recreation, and Cultural	Departmental			Service		
2007-08	\$ 2,121,771	\$ 1,398,840	\$ 6,993,742	\$ 2,617,573	\$ 7,734,479	\$ 61,634,425	\$ 424,717	\$ 3,787,477	\$ 212,970	\$ 5,549,361	\$ 92,475,355				
2008-09	2,141,122	1,391,667	7,440,463	3,325,895	8,019,717	64,323,460	591,205	1,763,924	391,150	6,051,488	95,440,091				
2009-10	2,630,693	1,419,225	7,397,339	3,175,611	7,733,969	61,376,043	584,207	2,387,062	418,979	5,885,023	93,008,151				
2010-11	2,186,834	1,471,621	7,242,714	3,712,592	7,875,823	61,062,113	598,521	1,778,597	351,167	6,011,756	92,291,738				
2011-12	2,170,032	1,466,653	7,524,324	3,111,801	7,765,276	57,736,555	397,131	2,347,462	236,293	5,496,482	88,252,009				
2012-13	2,241,420	1,589,595	7,625,905	3,322,434	7,524,746	57,919,116	427,362	2,866,356	133,077	5,503,566	89,153,577				
2013-14	2,233,023	1,654,197	7,794,656	3,080,549	6,744,418	55,173,973	442,560	2,090,780	131,883	4,784,580	84,130,619				
2014-15	2,208,915	1,656,372	8,468,444	3,477,487	7,128,536	55,971,025	412,663	1,382,070	753	5,640,779	86,347,044				
2015-16	2,143,280	1,748,263	8,867,753	3,186,652	7,379,474	57,061,154	443,764	1,419,642	64,342	5,617,723	87,932,047				
2016-17	2,276,628	1,833,593	8,478,787	2,962,589	7,479,213	57,381,775	425,325	1,256,108	112,162	5,852,201	88,058,381				

Table includes General and Special Revenue funds of the Primary Government and Discretely Presented Component Unit - School Board.

(1) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

COUNTY OF HALIFAX, VIRGINIA

Table 4

General Governmental Revenues by Source

Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes (2)		Permits, Privilege Fees, Regulatory Licenses		Fines and Forfeitures		Revenue from the Use of Money and Property		Charges for Services		Miscellaneous		Recovered Costs		Inter-governmental (1)(2)		Total	
2007-08	\$	30,263,336	\$	6,393,593	\$	138,168	\$	16,311	\$	2,254,804	\$	1,653,143	\$	2,079,186	\$	330,204	\$	60,595,023	\$	103,723,768
2008-09		24,346,869		5,905,056		122,761		73,379		591,734		2,334,130		1,536,350		121,259		60,305,548		95,337,086
2009-10		23,509,675		4,686,780		130,416		62,043		413,567		2,131,400		2,786,770		124,571		59,105,452		92,950,674
2010-11		24,004,456		4,834,750		141,352		74,226		407,741		1,555,945		2,718,034		261,080		56,726,586		90,724,170
2011-12		22,052,531		5,236,780		134,832		60,924		394,157		1,438,063		2,545,673		427,976		54,432,215		86,723,151
2012-13		24,546,393		6,164,352		154,721		62,785		343,065		1,355,080		1,959,857		903,938		54,462,534		89,952,725
2013-14		24,894,828		6,583,756		185,344		73,681		342,926		1,159,147		1,945,739		739,564		52,160,431		88,085,416
2014-15		25,975,109		7,083,089		181,932		89,105		311,928		1,267,571		2,002,311		612,170		52,608,090		90,131,305
2015-16		26,236,246		6,725,483		144,763		66,606		339,598		1,309,056		2,027,740		202,997		52,962,072		90,014,561
2016-17		26,818,027		6,680,061		173,170		111,148		344,945		1,237,451		1,109,865		458,276		54,723,696		91,656,639

Table includes General and Special Revenue funds of the Primary Government and Discretely Presented Component Unit - School Board.

(1) Excludes contribution from Primary Government to Discretely Presented Component Unit - School Board.

(2) Beginning in fiscal year 2010 communication tax revenue is reported as noncategorical aid from Commonwealth. In prior years, communication tax revenue was reported as other local taxes.

COUNTY OF HALIFAX, VIRGINIA

Table 5

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax		Current Tax		Delinquent Tax		Total Tax		Percent of Current Tax Collections to Tax Levy		Outstanding Delinquent Taxes (1,2)		Percent of Delinquent Taxes to Current Tax Levy	
	Levy (1,3,4)	Collections (1)	Collections (1)(5)	Tax	Collections	Tax	Collections	Tax	Collections	to Tax Levy	Taxes (1,2)	Taxes (1,2)	Taxes to Current Tax Levy	Tax Levy
2007-08	\$ 31,484,340	\$ 30,490,974	\$ 570,092	\$ 31,061,066	\$ 96.84%	\$ 2,086,683	\$ 6.63%							
2008-09	25,471,645	25,086,207	199,676	25,285,883	98.49%	2,164,820	8.50%							
2009-10	24,450,576	23,182,891	1,252,839	24,435,730	94.82%	2,279,104	9.32%							
2010-11	24,968,092	22,516,171	2,446,207	24,962,378	90.18%	2,380,138	9.53%							
2011-12	23,760,658	20,348,558	2,546,293	22,894,851	85.64%	1,856,116	7.81%							
2012-13	25,032,718	22,313,363	2,972,629	25,285,992	89.14%	1,742,146	6.96%							
2013-14	25,423,840	23,063,969	2,718,690	25,782,659	90.72%	1,886,208	7.42%							
2014-15	26,260,762	22,795,740	3,834,801	26,630,541	86.81%	1,906,508	7.26%							
2015-16	27,063,589	24,486,314	2,443,952	26,930,266	90.48%	2,254,834	8.33%							
2016-17	27,820,071	24,555,238	2,936,579	27,491,817	88.26%	2,457,035	8.83%							

(1) Exclusive of penalties and interest.

(2) Includes three most current delinquent tax years.

(3) 1999-00 was the first year for personal property tax relief by the Commonwealth of Virginia.

(4) In fiscal year 2008 the County assessed and billed property taxes in installments, Dec. 5 and June 5

(5) Delinquent tax collections represent total delinquent taxes collected by fiscal year not tax assessment year.

COUNTY OF HALIFAX, VIRGINIA

Table 6

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)(3)	Personal Property (1)	Machinery and Tools		Mobile Homes	Public Utility (2)	Total
2007-08	\$ 2,186,407,594	\$ 218,486,973	\$ 113,786,300	\$	24,404,648	\$ 1,020,808,708	\$ 3,563,894,223
2008-09	2,582,057,659	221,649,707	118,967,559		24,513,892	1,025,725,027	3,972,913,844
2009-10	2,642,838,286	194,222,175	105,229,100		24,281,492	1,071,208,087	4,037,779,140
2010-11	2,682,107,141	195,399,423	102,266,400		21,607,200	1,144,472,640	4,145,852,804
2011-12	2,642,140,247	208,849,364	104,232,700		21,636,849	1,043,796,759	4,020,655,919
2012-13	2,611,941,867	206,995,250	115,491,600		21,858,449	939,796,330	3,896,083,496
2013-14	2,604,844,290	216,430,806	109,754,900		21,548,300	974,075,062	3,926,653,358
2014-15	2,592,875,041	214,359,000	113,167,200		18,805,800	1,012,476,276	3,951,683,317
2015-16	2,610,672,606	220,453,300	104,637,400		19,919,600	1,060,511,659	4,016,194,565
2016-17	2,626,126,937	232,771,900	108,532,100		18,811,900	1,092,693,520	4,078,936,357

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

(2) Assessed values are established by the State Corporation Commission.

(3) Starting in FY 2009, real estate is collected semi-annually, assessments are reported on the fiscal year basis.

COUNTY OF HALIFAX, VIRGINIA

Table 7

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate (2)	Personal Property	Machinery and Tools
2007-08	\$.44 / .48	\$ 3.30	\$ 1.26
2008-09	0.44	3.60	1.26
2009-10	.44 / .43	3.60	1.26
2010-11	.43 / .43	3.60	1.26
2011-12	.43 / .45	3.60	1.26
2012-13	.45 / .45	3.60	1.26
2013-14	.45 / .46	3.60	1.26
2014-15	.46 / .48	3.60	1.26
2015-16	.48 / .48	3.60	1.26
2016-17	.48 / .48	3.60	1.26

(1) Per \$100 of assessed value.

(2) In fiscal year 2008 the County assessed and billed property taxes in installments, Dec. 5 and June 5
The rates include first and second half installments, respectively.

COUNTY OF HALIFAX, VIRGINIA

Table 8

Ratio of Net General Bonded Debt to
Assessed Value of Real Property 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
2007-08	36,700	\$ 2,186,408	\$ 64,115,842	\$ 64,115,842	2.93%	1,747
2008-09	36,700	2,582,058	61,471,134	61,471,134	2.38%	1,675
2009-10	36,700	2,642,838	58,708,346	58,708,346	2.22%	1,600
2010-11	36,241	2,682,107	55,850,717	55,850,717	2.08%	1,541
2011-12	36,241	2,642,140	53,109,975	53,109,975	2.01%	1,465
2012-13	35,849	2,611,942	50,276,791	50,276,791	1.92%	1,402
2013-14	35,407	2,604,844	47,353,729	47,353,729	1.82%	1,337
2014-15	35,200	2,592,875	44,325,482	44,325,482	1.71%	1,259
2015-16	35,125	2,610,673	41,173,927	41,173,927	1.58%	1,172
2016-17	35,125	2,626,127	37,898,511	37,898,511	1.44%	1,079

(1) US Census Bureau

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

(3) Includes all long-term general obligation bonded debt, general obligation notes, and literary fund loans.

Excludes revenue bonds, landfill liabilities, capital leases, compensated absences, net pension liability and OPEB obligation.

COUNTY OF HALIFAX, VIRGINIA

Table 9

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2007-08	\$ 2,926,284	\$ 2,623,077	\$ 5,549,361	\$ 92,475,355	6.00%
2008-09	3,066,056	3,047,366	6,113,422	95,440,091	6.41%
2009-10	3,118,375	2,816,570	5,934,945	93,008,151	6.38%
2010-11	3,293,277	2,649,193	5,942,470	92,291,738	6.44%
2011-12	2,938,897	2,557,585	5,496,482	88,252,009	6.23%
2012-13	3,055,320	2,448,246	5,503,566	89,153,577	6.17%
2013-14	3,281,525	1,503,055	4,784,580	84,130,619	5.69%
2014-15	3,028,247	1,933,163	4,961,410	86,347,044	5.75%
2015-16	3,601,356	2,016,367	5,617,723	87,932,047	6.39%
2016-17	3,677,311	2,174,890	5,852,201	88,058,381	6.65%

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

Compliance

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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 Honorable Members of
the Board of Supervisors
County of Halifax, 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, discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Halifax, Virginia, as of and for the year June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of Halifax, Virginia's basic financial statements and have issued our report thereon dated November 17, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Halifax, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Halifax, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Halifax, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency (2017-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Halifax, 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 Halifax, Virginia's Response to Findings

County of Halifax, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. County of Halifax, 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, Farmer, Cox Associates

Charlottesville, Virginia

November 17, 2017

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**To the Honorable Members of
the Board of Supervisors
County of Halifax, Virginia**

Report on Compliance for Each Major Federal Program

We have audited the County of Halifax, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County of Halifax, Virginia's major federal programs for the year ended June 30, 2017. County of Halifax, Virginia's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County of Halifax, 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, Cost Principles, and Audit 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 the County of Halifax, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Halifax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Halifax, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Halifax, 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2017-001). 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, Farmer, Cox Associates

Charlottesville, Virginia
November 17, 2017

COUNTY OF HALIFAX, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950115/0950116	\$ 14,072
Temporary Assistance for Needy Families (TANF)	93.558	0400116/0400117	397,739
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500117	1,414
Low-income Home Energy Assistance	93.568	0600417/0600416	46,979
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760117/0760116	65,923
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900116	747
Foster Care - Title IV-E	93.658	1100117/1100116	291,815
Adoption Assistance	93.659	1120117/1120116	231,388
Social Services Block Grant	93.667	1000117/1000116	335,379
Chafee Foster Care Independence Program	93.674	9150117/9150116	3,561
Children's Health Insurance Program	93.767	0540117/0540116	17,903
Medical Assistance Program	93.778	1200117/1200116	575,425
Total Department of Health and Human Services			\$ 1,982,345
Department of Agriculture:			
Pass Through Payments:			
Child Nutrition Cluster:			
Department of Agriculture:			
Food Distribution	10.555	2017IN109941/2016IN16109941	\$ 188,412
Department of Education:			
National School Lunch Program	10.555	2017IN109941/2016IN16109941	1,367,076
Subtotal CFDA 10.555			\$ 1,555,488
School Breakfast Program	10.553	2017IN109941/2016IN16109941	474,244
Subtotal Child Nutrition Cluster			\$ 2,029,732
Department of Education:			
Fresh Fruit and Vegetable Program	10.582	2017IL160341/2016IL160341	30,230
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010117/0010116/0040116/0040117	454,274
Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort Under SNAP	10.596	0060115	24,224
Total Department of Agriculture			\$ 2,538,460
Department of Defense:			
Direct payments:			
ROTC Language and Culture Training	12.357		\$ 18,481
Total Department of Defense			\$ 18,481

COUNTY OF HALIFAX, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Direct payments:			
Drug Court Discretionary	16.585		\$ 5,717
Department of Justice:			
Pass Through Payments:			
Virginia Department of Criminal Justice:			
Crime Victim Assistance	16.575	15VAGX0043	\$ 16,176
Total Department of Justice			\$ 21,893
Department of Transportation:			
Direct payments:			
Airport Improvement Program	20.106		\$ 268,088
Total Department of Transportation - direct payments			\$ 268,088
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	SC-2017-57184-6833	\$ 8,731
Highway Planning and Construction	20.205	63573	16,673
Alcohol Open Container Requirements	20.607	154AL-2016-56165-6365	14,333
Total Department of Transportation			\$ 307,825
Department of Education:			
Pass Through Payments:			
Department of Education:			
Title I: Grants to Local Educational Agencies	84.010	S010A150046/S010A130046/	\$ 2,090,093
Special Education Cluster:			
Special Education - Grants to States	84.027	H027A140107/H027A150107	1,460,678
Special Education - Preschool Grants	84.173	H173A130114/H173A140115	82,292
Subtotal Special Education Cluster			1,542,970
Career and Technical Education: Basic Grants to States	84.048	V048A160046/V048A150046	97,500
Supporting Effective Instruction State Grant	84.367	S367A150044/S367A140044	297,256
Advanced Placement Program	84.330	S330B140002	228
School Improvement Grants	84.377	S377A140047	607,867
English Language Acquisition State Grants	84.365	S365A150046	2,747
Rural Education	84.358	S358B160046/S358B150046	118,269
Total Department of Education			\$ 4,756,930
Total Expenditures of Federal Awards			\$ 9,625,934

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF HALIFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures on the Schedule are reported on the accrual basis of accounting. 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.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and distributed.

Note 4 - Indirect Cost Rate

The County did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	60,902
Special Revenue Funds:		
Virginia Public Assistance Fund		2,460,843
State and Federal Grants Fund		44,957
Total primary government	\$	<u>2,834,790</u>

Component Unit School Board:

School Operating Fund	\$	4,775,411
School Cafeteria Fund		2,059,962
Total component unit School Board	\$	<u>6,835,373</u>

Less amounts not reported on Schedule of Expenditures of Federal Awards

Department of Interior - Payments in lieu of taxes	15.226	<u>(44,229)</u>
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Total federal expenditures per basic financial statements	\$	<u>9,625,934</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>9,625,934</u></u>
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COUNTY OF HALIFAX, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant Deficiency(ies) identified? Yes

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

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

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.778	Medical Assistance Program
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

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

Auditee qualified as low-risk auditee? Yes

COUNTY OF HALIFAX, VIRGINIA

Schedule of Findings and Questioned Costs (Continued) For the Year Ended June 30, 2017

Section II - Financial Statement Findings

2017-001 - Requesting Reimbursement of Expenditures / Recording Accruals

Criteria: The School Board should request for reimbursement of expenditures under all grant funded programs in the year expenditures are incurred. Requests processed after year-end should be considered an accrual of revenue if the reimbursement relates to expenditures incurred in that fiscal year.

Condition: The School Board is requesting reimbursement of funds routinely under the Title VI-B Special Education Cluster, however certain requests for reimbursement of funds do not correspond to the expenditures incurred in the fiscal year. The requests for reimbursement under the Title VI-B program for salaries and benefits represent salaries and benefits paid in a prior year fiscal year. The expenditures are valid and reasonable however the reimbursement revenue is not recorded in the proper fiscal year. Further, the School Board did not record a grant/accounts receivable recognizing the revenue in the proper fiscal year.

Cause: The reimbursement requests were not filed using costs incurred in the current year creating an inconsistency with the matching principle for financial reporting. Furthermore, an accrual was not recorded whereby a significant audit adjustment(s) was necessary for the revenue to be materially correct.

Effect: The matching of revenues and expenditures for financial reporting was not accurate or in accordance with Generally Accepted Accounting Principles. The financial records required a significant adjustment to match the revenue with the expenditures in the proper fiscal year.

Recommendation:

The School Board should evaluate the procedures for requesting funds under all grant funded programs to ensure timely request for reimbursement of funds for expenditures incurred in the current fiscal year and implement procedures sufficient to record all material revenue accruals.

Management Response and Corrective Action Plan:

The School Board will evaluate the current process for preparing reimbursement requests and implement procedures to ensure accurate financial reporting of Title VI-B and all revenues. The School Board will implement a corrective action plan that will include monitoring current expenditures and related requests.

Section III - Federal Award Findings and Questioned Costs

2017-001 - Significant Deficiency in Internal Control over Federal Award Program

CFDA Program Title: Special Education Cluster
CFDA Number: 84.127 / 84.173
Federal Award Year: 2016

Reference financial statement finding 2017-001 for details of this finding, recommendations and Management's response.

Section IV - Prior Year Findings

There are no prior year findings

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