County of Campbell, Virginia

Comprehensive Annual Financial Report

For the Year Ended June 30, 2016

Prepared By:
Management Services Department

COUNTY OF CAMPBELL, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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Campbell County
Virginia

Board of Supervisors
James Borland
Stan Goldsmith
Robert Good
Eddie Gunter, Jr.
J.D. Puckett
Mike Rousseau
Eric Zehr
P.O Box 100, Rustburg, VA 24588
administration@campbellcountyva.gov
Phone: 434-332-9525; 592-9525; 283-9525
Fax: 434-332-9617

November 21, 2016

To the Honorable Members of the Board of Supervisors
To the Citizens of Campbell County
County of Campbell, Virginia

We are pleased to present the Comprehensive Annual Financial Report of the County of Campbell, Virginia, (the "County"), for the fiscal year ended June 30, 2016. This report was prepared by the County's Department of Management Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The management of the County is responsible for establishing and maintaining an internal control structure to ensure the protection of County assets. In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls: In addition to the internal accounting controls noted above, the County also maintains budgetary controls. These budgetary controls ensure compliance with provisions embodied in the annual appropriated budget approved by the Board of Supervisors. Activities of the general fund and capital projects funds are included in the annual appropriated budget.

As a recipient of federal and state financial assistance, the County is also responsible for ensuring that adequate internal controls are in place to ensure and document compliance with applicable laws and regulations.

The County adopts an annual budget by July 1 of each year as required by 15.2-2503, Code of Virginia of 1950, as amended. A budget is not required for fiduciary funds.

When necessary, the Board of Supervisors approves amendments to the adopted budget in accordance with 15.2-2507, Code of Virginia of 1950, as amended. Budgetary compliance is monitored and reported at the department level. The budget is implemented through appropriations that the Board makes annually, with supplemental appropriations made as required. These appropriations, except those to incur mandated expenditures, may be greater or less than contemplated in the budget.

THE REPORTING ENTITY AND ITS SERVICES

The County of Campbell report includes all funds of the "primary government." In Virginia, cities and counties are distinct units of government; therefore, the County is responsible for providing all services normally provided by a local government. These services include public safety, public works, libraries, economic development, law enforcement, social services, recreation and cultural activities, and community development. Additionally, the County is responsible for funding primary and secondary education and appoints a separate board to handle utilities. For financial reporting purposes and in accordance with the Governmental Accounting Standards Board (GASB), Statement 14, "The Financial Reporting Entity," the County has identified two discrete component units. The GASB statement establishes the criteria used in making this determination and identifies each as a blended component unit or discretely presented component unit. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations, and therefore are included as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of this primary government. Therefore, the County School Board and the Industrial Development Authority are reported in a discrete presentation. Based on GASB Statement 14 criteria, the School Board is a legally separate organization providing educational services to the public whose board is elected and is fiscally dependent on the local government. The IDA is a legally separate organization providing economic development services to the County whose board is appointed by the County Board of Supervisors. In addition, the IDA imposes a financial burden on the County.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION

During FY 2016 Comfort Inn & Suites held the Grand Opening of their Hotel on Wards Road near the Lynchburg Regional Airport. A number of existing businesses announced expansion plans including Abbott, BGF, & Schrader International. Total capital investment is 39.4 million dollars with 88 new jobs created. Unfortunately the Timken Corporation announced their decision to close their Campbell County facility in March 2017. The County continued to be quite busy in FY 2016 with substantial prospect activity and requests for information on business locations.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

Campbell County's existing industrial sectors include but are not limited to advanced manufacturing, agricultural, automotive, banking/finance, call/customer service centers, forest/wood products, furniture, metal fabrication, nuclear engineering/fabrication, pharmaceutical, plastics, printing, textile, and trucking.

In FY 2016 Campbell County's unemployment rate ranged from a high of 5.0% in July of 2015 to a low of 3.7% in April of 2016, with an average of 4.8%. During FY 2016 Virginia averaged 4.45% in unemployment rates and the national average was 5.45%. Again Campbell County trended slightly higher than the state but lower than the national averages.

Campbell County's estimated population for 2015 according to the Weldon Cooper Center for Public service is 56,167 up 2.4% from the 2010 census count.

FY 2016 Major Economic Development Department Accomplishments/Initiatives

- **Business Appreciation Week-** During the week of May 16, Campbell County mailed approximately 2,500 appreciation letters to local businesses and hosted its 13th Annual BAW Luncheon. Approximately 80 people were in attendance at the luncheon, including major county employers and both local and state officials. Mark Sisson with Nano Touch Materials was the featured speaker.

- **Tobacco Agriculture Grants –** The County continued to administer the Tobacco Commission's Central Virginia Produce Program Grant and started a new grant titled Central Virginia Producer Support Grant.

- **Brookneal Campbell County Airport -** The Department of Economic Development provides administrative support to the Brookneal Campbell County Airport. During FY 16 the Airport completed the construction phase of the Electrical Lighting Rehab project for the runway lights with grants from the FAA & Dept. of Virginia Aviation.

- **Marketing-** Campbell County continued its partnership with the Lynchburg and Altavista Economic Development Departments with marketing initiatives to bring leads & prospects to our area. County staff continues working with a number of leads in hopes of attracting new businesses.

- **Product Development**- County staff continued to work on existing county owned industrial parks to make them more attractive for prospects. A preliminary engineering study on property that is anticipated to be developed as a joint industrial park near the Lynchburg Regional Airport was conducted.

- **Website**- A new website is up and running with a more user friendly platform and accessible information. Site selectors, businesses, and citizens are able to easily navigate to gain the various types of information they need.

- **Continuing Education**- Staff members have strived to further their knowledge in the various aspects of the department. Classes such as Business, Retention, and Expansion; Adobe Creative Cloud Marketing; and Workforce Development were attended by staff.

COUNTY DEMOGRAPHIC AND ECONOMIC DEVELOPMENT INFORMATION: (CONTINUED)

FY 2016 Other Initiatives:

For fiscal year 2016: The Priority Initiatives established by the Campbell County Board of Supervisors as guided by the County Administrator and implemented and completed by staff resulted in a more cost efficient government along with enhanced quality of life and increased employment opportunities.

Initiatives begun, continued, or completed during this fiscal year are as follows:

- Public Works and the Library completed construction of new Timbrook Library which is now enjoying record usage.

- Public Works completed substantial completion of new Field at Timbrook Park.

- Public Works designed and constructed a pavilion for Community Park.

- Public Works completed 4 submittals for transportation projects under new HB2 process - 2 were approved.

- Public Works completed Revenue sharing requests for the Route 460 ramp for Liberty University and Mt. Vista in Holiday Forest.

- Public Works Bid out the Liberty Mountain Drive road project and started construction.

- The Information Technology Department and the Office of Communications and Public Information worked jointly to move the County's website to a cloud-based CivicPlus platform. This project included a transformation of the website's appearance and content placement toward being more aesthetically appealing and easier to navigate for users. In addition, the new web platform now provides citizens the opportunity to sign-up for text and/or email messages on issues of interest to them as well as a convenient mechanism to request information from the County.

- The main library in Rustburg enjoyed a renovation consisting of county-funded carpet replacement and painting and the donor funded installation of an outdoor patio and new circulation desk.

- The library in Brookneal received a donor based renovation of its children's programming room.

- The Library hired a full time librarian at the Staunton River Memorial Library, increasing our service and commitment to the Altavista community.

- Public Safety purchased and installed a Dispatch Mapping Upgrade for the E-911 Call Center.

- Youth and Adult Community Services successfully negotiated a new contract with the City of Lynchburg Juvenile Detention Home at a very substantial savings to the County.

- The Registrar's Office purchased and installed a new electronic optical/digital scan voting system.

PROPERTY TAX RATES

There were no changes in property tax rates for FY 2016. The Real Estate Tax rate of 52 cents per 100 hundred $ of assessed value remains unchanged.

GOVERNMENT'S FINANCIAL POLICIES AND LONG TERM FINANCIAL PLANNING

The County experienced significant reductions in funding from the State from FY 2009 through FY 2012. This reduction in funding was addressed by the County tightly monitoring expenditures to ensure they were reduced in direct proportion to the reduction in State funding. During the FY 2010 budget in the spring of 2009 the Board of Supervisors adopted a strategy to build up fund reserves through the use of heightened expenditure controls. A portion of those additional fund reserves would be used as needed as part of a step–down strategy over a period of four years to offset revenue losses due to the weakened economy and due to funding reductions from the State in order to help offset service delivery reductions, primarily in the area of education, until the economy improved. This adopted fund reserve strategy served its purpose well and enabled the county to weather the adverse economic environment until the local economy showed significant improvement beginning in FY 2013. The local economy has continued to show modest improvement each year since FY 2013.

The County has established a target unassigned general fund balance of 15% of the combined non-duplicated budgets of the General Fund and School Operating Fund. For the FY 2016 budget year this totals 15% of $120.8 million or $18.1 million. The minimum target set by the County is 10%, or $12.1 million based on the FY 2016 budget. The 15% target of $18.1 million represents approximately 60 days of operating reserve, and additionally serves to meet required financial assurance measures for solid waste activities, and demonstrates the County's fiscal soundness for borrowing capacity. The year-end unassigned general fund balance of $15.1 million is below the targeted $18.1 million. However, the unassigned general fund balance is now well above the 10% minimum.

The County utilizes an annual comprehensive planning process to look at long-term capital and operational needs. This process leads to the development of a formal Priority Initiative Plan and Timeline that identifies future funding requirements of up to ten years for Priority Initiatives. This plan is adopted by the Board of Supervisors in February of each year and used to develop the annual operating budget. Additionally, this same process yields a five-year Capital Improvement Plan (CIP) for the primary government and schools that is formally adopted by the Board in the spring of each year in conjunction with the annual operating budget.

OTHER INFORMATION

Management's Discussion and Analysis: Generally accepted accounting principles require management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it. The County of Campbell's MD&A can be found immediately following the report of the independent auditors.

OTHER INFORMATION: (CONTINUED)

Independent Audit: The Commonwealth of Virginia requires an annual audit of the financial records and transactions of all departments of the County by independent certified public accountants selected by the Board of Supervisors. The County is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this single audit, including the findings and recommendations, and auditors' reports on the internal control structure and compliance with laws and regulations, is contained in this report. These requirements have been complied with and the auditor's opinion is included in this report.

Certificate of Achievement: In order to be awarded a Certificate of Achievement from the Government Finance Officers Association, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The County has been the recipient of this prestigious award for the last twelve successive years.

Acknowledgments: The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the entire Department of Management Services. We would also like to thank the Board of Supervisors for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner. In addition we would like to thank the Commissioner of the Revenue, Real Estate Office, Community Development, Economic Development and other employees for their assistance in the preparation of this report.

Respectfully submitted,

Frank J. Rogers

County Administrator

Alan C. Lane

Director of Management Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Campbell

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Jeffrey R. Emer

Executive Director/CEO

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COUNTY OF CAMPBELL, VIRGINIA

DIRECTORY OF PRINCIPAL OFFICIALS
JUNE 30, 2016

BOARD OF SUPERVISORS

Eric R. Zehr, Chairman
Mike P. Rousseau, Vice-Chairman

James A. Borland
Stanley I. Goldsmith
Bob Good
Eddie Gunter, Jr.
James D. Puckett

COUNTY SCHOOL BOARD

Mark A. Epperson, Chairman
Scott A. Miller, Vice-Chairman

G. Roger Akers
R. Leon Brandt
Barry A. Jones
Susan R. Hogg
Gary R. Mattox

COUNTY LIBRARY BOARD

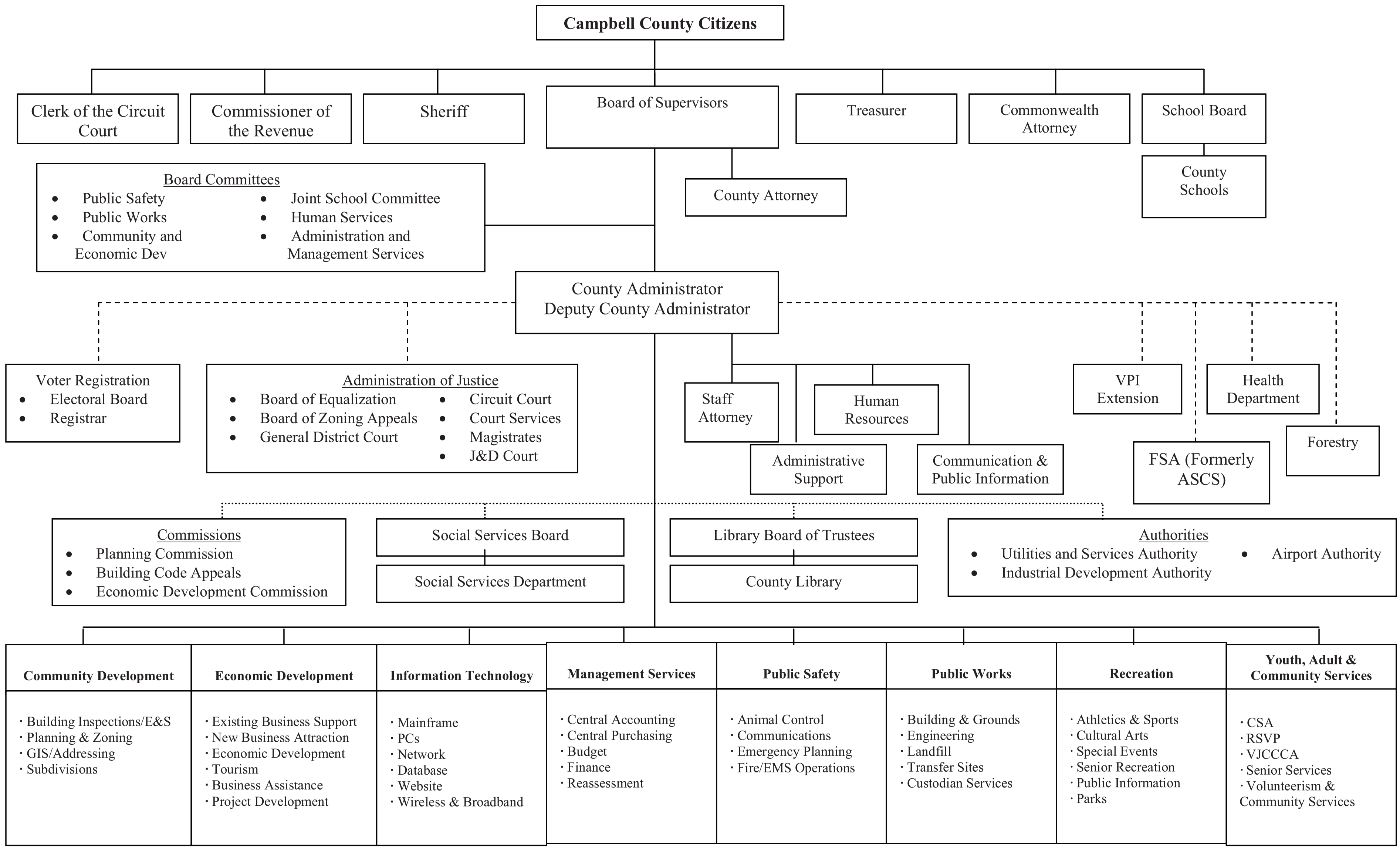
Sandra Lichtenberger, Chairman
Karen Gunter, Vice-Chairman

Ernest Bender
George Jones
Cindy Shockley
Charlotte Lane
Tamara Nuckols

OTHER OFFICIALS

Judge of the Circuit Court	John T. Cook
Clerk of the Circuit Court	Sheila Bosiger
Chief Judge of the General District Court	Sam D. Eggleston, III
Presiding Judge of the General District Court	Stephanie S. Maddox
Judge of the Juvenile & Domestic Relations Circuit Court	A. Ellen White
Commonwealth's Attorney	Paul McAndrews
County Attorney	David W. Shreve
Commissioner of the Revenue	Calvin C. Massie, Jr.
Treasurer	Robin T. Jefferson
Sheriff	Steve A. Hutcherson
Superintendent of Schools	Dr. Robert Johnson
Social Services Director	Lisa Linthicum
Library Director	Nan Carmack
County Administrator	Frank J. Rogers

CAMPBELL COUNTY, VIRGINIA – ORGANIZATIONAL CHART



Revised 3/2012

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Independent Auditors' Report

To the Honorable Members of
The Board of Supervisors
County of Campbell, Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 Campbell, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the County adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, and 82 Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 17-30, 107-110, and 111-116 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 Campbell, Virginia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (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 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.

Other Information

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016, on our consideration of the County of Campbell, 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 Campbell, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 21, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Campbell, Virginia 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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $46,741,343 (net assets). During the current fiscal year, the County's net position increased by $908,606.

- The County's combined funds reported year-ending fund balances totaling $32,770,001 and reflected a very small decrease of $14,322 from the previous year. Approximately forty-six percent of the year-ending combined fund balances, or $15,104,173, is available for spending at the County's discretion (unassigned fund balances).

- At the end of the current fiscal year 2016, the unassigned fund balance for the general fund of $15,104,173 represented 21.2% of total general fund expenditures and transfers for the year. The unassigned fund balance for the general fund decreased by $1,251,895. $1,971,562 of the year end fund balance was appropriated or assigned in FY 2017 for future needs for health insurance costs, school facility needs, economic incentives, debt service, reassessment costs and a small CIP project.

- The County has established a target unassigned general fund balance of 15% of the combined non-duplicated budget of the General Fund and School Operating Fund. For the FY 2017 budget year this totals 15% of $121.4 million or $18.2 million. The minimum target set by the County is 10%, or $12.1 million, based on the FY 2017 budget. The 15% target represents approximately 60 days of operating reserve, and additionally serves to meet required financial assurance measures for solid waste activities, and demonstrates the County's fiscal soundness for borrowing capacity.

- While the year-end unassigned general fund balance of $15,104,173 is less than the targeted $18.2 million it does exceed the minimum target of $12.1 million. As stated above $1,971,562 of the year end fund balance was appropriated or assigned in FY 2017.

- During fiscal year 2016 the County issued Series 2015 refunding bonds to refund the outstanding VML/VACo Bonds previously issued in June 2008. The refunding bonds issued September 29, 2015 in the amount of $29,095,000 will refund the aforementioned bonds in the amount of $26,170,000. The County will realize a present value savings of $1,084,046 as a result of the bond refunding in the form of interest expense savings due to the more attractive interest rate associated with the refunding. In accordance with financial reporting standards the refunding bonds issued has been reported at the gross amount in the fund financial statements in the amount of $29,095,000 as an other financing source and the former bonds that were extinguished with the refunding transaction is reported as an other financing use in the amount of $26,170,000. Furthermore, the County was required to pay an interest rate SWAP fee in the amount of $2,493,000 associated with the refunded bond and this amount was included in the new principal amount. The interest rate SWAP fee is recorded as a debt service expenditure in the fund financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- 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 readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets 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 the 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).

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, public safety, administration of justice, education, health and welfare, planning and community development and parks, recreation, and cultural activities.

The government-wide financial statements include not only the County of Campbell, Virginia itself (known as the primary government), but also a legally separate school district and an Industrial Development Authority for which the County of Campbell, Virginia has incurred a moral obligation to provide funding for the payment of debt. Financial information for these component units is reported separately from the financial information present for the primary government itself.

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 of Campbell, Virginia, like other 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 - *Governmental funds* are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance 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.

Overview of the Financial Statements: (Continued)

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 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 four 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 Solid Waste Management Fund, the General Capital Projects Fund, and the School Construction Capital Projects Fund, all of which are considered to be major funds.

The County established a Special Revenue Fund in FY 2015 for the road sharing construction projects involving Liberty University and the Virginia Department of Transportation. The County does not provide funding for these road projects and will serve as a pass-through. There resides $1.7 million in cash in this fund as of June 30, 2016 that was contributed by Liberty University and the Virginia Department of Transportation.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund, the Special Revenue Fund the Capital Projects Funds, and the School Construction Projects fund to demonstrate compliance with this budget.

Proprietary funds - The County maintains one proprietary fund – the Health Insurance Fund. The Health Insurance Fund is an internal service fund and is used to account for costs of providing health and dental insurance to county and school employees as well as employees of the Water Authority. Proprietary funds use the accrual basis of accounting, similar to a private sector business. These funds are restricted in their use for current and future health related costs only, including a reserve to meet future retiree obligations.

Fiduciary funds - The County is the trustee, or fiduciary agent, for the County's agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The County excludes these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

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.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and presentation of combining financial statements for two discretely presented component units consisting of the School Board and the IDA. The School Board does not issue separate financial statements. The IDA also does not issue separate financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a County's financial position. In the case of the County, assets exceeded liabilities by $46,741,343 at the close of the most recent fiscal year.

Summary of Net Position

	Governmental Activities			
		2016		2015
Assets				
Current and other assets	$	81,279,819	$	82,190,957
Capital assets		64,649,478		63,973,806
Total assets	$	145,929,297	$	146,164,763
Deferred outflows of resources	$	4,133,133	$	4,133,133
Liabilities				
Long-term liabilities	$	55,220,943	$	54,528,039
Current liabilities		4,442,413		7,160,867
Total liabilities	$	59,663,356	$	61,688,906
Deferred inflows of resources	$	42,776,253	$	42,776,253
Net position:				
Net investment in capital assets	$	24,885,321	$	22,853,751
Restricted		1,923,436		2,702,314
Unrestricted		19,932,586		20,276,672
Total net position	$	46,741,343	$	45,832,737

The largest portion of the County's net assets of $24.9 million, (53.2 percent of total), reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, 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.

The remaining portion of the County's net assets is $21.9 million (46.6 percent of total) and primarily consists of cash, cash equivalents and investments. $1.9 million of the net assets reported for the County is restricted to Road Sharing Construction Projects representing monies contributed by Liberty University and VDOT. At the end of the current fiscal year, the County is able to report positive balances in all categories of net assets.

During the fiscal year, the County's net assets experienced an increase in the amount of $908,606. Landfill Closure/Post Closure liabilities increased slightly by $22,478 due to inflation.

Government-wide Financial Analysis: (Continued)

The net OPEB obligation for the primary government recorded as of June 30, 2016 was $3,050,970 covering the liability for post retiree costs for health insurance benefits as required by GASB Statement Number 45. This represents an increase of $254,745 for this obligation from the previous fiscal year end. The County has chosen not to fund the OPEB liability, but rather has changed its retirement benefits policy to no longer offer County subsidized health insurance premiums to retirees hired after July 1, 2010, and extended the policy for those hired between July 1, 2006 and June 30, 2010 to be eligible only after 20 years of service with the County rather than 10 years of service. These policy changes have dramatically reduced the OPEB liability and annual OPEB costs from what they would have been had these changes not been made. The OPEB liability and OPEB annual costs will still increase on the County's balance sheet going forward due to inflationary pressures of future health care costs for the foreseeable future. However, the OPEB liability and the OPEB annual costs would be increasing at a much higher amount had the county not made these changes to the health insurance retiree benefits program coverage for early retirees.

Health Insurance Fund: Health Insurance Fund net assets of $3,351,995 decreased by $975,943 primarily as a result of the continued contribution from the Health Insurance Fund reserves for contributions to employee-owned HSA accounts of $1,639,576 annually. Health and dental claims, administration costs and other insurance expenses totaled $11,916,007 for the year and were $471,508 less than combined employer and employee premium contributions to the fund. During the year the Board of Supervisors authorized a transfer of appropriation from the General Fund to the Health Insurance Fund in the amount of $132,361 primarily from prior year General Fund reverted funds to partially fund the continuing contribution from the Health Insurance Fund reserves made to employee-owned HSA accounts.

The County's policy is to maintain a targeted fund balance in the Health Insurance Fund that represents two years at 15% each of the total anticipated claims and administration costs for the upcoming year. The targeted fund balance for the Health Insurance Fund is $3.3 million based on projected self–insured medical insurance claims and administration costs anticipated for next year. Additionally, the health insurance fund balance as reported in the Statement of Net Position of $3.4 million also reflects a reduction in fund balance of $993,106 representing estimated costs for claims incurred but not reported (IBNR) for year-end FY 2016. The purpose of the targeted fund balance is to provide funding for the short-term self-insured liability of the Fund. Funds above this amount are utilized to stabilize premium contribution rates over a longer period of time and pay for the continuation of the contributions to the Health Savings Accounts.

HSA contributions for the year totaled $2,315,473 for the year on a combined basis for employer and employee contributions for County, Schools and Water Authority employees. The employees contributed $675,897 of this amount. The County and Schools system implemented a high deductible plan coupled with an IRS qualified Health Savings Account (HSA) on January 1, 2012 and this has resulted in significantly lower claims and administrative costs than would be expected with a traditional guaranteed-cost health insurance program. Monthly contribution amounts paid into the Health Insurance Fund in the form of premiums increased by 11% for employer and 0% for employees effective January 1, 2016 mid-way through the fiscal year.

Government-wide Financial Analysis: (Continued)

Governmental Activities: As stated earlier Governmental Activities resulted in an increase in the County's net assets of $908,606 or 2%. Elements of the changes in net assets of the Primary Government are summarized as follows:

Changes in Net Position - Statement of Activities

	Governmental Activities	
	2016	**2015**
Program Revenues:		
Charges for services	$ 3,769,313	$ 3,757,434
Operating grants and contributions	11,881,220	11,310,942
Capital grants and contributions	1,179,300	508,650
General Revenues:		
General property taxes	38,165,753	37,430,288
Other local taxes	10,819,564	10,160,937
Use of money and property	442,270	347,551
Grants and contributions not restricted	5,292,660	5,426,764
Miscellaneous revenue	1,434,795	3,397,589
Total revenues	$ 72,984,875	$ 72,340,155
Expenses		
General government administration	$ 5,024,792	$ 4,886,285
Judicial administration	1,664,229	1,672,627
Public safety	14,452,365	13,887,466
Public works	3,666,489	3,441,597
Health and welfare	10,467,241	10,090,691
Education	28,073,483	28,493,461
Parks, recreation and cultural	1,833,900	1,935,595
Community development	2,997,625	1,942,194
Interest and other fiscal charges	3,896,145	1,825,883
Total expenses	$ 72,076,269	$ 68,175,799
Change in net position	908,606	4,164,356
Net position, beginning	$ 45,832,737	$ 41,668,381
Net position, ending	$ 46,741,343	$ 45,832,737

Actual revenues for governmental activities for all primary government funds for the year on a combined basis exceeded actual expenses in the amount of $908,606 including current year depreciation on capital assets. Current year depreciation expense for capital assets for the primary government totaled $3,417,368. Revenues for governmental activities increased by $ 644,720 or 0.9%.

Governmental-Wide expenses, including current year depreciation on capital assets, increased by $3,900,470 or 5.7% as is explained below.

EXPENSES - PRIMARY GOVERNMENT – SIGNIFICANT CHANGES

- Education actual expenses for the primary government decreased by $419,978 or 1.5% primarily in the form of the transfer from the General Fund to the Schools Operating Fund. The actual transfer to the Schools from the General Fund was still well below what was budgeted in the fiscal year and the great majority of the difference was subsequently appropriated by the Board of Supervisors for the coming year in the form of encumbrances and carryovers.

- Public Works actual expenses increased $224,892 or 6.5%. $1,358,765 was paid to construct the new Timbrook Library which replaced a leased facility. HVAC upgrade costs were down $783,722 from the previous fiscal year as some major HVAC upgrades were completed in the previous fiscal year. Additionally, in the previous fiscal year the County paid VDOT $230,000 to construct two road turning lanes.

- Public Safety and Law Enforcement actual expenses increased by $564,899 or 4.1% due primarily to a 2% cost of living salary adjustment; an increase of $148,144 for payments made to the Lynchburg Regional Juvenile Detention facility; Sheriff's vehicles that were budgeted in the previous fiscal year that were not purchased until FY 2016 with a cost of $101,309; increased payments to the Regional Jail of $70,000; and $129,510 to purchase EMS facilities and equipment from two volunteer EMSs squads that ceased to operate.

- Actual Interest & Other Fiscal Charges increased $2,070,262 primarily due to the payment of a one-time SWAP agreement fee in the amount of $2,493,000 as part of the bond refunding mentioned above. The County will realize a present value savings of $1,084,046 as a result of the bond refunding in the form of future interest expense savings due to the more attractive interest rate associated with the refunding.

- Health & Welfare expenses increased by $376,550 or 3.7% primarily due to an increase in the amount of $256,767 or 11.5% for the Children At Risk Program due to the need for increased services provided to children at risk. As additional information the Children At Risk Program is funded at 60.9% in terms of State/Federal funding provided. Public Assistance Program expenditures also increased by $167,569 or 7%, the great majority of which is funded by State and Federal reimbursements.

- Community Development expenses increased by $1,055,431 or 54.3% the great majority of which stems from road sharing construction projects paid for by Liberty University and the Virginia Department of Transportation (VDOT). The County acts only as fiscal agent and does not incur any costs for these road sharing projects. Paid expenses for these road sharing projects increased by $946,238 from the previous fiscal year. Payments for these road sharing projects will increase dramatically over the next several years as these roads are completed.

As stated above total revenues for governmental activities increased by $644,720 or 0.9%, as compared to the previous year. Resulting from continued growth in the local economy the following are some substantial increases in actual local revenue as compared to the previous fiscal year:

- Other Personal Property Tax up $360,317 or 3.8%
- Sales Tax up $330,438 or 7%
- Machinery & Tools Tax up $257,753 or 4.8%
- Real Estate Tax up $152,771 or 0.8%
- Public Service Corporation Tax up $113,224 or 6.5%
- Motor Vehicle Licenses up $93,614 or 6.1%
- BPOL Tax up $92,520 or 4.5%

Other significant changes in local revenue:

- Vehicles Apportioned For Hire down $113,224 or 27%
- Erosion and Sediment Control Fees down $107,538 or 66.2%
- Fees From The Sale of Land (due to delinquent taxes) up $166,137 or 202%
- EMS Billings up $96,814 or 6.7%
- Building Permit Fees down $77,681 or 34.2%
- Sales of Salvage Property and Equipment up $78,593 or 446.5%
- Interest Earnings on Investments up $66,446 or 48.9%

Miscellaneous Revenue is down $1,962,764 primarily due to a reduction in the Revenue Sharing Road Project Fund payment of $2,714,000 received from Liberty University. Liberty University prepaid their share of the cost of this road project in the previous fiscal year. The balance of this road sharing project will be paid in the future by the Virginia Department of Transportation.

State/Federal funding increased by $181,074 or 3.4% for Social Services expenses based on corresponding increases in the cost of these programs.

State/Federal funding increased by $102,268 or 7.2% for the Children At Risk Program due to the need for increased services provided to children at risk.

NOTE: Several years ago the County instituted a Transient Occupancy Tax of 2% of charges for occupancy. This new tax generated $161,006 of revenue for the County for FY 2016. This revenue is expected to increase going forward as recently constructed hotels increase in occupancy rates.

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, unassigned fund balance may serve as a useful measure of a County's net resources available for spending at the end of the fiscal year.

Financial Analysis of the County's Funds: (Continued)

Approximately forty-six percent of the combined governmental fund balance or $15,104,713 comprises the unassigned fund balances, which are available for spending at the County's discretion. The remainder of fund balances is *Committed*, *Assigned* or *Non-spendable* to indicate that it is not available for new spending because it has already been committed for:

- Capital improvement projects
- Education encumbrances and carryovers for expenditures
- Other encumbrances and carryovers for expenditures
- Prepaid Items

Unassigned fund balance of the General Fund was $15,104,713, while the total general fund balance was $26,358,648. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures on an annualized basis. Unassigned general fund balance represents 21.3 percent of total general fund expenditures and transfers, while total general fund balance represents 37 percent of total general fund expenditures and transfers.

GENERAL FUND: The general fund balance experienced an increase in the amount of $2,244,047 or 9.3%. The general fund unassigned fund balance decreased in the amount of $1,241,895 or 7.6%. As mentioned above $1,855,114 of the year end fund balance was then appropriated or assigned by the Board in FY 2017 for future needs for health insurance costs, school facility needs, economic incentives, debt service, reassessment costs and a small CIP project. General Fund expenditures and transfers to other funds increased $2,362,520 or 3.4% from the previous year. Actual General Fund revenues and transfers received increased by $2,329,315 or 3.4% from the previous year. Total General Fund actual revenues and transfers in combined were $709,433 less than total actual expenditures and transfers out when excluding the one-time accounting adjustment for debt refunding of $2,690,537. This accounting adjustment of $2,690,537 represents Other Financing Sources from proceeds from refunding bonds less payments to refund bonds which results in an additional $2,690,537 added to the General Fund balance.

- Education expenditures as noted above in terms of the actual transfer to the School Operating Fund decreased by $419,978 or 1.5%.

- Health & Welfare actual expenditures increased primarily due to an increase in the amount of $155,901 or 2.4% for Social Services Programs and an increase of $256,767 or 11.5% for the Children At Risk Program due to the need for increased services provided to children at risk.

Actual General Fund revenues and transfers in from other funds combined increased by $2,329,315 or 3.4% from the previous year. Transfers in from other funds totaled $28,280 for the year.

The largest increases and decreases in General Fund revenue are explained above in Program/General Revenues – Primary Government for General Property Taxes, Other Local Taxes and State/Federal Funding. The County Real Estate Tax rate was unchanged at 52 cents per $100 of assessed value. The Personal Property Tax rate remained the same at $4.45 per $100 of assessed value. All other tax rates remained the same as the previous year.

SOLID WASTE MANAGEMENT FUND: Funding for the Solid Waste Management Fund for FY 2016 totaled $1,462,481 with $640,885 of this amount coming from a transfer from the General Fund. The transfer in from the General Fund was reduced in the amount of $43,050 from the previous fiscal year. Additionally, revenue was received in the Solid Waste Management Fund in the amount of $804,783 from the Region 2000 Regional Landfill Authority for Solid Waste Management representing the County's portion of the excess of actual revenues verses actual expenses for the year for operations as recorded by the Regional Services Authority. This revenue sharing source was down $98,664 from the previous fiscal year due to the cost of service to operate the regional landfill coming in higher than anticipated. All other forms of revenue for this fund on a combined basis totaled $16,813.

Financial Analysis of the County's Funds: (Continued)

Expenditures and transfers out to other funds on a combined basis for the County's Solid Waste Management Fund totaled $1,957,904 for the year. $400,000 was transferred to the CIP Fund as was budgeted. Tipping fees of $667,407 were paid to the Region 2000 Services Authority for solid waste received at the regional landfill generated from County citizens and businesses. Transfer site operations throughout the County cost $468,938 for the year which included delivery costs of trash from transfer sites to the regional landfill. In-House Construction for small projects cost $126,837 while landfill environmental compliance costs totaled $258,206. All other actual expenditures for the Solid Waste Management Fund totaled $36,515. Landfill environmental compliance costs are down $56,110 from the previous fiscal year as the county did not incur any new compliance costs other than normal ongoing groundwater remediation system costs.

There exists a year end fund balance of $1,366,046 residing in the Solid Waste Management Fund (SWMF). The year-end fund balance is down in the amount of $495,423 from the previous year. The remaining fund balance will be needed to pay for anticipated future environmental requirements.

COUNTY CAPITAL PROJECTS FUND: The County Capital Projects (CIP) Fund balance reported a decrease of $983,242 from the previous year to $3,122,697. The fund balance in the Capital Projects Fund is either reserved or designated in its entirety for capital projects already under construction or for future capital projects included in the adopted five-year Capital Improvement Plan.

General Fund Budgetary Highlights

Differences between the general fund opening expenditure and transfer budget of $70,064,514 and the final amended budget of $79,941,155 amounted to an increase of $9,876,641 in budgeted expenditure appropriations and can be briefly summarized as follows:

- $6,193,142 increase in budget for the transfer to the Schools for additional funding consisting of budget encumbrances and carryovers approved from FY2015 to FY2016.

- $1,348,017 increase in the budget for encumbrances, carryovers, new assigned funds and new transfers for other general fund department expenditures approved from FY2015 to FY2016.

- $343,988 Tax Relief for the Elderly and Disabled recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled as well as a corresponding expenditure for the same amount. This is the corresponding expenditure. This required accounting transaction is handled each year in the form of a supplemental appropriation.

- $400,000 increase in the budget for Children At Risk Program for health & welfare based on increased needs for services provided to children at risk. Local funding comprises $124,000 of this amount

- $231,042 increase in the budgeted expenditures for Tobacco Commission Grants for both new grants and renewals of existing grants. No local funding is involved.

- $822,900 approved by the Board of Supervisors during the year for various new Economic Incentives.

- $129,699 to purchase facilities and equipment from two volunteer EMS squads that ceased operations.

- The great majority of the remaining increases in the budget resulted from Public Safety, Law Enforcement and Court related grants approved throughout the year primarily funded by State/Federal sources.

General Fund Budgetary Highlights: (Continued)

Differences between the general fund original revenue budget of $68,347,802 and the final amended revenue budget of $69,962,550 amounted to an increase of $1,614,748 in budgeted revenues and can be briefly summarized as follows:

- $343,988 increase for Tax Relief for the Elderly and Disabled. As mentioned above $343,988 of revenue was recognized as Real Estate Tax received due to a recent accounting regulation issued by the State to recognize as additional revenue Tax Relief for the Elderly and Disabled allowed as well as a corresponding expenditure for the same amount. The corresponding expenditure is noted above in the expenditure section for this required accounting transaction.

- $109,507 increase in the budget due to revenue carryovers approved from FY2015 to FY2016. These revenue carryovers are associated with expenditure carryovers noted above in the expenditures section.

- $231,042 increase in revenue budget for Tobacco Commission Grants for both new grants and renewals of existing grants.

- $276,000 increase in revenue budget for Children At Risk Pool to pay for increases in expenses for Children At Risk Program (CSA) for at risk kids needing these services that were more than anticipated.

- $234,463 net proceeds resulting from a bond refunding.

- $197,077 insurance proceeds received for public safety vehicles that were damaged or totaled during the year.

- The great majority of the remaining increases in budgeted revenues resulted from Public Safety, Law Enforcement and Court related grants approved throughout the year.

  During the year general fund actual revenues exceeded original budget by $2,103,022 and exceeded amended budget in the amount of $488,277. As noted above the general fund revenue budget was supplemented in the amount of $1,614,748 during the year for the reasons also noted above. Actual expenditures exceeded opening budget by $1,067,263 and actual expenditures were less than amended budget by $9,532,115.

Actual Transfers Out from the General Fund to funds other than to the School Operating Fund totaled $2,122,351 versus $3,957,664 for FY 2015. $967,639 of the decrease in the transfers stemmed a reduction in the transfer to the Health Insurance Fund to assist in the continuing funding of contributions to employee-owned HSA accounts. The county transferred $152,361 in the fiscal year as compared to $1,120,000 in the previous fiscal year. Additionally, the transfer to the County CIP Fund was reduced by $700,000 as there was a one-time transfer in the previous fiscal year for the construction of a new library to replace a rented facility.

General Fund Budgetary Highlights: (Continued)

Revenues & Expenditures General Fund - Budget to Actual

	General Fund Budget to Actual		
	Final Budget	Actual	Variance
Revenues:			
Local revenue sources	$ 52,191,077	$ 53,293,549	$ 1,102,472
Intergovernmental revenues	17,771,473	17,157,275	(614,198)
Total revenues	$ 69,962,550	$ 70,450,824	$ 488,274
Expenditures:			
General government administration	$ 5,127,908	$ 4,299,115	$ 828,793
Judicial administration	1,756,470	1,659,763	96,707
Public safety	14,501,236	13,689,044	812,192
Public works	1,823,582	1,758,413	65,169
Health and welfare	11,363,033	10,404,776	958,257
Education	34,055,837	25,841,800	8,214,037
Parks, recreation and cultural	1,899,157	1,759,831	139,326
Community development	2,964,208	1,747,378	1,216,830
Debt service	5,255,316	7,877,356	(2,622,040)
Nondepartmental	(665,000)	430	(665,430)
Total expenditures	$ 78,081,747	$ 69,037,906	$ 9,043,841

Note: As stated previously a one-time accounting adjustment of $2,690,537 was recorded representing Other Financing Sources from proceeds from refunding bonds less payments to refund bonds.

Revenues: As reported above total actual revenues exceeded final budget by $488,274 or 0.7%. Total local revenue comprised 75.4% of total actual General Fund revenue while Intergovernmental Revenue (State/Federal) comprised the remaining 24.6% of total actual General Fund revenue. Intergovernmental revenue was $614,198 less than final budget (3.5% less). Actual local revenue exceeded final budget by $1,102,472 or 2.1%.

$53,698 of final budgeted intergovernmental revenue not actually received during the year will be carried over into next fiscal year as these earned revenues will be received next fiscal year. These carryover revenues approved were for grant funded programs and purchases. The great majority of the revenue shortfall of $614,198 in Intergovernmental revenue after adjusting for carryovers was caused by reimbursements from State/Federal being less than budget in Social Service programs and administration. The County's actual reimbursement revenue for these Health & Welfare programs is based on actual expenditures centered in these same programs and is not based on budgeted expenditures. The great majority of the Health & Welfare revenue shortfall for these programs of $369,370 resulted from corresponding actual expenditures being less than budget by $659,013 for these same Health & Welfare programs. This results in a favorable net cost variance to the county of $289,643.

General Fund Budgetary Highlights: (Continued)

Expenditures: Total General Fund actual expenditures and transfers of $71,160,257 on a combined basis were $9,043,841 less than the final budget of $80,204,098. The largest component of this difference in the level of actual expenditures verses amended budget is for Education. Actual education expenditures in the form of the transfer from the General Fund were $8,214,037 less than the amended budget. The Board of Supervisors subsequently re-appropriated $7,271,871 of this amount to the schools as encumbrances for FY2017 covering school contracts and obligations not completed as of June 30, 2016. The Board also subsequently re-appropriated other General Fund non-school expenditures for encumbrances and carryovers totaling $1,588,982 for FY 2017. This number is the net number after deducting carryovers of appropriated revenues totaling $53,698 associated with these same expenditure carryover requests.

As mentioned above expenditures centered in Social Service programs reported expenditures of $659,013 less than amended budget based on lower than anticipated utilization of these programs. As stated above revenue reimbursements for these same Social Services programs were also $369,370 less than the final combined amended revenue budget due to corresponding expenditures being substantially less than budget for these programs.

Strong expense control throughout the government organization contributed substantially to overall expenditure savings for the fund. This was particularly true for vacancy position hiring savings in compensation and fringe benefits until vacant positions could be filled with qualified personnel. Year-end expenditure reversion savings are becoming increasingly difficult to achieve on top of very frugal budgeting processes when the budget is submitted each year to the Board.

Capital Asset and Debt Administration

Capital assets – The County's investment in capital assets for its governmental funds as of June 30, 2016 totals $64.6 million (net of accumulated depreciation) for an increase of $675,672 after depreciation expense is recognized. Depreciation expense for the year for all capital assets for all primary government funds totaled $3.4 million. The investment in County capital assets includes land and land improvements, buildings and improvements, vehicles and machinery and equipment. Readers interested in additional information relating to capital assets should refer to Note 6 to the financial statements.

Capital Assets - Condensed
At June 30, 2016

Governmental Activities	Ending Balance Original Cost	Accumulated Depreciation	Net Capital Assets
Capital assets, not being depreciated:			
Land	$ 2,594,180	$ -	$ 2,594,180
Total capital assets, not being depreciated	$ 2,594,180	$ -	$ 2,594,180
Other capital assets:			
Buildings and improvements	$ 22,240,003	$ 6,237,462	$ 16,002,541
Other improvements	10,967,307	5,593,160	5,374,147
School buildings	54,166,843	16,877,460	37,289,383
Equipment	13,760,928	10,371,701	3,389,227
Total other capital assets	$ 101,135,081	$ 39,079,783	$ 62,055,298
Total capital assets	$ 103,729,261	$ 39,079,783	$ 64,649,478

School Board capital assets are jointly owned by the County (primary government) and the component unit School Board. The County reports depreciation on these assets as an element of its share of the costs of the public school system.

DEBT SCHEDULES

Of the $39.8 million total principal balance of outstanding debt at the end of the year, $34.6 million was for General Obligation Bonds and $4.8 million was for State Literary Loans. General Obligation Bonds amounted to less than 1% of the County's assessed value for real estate, well below the maximum limit set by the State of 10% of assessed value for real estate. The County's total outstanding debt principal was paid down by $3.2 million during the year.

Debt service paid during the year amounted to $5,186,819 for principal, interest and bank service charges for the reporting period separate from a refunding of bond debt that was refinanced during the year as mentioned below. There are no obligations for capitalized lease payments. Readers interested in additional information should refer to Note 7 to the financial statements.

During fiscal year 2016 the County issued Series 2015 refunding bonds to refund the outstanding VML/VACO Bonds issued June 2008. The refunding bonds issued September 29, 2015 in the amount of $29,095,000 will refund the aforementioned bonds in the amount of $26,170,000. The present value of the economic gain is $1,084,046 in the form of future interest expense savings that will result from this debt refunding.

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

	Debt Service		
Year Ending June 30	Principal	Interest	Total
2017	$ 3,737,540	$ 1,136,118	$ 4,873,658
2018	3,600,876	1,019,944	4,620,820
2019	3,508,566	911,025	4,419,591
2020	3,117,233	811,761	3,928,994
2021	3,187,233	705,302	3,892,535
2022-2026	14,999,470	2,174,945	17,174,415
2027-2030	7,325,000	324,094	7,649,094
Total	$ 39,475,918	$ 7,083,189	$ 46,559,107

The County provides other postemployment benefits (OPEB) as described in Note 13.C and reported in Note 7. The County has elected not to fund the outstanding OPEB liability and has instead reduced the benefits provided to employees hired after 2010. The County's OPEB cost was $3 million for the year.

CONTACT THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions concerning any information provided in this report or need additional financial information, contact:

Director of Management Services
Campbell County
P.O. Box 100
Rustburg, Virginia 24588

Phone Number - 434-332-9667
email - aclane@co.campbell.va.us
You may visit us on the web at:
www.co.campbell.va.us

OR

Finance/Budget Manager

Phone Number - 434-332-9669
Email - rjdavis@co.campbell.va.us

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Position
June 30, 2016

	Primary Government	Component Units	
	Governmental Activities	School Board	Industrial Development Authority
ASSETS			
Cash and cash equivalents	$ 13,664,894	$ 11,085,465	$ 550,504
Investments	16,897,658	-	-
Receivables (net of allowance for uncollectibles):			
Taxes receivable	41,547,839	-	-
Accounts receivable	362,319	-	-
Interest receivable	45,137	-	-
Advance to primary government	-	-	173,600
Due from component unit	3,026,440	-	-
Due from other governmental units	3,726,381	2,750,431	-
Inventories	18,418	-	-
Prepaid items	243,551	484,680	-
Restricted assets:			
Cash and cash equivalents	1,747,182	70,427	-
Industrial assets held for industry	-	-	1,852,627
Capital assets (net of accumulated depreciation):			
Land	2,594,180	309,661	-
Buildings and improvements	16,002,541	10,528,427	-
Other improvements	5,374,147	523,675	-
Equipment	3,389,227	6,811,718	-
School buildings	37,289,383	-	-
Construction in progress	-	265,982	-
Total assets	$ 145,929,297	$ 32,830,466	$ 2,576,731
DEFERRED OUTFLOWS OF RESOURCES			
Post measurement date employer pension contributions	$ 1,645,469	$ 5,551,265	$ -
Changes in proportionate share of employer contributions	-	859,000	-
Net difference of actual and expected experience	606,319	-	-
Total deferred outflows of resources	$ 2,251,788	$ 6,410,265	$ -
LIABILITIES			
Accounts payable	$ 1,215,404	$ 598,175	$ -
Accrued liabilities	1,536,307	7,361,936	-
Accrued interest payable	582,284	-	16,876
Due to primary government	-	3,026,440	-
Advance from component unit	173,600	-	-
Unearned revenue	934,818	-	-
Long-term liabilities:			
Due within one year	3,990,424	63,575	265,535
Due in more than one year	51,230,519	72,781,904	1,508,966
Total liabilities	$ 59,663,356	$ 83,832,030	$ 1,791,377
DEFERRED INFLOWS OF RESOURCES			
Net difference of actual and expected pension liability earnings	$ 1,421,969	$ 4,277,956	$ -
Net difference of actual and expected experience	-	892,052	-
Changes in proportionate share of employer contributions	-	769,000	-
Deferred property taxes	40,354,417	-	-
Total deferred inflows of resources	$ 41,776,386	$ 5,939,008	$ -
NET POSITION			
Net investment in capital assets	$ 24,885,321	$ 18,439,463	$ -
Restricted:			
Capital projects - restricted by donors	-	70,427	-
Capital improvements - road construction, pass-through	1,922,610	-	-
Public safety	826	-	-
Unrestricted (deficit)	19,932,586	(69,040,197)	785,354
Total net position	$ 46,741,343	$ (50,530,307)	$ 785,354

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

COUNTY OF CAMPBELL, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2016

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 5,024,792	$ 524,302	$ 378,584	$ 3,500
Judicial administration	1,664,229	24,531	995,773	-
Public safety	14,452,365	2,116,815	2,957,823	488,251
Public works	3,666,489	804,902	16,605	-
Health and welfare	10,467,241	1,700	7,145,440	-
Education	28,073,483	-	-	-
Parks, recreation, and cultural	1,833,900	204,666	155,953	500,000
Community development	2,997,625	92,397	231,042	187,549
Interest on long-term debt	3,896,145	-	-	-
Total governmental activities	$ 72,076,269	$ 3,769,313	$ 11,881,220	$ 1,179,300
Total primary government	$ 72,076,269	$ 3,769,313	$ 11,881,220	$ 1,179,300
COMPONENT UNITS:				
School Board	$ 77,353,240	$ 1,295,342	$ 51,494,184	$ -
Industrial Development Authority	266,446	39,792	-	-
Total component units	$ 77,619,686	$ 1,335,134	$ 51,494,184	$ -

General revenues:
General property taxes
Other local taxes:
Local sales and use tax
Consumer utility taxes
Business license tax
Motor vehicle licenses
Other local taxes
Unrestricted revenues from use of money and property
Contributions from Campbell 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		Component Units			
Governmental Activities		School Board		Industrial Development Authority	
$	(4,118,406)	$	-	$	-
	(643,925)		-		-
	(8,889,476)		-		-
	(2,844,982)		-		-
	(3,320,101)		-		-
	(28,073,483)		-		-
	(973,281)		-		-
	(2,486,637)		-		-
	(3,896,145)		-		-
$	(55,246,436)	$	-	$	-
$	(55,246,436)	$	-	$	-
$	-	$	(24,563,714)	$	-
	-		-		(226,654)
$	-	$	(24,563,714)	$	(226,654)
$	38,165,723	$	-	$	-
	5,049,063		-		-
	879,795		-		-
	2,154,868		-		-
	1,620,278		-		-
	1,115,560		-		-
	442,270		8,770		205,994
	-		25,841,800		158,602
	1,434,825		152,104		-
	5,292,660		-		-
$	56,155,042	$	26,002,674	$	364,596
$	908,606	$	1,438,960	$	137,942
	45,832,737		(51,969,267)		647,412
$	46,741,343	$	(50,530,307)	$	785,354

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Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2016

	General	Special Revenue (Solid Waste)	Capital Projects	Road Construction	Total
ASSETS					
Cash and cash equivalents	$ 9,448,662	$ 682,701	$ 160,430	$ -	$ 10,291,793
Investments	11,997,337	-	2,872,602	-	14,869,939
Receivables (net of allowance for uncollectibles):					
Taxes receivable	41,547,839	-	-	-	41,547,839
Accounts receivable	357,088	5,000	-	-	362,088
Interest receivable	31,255	-	8,600	-	39,855
Due from component units	3,026,440	-	-	-	3,026,440
Due from other governmental units	2,625,868	804,783	120,302	175,428	3,726,381
Inventories	18,418	-	-	-	18,418
Prepaid items	164,105	1,220	-	-	165,325
Restricted assets:					
Cash and cash equivalents	-	-	-	1,747,182	1,747,182
Total assets	$ 69,217,012	$ 1,493,704	$ 3,161,934	$ 1,922,610	$ 75,795,260
LIABILITIES					
Liabilities:					
Accounts payable	$ 802,609	$ 126,111	$ 39,237	$ -	$ 967,957
Accrued liabilities	541,654	1,547	-	-	543,201
Unearned revenue	42,807	-	-	-	42,807
Total liabilities	$ 1,387,070	$ 127,658	$ 39,237	$ -	$ 1,553,965
DEFERRED INFLOWS OF RESOURCES					
Unavailable property taxes	$ 41,471,294	$ -	$ -	$ -	$ 41,471,294
FUND BALANCES					
Nonspendable					
Inventories	$ 18,418	$ -	$ -	$ -	$ 18,418
Prepaid items	164,105	1,220	-	-	165,325
Restricted for:					
Capital improvements - road construction, pass-through	-	-	-	1,922,610	1,922,610
Public safety	826	-	-	-	826
Committed to:					
Education	7,280,287	-	-	-	7,280,287
Capital improvements	30,000	-	2,184,616	-	2,214,616
Public works	-	88,673	-	-	88,673
Operations	1,788,737	-	-	-	1,788,737
Assigned to:					
Education	821,510	-	-	-	821,510
Economic development	237,116	-	-	-	237,116
Debt service	774,936	-	-	-	774,936
Operations - reassessment	138,000	-	-	-	138,000
Public works	-	1,276,153	-	-	1,276,153
Capital improvements	-	-	938,081	-	938,081
Unassigned	15,104,713	-	-	-	15,104,713
Total fund balances	$ 26,358,648	$ 1,366,046	$ 3,122,697	$ 1,922,610	$ 32,770,001
Total liabilities, deferred inflows and fund balances	$ 69,217,012	$ 1,493,704	$ 3,161,934	$ 1,922,610	$ 75,795,260

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds - per above	32,770,001
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds (Cost of $103,729,261 less accumulated depreciation of $39,079,783)	64,649,478
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	
Unavailable revenue - property taxes	1,116,877
Items related to measurement of net pension liability	(1,421,969)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	1,645,469
Net difference between actual and expected experience - measurement of pension liability	606,319
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the self insurance internal service fund are included in the governmental activities in the Statement of Net Position	3,351,995
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds	
Accrued interest payable	(582,284)
Long term commitments to IDA	(173,600)
General obligation bonds and literary fund loans	(39,475,918)
Bond premiums	(288,239)
Landfill closure/postclosure	(2,520,096)
Net OPEB obligation	(3,050,970)
Compensated absences	(1,549,173)
Net pension liability	(8,336,547)
Net position of governmental activities	$ 46,741,343

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, 2016

	General	Special Revenue (Solid Waste)	County Capital Projects	Road Construction	Total
REVENUES					
General property taxes	$ 38,312,800	$ -	$ -	$ -	$ 38,312,800
Other local taxes	10,819,564	-	-	-	10,819,564
Permits, privilege fees, and regulatory licenses	267,432	-	-	-	267,432
Fines and forfeitures	139,765	-	-	-	139,765
Revenue from the use of money and property	356,113	89	46,304	-	402,506
Charges for services	2,557,214	804,902	-	-	3,362,116
Miscellaneous	509,067	-	155,000	-	664,067
Recovered costs	331,594	-	-	-	331,594
Intergovernmental:					
Commonwealth	13,511,697	16,605	488,953	186,847	14,204,102
Federal	3,645,578	-	503,500	-	4,149,078
Total revenues	$ 70,450,824	$ 821,596	$ 1,193,757	$ 186,847	$ 72,653,024
EXPENDITURES					
Current:					
General government administration	$ 4,299,115	$ -	$ -	$ -	$ 4,299,115
Judicial administration	1,659,763	-	-	-	1,659,763
Public safety	13,689,044	-	-	-	13,689,044
Public works	1,758,413	1,557,904	-	-	3,316,317
Health and welfare	10,404,776	-	-	-	10,404,776
Education	25,841,800	-	-	-	25,841,800
Parks, recreation, and cultural	1,759,831	-	-	-	1,759,831
Community development	1,747,378	-	-	-	1,747,378
Nondepartmental	430	-	-	-	430
Capital projects	-	-	3,947,169	966,551	4,913,720
Debt service:					
Principal retirement	4,260,390	-	-	-	4,260,390
Interest and other fiscal charges	3,616,966	-	-	-	3,616,966
Total expenditures	$ 69,037,906	$ 1,557,904	$ 3,947,169	$ 966,551	$ 75,509,530
Excess (deficiency) of revenues over (under) expenditures	$ 1,412,918	$ (736,308)	$ (2,753,412)	$ (779,704)	$ (2,856,506)
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 28,480	$ 640,885	$ 1,773,650	$ -	$ 2,443,015
Transfers out	(2,122,351)	(400,000)	(3,480)	-	(2,525,831)
Issuance of refunding bonds	29,095,000	-	-	-	29,095,000
Payments to refund bonds	(26,170,000)	-	-	-	(26,170,000)
Total other financing sources (uses)	$ 831,129	$ 240,885	$ 1,770,170	$ -	$ 2,842,184
Net change in fund balances	$ 2,244,047	$ (495,423)	$ (983,242)	$ (779,704)	$ (14,322)
Fund balances - beginning	24,114,601	1,861,469	4,105,939	2,702,314	32,784,323
Fund balances - ending	$ 26,358,648	$ 1,366,046	$ 3,122,697	$ 1,922,610	$ 32,770,001

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, 2016

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (14,322)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized expenditures exceeded depreciation expense in the current period.		
Capital outlays	$ 3,391,858	
Capital assets received as donation	821,900	
Depreciation expense	(3,417,368)	796,390
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase/decrease net position.		(120,718)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(147,077)	
Change in deferred inflows related to the measurement of the net pension liability	1,832,824	1,685,747
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.		(975,943)
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal retired on long-term debt	30,430,390	
Proceeds from refunding bonds	(29,095,000)	1,335,390
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 landfill closure, postclosure liability	$ (22,478)	
(Increase)/decrease in premium on bond issuance	20,508	
(Increase)/decrease in accrued interest payable	(299,687)	
(Increase)/decrease in compensated absences	(20,770)	
(Increase)/decrease in long term commitments to IDA	(66,934)	
(Increase)/decrease in net OPEB obligation	(254,745)	
Increase/(decrease) in deferred outflow - net differences between actual and expected experience	606,319	
Increase/(decrease) in deferred outflow - pension contributions subsequent to measurement date	(9,342)	
(Increase)/decrease in net pension liability	(1,750,809)	(1,797,938)
Change in net position of governmental activities		$ 908,606

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

Statement of Net Position
Health Insurance Fund
June 30, 2016

		Health Insurance Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	3,373,101
Investments		2,027,719
Accounts receivable		231
Interest receivable		5,282
Prepaid claims expense		78,226
Total assets	$	5,484,559
LIABILITIES		
Current liabilities:		
Accounts payable	$	247,447
Claims incurred but not reported		993,106
Unearned revenue		892,011
Total liabilities	$	2,132,564
NET POSITION		
Unrestricted	$	3,351,995
Total net position	$	3,351,995

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

Statement of Revenues, Expenses, and Changes in Net Position
Health Insurance Fund
For the Year Ended June 30, 2016

		Health Insurance Fund
OPERATING REVENUES		
Charges for services:		
Insurance premiums	$	12,387,515
Total operating revenues	$	12,387,515
OPERATING EXPENSES		
Insurance claims and employer provided insurance expenses	$	13,555,583
Total operating expenses	$	13,555,583
Operating income (loss)	$	(1,168,068)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	$	39,764
Total nonoperating revenues (expenses)	$	39,764
Income before transfers	$	(1,128,304)
Transfers in	$	152,361
Change in net position	$	(975,943)
Total net position - beginning		4,327,938
Total net position - ending	$	3,351,995

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

Statement of Cash Flows
Health Insurance Fund
For the Year Ended June 30, 2016

		Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for insurance premiums	$	12,416,174
Payments for premiums		(13,772,039)
Net cash provided by (used for) operating activities	$	(1,355,865)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	$	152,361
Net cash provided by (used for) noncapital financing activities	$	152,361
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	$	42,111
Sale of investments		(9,192)
Net cash provided by (used for) investing activities	$	32,919
Net increase (decrease) in cash and cash equivalents	$	(1,170,585)
Cash and cash equivalents - beginning		4,543,686
Cash and cash equivalents - ending	$	3,373,101
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	(1,168,068)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
(Increase) decrease in accounts receivable	$	3,129
(Increase) decrease prepaid claims expense		(34,226)
Increase (decrease) in accounts payable		(141,694)
Increase (decrease) in claims incurred but not reported		(40,536)
Increase (decrease) in unearned revenue		25,530
Total adjustments	$	(187,797)
Net cash provided by (used for) operating activities	$	(1,355,865)

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

		Agency Funds
ASSETS		
Cash and cash equivalents	$	313,815
Receivables		
Accounts receivable		883
Total assets	$	314,698
LIABILITIES		
Amounts held for social services clients	$	37,707
Amounts held for others		276,991
Total liabilities	$	314,698

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

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity

Campbell County, Virginia (the "County") is a political subdivision of the Commonwealth of Virginia governed under the County Administrator – Board of Supervisors form of government. The County engages in a comprehensive range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, human service programs, planning, community development and recreation, and cultural activities.

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

Discretely Presented Component Units: Discretely presented component units are entities that are legally separate from the County, but for which the County is financially accountable, or whose relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Campbell County School Board

The Campbell County School Board (the "School Board") is responsible for elementary and secondary education within the County's jurisdiction. The School Board is comprised of seven members elected by County voters. The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School Board does not issue separate financial statements.

Campbell County Industrial Development Authority

The Campbell County Industrial Development Authority (the "IDA") was created to encourage and provide financing for economic development in the County. The IDA's directors are appointed by the Board of Supervisors and the County is financially accountable for the IDA in that it provides local funding for the IDA's activities. It is authorized to acquire, own, lease, and dispose of properties to the extent that such activities foster and stimulate economic development. The IDA is presented as a proprietary fund type and does not issue separate financial statements.

Related Organizations: The following entities are excluded from the accompanying financial statements:

Campbell County Utilities and Service Authority

The Campbell County Utilities and Service Authority was created by the Board of Supervisors to operate the County's water and sewer systems. This Authority is excluded from the accompanying financial statements as the County neither exercises oversight responsibility nor has accountability for the fiscal affairs of the Authority. All obligations of the Authority are payable from and secured by revenues derived from the operation of the water and sewer systems.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

A. Financial Reporting Entity (Continued)

Horizon Behavioral Health

The County, in conjunction with the Counties of Amherst, Appomattox, and Bedford, and the City of Lynchburg, supports Horizon Behavioral Health, which is composed of two members from each of the participating localities. The County contributed $177,170 to Horizon Behavioral Health for the current year.

Blue Ridge Regional Jail Authority

The County, in conjunction with the Counties of Halifax and Bedford, and the Cities of Bedford and Lynchburg, participates in the Blue Ridge Regional Jail Authority (the "Authority"). Each member jurisdiction pays a per-diem charge for each day that one of its prisoners is at any regional jail facility. In accordance with the service agreement, the Authority has divided the per-diem charge into an operating component and a debt service component. The per-diem charge is based upon an assumed number of prisoner days and is subject to adjustment at the end of each fiscal year. The County paid the Authority $3,170,000 for the current year.

Region 2000 Services Authority

The County, in conjunction with the Cities of Lynchburg and Bedford, and the Counties of Appomattox and Nelson, participates in the Region 2000 Services Authority for solid waste disposal. The County paid the Authority tipping fees of $667,407 for solid waste transferred to the Authority, and received $804,783 in distributions from the Authority for 2016 profits.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities that report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and inter-governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County reports no business-type activities. 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 (governmental and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

Separate financial statements are provided for governmental funds, the proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 original budget and a comparison of final budget and actual results.

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

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

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

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Governmental fund financial statements use 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 when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred inflows of resources and receivables when levied, net of allowances for uncollectible amounts. Real and personal property taxes recorded at June 30 and received within the first 60 days after year end are included in tax revenues, with the related amount reduced from deferred inflows of resources. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the County, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or 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 specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. 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 financial statements.

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

The County reports the following major governmental funds:

General Fund – The General Fund is the government's primary operating fund. This fund is used to account for and report all financial 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 service, and interest income. A significant part of the General Fund's revenues are used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for reporting purposes.

Special Revenue Fund – 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. The Solid Waste Fund is a special revenue fund which accounts for revenues from landfill operations and related expenditures.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

Capital Projects Funds – The County Capital Projects Fund and Road Construction Fund accounts for and reports 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.

Proprietary Funds are used to account for the reporting entity's activities similar to those often found in the private sector. The County reports the following major proprietary fund:

Internal Service Fund - Health Insurance Fund – Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County government. The County's internal service fund is the Health Insurance Fund, through which the County self-insures the costs of providing health insurance to employees.

In addition to its major funds, the County reports the following fund category:

Fiduciary Funds – Fiduciary funds are used to account for assets held by the County in a purely custodial capacity. The County's only fiduciary funds are agency funds which consist of the following: Special Welfare, Drug Enforcement, Commonwealth Attorney Drug, Flexible Benefits, and the County Agency Fund.

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

Operating revenues and expenses in the proprietary fund result from providing services in connection with its principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges for health investment services. Nonoperating revenues consist of interest income. Operating expenses include the costs of claims and administrative expenses.

D. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to April 15, 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 related financing.

- Public hearings are conducted to obtain citizen comments.

- Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Budgetary Information (Continued)

- The Appropriations Resolution places legal restrictions on expenditures at the department level. The appropriation for each department can be revised only by the Board of Supervisors. The School Board is authorized to transfer budgeted amounts within the school system's categories. The Board of Supervisors approved supplemental appropriations in the General Fund totaling $10,139,584 for additional requests from various departments including contribution to the School Board and transfers to other funds. The Board of Supervisors also approved additional appropriations to the Solid Waste Fund of $125,036 and the County Capital Projects fund of $4,518,571.

- Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Fund, and the two Capital Project Funds.

- All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

- Appropriations lapse on June 30 for all County and School Board units.

- All budgetary data presented in the accompanying financial statements includes the original and revised budgets as of June 30.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and investments with a maturity date within three months of the date acquired.

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.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis, and management's judgment. The allowance for uncollectibles was comprised of property taxes in the amount of $305,711.

Inventories

Inventories generally are recorded at the lower of cost (first-in/first-out (FIFO) method) or market except for any commodities received from the U.S. Department of Agriculture, which are valued at market. Inventories of the County's governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories consist of expendable supplies in the General Fund and USDA commodities in the Component Unit – School Board.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Prepaid Items

Payments made for services that will benefit periods beyond June 30 are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure/expense in the year in which the services are consumed.

Capital Assets

Capital assets include property, plant, and equipment and are reported in the government-wide financial statements. The County does not own infrastructure assets. Capital assets are defined as items with an initial individual cost of more than $5,000 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 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Other improvements	2-40 years
Equipment	5-10 years

Compensated Absences

County and School Board employees are granted a specified number of days of leave with pay each year. The statements reflect, as of June 30, the amount payable for all unused vacation, sick and compensatory leave, payable upon termination. Employer related taxes payable are also included. The cost of accumulated leave is accounted for as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only when the amounts have become due and payable.

Deferred/Unearned Revenue

Deferred/Unavailable revenue consists primarily of property taxes receivable not collected within 60 days of year end, as well as property taxes, either receivable or already collected, intended to finance a future fiscal period. Unearned revenue includes grants which have been advanced to the County but have not yet been earned.

Unearned revenue in the internal service fund represents advances by other funds, component units, and outside entities for the cost of insurance for periods after June 30.

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Economic Incentive Grants Payable

Economic incentive grants payable are recorded when, in management's opinion, failure by the grantee to meet the performance criteria is unlikely. Refunds of these incentives are reflected as revenues when collection is determined to be likely.

Long-Term Obligations

Long-term debt obligations are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period but no long-term liabilities. 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. Repayments are reported as debt service expenditures.

Encumbrances

The County uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of fund balance.

Use of Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

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.

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)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

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 two items that qualify for reporting in this category. The deferred outflow of resources is comprised of certain items related to the measurement of the net pension liability. These include changes in proportion to the cost-sharing teachers' pension plan and contributions to the pension plan made during the current year, differences between expected and actual experience, and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

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

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;

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

- 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.

The County's policy 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).

IDA Transactions and Conduit Obligations

In addition to disbursing incentives to promote the expansion of business initiatives in the County, the IDA may also structure ownership of properties through lease purchase arrangements or issue Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. However, all rights to payments on these bonds have been assigned to the trustees, agents, or the holders of the bonds, and purchasers have assumed responsibility for all operating costs such as utilities, repairs and property taxes. In such cases the IDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the IDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the IDA does not recognize associated assets, liabilities, income or interest expense in its financial statements.

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

NOTE 1–SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F. Adoption of Accounting Principles

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the County to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 72. All required disclosures are located in Note 18.

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

The County implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. There was no material impact on the County's financial statement as a result of the implementation of Statement No. 79. All required disclosures are located in Note 2.

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

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

NOTE 2–DEPOSITS AND INVESTMENTS:

Deposits

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

Investments

Investment Policy

In accordance with the Code of Virginia and other applicable law, including regulations, the County's investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool

The fair value of the positions in the external investment pool (Local Government Investment 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. The LGIP is an amortized cost basis portfolio under the provision of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Credit Risk of Debt Securities

As required by state statute or by the County, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of at least $50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service.

County's Rated Debt Investments' Values - Standard & Poor's Rating

Rated Debt Investments	Fair Quality Ratings		Amount at June 30
Commercial Paper	AA-	$	2,198,826
Fixed Income - Municipal	AA+		3,146,619
Federated Prime Money Market	AAAm		28,934
LGIP	AAAm		4,017,713

NOTE 2–DEPOSITS AND INVESTMENTS: (CONTINUED)

Concentration of Credit Risk

The County's current Policy places restrictions on the diversification by type of investments. The Policy provides the following restrictions on diversification as a percentage of the County's total investments. The maximum allowable concentration by investment type is as follows:

US Treasury Bills, Notes and Bonds	50%
Certificates of Deposit	70%
LGIP	50%
Bankers Acceptances	35%
Prime Quality Commercial Paper	35%
High Quality Commercial Notes	35%
Overnight Repurchase Agreement	50%

In accordance with GASB 40, the County reports the following single investment held at June 30, 2016 greater than 5% of total investments.

Security	Investment Type	Amount	Percent of Total Investments
Westpac Bank Corporation	Commercial paper	$ 2,198,826	11%
Hampton VA Ref Pub Impt Bds	Fixed Income - Municipal	1,007,050	5%
Virginia St Housing Dev Auth Bds	Fixed Income - Municipal	1,708,670	8%
LGIP	Money Market	4,017,713	19%

Interest Rate Risk

The County's current Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States; to fifteen years for any single corporate security; and five years for any single asset-backed security.

The carrying values and weighted average maturity were as follows:

		Investment Maturity*	
Investment Type	Fair Value	Less than 1	1 - 5
Fixed Income - Municipal	$ 3,146,619	$ -	3,146,619
Money market & other similar investments	28,934	28,934	-
LGIP	4,017,713	4,017,713	-
Commercial Paper	2,198,826	-	2,198,826
Total investments	$ 9,392,092	$ 4,046,647	5,345,445

* Weighted average maturity in years.

NOTE 2–DEPOSITS AND INVESTMENTS: (CONTINUED)

Custodial Credit Risk

The Policy requires that all investment securities be held in safekeeping by a third party and evidenced by safekeeping receipts. As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the "counterparty" to the investment transaction. As of June 30, all investments are held in a bank's trust department in the County's name.

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

	Primary Government	Component Units: School Board	Component Units: IDA
Deposits and investments:			
Cash on hand	$ 3,150	$ -	$ -
Deposits	13,664,894	11,155,892	550,504
Investments	16,897,658	-	-
Total	$ 30,565,702	$ 11,155,892	$ 550,504
Statement of net position:			
Cash and cash equivalents	$ 11,920,862	$ 11,085,465	$ 550,504
Investments	16,897,658	-	-
Restricted cash and equivalents	1,747,182	70,427	-
Total	$ 30,565,702	$ 11,155,892	$ 550,504

NOTE 3–RECEIVABLES AND DEFERRED/UNAVAILABLE/UNEARNED REVENUE:

Receivables consist of the following:

	General Fund	Solid Waste	Capital Projects	Health Insurance	Total
Receivables:					
Taxes	$ 41,853,550	$ -	$ -	$ -	$ 41,853,550
Accounts	357,088	5,000	-	231	362,319
Interest	31,255	-	8,600	5,282	45,137
Gross receivables	$ 42,241,893	$ 5,000	$ 8,600	$ 5,513	$ 42,261,006
Less:					
Allowance for uncollectible amounts	$ 305,711	$ -	$ -	$ -	$ 305,711
Net receivables	$ 41,936,182	$ 5,000	$ 8,600	$ 5,513	$ 41,955,295

NOTE 3–RECEIVABLES AND DEFERRED/UNAVAILABLE/UNEARNED REVENUE: (CONTINUED)

The taxes receivable account represents the current and past four years of uncollected tax levies on personal property taxes and the current and past nineteen years of uncollected tax levies on real property. Real estate taxes are recorded as receivable when they attach as an enforceable lien, therefore, real estate taxes based on the January 1, 2016, assessment date are included in taxes receivable at June 30, 2016, even though taxpayers had not yet been billed. Additionally personal property taxes are assessed on January 1, 2016 and the County does not prorate assessments, therefore the assessment is included in taxes receivable. However, since the January 1, 2016 levy is intended to finance a future period, these amounts have been included in unavailable revenue as discussed below.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, as well as for receivables which are considered unearned in that they are intended to finance a future period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of unavailable/unearned revenue were as follows:

Exhibit 3 Reconciliation		
Advance payments of state and federal grants – unearned	$	42,807
Total unearned revenue – governmental funds (Exhibit 3)	$	42,807
Property taxes receivable – due after June 30	$	40,250,932
Property taxes receivable – due prior to June 30		1,296,908
Advance collection of 2016-2017 property taxes		103,485
Less amounts collected within 60 days		(180,031)
Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	$	41,471,294
Exhibit 1 Reconciliation		
Unavailable property taxes - Deferred Inflows of Resources - Balance Sheet (Exhibit 3)	$	41,471,294
Less propery taxes due prior to June 30 (net of 60 day collections)		(1,116,877)
Deferred property taxes - Deferred Inflows of Resources - Statement of Net Position (Exhibit 1)	$	40,354,417
Advance payments of state and federal grants – unearned	$	42,807
Internal service fund deferrals related to discretely presented component units and outside entities		892,011
Unearned revenue – Statement of Net Position (Exhibit 1)	$	934,818

NOTE 4–DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments consist of the following:

	Primary Government	Component Unit- School Board
Commonwealth of Virginia:		
Local sales tax	$ 854,202	$ -
State sales tax	-	1,562,794
Comprehensive Services Act	479,620	-
Public assistance	177,724	-
Motor vehicle rental tax	38,030	-
Mobile home titling tax	23,262	-
Shared expenses and grants	292,543	-
Railroad rolling stock	141,488	-
Communications tax	220,068	-
Recordation tax	31,164	-
VDOT Revenue sharing	175,427	-
Other state funds	161,998	6,715
Local Governments:		
Region 2000 Services Authority	804,783	-
Federal Government		
Public assistance	245,678	-
Crimes Victims Assistance	47,370	
Title I	-	497,728
Title II, Part A	-	89,055
Title VI-B special education cluster	-	470,477
Career and technical education	-	118,990
Other federal grants	33,024	4,672
Total	$ 3,726,381	$ 2,750,431

NOTE 5–INTERFUND AND INTRA-ENTITY TRANSACTIONS AND BALANCES:

Interfund and Intra-Entity transfers are as follows:

Transfer Out Fund	Transfers In Fund	Amount
General Fund	Capital Projects Fund	$ 1,329,105
General Fund	Solid Waste Fund	640,885
Capital Projects Fund	General Fund	3,480
General Fund	Health Insurance Fund	152,361
Solid Waste Fund	Capital Projects Fund	400,000
Cafeteria Plan Withholding Fund	General Fund	25,000
County Fiduciary Fund	Capital Projects Fund	44,545

NOTE 5–INTERFUND AND INTRA-ENTITY TRANSACTIONS AND BALANCES: (CONTINUED)

The transfer from the General Fund to the Capital Projects Fund was to support general government capital projects. Transfers from the General Fund to the Solid Waste Fund were to offset shortfalls in operating revenues. Transfers between the Solid Waste Fund and the General Fund were to offset operating costs. Transfers from Solid Waste Fund to the Capital Projects Fund were to fund landfill project costs. Transfers from the General Fund to the Health Insurance Fund are to provide funding for health benefits.

Balances due to and from the primary government and its component units consist of the following:

The Component Unit-School Board owed $3,026,440 to the General Fund at year end as a result of appropriated local funds in excess of actual school expenditures in the current and previous years.

The primary government owed the Component Unit-IDA $173,600 for economic incentive grants awarded by the IDA for which the County is ultimately responsible. This is discussed further in Note 16.

NOTE 6–CAPITAL ASSETS:

Primary Government

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	$ 2,477,080	$ 117,100	$ -	$ 2,594,180
Construction in progress	340,431	1,461,357	1,801,788	-
Total capital assets, nondepreciable	$ 2,817,511	$ 1,578,457	$ 1,801,788	$ 2,594,180
Capital assets, depreciable:				
Buildings and improvements	$ 19,727,172	$ 2,512,831	$ -	$ 22,240,003
Other improvements	10,944,462	185,611	162,766	10,967,307
Equipment	12,022,281	1,738,647	-	13,760,928
School buildings	54,166,843	-	-	54,166,843
Total capital assets, depreciable	$ 96,860,758	$ 4,437,089	$ 162,766	$ 101,135,081
Accumulated depreciation:				
Buildings and improvements	$ 5,700,536	$ 536,926	$ -	$ 6,237,462
Other improvements	4,996,355	638,853	42,048	5,593,160
Equipment	9,484,283	887,418	-	10,371,701
School buildings	15,523,289	1,354,171	-	16,877,460
Total accumulated depreciation	$ 35,704,463	$ 3,417,368	$ 42,048	$ 39,079,783
Capital assets, depreciable, net	$ 61,156,295	$ 1,019,721	$ 120,718	$ 62,055,298
Governmental activities capital assets, net	$ 63,973,806	$ 2,598,178	$ 1,922,506	$ 64,649,478

NOTE 6–CAPITAL ASSETS: (CONTINUED)

Primary Government: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	$ 510,488
Judicial administration	77,934
Public safety	1,015,386
Public works	271,339
Health and welfare	64,586
Education	1,354,171
Parks, recreation, and cultural	68,348
Community development	55,116
Total depreciation	$ 3,417,368

Discretely Presented Component Unit–School Board

Capital asset activity for the year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, nondepreciable:				
Land	$ 309,661	$ -	$ -	$ 309,661
Construction in progress	293,555	148,869	176,442	265,982
Total capital assets, nondepreciable	$ 603,216	$ 148,869	$ 176,442	$ 575,643
Capital assets, depreciable:				
Buildings and improvements	$ 35,073,121	$ 760,645	$ -	$ 35,833,766
Other improvements	2,052,163	37,500	5,100	2,084,563
Equipment	16,476,136	1,774,317	-	18,250,453
Total capital assets, depreciable	$ 53,601,420	$ 2,572,462	$ 5,100	$ 56,168,782
Accumulated depreciation:				
Buildings and improvements	$ 24,638,962	$ 666,377	$ -	$ 25,305,339
Other improvements	1,436,279	127,711	3,102	1,560,888
Equipment	10,307,235	1,131,500	-	11,438,735
Total accumulated depreciation	$ 36,382,476	$ 1,925,588	$ 3,102	$ 38,304,962
Capital assets, depreciable, net	$ 17,218,944	$ 646,874	$ 1,998	$ 17,863,820
Governmental activities capital assets, net	$ 17,822,160	$ 795,743	$ 178,440	$ 18,439,463

All depreciation expense in the School Board was charged to the Education function.

NOTE 7–LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General obligation bonds	$ 35,108,439	$ 29,095,000	$ 29,558,156	$ 34,645,283	$ 2,865,307
Literary fund loans	5,702,869	-	872,234	4,830,635	872,233
Bond premiums	308,747	-	20,508	288,239	20,508
Total bonds payable	$ 41,120,055	$ 29,095,000	$ 30,450,898	$ 39,764,157	$ 3,758,048
Landfill closure/postclosure (Note 8)	2,497,618	22,478	-	2,520,096	-
Compensated absences	1,528,403	1,269,065	1,248,295	1,549,173	232,376
Net pension liability (Note 12)	6,585,738	6,516,049	4,765,240	8,336,547	-
Net OPEB obligation (Note 13)	2,796,225	601,608	346,863	3,050,970	-
Total Primary Government	$ 54,528,039	$ 37,504,200	$ 36,811,296	$ 55,220,943	$ 3,990,424
Component Unit-School Board:					
Compensated absences	$ 415,631	$ 628,401	$ 620,201	$ 423,831	$ 63,575
Net pension liability (Note 12)	63,787,072	16,173,227	14,192,746	65,767,553	-
Net OPEB obligation (Note 13)	5,727,271	2,370,863	1,444,039	6,654,095	-
Total Component Unit-School Board	$ 69,929,974	$ 19,172,491	$ 16,256,986	$ 72,845,479	$ 63,575
Component Unit-IDA:					
Notes payable	$ 1,687,481	$ -	$ 86,580	$ 1,600,901	$ 91,935
Economic incentive grants payable (Note 9)	106,666	66,934	-	173,600	173,600
Total Component Unit - IDA	$ 1,794,147	$ 66,934	$ 86,580	$ 1,774,501	$ 265,535

* Reference Note 18

Debt service requirements of general obligation bonds and literary fund loans are paid by the General Fund. Costs related to landfill closure/postclosure are paid by the General Capital Projects Fund or the Solid Waste Fund. Requirements of the compensated absences and other postemployment benefits are paid by the General Fund for the primary government and the school operating and school cafeteria fund for the component unit-school board. Requirements of the notes payable incurred by the IDA are payable by the IDA supported by a lease agreement with an industry.

NOTE 7–LONG-TERM LIABILITIES: (CONTINUED)

The primary governments and component unit IDA annual debt service requirements to maturity are as follows:

Year Ended June 30	Governmental Activities				Component Unit - IDA	
	General Obligation Bonds		Literary Fund Loans		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 2,865,307	$ 1,023,005	$ 872,233	$ 113,113	$ 91,935	$ 70,067
2018	2,728,643	927,026	872,233	92,918	1,508,966	63,771
2019	2,636,333	838,302	872,233	72,723	-	-
2020	2,495,000	759,232	622,233	52,529	-	-
2021	2,565,000	683,163	622,233	22,139	-	-
2022-2026	14,030,000	2,145,861	969,470	29,084	-	-
2027-2030	7,325,000	324,094	-	-	-	-
Total	$ 34,645,283	$ 6,700,683	$ 4,830,635	$ 382,506	$ 1,600,901	$ 133,838

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities
General Obligation Bonds:					
School Construction	5.10-6.10%	Nov 1996	July 2016	3,202,504	$ 207,930
School Construction	4.35-5.23%	Nov 1997	July 2017	2,709,756	341,572
School Construction	3.60-5.10%	Nov 1998	Jan 2019	3,323,952	600,781
School Construction	4.35-5.10%	April 2005	July 2030	8,685,000	5,400,000
Refunding Bonds - School	2.62%	Sept 2015	July 2028	13,581,546	13,114,746
Refunding Bonds - County	2.62%	Sept 2015	July 2028	15,513,454	14,980,254
Total General Obligation Bonds					$ 34,645,283
Literary Fund Loans					
School Construction	2.00%	Aug 1998	Aug 2018	$ 5,000,000	$ 750,000
School Construction	3.00%	Nov 2001	Nov 2021	5,500,000	1,650,000
School Construction	2.00%	July 2002	July 2022	6,944,667	2,430,635
Total Literary Fund Loans					$ 4,830,635

NOTE 7–LONG-TERM LIABILITIES: (CONTINUED)

Details of long-term indebtedness are as follows: (Continued)

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Component Unit - IDA
Notes Payable:					
Real Estate Loan - Industry	4.50%	Sept 2014	June 2018	$ 1,757,755	$ 1,600,901
Total Notes Payable					$ 1,600,901

During fiscal year 2016 the County issued Series 2015 refunding bonds to refund the outstanding VML/VACo Bonds issued June 2008. The refunding bonds issued September 29, 2015 in the amount of $29,095,000 will refund the aforementioned bonds in the amount of $26,170,000. The present value of the economic gain is $1,084,046.

NOTE 8–LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

The County's landfill consists of four phases described as follows: Phase I of the landfill has never been intended to be used for actual waste disposal and serves only as a storage area. Phase II of the landfill was closed in 1995. Phase III opened in 1995 and Phase IV was never opened. The remaining capacity of Phase III and all of Phase IV were sold to the regional landfill authority, Region 2000 Services Authority, during fiscal year 2012.

In accordance with state and Federal laws, the County placed a final cover on Phase II of the landfill in 1995 and is required to perform certain maintenance and monitoring functions at this site for a minimum of thirty years after closure. The cumulative amount of estimated postclosure care costs and corrective action costs for this site, less amounts expended for such costs to date were $817,775 and $1,702,321, respectively. The liability for Phase II reported is equal to 100% of the estimated liability.

The closure and postclosure care costs for Phase III were assumed by the Region 2000 Services Authority as part of the purchase of Phase III and IV. The cumulative amount reported as postclosure care costs and corrective action liability is $2,520,096 as of June 30, 2016, all of which is for Phase II. The liability reported is based on what it would cost to perform all postclosure care in 2016.

The County demonstrates financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VA-20-70 of the Virginia Administrative Code.

NOTE 9–IDA ECONOMIC INCENTIVE GRANTS PAYABLE:

As discussed in Note 11, the IDA has awarded certain economic incentive grants to businesses within the County; typically the grants are paid over a 1-3 year period. Outstanding grants approved by the governing body as of June 30, 2016 that have been substantially earned by the business.

NOTE 10–SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - SCHOOL BOARD:

Certain transactions between the County and School Board component unit are explained here in detail to provide a more informed understanding of the operational relationship of the two entities and how such transactions are presented in the financial statements.

A. The School Board can neither levy taxes nor incur debt under Virginia law. Therefore, the County issues debt "on behalf" of the School Board. The debt obligation is recorded as a liability of the County's governmental activities. The proceeds from the debt issued "on behalf" of the School Board and related capital expenditures are recorded in the County's funds.

B. Debt service payments for school bonded debt are reported as part of the primary government in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

C. Local governments in Virginia have a "tenancy in common" with the School Board whenever the locality incurs a financial obligation for school property which is payable over more than one year. In order to match the capital assets with the related debt, the legislation permits the primary government to report the portion of the school property related to the financial obligation as "jointly owned" assets. When the debt related to a particular capital asset is completely retired, the related capital asset, net of accumulated depreciation, is removed from the primary government's financial statements and reported in the School Board's financial statements. The School Board retains authority and responsibility over the operation and control of this property.

D. If all economic resources associated with school activities were reported with the School Board, its total expenditures would be as follows:

Expenditures of School Board - Component Unit (Exhibit 22)	$ 78,162,713
School-related principal and other debt service expenditures included in primary government (Exhibit 4)	2,884,689
Total expenditures for school activities	$ 81,047,402

NOTE 11–SIGNIFICANT TRANSACTIONS OF THE COUNTY AND COMPONENT UNIT - IDA:

The IDA was created to encourage economic development in the County. To that end, the County appropriates periodic contributions to the IDA. In addition, the County provides certain economic incentive grants to encourage development in the County. These grants pass through the IDA but ultimately are long-term obligations reported in the County's government-wide statement of net position. When the underlying requirements have been substantially met, these amounts are recorded by the IDA as payable to the grant recipient and as receivable from the County. At year end the IDA reported economic incentive grants payable of $173,600 and an equal amount was reported as receivable from the County.

Amounts reported as payable to the IDA by the County consist of the following:

Long-term commitments to IDA, reported in the government-wide Statement of Net Position	$ 173,600
Total payable to IDA	$ 173,600

The County also provides personnel and office space to the IDA at no charge.

NOTE 12–PENSION PLAN:

Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multi-Employer Pension Plan
Administering Entity: Virginia Retirement System (VRS)

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

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has 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.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr>
<td>About Plan 1 (Cont.)</td>
<td>About Plan 2 (Cont.)</td>
<td>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.</td>
</tr>
<tr>
<td>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.</td>
<td>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.</td>
<td>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.</td>
</tr>
</table>

NOTE 12–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 will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**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 12–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** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

NOTE 12–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** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. 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 12–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:</u> (Cont.)** • 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.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>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.</td><td>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.</td><td>Service Retirement Multiplier
<u>Defined Benefit Component:</u>
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.</td></tr>
<tr><td>Normal Retirement Age
VRS: Age 65.

Political subdivisions hazardous duty employees: Age 60.</td><td>Normal Retirement Age
VRS: Normal Social Security retirement age.

Political subdivisions hazardous duty employees: Same as Plan 1.</td><td>Normal Retirement Age
<u>Defined Benefit Component:</u>
VRS: Same as Plan 2.

Political subdivisions hazardous duty employees: Not applicable.

<u>Defined Contribution Component:</u>
Members are eligible to receive distributions upon leaving employment, subject to restrictions.</td></tr>
</table>

NOTE 12–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.

NOTE 12–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%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

NOTE 12–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.) **Exceptions to COLA Effective Dates:** 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.)** **Exceptions to COLA Effective Dates:** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.
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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**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.

NOTE 12–PENSION PLAN: (CONTINUED)

Plan Description (Continued)

<table>
<tr><th colspan="3">RETIREMENT PLAN PROVISIONS (CONTINUED)</th></tr>
<tr><th>PLAN 1</th><th>PLAN 2</th><th>HYBRID RETIREMENT PLAN</th></tr>
<tr><td>Disability Coverage (Cont.).</td><td>Disability Coverage (Cont.)</td><td>Disability Coverage (Cont.)

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.</td></tr>
<tr><td>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.</td><td>Purchase of Prior Service
Same as Plan 1.</td><td>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.</td></tr>
</table>

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

NOTE 12–PENSION PLAN: (CONTINUED)

Employees Covered by Benefit Terms

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

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	202	157
Inactive members:		
Vested inactive members	40	13
Non-vested inactive members	75	47
Inactive members active elsewhere in VRS	138	18
Total inactive members	253	78
Active members	313	161
Total covered employees	768	396

Contributions

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

The County's contractually required contribution rate for the year ended June 30, 2016 was 12.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were $1,645,469 and $1,654,811 for the years ended June 30, 2016 and June 30, 2015, respectively.

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2016 was 10.78% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

NOTE 12–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 $318,400 and $310,595 for the years ended June 30, 2016 and June 30, 2015, respectively.

Net Pension Liability

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

Actuarial Assumptions – General Employees

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

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

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

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

NOTE 12–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, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

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

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

NOTE 12–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, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

NOTE 12–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%.

NOTE 12–PENSION PLAN: (CONTINUED)

Discount Rate

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

Changes in Net Pension Liability

	Primary Government Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 59,786,104	$ 53,200,366	$ 6,585,738
Changes for the year:			
Service cost	$ 1,568,032	$ -	$ 1,568,032
Interest	4,089,845	-	4,089,845
Differences between expected and actual experience	824,419	-	824,419
Contributions - employer	-	1,654,904	(1,654,904)
Contributions - employee	-	675,034	(675,034)
Net investment income	-	2,435,302	(2,435,302)
Benefit payments, including refunds of employee contributions	(2,719,500)	(2,719,500)	-
Administrative expenses	-	(33,239)	33,239
Other changes	-	(514)	514
Net changes	$ 3,762,796	$ 2,011,987	$ 1,750,809
Balances at June 30, 2015	$ 63,548,900	$ 55,212,353	$ 8,336,547

NOTE 12–PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability (Continued)

	Component School Board (nonprofessional) Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 13,724,468	$ 12,514,396	$ 1,210,072
Changes for the year:			
Service cost	$ 322,594	$ -	$ 322,594
Interest	926,451	-	926,451
Differences between expected and actual experience	(10,314)	-	(10,314)
Contributions - employer	-	310,596	(310,596)
Contributions - employee	-	142,393	(142,393)
Net investment income	-	558,443	(558,443)
Benefit payments, including refunds of employee contributions	(978,898)	(978,898)	-
Administrative expenses	-	(8,065)	8,065
Other changes	-	(117)	117
Net changes	$ 259,833	$ 24,352	$ 235,481
Balances at June 30, 2015	$ 13,984,301	$ 12,538,748	$ 1,445,553

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

The following presents the net pension liability of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) 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 Campbell Net Pension Liability (Asset)	$ 16,880,823	$ 8,336,547	$ 1,278,030
Component Unit School Board (nonprofessional) Net Pension Liability (Asset)	$ 2,875,835	$ 1,445,553	$ 228,429

NOTE 12–PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2016, the County and Component Unit School Board (nonprofessional) recognized pension expense of $966,570 and $120,346, respectively. At June 30, 2016, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 606,319	$ -	$ -	$ 6,052
Net difference between projected and actual earnings on pension plan investments	-	1,421,969	-	338,956
Employer contributions subsequent to the measurement date	1,645,469	-	318,400	-
Total	$ 2,251,788	$ 1,421,969	$ 318,400	$ 345,008

$1,645,466 and $318,400 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2017	$ (340,816)	$ (137,173)
2018	(340,816)	(134,701)
2019	(388,798)	(132,910)
2020	254,780	59,776
Thereafter	-	-

NOTE 12–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 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.

Each School Division's contractually required contribution rate for the year ended June 30, 2016 was 14.06% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013, adjusted for the transfer in June 2015 of $986,000 as an accelerated payback of the deferred contribution in the 2010-2012 biennium. The actuarial rate for the Teacher Retirement Plan was 18.20%, however it was reduced to 17.64% as a result of the transfer. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2016. Contributions to the pension plan from the School Board were $5,232,865 and $5,491,770 for the years ended June 30, 2016 and June 30, 2015, respectively.

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

At June 30, 2016, the school division reported a liability of $64,322,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2015 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the school division's proportion was .51105% as compared to .51782% at June 30, 2014.

For the year ended June 30, 2016, the school division recognized pension expense of $4,770,000. 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.

NOTE 12–PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 886,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	859,000	769,000
Net difference between projected and actual earnings on pension plan investments	-	3,939,000
Employer contributions subsequent to the measurement date	5,232,865	-
Total	$ 6,091,865	$ 5,594,000

$5,232,865 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended June 30	
2017	$ (1,685,000)
2018	(1,685,000)
2019	(1,685,000)
2020	494,000
2021	(174,000)
Thereafter	-

NOTE 12–PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

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

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

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

Mortality rates:

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

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

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

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

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

NOTE 12–PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

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%.

NOTE 12–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)	$ 94,128,000	$ 64,322,000	$ 39,784,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS:

The Governmental Accounting Standards Board ("GASB") Statement No. 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* establishes standards for the measurement, recognition and display of other postemployment benefits ("OPEB") expense and related liabilities in the financial statements. The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future years when it will be paid. The County and Schools adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

County and School Board Health Insurance

A. Plan Description

The County and School Board provide postemployment medical coverage for retired employees through a single-employer defined benefit plan. The County and School Board may change, add or delete coverage as they deem appropriate and with the approval of the Board of Supervisors. The plan does not grant retirees vested health benefits. The Plan does not issue separate financial statements.

A Campbell County retiree, eligible for postretirement medical coverage, is defined as a full-time employee who retires directly from the County or Schools and is eligible to receive an early or regular retirement benefit from the VRS. Employees applying for early or regular retirement are eligible to continue participation in the Retiree Health Plans sponsored by the County and Schools. County employees hired prior to July 1, 2006 and School employees hired for the 2006-2007 school year and before must have 10 years of service with Campbell County in order to be eligible for postretirement medical coverage. All subsequently hired employees must have 20 years of service with Campbell County to be eligible. Retired employees, hired on or after July 1, 2010, eligible for VRS retirement benefits with at least 20 years of consecutive County service may continue their health insurance under the County insurance plan until age 65 if they elect to pay the entire insurance premium established for regular employees in that classification. The Schools allow dependents to be covered if eligible employees are hired on or after July 1, 2010; employees hired prior to July 1, 2010 are also provided dependent coverage if they meet the previously stated eligibility requirements. Coverage for County employees will be limited to the retired employee and will not include dependents.

Retirees not yet eligible for Medicare coverage have one coverage choice, just as active employees have. Retirees eligible for Medicare coverage have access to plans that supplement Medicare, however, the retiree is responsible for the full cost of the plan.

The number of participants at June 30, 2016 was as follows:

	Primary Government	School Board
Retirees currently receiving benefits	27	132
Active employees	235	799
Total	262	931

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

B. Funding Policy

The County and Schools currently fund postemployment health care benefits on a pay-as-you-go basis. During fiscal year 2016, neither the County nor the Schools designated any funding for the OPEB liability.

C. Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC):

The annual cost of other postemployment benefits (OPEB) under GASB 45 is based on the annual required contribution or ARC an amount actuarially determined with the parameters of GASB 45. The estimated pay as you go cost for OPEB benefits for fiscal year 2016 was $601,608 for the County and $2,370,863 for the School Board. The County and School Board have paid $346,863 and $1,444,039, respectively towards this obligation during the fiscal year. 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 on an open basis. The components of the annual OPEB cost are depicted in the following table.

	Primary Government	School Board
Annual required contribution	$ 608,484	$ 2,384,947
Interest on net OPEB obligation	111,849	229,091
Adjustment to annual required contribution	(118,725)	(243,175)
Annual OPEB cost	$ 601,608	$ 2,370,863
Contributions made	346,863	1,444,039
Increase in net OPEB obligation	$ 254,745	$ 926,824
Net OPEB obligation-beginning of year	2,796,225	5,727,271
Net OPEB obligation-end of year	$ 3,050,970	$ 6,654,095

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 601,608	57.66%	$ 3,050,970
June 30, 2015	569,977	55.83%	2,796,225
June 30, 2014	728,709	41.93%	2,544,471

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

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

Annual Required Contribution (ARC): (Continued)

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows.

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	$ 2,370,863	60.91%	$ 6,654,095
June 30, 2015	2,251,613	58.84%	5,727,271
June 30, 2014	2,088,398	58.69%	4,800,464

C. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, the most recent actuarial valuation date was as follows:

	Primary Government	School Board
Actuarial Valuation Date	July 1, 2015	July 1, 2015
Actuarial Accrued Liability (AAL)	$ 7,249,805	$ 28,771,766
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	7,249,805	28,771,766
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-	-
Covered Payroll (Active Plan Members)	9,770,750	34,333,973
UAAL as a Percentage of Covered Payroll	74.20%	83.80%

Information about annual covered payroll is unavailable.

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 healthcare cost trends. 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 multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

County and School Board Health Insurance: (Continued)

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

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 type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from the date of hire to the participant’s full eligibility age. The actuarial assumptions used a 4% discount, 3% inflation rate and an initial annual healthcare cost trend of 8.5% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.0%. The unfunded accrued liability is being amortized as a level percentage over 30 years on an open basis. The remaining amortization period at July 1, 2015 (actuarial valuation date) is 30 years.

School Board Health Insurance Credit Program

A. Plan Description

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

An employee of the 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.

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 School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board’s contribution rate for the fiscal year ended 2016 was .57% of annual covered payroll.

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The annual cost of OPEB under Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, is based on the annual required contribution (ARC). The School Board is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 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, on an open basis.

For 2016, the School Board's contribution of $17,191 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
June 30, 2016	$ 17,191	100.00%	$ -
June 30, 2015	16,588	100.00%	-
June 30, 2014	22,952	100.00%	-

D. Funded Status and Funding Progress

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

Actuarial Accrued Liability (AAL)	$ 401,887
Actuarial Value of Plan Assets	189,172
Unfunded Actuarial Accrued Liability (UAAL)	212,715
Funded Ratio (Actuarial Value of Plan Assets/AAL)	47.07%
Covered Payroll (Active Plan Members)	2,908,936
UAAL as a Percentage of Covered Payroll	7.31%

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 Retiree Health Insurance Credit benefit is based on a member's employer eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarial valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to the healthcare cost trend rates is needed or applied.

NOTE 13–OTHER POSTEMPLOYMENT BENEFITS: (CONTINUED)

School Board Health Insurance Credit Program: (Continued)

D. Funded Status and Funding Progress: (Continued)

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 amortization period at June 30, 2015 was 19-28 years.

Professional Employees – Discretely Presented Component Unit School Board

A. Plan Description

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

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

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.06% of annual covered payroll. The School Board’s contributions to VRS for the years ended June 30, 2016, 2015 and 2014 were $397,245, $402,543, and $420,336, respectively, and equaled the required contributions for each year.

NOTE 14–PROPERTY TAXES:

The County levies real estate taxes on all real property within its boundaries, except that exempted by statute, at a rate enacted by the Board of Supervisors on the assessed value of property (except public utility property) as determined by the Commissioner of Revenue. Public utility property is assessed by the Commonwealth. All real property is assessed at 100 percent of fair market value and reassessed every four years as of January 1. The Commissioner of Revenue, by authority of County ordinance, prorates billings for property incomplete as of January 1, but completed during the year.

Real estate taxes are billed in annual installments due December 5. The taxes receivable balance at June 30, 2016 includes amounts not yet received from the January 1, 2016 levy. Property taxes attach as an enforceable lien on property as of January 1.

In addition, any uncollected amounts from previous years' levies are incorporated in the taxes receivable balance. The real estate tax rate was $.52 and $.52 per $100 of assessed value for calendar years 2016 and 2015, respectively.

Personal property tax assessments on all motor vehicles is $4.45 per $100 assessed value. Personal property tax on business machinery and tools is $3.25 per $100 of assessed value. Personal property taxes for the calendar year are due on December 5. Personal property tax assessments are not prorated. Property is assessed as of January 1st of each year.

NOTE 15–RISK MANAGEMENT:

The County and its component units are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; workers' compensation claims; and natural disasters.

The County contracts with VACorp to provide insurance coverage for these risks of loss. In the event of a loss deficit and depletion of all assets and available insurance of the League, the League 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 property coverage is for specific amounts based on values assigned to the insured properties. Liability coverage consists of $1 million primary and $4 million excess coverage.

The School Board contracts with private insurers for property and liability coverage.

Unemployment Insurance

The County and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the County for all unemployment claims.

Employee Health Insurance

The County is self-insured for medical coverage for County and School employees. Anthem serves as the administrator of a group medical insurance program in which the County and School Board's participating employees are combined into one overall funding program. The program includes a specific stop loss of $125,000 for the program year ending September 30, 2015, and a maximum aggregate liability of 115% of Anthem's estimate of the expected liability.

NOTE 15–RISK MANAGEMENT: (CONTINUED)

Employee Health Insurance: (Continued)

Liabilities for unpaid claims and claims incurred but not reported (IBNR) are estimated based on the estimated ultimate costs of settling the claims. Changes in the balances of claim liabilities are as follows:

Fiscal Year Ending	Beginning of Year	Insured Claims (Including IBNR)	Claim Payments	End of Year
June 30, 2016	$ 1,033,642	$ 13,596,119	$ 13,636,655	$ 993,106
June 30, 2015	880,775	11,030,955	10,878,088	1,033,642
June 30, 2014	889,776	8,875,356	8,884,357	880,775

In fiscal year 2012 the County started offering health benefits with a health savings account. The County has provided an annual contribution to each employee's health savings account.

NOTE 16–COMMITMENTS AND CONTINGENCIES:

Special Purpose Grants

Special purpose grants are subject to audit to determine compliance with their requirements. County officials believe that if any refunds are required they will be immaterial.

Revenue Bonds of Campbell County Utilities and Service Authority

The County Board of Supervisors has issued expressions of intent to provide the debt service payments on certain revenue bonds issued by the Campbell County Utilities and Service Authority (CCUSA). This support agreement is a non-binding obligation to appropriate to the CCUSA such funds as may be requested from time to time to pay these debt service costs for the life of the bonds, or 20 years. The County paid CCUSA $97,619 for debt service in fiscal year 2016. In turn, the County receives water and sewer access fees related to these projects. In 2016, the County received approximately $57,829 in such fees.

IDA - Adverse IRS Determination

The Internal Revenue Service (IRS) has concluded that certain revenue bonds issued in 1994 by the IDA on behalf of a private company do not qualify as tax exempt bonds. No estimate of any potential liability under this finding has been provided to the IDA, and the company is legally obligated to indemnify the IDA for any assessments. Management does not believe this action will result in any expense to the IDA, and accordingly no liability has been recorded.

NOTE 16–COMMITMENTS AND CONTINGENCIES: (CONTINUED)

Leesville Road Waterline

The County financed the construction of the Leesville Road waterline. Campbell County Utility Service (CCUSA) will own and operate the assets. All connection fees received as a result of the waterline will be remitted to the County until the costs are recovered. If the total costs are not recovered, CCUSA is not responsible for the difference.

The County reports the following encumbrances and/or commitments as of June 30, 2016:

	Primary Government			Component Unit - School Board	
	General Fund	Solid Waste Fund	Capital Projects Fund	School Operating Fund	School Capital Projects Fund
Education	$ 8,101,797	$ -	$ -	$ 8,101,797	$ -
Economic development	237,116	-	-	-	-
Debt service	774,936	-	-	-	-
General operations	1,926,737	-	-	-	-
Capital projects	30,000	-	2,184,616	-	430,426
Public works	-	88,673	-	-	-
Total	$ 11,070,586	$ 88,673	$ 2,184,616	$ 8,101,797	$ 430,426

NOTE 17–RESTRICTED ASSETS:

The County and School Board reports the following restricted assets:

County - Cash: Contributions - Road construction project	$ 1,747,182
School Board - Cash: Donations - Brookville High School Fieldhouse	$ 70,427

NOTE 18–FAIR VALUE MEASUREMENTS:

Fair value for investments is determined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The three-level fair value hierarchy prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Significant observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The County is providing the following information related to its investments:

		Fair Value Measurements at Reporting Date Using		
	Total June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed Income - Municipal	$ 3,146,619	$ 3,146,619	$ -	$ -
Commercial Paper	2,198,826	2,198,826	-	-
Total	$ 5,345,445	$ 5,345,445	$ -	$ -

NOTE 19–UPCOMING PRONOUNCEMENTS:

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

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. Earlier application is encouraged.

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

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

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

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. Earlier application is encouraged.

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.

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

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
General property taxes	$ 37,393,674	37,737,662	$ 38,312,800	$ 575,138
Other local taxes	10,288,070	10,288,070	10,819,564	531,494
Permits, privilege fees, and regulatory licenses	319,754	324,754	267,432	(57,322)
Fines and forfeitures	132,779	132,779	139,765	6,986
Revenue from the use of money and property	272,410	272,410	356,113	83,703
Charges for services	2,553,388	2,670,421	2,557,214	(113,207)
Miscellaneous	172,434	433,287	509,067	75,780
Recovered costs	331,694	331,694	331,594	(100)
Intergovernmental:				
Commonwealth	13,357,010	14,040,142	13,511,697	(528,445)
Federal	3,526,589	3,731,331	3,645,578	(85,753)
Total revenues	$ 68,347,802	$ 69,962,550	$ 70,450,824	$ 488,274
EXPENDITURES				
Current:				
General government administration				
Board of supervisors	$ 94,802	$ 94,802	$ 84,549	$ 10,253
County administrator	317,533	331,121	317,848	13,273
Independent auditor	61,800	61,800	61,800	-
Business auditor	112,569	115,434	112,948	2,486
Commissioner of the revenue	414,580	417,980	365,465	52,515
Reassessment	341,496	355,690	217,657	138,033
Central purchasing	154,309	157,327	155,919	1,408
Legal services	265,143	308,260	297,378	10,882
Treasurer	554,223	576,053	551,104	24,949
Information systems	843,929	965,497	671,658	293,839
Management services	389,121	386,313	378,381	7,932
Vehicle licensing	24,362	25,377	25,376	1
Human resources	261,383	286,868	235,442	51,426
Other	1,095,781	708,092	511,966	196,126
Registrar	218,913	223,324	206,207	17,117
Public information	109,933	113,970	105,417	8,553
Total general government administration	$ 5,259,877	$ 5,127,908	$ 4,299,115	$ 828,793
Judicial administration				
Circuit court	$ 84,590	$ 85,847	$ 75,994	$ 9,853
General district court	14,064	23,232	18,156	5,076
Magistrates	1,427	2,027	1,898	129
Juvenile and domestic relations court	15,244	15,993	14,558	1,435
Clerk of the circuit court	539,597	598,665	564,957	33,708
Victim witness program	149,009	171,244	166,756	4,488
Commissioner of accounts	1,320	1,320	1,056	264
Commonwealth attorney	842,561	858,142	816,388	41,754
Total judicial administration	$ 1,647,812	$ 1,756,470	$ 1,659,763	$ 96,707

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016 (Continued)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
EXPENDITURES (CONTINUED)				
Public safety				
Sheriff	$ 5,110,645	$ 5,451,987	$ 5,174,885	$ 277,102
E - 911 system	1,059,139	1,152,926	1,036,541	116,385
Fire departments	614,411	649,336	568,499	80,837
Ambulance and rescue services	432,171	623,730	491,185	132,545
Paid EMT services	1,864,699	1,935,417	1,748,683	186,734
Forest fire extinction service	20,781	20,781	20,780	1
Jail	3,170,000	3,170,000	3,170,000	-
Probation office	4,900	4,900	4,241	659
Local corrections	464,646	477,683	524,489	(46,806)
Building inspections	324,338	336,546	322,240	14,306
Animal control	255,860	264,173	246,585	17,588
Medical examiner	800	800	520	280
Emergency services	251,465	412,957	380,396	32,561
Total public safety	$ 13,573,855	$ 14,501,236	$ 13,689,044	$ 812,192
Public works				
Highway services	$ 22,000	$ 22,000	$ 24,087	$ (2,087)
Street lights	7,700	7,700	8,652	(952)
Maintenance of buildings and grounds	1,442,838	1,508,497	1,442,287	66,210
Public works administration	279,212	285,385	283,387	1,998
Total public works	$ 1,751,750	$ 1,823,582	$ 1,758,413	$ 65,169
Health and welfare				
Health department	$ 409,181	$ 409,181	$ 398,743	$ 10,438
Chapter X board	177,170	177,170	177,170	-
Welfare assistance and administration	7,175,966	7,320,789	6,633,936	686,853
At risk youth program	2,407,162	2,808,238	2,583,539	224,699
Property tax relief for elderly/handicapped	-	343,988	343,988	-
Housing assistance	133,227	133,227	107,533	25,694
Youth, adult and community services	140,760	155,145	144,572	10,573
Other health and welfare	15,295	15,295	15,295	-
Total health and welfare	$ 10,458,761	$ 11,363,033	$ 10,404,776	$ 958,257
Education				
Contribution to School Board Component unit	$ 27,862,695	$ 34,055,837	$ 25,841,800	$ 8,214,037
Total education	$ 27,862,695	$ 34,055,837	$ 25,841,800	$ 8,214,037

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016 (Continued)

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
EXPENDITURES (CONTINUED)				
Parks, recreation, and cultural				
Parks and recreation	$ 537,421	$ 548,272	$ 498,915	$ 49,357
Community recreation	192,074	192,074	148,798	43,276
Library	1,097,557	1,122,458	1,079,252	43,206
Literacy	33,853	36,353	32,866	3,487
Total parks, recreation, and cultural	$ 1,860,905	$ 1,899,157	$ 1,759,831	$ 139,326
Community Development				
Zoning	$ 486,232	$ 509,570	$ 485,988	$ 23,582
Economic development	506,227	1,894,604	814,665	1,079,939
Planning	110,100	110,100	110,100	-
Campbell County Utility Service Authority	34,160	168,542	98,219	70,323
Environmental management program	123,941	160,097	121,026	39,071
Soil and water conservation district	16,000	16,000	15,186	814
Cooperation extension program	105,295	105,295	102,194	3,101
Total community development	$ 1,381,955	$ 2,964,208	$ 1,747,378	$ 1,216,830
Debt Service				
Principal	$ 3,260,391	$ 4,329,086	$ 4,260,390	$ 68,696
Bond issuance costs	-	-	197,537	(197,537)
Interest - interest rate swap payoff	-	-	2,493,000	(2,493,000)
Interest and fiscal charges	1,710,628	926,230	926,429	(199)
Total debt service	$ 4,971,019	$ 5,255,316	$ 7,877,356	$ (2,622,040)
Nondepartmental	$ (665,000)	$ (665,000)	$ 430	$ (665,430)
Total expenditures	$ 68,103,629	$ 78,081,747	$ 69,037,906	$ 9,043,841
Excess (deficiency) of revenues over (under) expenditures	$ 244,173	$ (8,119,197)	$ 1,412,918	$ 9,532,115
OTHER FINANCING SOURCES (USES)				
Transfers in	$ -	$ 28,480	$ 28,480	$ -
Transfers out	(1,960,885)	(2,122,351)	(2,122,351)	-
Issuance of refunding bonds	-	234,463	29,095,000	28,860,537
Payments to refund bonds	-	-	(26,170,000)	(26,170,000)
Total other financing sources (uses)	$ (1,960,885)	$ (1,859,408)	$ 831,129	$ 2,690,537
Net change in fund balances	$ (1,716,712)	$ (9,978,605)	$ 2,244,047	$ 12,222,652
Fund balance - beginning	1,716,712	9,978,605	24,114,601	14,135,996
Fund balance - ending	$ -	$ -	$ 26,358,648	$ 26,358,648

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Solid Waste Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	$ 5,000	$ 5,000	$ 89	$ (4,911)
Charges for services	902,840	902,840	804,902	(97,938)
Miscellaneous	-	-	-	-
Intergovernmental:				
Commonwealth	16,424	16,605	16,605	-
Total revenues	$ 924,264	$ 924,445	$ 821,596	$ (102,849)
EXPENDITURES				
Current:				
Public Works - Solid Waste	$ 1,565,149	$ 1,690,185	$ 1,557,904	$ 132,281
Total expenditures	$ 1,565,149	$ 1,690,185	$ 1,557,904	$ 132,281
Excess (deficiency) of revenues over (under) expenditures	$ (640,885)	$ (765,740)	$ (736,308)	$ 29,432
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 640,885	$ 640,885	$ 640,885	$ -
Transfers out	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	$ 240,885	$ 240,885	$ 240,885	$ -
Net change in fund balances	$ (400,000)	$ (524,855)	$ (495,423)	$ 29,432
Fund balance - beginning	400,000	524,855	1,861,469	1,336,614
Fund balance - ending	$ -	$ -	$ 1,366,046	$ 1,366,046

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

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

		2015		2014
Total pension liability				
Service cost	$	1,568,032	$	1,506,011
Interest		4,089,845		3,900,665
Differences between expected and actual experience		824,419		-
Benefit payments, including refunds of employee contributions		(2,719,500)		(2,688,703)
Net change in total pension liability	$	3,762,796	$	2,717,973
Total pension liability - beginning		59,786,104		57,068,131
Total pension liability - ending (a)	$	63,548,900	$	59,786,104
Plan fiduciary net position				
Contributions - employer	$	1,654,904	$	1,640,441
Contributions - employee		675,034		637,244
Net investment income		2,435,302		7,297,446
Benefit payments, including refunds of employee contributions		(2,719,500)		(2,688,703)
Administrative expense		(33,239)		(39,389)
Other		(514)		384
Net change in plan fiduciary net position	$	2,011,987	$	6,847,423
Plan fiduciary net position - beginning		53,200,366		46,352,943
Plan fiduciary net position - ending (b)	$	55,212,353	$	53,200,366
County's net pension liability - ending (a) - (b)	$	8,336,547	$	6,585,738
Plan fiduciary net position as a percentage of the total pension liability		86.88%		88.98%
Covered payroll	$	13,173,333	$	12,703,891
County's net pension liability as a percentage of covered-employee payroll		63.28%		51.84%

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

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

	2015	2014
Total pension liability		
Service cost	$ 322,594	$ 347,629
Interest	926,451	903,387
Differences between expected and actual experience	(10,314)	-
Benefit payments, including refunds of employee contributions	(978,898)	(864,159)
Net change in total pension liability	$ 259,833	$ 386,857
Total pension liability - beginning	13,724,468	13,337,611
Total pension liability - ending (a)	$ 13,984,301	$ 13,724,468
Plan fiduciary net position		
Contributions - employer	$ 310,596	$ 318,487
Contributions - employee	142,393	147,336
Net investment income	558,443	1,732,436
Benefit payments, including refunds of employee contributions	(978,898)	(864,159)
Administrative expense	(8,065)	(9,589)
Other	(117)	91
Net change in plan fiduciary net position	$ 24,352	$ 1,324,602
Plan fiduciary net position - beginning	12,514,396	11,189,794
Plan fiduciary net position - ending (b)	$ 12,538,748	$ 12,514,396
School Board's net pension liability - ending (a) - (b)	$ 1,445,553	$ 1,210,072
Plan fiduciary net position as a percentage of the total pension liability	89.66%	91.18%
Covered payroll	$ 2,910,102	$ 2,950,955
School Board's net pension liability as a percentage of covered-employee payroll	49.67%	41.01%

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 Year Ended June 30, 2016

	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.51%	0.52%
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 64,322,000	$ 62,577,000
Employer's Covered Payroll	38,004,120	37,818,503
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	169.25%	165.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.68%	70.88%

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

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

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
County:					
2016	$ 1,645,469	$ 1,645,469	$ -	$ 13,136,288	13%
2015	1,654,811	1,654,811	-	13,172,665	13%
2014	1,647,695	1,647,695	-	12,703,891	13%
2013	1,549,349	1,549,349	-	11,945,633	13%
2012	1,035,686	1,035,686	-	11,418,804	9%
2011	1,039,173	1,039,173	-	11,457,253	9%
2010	812,293	812,293	-	11,376,646	7%
2009	861,456	861,456	-	12,065,209	7%
2008	674,426	674,426	-	11,936,735	6%
2007	607,096	607,096	-	10,938,669	6%
School Board - Non-Professionals:					
2016	$ 318,400	$ 318,400	$ -	$ 3,014,909	11%
2015	310,595	310,595	-	2,910,102	11%
2014	318,703	318,703	-	2,950,955	11%
2013	322,886	322,886	-	2,989,687	11%
2012	210,284	210,284	-	2,774,194	8%
2011	211,844	211,844	-	2,794,780	8%
2010	236,846	236,846	-	3,100,074	8%
2009	236,211	236,211	-	3,091,776	8%
2008	207,146	207,146	-	3,024,033	7%
2007	200,426	200,426	-	2,925,929	7%
School Board - Professionals*:					
2016	$ 5,232,865	$ 5,232,865	$ -	$ 37,475,983	14%
2015	5,491,770	5,491,770	-	38,004,120	14%

* This schedule is intended to report information for 10 years. Information prior to the 2014 valuation is not available. Additional years will be included when available.

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

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

Required Supplementary Information
Schedule of OPEB Funding Progress

County:

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (1) (6)	UAAL as % of Payroll (4) / (6) (7)
7/1/2013	$ -	$ 8,311,631	$ 8,311,631	0.00%	$ N/A	N/A
7/1/2014	-	6,920,366	6,920,366	0.00%	9,532,439	72.60%
7/1/2015	-	7,249,805	7,249,805	0.00%	9,770,750	74.20%

School Board:

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (1) (6)	UAAL as % of Payroll (4) / (6) (7)
7/1/2013	$ -	$ 24,454,112	$ 24,454,112	0.00%	$ N/A	N/A
7/1/2014	-	27,562,020	27,562,020	0.00%	33,496,559	82.28%
7/1/2015	-	28,771,766	28,771,766	0.00%	34,333,973	83.80%

School Board - Health Insurance Credit Program:

Actuarial Valuation Date (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded (Excess Funded) Actuarial Accrued Liability (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Covered Payroll (6)	UAAL as % of Payroll (4) / (6) (7)
6/30/2013	$ 180,848	$ 389,304	$ 208,456	46.45%	$ 2,995,330	6.96%
6/30/2014	197,437	390,889	193,452	50.51%	2,931,951	6.60%
6/30/2015	189,172	401,887	212,715	47.07%	2,908,936	7.31%

(1) Information about annual covered payroll was unavailable for the 7/1/2012 and 7/1/2013 actuarial valuations.

OTHER SUPPLEMENTARY INFORMATION

COUNTY OF CAMPBELL, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Funds
For the Year Ended June 30, 2016

	County Capital Projects Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 50,000	$ 50,000	$ 46,304	$ (3,696)
Miscellaneous	12,000	167,000	155,000	(12,000)
Intergovernmental:				
Commonwealth	496,400	827,824	488,953	(338,871)
Federal	-	500,000	503,500	3,500
Total revenues	$ 558,400	$ 1,544,824	$ 1,193,757	$ (351,067)
EXPENDITURES				
Current:				
Capital projects	$ 3,161,891	$ 7,680,462	$ 3,947,169	$ 3,733,293
Total expenditures	$ 3,161,891	$ 7,680,462	$ 3,947,169	$ 3,733,293
Excess (deficiency) of revenues over (under) expenditures	$ (2,603,491)	$ (6,135,638)	$ (2,753,412)	$ 3,382,226
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 1,700,000	$ 1,773,650	$ 1,773,650	$ -
Transfers out	-	(3,480)	(3,480)	-
Total other financing sources (uses)	$ 1,700,000	$ 1,770,170	$ 1,770,170	$ -
Net change in fund balances	$ (903,491)	$ (4,365,468)	$ (983,242)	$ 3,382,226
Fund balance - beginning	903,491	4,365,468	4,105,939	(259,529)
Fund balance - ending	$ -	$ -	$ 3,122,697	$ 3,122,697

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Exhibit 18

Road Construction Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ -	$ -	$ -	$ -
-	-	-	-
-	2,705,372	186,847	(2,518,525)
-	-	-	-
$ -	$ 2,705,372	$ 186,847	$ (2,518,525)
$ -	$ 5,407,686	$ 966,551	$ 4,441,135
$ -	$ 5,407,686	$ 966,551	$ 4,441,135
$ -	$ (2,702,314)	$ (779,704)	$ 1,922,610
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -
$ -	$ (2,702,314)	$ (779,704)	$ 1,922,610
-	2,702,314	2,702,314	-
$ -	$ -	$ 1,922,610	$ 1,922,610

Agency Funds
Combining Statement of Fiduciary Net Position
June 30, 2016

	Special Welfare	Drug Enforcement	Commonwealth Attorney Drug Fund	Flexible Benefits	County Agency	Total
ASSETS						
Cash and cash equivalents	$ 37,347	$ 150,758	$ 85,119	$ 16,613	$ 23,978	$ 313,815
Receivables						
Accounts receivable	360	-	-	523	-	883
Total assets	$ 37,707	$ 150,758	$ 85,119	$ 17,136	$ 23,978	$ 314,698
LIABILITIES						
Amounts held for social service clients	$ 37,707	$ -	$ -	$ -	$ -	$ 37,707
Amounts held for others	-	150,758	85,119	17,136	23,978	276,991
Total liabilities	$ 37,707	$ 150,758	$ 85,119	$ 17,136	$ 23,978	$ 314,698

Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare:				
Assets:				
Cash and cash equivalents	$ 38,675	$ 146,357	$ 147,685	$ 37,347
Accounts receivable	-	360	-	360
Total assets	$ 38,675	$ 146,717	$ 147,685	$ 37,707
Liabilities:				
Amounts held for social service clients	$ 38,675	$ 146,717	$ 147,685	$ 37,707
Drug Enforcement:				
Assets:				
Cash and cash equivalents	$ 143,724	$ 7,534	$ 500	$ 150,758
Liabilities:				
Accounts payable	$ 500	$ -	$ 500	$ -
Amounts held for others	143,224	7,534	-	150,758
Total liabilities	$ 143,724	$ 7,534	$ 500	$ 150,758
Commonwealth Attorney Drug Fund:				
Assets:				
Cash and cash equivalents	$ 84,440	$ 679	$ -	$ 85,119
Total assets	$ 84,440	$ 679	$ -	$ 85,119
Liabilities:				
Amounts held for others	$ 84,440	$ 679	$ -	$ 85,119
Flexible Benefits:				
Assets:				
Cash and cash equivalents	$ 41,924	$ 3,278,348	$ 3,303,659	$ 16,613
Accounts receivable	523	-	-	523
Total assets	$ 42,447	$ 3,278,348	$ 3,303,659	$ 17,136
Liabilities:				
Amounts held for others	$ 42,447	$ 3,278,348	$ 3,303,659	$ 17,136
County Agency:				
Assets:				
Cash and cash equivalents	$ 41,811	$ 26,712	$ 44,545	$ 23,978
Liabilities:				
Amounts held for others	$ 41,811	$ 26,712	$ 44,545	$ 23,978
Totals -- All agency funds				
Assets:				
Cash and cash equivalents	$ 350,574	$ 3,459,630	$ 3,496,389	$ 313,815
Accounts receivable	523	360	-	883
Total assets	$ 351,097	$ 3,459,990	$ 3,496,389	$ 314,698
Liabilities:				
Accounts payable	$ 500	$ -	$ 500	$ -
Amounts held for social service clients	38,675	146,717	147,685	37,707
Amounts held for others	311,922	3,313,273	3,348,204	276,991
Total liabilities	$ 351,097	$ 3,459,990	$ 3,496,389	$ 314,698

COUNTY OF CAMPBELL, VIRGINIA **Exhibit 21**

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2016

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 8,023,028	$ 1,498,978	$ 1,563,459	$ 11,085,465
Due from other governmental units	2,750,431	-	-	2,750,431
Prepaid items	469,311	15,369	-	484,680
Restricted assets:				
Cash and cash equivalents	-	-	70,427	70,427
Total assets	$ 11,242,770	$ 1,514,347	$ 1,633,886	$ 14,391,003
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 586,132	$ 12,043	$ -	$ 598,175
Accrued liabilities	7,154,886	207,050	-	7,361,936
Due to primary government	3,026,440	-	-	3,026,440
Total liabilities	$ 10,767,458	$ 219,093	$ -	$ 10,986,551
Fund balances:				
Nonspendable:				
Prepaid items	$ 469,311	$ 15,369	$ -	$ 484,680
Restricted:				
BHS fieldhouse construction	-	-	70,427	70,427
Committed:				
Education	8,101,797	-	-	8,101,797
Education - capital projects	-	-	430,426	430,426
Assigned:				
Education	6,001	1,279,885	-	1,285,886
Education - capital projects	-	-	1,133,033	1,133,033
Unassigned	(8,101,797)	-	-	(8,101,797)
Total fund balances	$ 475,312	$ 1,295,254	$ 1,633,886	$ 3,404,452
Total liabilities and fund balances	$ 11,242,770	$ 1,514,347	$ 1,633,886	$ 14,391,003

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

Total fund balances per above		$ 3,404,452
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds (Cost of $54,204,636 and accumulated depreciation of $36,382,476)		18,439,463
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		
Net difference of actual and expected pension liability earnings	(4,277,956)	
Changes in proportionate share of employer contributions	(769,000)	
Net difference of actual and expected expereience	(892,052)	(5,939,008)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.		5,551,265
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		
Net OPEB obligation	$ (6,654,095)	
Items related to measurement of net pension liability	859,000	
Net pension liability	(65,767,553)	
Compensated absences	(423,831)	(71,986,479)
Net position of governmental activities		$ (50,530,307)

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

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	$ 6,641	$ 624	$ 1,505	$ 8,770
Charges for services	106,669	1,188,673	-	1,295,342
Miscellaneous	56,925	7,130	88,049	152,104
Recovered costs	469,044	-	-	469,044
Intergovernmental:				
Local government	25,841,800	-	-	25,841,800
Commonwealth	44,631,572	55,894	-	44,687,466
Federal	3,582,464	2,238,254	-	5,820,718
Total revenues	$ 74,695,115	$ 3,490,575	$ 89,554	$ 78,275,244
EXPENDITURES				
Current:				
Education	$ 74,662,703	$ 3,435,369	$ 64,641	$ 78,162,713
Total expenditures	$ 74,662,703	$ 3,435,369	$ 64,641	$ 78,162,713
Excess (deficiency) of revenues over (under) expenditures	$ 32,412	$ 55,206	$ 24,913	$ 112,531
Net change in fund balances	$ 32,412	$ 55,206	$ 24,913	$ 112,531
Fund balances - beginning	442,900	1,240,048	1,608,973	3,291,921
Fund balances - ending	$ 475,312	$ 1,295,254	$ 1,633,886	$ 3,404,452

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		$ 112,531
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capitalized expenditures exceeded depreciation expense in the current period		
Capital outlay	$ 2,544,889	
Depreciation expense	(1,925,588)	619,301
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals) is to decrease net position		(1,998)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred inflows related to the measurement of the net pension liability		4,118,731
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
(Increase)/decrease in compensated absences	$ (8,200)	
(Increase)/decrease in net pension liability	(1,980,481)	
Increase/(decrease) in deferred outflow - pension related items	(494,100)	
(Increase)/decrease in net OPEB obligation	(926,824)	(3,409,605)
Change in net position of governmental activities		$ 1,438,960

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

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 3,500	$ 3,500	$ 6,641	$ 3,141
Charges for services	121,500	121,500	106,669	(14,831)
Miscellaneous	26,500	29,025	56,925	27,900
Recovered costs	290,500	484,544	469,044	(15,500)
Intergovernmental:				
Local government	27,862,695	34,055,837	25,841,800	(8,214,037)
Commonwealth	44,858,023	44,915,653	44,631,572	(284,081)
Federal	4,743,690	5,103,766	3,582,464	(1,521,302)
Total revenues	$ 77,906,408	$ 84,713,825	$ 74,695,115	$ (10,018,710)
EXPENDITURES				
Current:				
Education:				
Instruction	$ 56,269,584	$ 59,269,342	$ 54,157,644	$ 5,111,698
Administration, attendance and health	4,052,387	4,284,004	3,868,217	415,787
Pupil transportation	5,491,113	5,826,122	5,507,183	318,939
Operation and maintenance services	7,682,166	9,294,925	7,282,153	2,012,772
Technology	4,411,158	6,043,659	3,847,506	2,196,153
Total expenditures	$ 77,906,408	$ 84,718,052	$ 74,662,703	$ 10,055,349
Excess (deficiency) of revenues over (under) expenditures	$ -	$ (4,227)	$ 32,412	$ 36,639
Net change in fund balances	$ -	$ (4,227)	$ 32,412	$ 36,639
Fund balance - beginning	-	4,227	442,900	438,673
Fund balance - ending	$ -	$ -	$ 475,312	$ 475,312

Note: All budgeted amounts are prepared in accordance with accounting principles generally accepted in the United States of America.

Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2016

		Enterprise Fund
ASSETS		
Cash and cash equivalents	$	550,504
Due from primary government		173,600
Industrial assets held for industry - real property		1,852,627
Total assets	$	2,576,731
LIABILITIES		
Unearned revenue	$	16,876
Long-term liabilities:		
Due within one year		265,535
Due in more than one year		1,508,966
Total liabilities	$	1,791,377
NET POSITION		
Unrestricted	$	785,354

Schedule of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2016

		Enterprise Fund
OPERATING REVENUES		
Charges for services	$	6,407
Revenue from the use of property		202,512
Miscellaneous		33,385
Total operating revenues	$	242,304
OPERATING EXPENSES		
Economic incentive grants	$	152,768
Other operating costs		38,256
Total operating expenses	$	191,024
Operating income (loss)	$	51,280
NONOPERATING REVENUES (EXPENSES)		
Contributions from Campbell County	$	158,602
Interest income		3,482
Interest expense		(75,422)
Net nonoperating revenues (expenses)	$	86,662
Change in net position	$	137,942
Net position - beginning		647,412
Net position - ending	$	785,354

Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2016

		Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grantors and customers	$	259,180
Payments to grantees and suppliers		(124,090)
Net cash provided by (used for) operating activities	$	135,090
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Contributions from Campbell County	$	91,668
Interest Income		3,482
Net cash provided by (used for) noncapital financing activities	$	95,150
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long term debt	$	(86,580)
Interest paid on long term debt		(75,422)
Net cash provided by (used for) capital and related financing activities	$	(162,002)
Net increase (decrease) cash and cash equivalents	$	68,238
CASH AND CASH EQUIVALENTS		
Cash balance - beginning		482,266
Cash balance - ending	$	550,504
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	$	51,280
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Change in assets and liabilities:		
Increase (decrease) in unearned revenue		16,876
Increase (decrease) in liabilities payable to industries		66,934
Net cash provided by (used for) operating activities	$	135,090

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Other Statistical Information

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the the County's financial performance and well-being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	5 - 7
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	8 - 9
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	10-14

Sources: Unless otherwise noted, the information in these tables is derived from the annual financial reports for the relevant year.

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COUNTY OF CAMPBELL, VIRGINIA **Table 1**

Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016
Primary government										
Governmental activities										
Net investment in capital assets	$ 30,237,231	$ 39,715,828	$ 31,775,484	$ 28,284,570	$ 27,643,364	$ 25,710,879	$ 26,658,220	$ 28,719,429	$ 22,853,751	$ 24,885,321
Restricted	-	-	-	-	-	-	-	-	2,702,314	1,923,436
Unrestricted	16,516,792	11,756,092	20,312,047	23,778,379	24,548,926	31,368,847	31,359,486	30,189,019	20,276,672	19,932,586
Total governmental activities net position	$ 46,754,023	$ 51,471,920	$ 52,087,531	$ 52,062,949	$ 52,192,290	$ 57,079,726	$ 58,017,706	$ 58,908,448	$ 45,832,737	$ 46,741,343

(1) - The County implemented GASB Statement Nos. 63 and 65, effective fiscal year 2013
(2) - The County implemented GASB Statement Nos. 68 and 71, effective fiscal year 2015

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013***	2014	2015	2016
Expenses										
Governmental activities:										
General government administration	$ 10,442,305	$ 10,558,342	$ 13,001,378	$ 12,928,427	$ 12,555,596	$ 14,367,571	$ 4,832,503	$ 4,836,557	$ 4,886,285	$ 5,024,792
Judicial administration	1,442,333	1,528,774	1,637,800	1,708,920	1,686,219	1,634,401	1,678,561	1,742,957	1,672,627	1,664,229
Public safety	9,595,475	10,869,255	11,261,624	13,092,272	13,228,773	12,712,040	14,282,692	14,361,780	13,887,466	14,452,365
Public works	4,547,485	5,432,700	7,721,687	5,397,503	4,568,411	3,431,997	3,299,182	3,983,923	3,441,597	3,666,489
Health and welfare	11,038,564	11,738,042	10,582,093	9,613,637	9,556,302	9,329,764	9,816,547	9,882,472	10,090,691	10,467,241
Education	18,929,774	20,812,779	18,207,914	19,502,314	21,571,119	21,786,877	26,144,199	27,033,049	28,493,461	28,073,483
Parks, recreation and cultural	1,871,066	1,933,983	1,866,239	2,083,747	1,822,030	1,762,788	1,723,223	1,776,225	1,935,595	1,833,900
Community development	2,134,058	2,139,589	2,139,309	1,572,293	2,967,441	2,316,684	2,745,880	2,142,982	1,942,194	2,997,625
Interest on long-term debt	1,185,531	1,123,787	2,568,222	2,515,923	2,384,806	2,244,465	2,108,383	1,555,690	1,825,883	3,896,145
Total governmental activities expenses	$ 61,186,591	$ 66,137,251	$ 68,986,266	$ 68,415,036	$ 70,340,697	$ 69,586,587	$ 66,631,170	$ 67,315,635	$ 68,175,799	$ 72,076,269
Total primary government expenses	$ 61,186,591	$ 66,137,251	$ 68,986,266	$ 68,415,036	$ 70,340,697	$ 69,586,587	$ 66,631,170	$ 67,315,635	$ 68,175,799	$ 72,076,269
Program Revenues										
Governmental activities:										
Charges for services:										
General government administration	$ 8,569,047	$ 9,541,595	$ 9,319,950	$ 8,895,934	$ 8,763,016	$ 8,852,653	$ 390,947	$ 414,893	$ 394,421	$ 524,302
Judicial administration	118,653	111,540	85,601	122,019	121,039	31,272	28,690	10,163	7,358	24,531
Public safety	1,322,373	1,348,131	1,706,266	1,958,620	1,683,597	1,841,768	2,031,695	1,954,759	2,044,946	2,116,815
Public works	1,343,752	1,105,008	945,665	1,005,159	945,976	636,348	823,993	803,031	923,792	804,902
Health and welfare	-	-	-	34,680	-	-	-	-	-	1,700
Parks, recreation and cultural	226,963	234,040	227,362	249,297	274,777	209,061	209,368	200,099	190,557	204,666
Community development	-	-	-	48,943	32,052	46,174	43,957	51,107	196,360	92,397
Operating grants and contributions	12,571,430	13,171,193	12,425,500	11,558,109	11,512,825	10,765,466	11,243,741	11,050,952	11,310,942	11,881,220
Capital grants and contributions	659,373	1,181,992	246,851	585,146	704,737	480,513	450,560	775,951	508,650	1,179,300
Total governmental activities program revenues	$ 24,811,591	$ 26,693,499	$ 24,957,195	$ 24,457,907	$ 24,038,019	$ 22,863,255	$ 15,222,951	$ 15,260,955	$ 15,577,026	$ 16,829,833
Total primary government program revenues	$ 24,811,591	$ 26,693,499	$ 24,957,195	$ 24,457,907	$ 24,038,019	$ 22,863,255	$ 15,222,951	$ 15,260,955	$ 15,577,026	$ 16,829,833
Net (expense) / revenue										
Governmental activities	$ (36,375,000)	$ (39,443,752)	$ (44,029,071)	$ (43,957,129)	$ (46,302,678)	$ (46,723,332)	$ (51,408,219)	$ (52,054,680)	$ (52,598,773)	$ (55,246,436)
Total primary government net expense	$ (36,375,000)	$ (39,443,752)	$ (44,029,071)	$ (43,957,129)	$ (46,302,678)	$ (46,723,332)	$ (51,408,219)	$ (52,054,680)	$ (52,598,773)	$ (55,246,436)

Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013**	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	$ 26,181,462	$ 27,801,209	$ 29,695,573	$ 29,816,678	$ 30,846,372	$ 31,620,082	$ 36,936,888	$ 37,049,057	$ 37,430,288	$ 38,165,723
Other local taxes **	9,985,749	10,409,697	10,044,925	8,520,653	8,455,611	8,871,212	9,571,055	9,722,828	10,160,937	10,819,564
Unrestricted revenues from use of money and property	1,641,200	1,406,527	1,047,057	397,787	351,069	241,235	153,943	466,368	347,551	442,270
Unrestricted grants and contributions	4,092,302	4,051,899	4,013,350	4,914,103	5,460,420	5,373,618	5,275,066	5,316,657	5,426,764	5,292,660
Other	274,748	344,739	351,051	283,326	1,318,547	183,127	406,963	390,512	3,397,589	1,434,825
Gain (loss) on sale of capital assets *	-	147,578	(507,274)	-	-	5,321,494	62,284	-	-	-
Total governmental activities	$ 42,175,461	$ 44,161,649	$ 44,644,682	$ 43,932,547	$ 46,432,019	$ 51,610,768	$ 52,406,199	$ 52,945,422	$ 56,763,129	$ 56,155,042
Total primary government	$ 42,175,461	$ 44,161,649	$ 44,644,682	$ 43,932,547	$ 46,432,019	$ 51,610,768	$ 52,406,199	$ 52,945,422	$ 56,763,129	$ 56,155,042
Change in Net Position										
Governmental activities	$ 5,800,461	$ 4,717,897	$ 615,611	$ (24,582)	$ 129,341	$ 4,887,436	$ 997,980	$ 890,742	$ 4,164,356	$ 908,606
Total primary government	$ 5,800,461	$ 4,717,897	$ 615,611	$ (24,582)	$ 129,341	$ 4,887,436	$ 997,980	$ 890,742	$ 4,164,356	$ 908,606

* As of fiscal year 2010 (loss) on sale of capital assets is reported within the expense function.

** As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as unrestricted grants and contributions.

*** The County implemented GASB Statement 63 and 65, effective July 1, 2012 -
Certain revenue and expense items were reclassified and netted to to reflect changes in the allocation of the internal service fund

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
General fund										
Reserved	$ 805,534	$ 1,205,792	$ 1,302,297	$ 1,251,774						
Unreserved:										
Designated	5,300,955	5,326,719	7,212,014	8,540,762						
Undesignated	9,068,757	10,170,316	12,884,404	13,760,966						
Total general fund	$ 15,175,246	$ 16,702,827	$ 21,398,715	$ 23,553,502						
All other governmental funds										
Reserved	$ 2,052,726	$ 11,790,190	$ 7,524,054	$ 916,524						
Unreserved, reported in:										
Special revenue funds	502,654	2,837,950	3,355,746	2,301,181						
Capital projects funds	6,690,341	19,908,448	2,247,383	3,070,446						
Total all other governmental funds	$ 9,245,721	$ 34,536,588	$ 13,127,183	$ 6,288,151						
Total fund balance, governmental funds	$ 24,420,967	$ 51,239,415	$ 34,525,898	$ 29,841,653						
General fund										
Nonspendable					$ 141,964	$ 1,461,885	$ 137,125	$ 141,363	$ 192,102	$ 182,523
Restricted					-	-	-	-	-	826
Committed					6,494,918	7,226,668	7,082,941	7,283,292	7,575,891	9,099,024
Assigned					2,029,391	-	-	-	-	1,971,562
Unassigned					13,857,696	14,140,923	15,601,083	17,337,694	16,346,608	15,104,713
Total general fund					$ 22,523,969	$ 22,829,476	$ 22,821,149	$ 24,762,349	$ 24,114,601	$ 26,358,648
All other governmental funds										
Nonspendable					$ 873	$ 873	$ 542	$ 1,012	$ 1,100	$ 1,220
Restricted					-	-	-	-	2,702,314	1,922,610
Committed					1,073,022	2,507,129	2,694,012	3,028,201	3,762,857	2,273,289
Assigned					6,569,201	5,996,277	4,846,534	3,040,532	2,203,451	2,214,234
Unassigned					(13,778)	-	-	-	-	-
Total all other governmental funds					$ 7,629,318	$ 8,504,279	$ 7,541,088	$ 6,069,745	$ 8,669,722	$ 6,411,353
Total fund balance, governmental funds					$ 30,153,287	$ 31,333,755	$ 30,362,237	$ 30,832,094	$ 32,784,323	$ 32,770,001

(1) - The County implemented GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. The classification of fund balance commencing with fiscal year 2011 will report the fund balance in accordance with this reporting standard.

COUNTY OF CAMPBELL, VIRGINIA **Table 4**

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
General property taxes	$ 26,191,914	$ 27,687,218	$ 29,656,273	$ 29,878,623	$ 30,862,061	$ 31,394,666	$ 36,483,531	$ 37,019,002	$ 37,439,459	$ 38,312,800
Other local taxes	9,985,749	10,409,697	10,044,925	8,520,653	8,455,611	8,871,212	9,571,055	9,722,828	10,160,937	10,819,564
Permits, privilege fees and regulatory licenses	397,580	373,627	295,858	260,941	267,595	309,389	309,438	254,802	459,415	267,432
Fines and forfeitures	137,224	160,047	157,178	215,515	260,671	178,962	161,464	136,015	141,950	139,765
Revenue from use of money and property	1,534,263	1,334,532	998,803	386,752	326,240	230,873	150,512	428,749	323,486	402,506
Charges for services	2,787,445	2,937,786	2,977,873	3,130,057	2,937,777	2,793,238	3,057,748	3,043,235	3,156,089	3,362,116
Miscellaneous	274,748	344,740	358,953	283,326	1,318,547	308,612	347,112	380,190	3,397,589	664,067
Recovered costs	292,641	303,760	302,932	311,572	345,738	295,141	314,854	302,814	318,685	331,594
Intergovernmental	17,260,605	18,405,084	16,685,701	17,057,358	18,026,749	16,424,139	16,969,367	17,143,560	17,246,356	18,353,180
Total revenues	$ 58,862,169	$ 61,956,491	$ 61,478,496	$ 60,044,797	$ 62,800,989	$ 60,806,232	$ 67,365,081	$ 68,431,195	$ 72,643,966	$ 72,653,024
Expenditures										
General government administration	$ 3,638,781	$ 3,934,042	$ 4,016,873	$ 3,915,300	$ 4,089,668	$ 4,073,250	$ 4,283,849	$ 4,306,051	$ 4,471,685	$ 4,299,115
Judicial administration	1,415,742	1,498,818	1,569,234	1,600,405	1,575,260	1,507,600	1,559,058	1,611,258	1,632,723	1,659,763
Public safety	9,148,605	9,891,105	10,177,131	11,985,338	12,605,698	11,905,232	12,422,719	12,968,541	12,940,855	13,689,044
Public works	2,473,011	3,673,818	3,566,034	4,226,429	3,308,866	3,113,380	3,229,978	3,675,089	3,220,854	3,316,317
Health and welfare	10,973,695	11,836,735	10,521,422	9,390,648	9,422,479	8,980,678	9,586,967	9,650,094	10,049,547	10,404,776
Education	17,418,375	19,286,028	16,633,517	17,718,603	20,034,312	20,022,771	23,902,801	24,102,429	25,787,723	25,841,800
Parks, recreation and cultural	1,721,718	1,806,558	1,766,398	1,972,890	1,723,843	1,654,803	1,617,241	1,653,349	1,731,715	1,759,831
Community development	1,991,215	1,605,571	1,805,956	1,512,187	2,430,107	1,931,433	2,096,644	1,579,983	1,567,334	1,747,378
Non-departmental	-	-	-	-	-	357	96	-	219	430
Capital projects	4,422,204	13,095,157	23,220,618	6,826,686	1,472,522	1,057,458	2,741,894	3,665,156	3,126,173	4,913,720
Debt service										
Principal	2,513,356	2,483,080	2,656,078	3,007,153	3,457,196	3,259,527	3,252,633	3,124,117	3,159,124	4,260,390
Interest and other fiscal charges	1,244,873	1,257,691	2,617,944	2,573,403	2,438,998	2,301,424	2,170,990	1,615,593	1,883,785	3,616,966
Total expenditures	$ 56,961,575	$ 70,368,603	$ 78,551,205	$ 64,729,042	$ 62,558,949	$ 59,807,913	$ 66,864,870	$ 67,951,660	$ 69,571,737	$ 75,509,530
Excess (deficiency) of revenues over (under) expenditures	$ 1,900,594	$ (8,412,112)	$ (17,072,709)	$ (4,684,245)	$ 242,040	$ 998,319	$ 500,211	$ 479,535	$ 3,072,229	$ (2,856,506)
Other financing sources (uses)										
Transfers in	$ 5,678,421	$ 7,902,569	$ 2,340,457	$ 2,846,052	$ 4,091,288	$ 2,383,573	$ 4,173,957	$ 2,791,054	$ 3,344,897	$ 2,443,015
Transfers out	(5,678,421)	(7,902,569)	(2,340,457)	(2,846,052)	(4,091,288)	(2,382,573)	(5,773,957)	(2,811,054)	(4,464,897)	(2,525,831)
Sale of capital assets	-	355,560	359,192	-	69,594	181,149	128,271	10,322	-	-
Payments to refund bonds	-	-	-	-	-	-	-	-	-	(26,170,000)
Bond proceeds	-	34,875,000	-	-	-	-	-	-	-	29,095,000
Total other financing sources (uses)	$ -	$ 35,230,560	$ 359,192	$ -	$ 69,594	$ 182,149	$ (1,471,729)	$ (9,678)	$ (1,120,000)	$ 2,842,184
Net change in fund balances	$ 1,900,594	$ 26,818,448	$ (16,713,517)	$ (4,684,245)	$ 311,634	$ 1,180,468	$ (971,518)	$ 469,857	$ 1,952,229	$ (14,322)
Debt service as a percentage of noncapital expenditures	7.00%	6.20%	8.70%	9.47%	9.53%	9.35%	8.23%	7.21%	7.49%	10.92%

* As of fiscal year 2010 communication tax revenue is no longer reported as other local taxes. Per guidance from the Auditor of Public Accounts the revenue is to be reported as noncategorical aid from the Commonwealth of Virginia.

COUNTY OF CAMPBELL, VIRGINIA **Table 5**

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (5)	Mobile Homes	Machinery and Tools	Merchants' Capital (2)	Public Service	Total Taxable Assessed Value	Total Direct Tax Rate (4)	Overlapping Tax Rates Town of Brookneal	Overlapping Tax Rates Town of Altavista	Estimated Actual Taxable Value (3)	Assessed Value as a Percentage of Actual Value
2007	$ 2,651,326,904	$ 263,432,872	$ 38,559,730	$ 166,449,183	$ -	$ 188,588,574	$ 3,308,357,263	$ 0.92	$ N/A	$ N/A	$ 3,571,790,135	92.62%
2008	3,544,470,652	283,008,367	35,253,947	165,736,642	-	218,197,839	4,246,667,447	0.77	N/A	N/A	4,529,675,814	93.75%
2009	3,627,444,441	290,675,456	35,812,054	178,158,301	-	227,290,354	4,359,380,606	0.80	N/A	N/A	4,650,056,062	93.75%
2010	3,446,391,746	275,659,287	38,104,148	181,371,640	-	225,843,782	4,167,370,603	0.80	N/A	N/A	4,443,029,890	93.80%
2011	3,481,544,084	290,493,898	38,124,281	178,812,591	-	229,811,578	4,218,786,432	0.80	N/A	N/A	4,509,280,330	93.56%
2012	3,569,563,504	293,444,818	33,350,485	176,187,896	-	227,802,743	4,300,349,446	0.80	N/A	N/A	4,593,794,264	93.61%
2013	3,603,683,524	329,262,195	33,492,140	162,685,289	-	233,962,523	4,363,085,671	0.87	N/A	N/A	4,692,347,866	92.98%
2014	3,912,428,038	323,800,332	33,896,613	164,990,259	-	269,437,638	4,704,552,880	0.87	N/A	N/A	5,028,353,212	93.56%
2015	3,948,966,754	322,558,248	34,559,213	164,892,424	-	331,742,101	4,802,718,740	0.82	N/A	N/A	5,125,276,988	93.71%
2016	3,987,197,968	332,321,336	30,671,382	164,892,424	-	349,605,154	4,864,688,264	0.82	N/A	N/A	5,197,009,600	93.61%

(1) Assessed value is as of January 1 of the previous fiscal year; does not include tax exempt property
(2) Merchants' capital is no longer assessed as of fiscal year 2004
(3) Real estate, mobile homes, and machinery and tools taxes are assessed on a taxable property vaue which is 100% of estimated fair market value
Personal property taxes are assessed on a taxable property value which is 50% of fair market.
(4) Per $100 of assessed value.
(5) Includes recreational and apportioned vehicles

Source: Commissioner of Revenue

Principal Property Taxpayers
Current Year and the Nine Years Prior

	Fiscal Year 2016			Fiscal Year 2007		
Taxpayer	**Taxable Assessed Valuation**	**Rank**	**% of Total Assessed Valuation**	**Taxable Assessed Valuation**	**Rank**	**% of Total Assessed Valuation**
BWX Tech, Inc	$ 96,341,468	1	2.09%	$ 57,597,719	2	1.75%
Abbott Laboratories (Ross)	68,143,354	2	1.48%	59,770,719	1	1.81%
AREVA NP Inc (Framatone)	30,640,449	3	0.67%	25,196,748	3	0.76%
BGF Industries Inc	27,251,093	4	0.59%	23,303,826	5	0.70%
Georgia Pacific Wood Prod LLC	25,511,097	5	0.55%	23,537,527	4	0.71%
Timken Company	19,703,108	6	0.43%	19,626,298	6	0.59%
Progress Printing Company	15,609,959	7	0.34%	11,562,512	9	0.35%
Schrader-Bridgeport International	12,836,634	8	0.28%	13,519,874	8	0.41%
Graham Packaging Plastic Products	11,315,684	9	0.25%	5,019,291	na	0.16%
Boxley Materials Company Inc	8,266,319	10	0.18%	3,750,249	na	0.12%
	$ 315,619,165		6.86%	$ 242,884,763		7.36%

Source: Commissioner of Revenue

COUNTY OF CAMPBELL, VIRGINIA **Table 7**

Property Tax Levies and Collections
Last Ten Fiscal Years

		Collections in Year of Levy			Total Collections to Date	
Year Ended June 30	Current Tax Levy (1)	Current Tax Amount	Percent of Levy Collected	Collections in Subsequent Years	Total Tax Collections	Percent of Levy Collected
2007	$ 30,130,010	$ 29,453,668	97.76%	$ 595,632	$ 30,049,300	99.73%
2008	31,437,939	30,569,832	97.24%	346,687	30,916,519	98.34%
2009	33,407,401	32,226,034	96.46%	603,337	32,829,371	98.27%
2010	33,210,365	32,310,883	97.29%	565,904	32,876,787	99.00%
2011	33,876,914	33,329,195	98.38%	474,545	33,803,740	99.78%
2012	34,291,683	33,598,099	97.98%	677,002	34,275,101	99.95%
2013	36,438,020	35,105,656	96.34%	783,587	35,889,243	98.49%
2014	36,680,581	35,493,051	96.76%	1,142,346	36,635,397	99.88%
2015	40,359,558	39,551,215	98.00%	635,852	40,187,067	99.57%
2016	41,440,549	40,302,698	97.25%	-	40,302,698	97.25%

(1) Exclusive of penalties and interest.

COUNTY OF CAMPBELL, VIRGINIA **Table 8**

Ratios of Total Outstanding Debt
Last Ten Fiscal Years

	Governmental Activities					
Fiscal Years	General Obligation Bonds	Literary Fund Loans	Capital Leases	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2007	$ 17,583,127	$ 13,153,056	$ 104,840	$ 30,841,023	2.2%	$ 593
2008	51,023,657	12,118,623	70,156	63,212,436	2.4%	1,213
2009	49,415,066	11,087,788	32,994	60,535,848	2.6%	1,151
2010	47,411,159	10,064,034	-	57,475,193	2.9%	1,100
2011	44,805,688	9,191,801	-	53,997,489	3.2%	985
2012	42,397,886	8,319,568	-	50,717,454	3.0%	922
2013	39,996,978	7,447,335	-	47,444,313	2.8%	862
2014	37,395,331	6,575,101	-	43,970,432	2.6%	796
2015	35,108,439	5,702,869	-	40,811,308	2.4%	726
2016	34,645,283	4,830,635	-	39,475,918	2.3%	703

Note: All of the County's debt is a direct obligation of the County; the County has no overlapping debt.
Debt is net of premiums and discounts

(1) Source - U.S. Department of Commerce, Bureau of Economic Analysis; Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available. Personal income was last updated for calendar year 2008.

COUNTY OF CAMPBELL, VIRGINIA **Table 9**

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

Fiscal Year	Net General Bonded Debt: General Obligation Bonds	Net General Bonded Debt: Literary Fund Loans	Net General Bonded Debt: Total	Percentage of Actual Value of Taxable Property (2)	Total Net General Bonded Debt Per Capita (1)
2007	$ 17,110,316	$ 13,153,056	$ 30,263,372	0.85%	$ 581
2008	50,571,354	12,118,623	62,689,977	1.38%	1,192
2009	48,983,271	11,087,788	60,071,059	1.29%	1,150
2010	47,411,159	10,064,034	57,475,193	1.29%	1,048
2011	44,805,688	9,191,801	53,997,489	1.20%	981
2012	42,397,886	8,319,568	50,717,454	1.10%	922
2013	39,996,978	7,447,335	47,444,313	1.01%	859
2014	37,395,331	6,575,101	43,970,432	0.87%	782
2015	35,108,439	5,702,869	40,811,308	0.80%	727
2016	34,645,283	4,830,635	39,475,918	0.76%	703

(1) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 11

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 5

(3) Includes all long-term general obligation bonded debt and Literary Fund Loans; excludes capital leases and compensated absences. Debt is net of premiums and discounts.

COUNTY OF CAMPBELL, VIRGINIA **Table 10**

Principal Employers
Current Year

		2016		
Employer	**Industry**	**Employees**	**Rank**	**% of Total Employment**
BWX Technologies	Nuclear	1,000 and up	1	4% and up
Campbell County Schools	Public Education	1,000 and up	1	4% and up
BGF Industries	Fiberglass Fabric	500-999	3	2% - 4%
Abbott Industries	Pharmaceuticals	250-499	4	1% - 2%
Campbell County Govt	Local Government	250-499	4	1% - 2%
Moore's At Home Electrical and Mechanical	Specialty Trade Contractors	250-499	4	1% - 2%
Wal Mart - Supercenter	General Merchandise Stores	250-499	4	1% - 2%
Food Lion	Food and Beverage Stores	250-499	4	1% - 2%
All Others		less than 250		
Totals		3,750 +		15% +

Total employed 25,223

Note: Information from nine years ago is not available. Statistics include part time employees.

Source: Virginia Employment Commission, LMI, Largest Employers

COUNTY OF CAMPBELL, VIRGINIA **Table 11**

Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population (1)	Personal Income (in thousands) (4)	Per Capita Income (2)	School Enrollment(3)	Unemployment Rate (2)
2007	52,112	$ 1,488,006	$ 30,780	8,557	3.40%
2008	52,595	1,682,830	31,365	8,517	4.00%
2009	52,237	n/a*	30,575	8,483	7.20%
2010	54,842	n/a*	31,115	8,353	7.70%
2011	55,032	n/a*	32,161	8,140	7.20%
2012	55,030	n/a*	33,053	8,029	6.50%
2013	55,235	n/a*	33,538	7,995	5.90%
2014	56,232	n/a*	34,450	7,876	5.30%
2015	56,167	n/a*	n/a*	7,786	4.80%
2016	56,167*	n/a*	n/a*	7,656	n/a*

(1) Population is based on figures available from Weldon Cooper Center, University of Virginia. 2010 and 2011 is based on US Census.
(2) Source - U.S. Department of Commerce, Bureau of Economic Analysis, for Campbell + Lynchburg *MSA*
(3) Source - Campbell County School Administration.
(4) Source - U.S. Department of Commerce, Bureau of Economic Analysis; Commencing 2008, data for Campbell County is combined with Lynchburg City. Separate data is no longer available.

* Updated information not available

Full-Time Equivalent County Government Employees By Function
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Government										
Function:										
General government administration	44	43	43	42	42	44	44	44	52	52
Judicial administration *	18	20	20	20	20	20	20	21	21	22
Public safety **	99	103	106	116	122	122	122	123	122	123
Public works	33	33	33	33	33	33	33	34	26	26
Health and welfare	82	82	82	82	82	82	82	82	78	79
Culture and recreation	22	22	22	22	22	20	20	20	22	22
Community development	8	8	9	9	9	9	9	10	12	12
Totals	306	311	315	324	330	330	330	334	333	336
Component Unit - School Board										
Function:										
Education - full and part-time	1347	1328	1343	1362	1303	1319	1311	1312	1232	1234

* Staff increases

** Staff increases in Public Safety in FY08 resulted from the hiring of two additional deputy sheriffs and two additional E-911 dispatchers. Staff increases in Public Safety from FY06 thru FY11 resulted from the hiring of seventeen career EMT technicians, one EMT program manager and one assistant fire marshal in line with the County transitioning away from an all all-volunteer rescue squad program. The Schools reduced positions in FY2011 due to reductions in State funding.

Source: Human Resources and annual fiscal year budget

Operating Indicators By Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Sheriffs department:										
Physical arrests	2,677	2,649	2,683	4,398	5,192	4,533	3,390	3,351	3,673	2,652
Parking violations	60	56	21	21	148	50	8	18	20	18
Traffic violations	1,618	1,592	1,306	1,561	2,631	1,620	807	858	1,058	1,097
Court security manhours worked	6,438	6,216	6,420	7,532	7,618	7,618	7,748	6,858	6,482	6,562
Prisoner transports	357	269	285	435	298	371	235	286	348	363
Code enforcement violations	251	216	1,358	87	25	27	26	41	48	51
DUIs	96	97	91	94	103	80	59	70	105	54
Culture and recreation										
Parks and recreation attendees/participants:										
Youth sports participants	3,053	3,026	2,807	2,792	2,317	2,393	2,245	2,241	2,535	2,506
Dance and crafts - youth and adult	340	482	359	348	362	310	350	300	398	194
Trips	157	263	311	269	303	310	30	6	-	-
Senior centers	289	258	286	618	695	616	1,619	1,028	989	380
Playground programs	278	171	230	-	-	-	-	-	-	-
Registered special events	420	439	177	500	236	386	368	678	504	575
Open special events	2,978	3,125	2,172	3,840	1,198	1,500	2,914	1,035	2,519	1,700
Cooperative events	1,360	2,025	1,796	1,484	2,086	2,564	2,835	4,281	4,370	4,327
Ticket sales	2,091	3,109	1,042	3,801	2,954	2,692	3,040	2,538	2,340	2,765
Library:										
Volumes in collection *	184,428	190,330	106,381	168,219	169,710	167,616	160,391	174,666	160,990	153,837
Total volumes borrowed	245,487	248,132	253,816	257,650	259,321	231,449	211,068	236,142	267,089	178,605
Number of borrowers	16,181	17,563	19,535	22,079	21,799	13,905	19,949	19,123	17,178	19,065
Number of new borrowers added	2,560	2,564	2,198	2,512	2,976	2,191	2,378	2,551	7,236	3,086
Family and children's programs attendance	3,989	7,010	7,609	8,359	4,997	5,725	6,204	8,582	6,914	9,065
Public computer usage	18,563	20,724	41,757	44,792	47,031	45,630	39,760	38,809	40,439	33,620
Library visits	188,364	208,999	219,840	233,606	231,091	223,477	213,556	209,107	205,251	198,195
Number of adult and family programs	40	32	69	72	147	762	588	365	748	2,869
Adult program attendance	N/A	N/A	446	1,192	1,709	4,665	1,547	2,199	23,768	3,768
Number of children's programs	183	206	233	376	254	-	-	-	-	-
Component Unit - School Board										
Education:										
Actual school enrollment	8,557	8,517	8,485	8,353	8,140	8,029	7,995	7,876	7,786	7,656

Source: Library, Recreation & Parks and Sheriff's annual report to the Board of Supervisors
* Note: Library volumes in collection declined in 2009 as inventory was reduced by either selling books or donating them to the public.
In 2012 inactive library cards were purged, thus the reduction in the number of borrowers reported for 2012.
Additionally, the Library now reports programs on a combined basis rather than breaking them down between adult and children programs.
In 2016 two libraries were closed for a time for construction and renovation. The Library continues to see a shift away from printed books to digital borrowing.

COUNTY OF CAMPBELL, VIRGINIA **Table 14**

Captial Asset Statistics By Function
Last Ten Fiscal Years

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public safety - insured vehicles										
Law enforcement vehicles	80	75	77	89	84	76	84	84	86	81
Other public safety	18	19	21	22	22	19	17	18	18	19
Public works										
Vehicles	29	32	19	19	19	18	16	14	14	13
Health and welfare										
Vehicles	29	29	29	28	28	28	26	28	28	28
Parks, recreation and cultural										
Vehicles	7	7	7	7	7	7	7	7	7	7
Other										
Vehicles	7	8	8	7	7	7	7	8	8	11

Source: Motor vehicle registration and Purchasing Department motor vehicle insurance reports

Changes in the number of law enforcement vehicles is affected by the date during the fiscal year in which older vehicles are replaced.

Decrease in Public Works in 2009 due to the County landfill merged with the Region 2000 Services Authority

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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 Campbell, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Campbell, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Campbell, Virginia's basic financial statements, and have issued our report thereon dated November 21, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates
Charlottesville, Virginia
November 21, 2016

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

To the Board of Supervisors of
County of Campbell
County of Campbell, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Campbell, 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 Campbell, Virginia's major federal programs for the year ended June 30, 2016. County of Campbell, 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 Campbell, 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 Campbell, 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 Campbell, Virginia's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the County of Campbell, 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 Campbell, 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 Campbell, Virginia's internal control over compliance.

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

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

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
November 21, 2016

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

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Health and Human Services:				
Pass Through Payments:				
Department of Social Services:				
Promoting Safe and Stable Families	93.556	0950115/0950114	$	30,154
Temporary Assistance for Needy Families (TANF)	93.558	0400115/0400116		552,499
Refugee and Entrant Assistance - State Administered Programs	93.566	0500115/0500116		2,009
Low-Income Home Energy Assistance Program	93.568	0600415/0600416		56,245
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760115/0760116		78,570
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900115/0900116		2,522
Foster Care - Title IV-E	93.658	1100115/1100116		361,327
Adoption Assistance	93.659	1120115/1120116		556,902
Social Services Block Grant	93.667	1000115/1000116		446,281
Chafee Foster Care Independence Program	93.674	9150115/9150116		8,460
Children's Health Insurance Program	93.767	0540115/0540116		20,601
Medical Assistance Program (Medicaid, Title XIX)	93.778	1200115/1200116		656,280
Total Department of Social Services			$	2,771,850
Total Department of Health and Human Services			$	2,771,850
Corporation for National and Community Service:				
Direct Payments:				
Retired and Senior Volunteer Program	94.002		$	33,853
Total Corporation for National and Community Service			$	33,853
Department of Homeland Security:				
Pass Through Payments:				
Department of Emergency Management:				
Emergency Management Performance Grants	97.042	unknown	$	9,269
Emergency Food and Shelter National Board Program	97.024	unknown		6,000
Total Department of Homeland Security			$	15,269
Department of Agriculture:				
Pass Through Payments:				
Department of Agriculture:				
Child Nutrition Cluster:				
National School Lunch Program - Food distribution	10.555	2015IN109941/201616N109941	$	251,417
National School Lunch Program	10.555	2015IN109941/201616N109941		1,605,204
Subtotal CFDA 10.555				1,856,621
School Breakfast Program	10.553	2015IN109941/2016IN109941		381,634
Subtotal Child Nutrition Cluster				2,238,255
Department of Social Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040115/0040116/0010116/0010115		535,251
Total Department of Agriculture			$	2,773,506

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Department of Justice:				
Direct Payments:				
Bulletproof Vest Partnership Program	16.607		$	9,036
Pass Through Payments:				
Department of Criminal Justice Service:				
Violence Against Women Formula Grants	16.588	14WFAX0038		38,966
Local Law Enforcement Block Grant	16.592	unknown		1,753
Joint Law Enforcement Operations	16.111	unknown		732
Crime Victim Assistance	16.575	14VAGX0051/15VAGX0043		161,265
Total Department of Justice			$	211,752
Department of Transportation:				
Pass Through Payments:				
Department of Motor Vehicles:				
Highway Safety Cluster:				
State and Community Highway Safety	20.600	SC-2015-55149-5888	$	17,156
National Priority Safety Program	20.616	M2HVE-2015-55145-5884		6,240
Alcohol Open Container Requirements	20.607	154AL-2016-55137-5876		12,146
Total Department of Transportation			$	35,542
Department of Housing and Urban Development:				
Direct Payments:				
Economic Development Initiative - Special Project	14.251		$	500,000
Pass Through Payments:				
Virginia Department of Housing and Urban Development:				
Section 8 Housing Choice Vouchers	14.871	unknown	$	42,060
Total Department of Housing and Urban Development			$	542,060
U.S. Elections Assistance Commission				
Pass Through Payments:				
Department of Elections:				
Help America Vote Act Requirements Payments	90.401	unknown	$	3,500
Total U.S. Elections Assistance Commission			$	3,500
Department of Education:				
Pass Through Payments:				
Department of Education:				
Title I: Grants to Local Educational Agencies	84.010	S010A140046/S010A150046	$	1,526,070
Adult Education Basic Grants to States	84.002	unknown		68,902
Advanced Placement Program	84.330	S330B140002		9,430
Career and Technical Education - Basic Grants to States	84.048	V048A140046		132,109
Special Education Cluster:				
Title VI-B: Special Education - Grants to States	84.027	H027A140107/H027A150107		1,499,875
Title VI-B: Special Education Preschool Grants	84.173	H173A140112/H173A150112		37,619
Subtotal Special Education Cluster				1,537,494
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	S367A140044/S367A150044		288,507
Twenty-First Century Community Learning Centers	84.287	S287C130047		5,329
English Language Acquisition Grants	84.365	S365A150046		14,623
Total Department of Education			$	3,582,464
Total Expenditures of Federal Awards			$	9,969,796

Note 1 - Basis of Presentation

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

Note 2 - Basis of Accounting

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

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Commodities

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund	$	3,645,578
Capital Projects Funds:		
County Capital Projects Fund		503,500
Total primary government	$	4,149,078
Component Unit School Board:		
School Operating Fund	$	3,582,464
School Cafeteria Fund		2,238,254
Total Component Unit School Board	$	5,820,718
Total federal expenditures per basic financial statements	$	9,969,796
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	9,969,796

COUNTY OF CAMPBELL, VIRGINIA

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

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR section 200.516(a)	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
93.558	Temporary Assistance to Needy Families
14.251	Economic Development Initiative - Special Project
	Special Education Cluster:
84.027	Title VI-B: Special Education - Grants to States
84.173	Title VI-B: 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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

Section IV - Prior Year Findings

There are no prior year findings to report.