

**INDUSTRIAL DEVELOPMENT AUTHORITY  
OF BRUNSWICK COUNTY, VIRGINIA  
(A Component Unit of the  
County of Brunswick, Virginia)  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2019**

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**INDUSTRIAL DEVELOPMENT AUTHORITY OF  
BRUNSWICK COUNTY, VIRGINIA**

**(A Component Unit of the County of Brunswick, Virginia)**

**DIRECTORY OF OFFICIALS**

**BOARD OF DIRECTORS**

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Gloria Menyweather-Woods, Chairman

Morris Taylor, Vice Chairman

William Brown

Arnika Green

Will Ford

Bill Hudson

Raymond A. Thomas

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**Independent Auditors' Report**

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To the Honorable Members of the Board of Directors  
Industrial Development Authority of Brunswick County, Virginia  
Lawrenceville, Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Industrial Development Authority of Brunswick County, Virginia (a component unit of the County of Brunswick, Virginia) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion on these financial statements based on our audits. We conducted our audits 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 Authorities, Boards, and Commissions*, 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 opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Industrial Development Authority of Brunswick County, Virginia, as of June 30, 2019, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 4-9 and 41-46 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Industrial Development Authority of Brunswick County, Virginia's basic financial statements. The supporting schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supporting schedule is the responsibility of management and was derived from and relates 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 supporting schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2020, on our consideration of Industrial Development Authority of Brunswick County, 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 solely 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 the effectiveness of Industrial Development Authority of Brunswick County, Virginia's 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 Industrial Development Authority of Brunswick County, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox, Associates*  
Charlottesville, Virginia  
May 6, 2020

## Management's Discussion and Analysis

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To the Honorable Members of the Board of Directors  
Industrial Development Authority of Brunswick County, Virginia  
Lawrenceville, Virginia

As management of the Authority, we offer this narrative overview and analysis of the financial performance and overview of the Authority's financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented herein in connection with the Authority's basic financial statements.

### Financial Highlights for FY2019

The assets and deferred outflows of resources of the Authority exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,091,242.

The Authority's decrease in net position totaled \$394,663 for the current year. The decrease in net position for 2019, down from FY2018's decrease of \$188,274 can be attributed to the Authority's decrease in the operating revenue during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Since the Authority is engaged only in business-type activities, its basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to financial statements.

**Enterprise fund financial statements.** The enterprise fund financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Authority's 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Financial Analysis of the Authority as a Whole

### Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

#### Summary of Statement of Net Position As of June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current assets	\$ 2,333,231	\$ 3,874,504
Noncurrent assets	<u>12,410,354</u>	<u>11,259,908</u>
Total assets	<u>\$ 14,743,585</u>	<u>\$ 15,134,412</u>
Deferred outflows of resources	<u>\$ 9,039</u>	<u>\$ 706</u>
Current liabilities	\$ 134,183	\$ 114,958
Noncurrent liabilities	<u>506,000</u>	<u>510,000</u>
Total liabilities	<u>\$ 640,183</u>	<u>\$ 624,958</u>
Deferred inflows of resources	<u>\$ 21,199</u>	<u>\$ 24,255</u>
Net Position:		
Net investment in capital assets	\$ 8,257,807	\$ 8,145,885
Unrestricted	<u>5,833,435</u>	<u>6,340,020</u>
Total net position	<u><u>\$ 14,091,242</u></u>	<u><u>\$ 14,485,905</u></u>

The Authority's combined net position decreased by \$394,663 during the year.

At the end of the current fiscal year, the Authority was able to report positive balances in both categories of net position. The same situation held true for the prior fiscal year.



## Financial Analysis of the Authority as a Whole: (continued)

The following table shows the revenues and expenses of the Authority for the past two fiscal years:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Revenues:</b>		
Operating revenue	\$ 235,803	\$ 313,499
Intergovernmental grants	136,095	244,054
Capital contributions	-	54,202
Other revenue	16,275	15,405
Gain (loss) on disposal of property	<u>1,500</u>	<u>(185,076)</u>
Total revenues	<u>\$ 389,673</u>	<u>\$ 442,084</u>
<b>Expenses:</b>		
Operating expenses	\$ 436,157	\$ 229,359
Depreciation and amortization	245,549	253,341
Industrial projects	101,872	143,910
Interest expense	<u>758</u>	<u>3,748</u>
Total expenses	<u>\$ 784,336</u>	<u>\$ 630,358</u>
Increase (decrease) in net position	\$ (394,663)	\$ (188,274)
Net position beginning of year	<u>14,485,905</u>	<u>14,674,179</u>
Net position end of year	<u>\$ 14,091,242</u>	<u>\$ 14,485,905</u>

### Revenues

The Industrial Development Authority's revenues decreased by \$52,411 during the current year. The decrease was related to a decrease in operating revenues, specifically revenues from intergovernmental grants of \$107,959.

### Expenses

For the fiscal year ended June 30, 2019, total expenses increased by \$153,978. Interest expense decreased from the prior year in the amount of \$2,990, due to the Authority paying off loan balances in the prior year.

### Long-Term Debt

At the end of the fiscal year, the Authority had \$0 in notes and advances outstanding versus \$50,592 last year, a decline of \$50,592 or 100.00%. The decrease was a result of the normal amortization of existing debt obligations. There were no new debt obligations incurred by the Authority during this fiscal year. Additional information on the Authority's long-term debt can be found in Note 6 of this report.

## Capital Assets and Other Investments

The Authority's investment in capital and other assets as of June 30, 2019 amounts to \$8,257,807 (net of accumulated depreciation and amortization). Below is a comparison of the items that comprise capital assets and other investments as of June 30, 2019 with that of June 30, 2018.

	<u>2019</u>	<u>2018</u>
Land, Property and Equipment (net)	\$ 140,958	\$ 147,023
Investment in industrial assets	8,116,849	8,049,454
Leases receivable	<u>227,141</u>	<u>330,035</u>
Total capital assets and other investments	<u>\$ 8,484,948</u>	<u>\$ 8,526,512</u>

The decrease in land, property and equipment the increase in investment in industrial assets is attributed to the additional investment in industrial assets. Additional information on the Authority's capital and other assets can be found in Notes 3, 4, and 7 of this report.

## Economic Factors and Review of Operations

The Industrial Development Authority of Brunswick County, Virginia is an organization dedicated to promoting economic growth in Brunswick County through industrial development within Brunswick County and surrounding areas. The Authority provides a comprehensive approach to industrial development including retention and expansion of existing industries; recruitment and attraction of new businesses; industrial site planning and development; and financial and legal facilitation. The Authority employs one office manager and one finance/project manager. It is governed by a Board of Directors appointed by the Brunswick County Board of Supervisors.

Located strategically between Richmond, Virginia and Raleigh/Durham, North Carolina the Authority offers developed buildings and sites for industries including:

- ❑ Brunswick County Industrial Park located adjacent to US Route 58 in a Virginia Enterprise Zone (complete with utility services).
- ❑ I-85 Business Center Park, consisting of 114 acres, located ¼ mile from I-85 on U.S. Route 1; also located in a Virginia Enterprise Zone which was made possible by expansion of the Brunswick County Enterprise Zone in 2013.
- ❑ Roanoke River Regional Business Park where 240 acres are available for new industrial enterprises and is also located in a Virginia Enterprise Zone. The Park is located in Mecklenburg County but jointly owned by the Brunswick County IDA and Mecklenburg County IDA.

In addition to providing opportunities for future industrial prospects, the Authority supports its existing local industries through various capital investments and program activities. Many of the Authority's development expenditures are committed to improving the infrastructure.

The Authority undertakes a number of efforts continuously to attract new industrial prospects; e.g., marketing, trade shows, direct communication, regional and state alliances; etc. Thus, there are industrial prospects frequently considering expanding or locating their business within the County of Brunswick. These new business investments will result in a significant increase in the County's tax base.

## Economic Development

Highlighting this year's economic development activities resulting in both immediate and projected job creation for our community:

The Brunswick County Industrial Development Authority, the Brunswick County Board of Supervisors, and the Town of Lawrenceville announced in May 2018 that KASS Foods, a healthy snack food manufacturer, will invest to establish an operation in Brunswick County, Town of Lawrenceville. Virginia successfully competed against North Carolina and Maryland for the project, which will bring eight new jobs to the region. The Tobacco Commission awarded a \$447,000 Southside Economic Development Grant from the Virginia Department of Housing and Community Development for additional building renovations needed for the project. The Southside PDC, through Lake Country Development Corporation's loan pool program, was also able to assist the client with project financing. The company will be located in the former Southern States building adjacent to the Tobacco Heritage Trail. This project was developed by Virginia's Growth Alliance. Brunswick County, along with Amelia, Buckingham, Charlotte, Cumberland, Greenville, Lunenburg, Mecklenburg, Nottoway and Prince Edward counties and the City of Emporia comprise the Alliance.

Construction of the \$1.3 billion plus combined cycle natural gas fired Dominion Virginia Power Plant has been completed and it is fully operational. The Plant is located on a 213 acre site on US Route 58 about four (4) miles east of the Town of Lawrenceville. The number of on-site construction workers peaked at 1,400 per day. These new jobs created by the Plant construction have been important to helping to address the high unemployment in Brunswick County and the surrounding region. About 9% of the workers live in Brunswick County and about 50% live in the region. This Dominion investment is the largest business investment ever made in Brunswick County. It will generate \$4.0 million to \$5.0 million a year in new tax revenue for Brunswick County and provide 45 new jobs that are mainly high skill well-paying jobs.

Additionally, to provide the very large volume of natural gas required by the Dominion Power Plant, Williams Companies, Inc. built a pipeline, identified as the Brunswick Lateral, that connects in Pittsylvania County to the company's pipeline that spans from Texas to the northeast U.S. The total investment for this new construction across five (5) Virginia counties was about \$300 million and provided approximately 350 new construction jobs and also brings additional tax revenue to the county of about \$60,000.00 per year.

Under the *Areas of Development Opportunity Program* that was implemented in 2006 to strategically undertake economic development projects a number of projects were continued and new projects undertaken. This included: (1) continuing the effort to use the hotel feasibility study that was completed to promote the development of a hotel in the Lawrenceville area; (2) continuing efforts that are expanding the water and wastewater infrastructure to make service available in areas where there are large tracts of land that could be used for industrial sites; and (3) developing plans to build on the ***Visioning 2007*** – the strategic economic development action plan prepared to serve as a “blueprint” for increasing commerce and industry that will expand the County's tax revenue base and generate new well-paying employment opportunities. This included the full operation of the Economic Development Coordinating Council in which there is participation by business, government and civic leadership that will improve collaboration in promoting industrial and commercial growth.

Construction was completed by the IDA on 4 plus miles of water and wastewater lines and appurtenances along the US 58 east corridor. This project was funded by a \$546,042.00 planning/engineering grant from the Tobacco Commission and a \$5.0 million loan from VRA. The project included some special construction to facilitate local fire trucks having ready access to fire hydrants when needed.

### **Economic Development: (Continued)**

Work was also continued to expand the water and sewer infrastructure in Brunswick County. The County is working to renew the permit obtained in the year 2004 to draw a peak of approximately 8.3 million gallons per day from the Meherrin River. DEQ required the submission of a new comprehensive plan for withdrawing the water and limited the initial withdrawal of water under the new permit to a peak of 6.0 million gallons per day. The maximum daily withdrawal=12 MGD. The tiered permit will be based on actual demand.

The IDA continued to pay off the indebtedness incurred pre-2005 including loan for improvements to the Lawrenceville water and wastewater system; which will be paid in full in 2018. After payment of this debt all old IDA debts will be paid giving lead way for new investments to support the growth of industry.

Brunswick County, represented by the IDA and County Administration, continued to participate as a member of the Virginia Growth Alliance (VGA), a regional marketing and economic development organization with 13 participating localities located in proximity to each other in Southside Virginia. Numerous projects are undertaken through the organization to bring new industry to the area; which includes both national and international marketing efforts.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Authority's Executive Director, 116 West Hicks Street, Lawrenceville, VA 23868.

**- Basic Financial Statements -**

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County of Brunswick, Virginia)

Statement of Net Position  
As of June 30, 2019

<b>Assets and Deferred Outflows</b>	
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents (Note 2)	\$ 1,922,637
Investments (Note 2)	383,391
Accounts receivable	27,203
Total current assets	\$ 2,333,231
<b>Noncurrent Assets:</b>	
<u>Capital Assets</u>	
Land, property and equipment (net of accumulated depreciation of \$139,323) (Note 4)	\$ 140,958
<u>Other Assets</u>	
Net pension asset	\$ 70,548
Investment in industrial assets (net of amortization of \$2,079,889) (Note 7)	8,116,849
Land and improvements held for sale (Note 8)	3,854,858
Leases receivable (Note 3)	227,141
Total other assets	\$ 12,269,396
Total noncurrent assets	\$ 12,410,354
Total assets	\$ 14,743,585
<b>Deferred Outflows of Resources:</b>	
Pension related items	\$ 8,312
OPEB related items	727
Total deferred outflows of resources	\$ 9,039
<b>Liabilities, Deferred Inflows, and Net Position</b>	
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 95,542
Escrow accounts	5,219
Retainage payable	33,422
Total current liabilities	\$ 134,183
<b>Noncurrent Liabilities:</b>	
Advances from Brunswick County (Note 10)	\$ 500,000
Net OPEB liability	6,000
Total noncurrent liabilities	\$ 506,000
Total liabilities	\$ 640,183
<b>Deferred Inflows of Resources:</b>	
Deferred gain (Note 3)	\$ 12,834
OPEB related items	4,000
Pension related items	4,365
Total deferred inflows of resources	\$ 21,199
<b>Net Position:</b>	
Investment in capital assets (Note 9)	\$ 8,257,807
Unrestricted (Note 9)	5,833,435
Total net position	\$ 14,091,242

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County of Brunswick, Virginia)

Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2019

<b>Operating revenue:</b>	
County and local appropriations (Note 12)	\$ 40,686
Lease revenue	36,827
Bond and fee revenues	40,000
Miscellaneous/other	118,290
Grants	<u>136,095</u>
 Total operating revenue	 \$ <u>371,898</u>
<b>Operating expenses:</b>	
Wages and salaries	\$ 143,227
Fringe benefits	29,798
Contractual and professional services	39,265
Other charges	197,573
Depreciation and amortization	245,549
Industrial projects	101,872
Incentive payments	<u>26,294</u>
 Total operating expenses	 \$ <u>783,578</u>
 <b>Operating income (loss)</b>	 \$ <u>(411,680)</u>
<b>Nonoperating revenues (expenses):</b>	
Interest and investment income	\$ 16,275
Interest expense	(758)
Gain (Loss) on disposal of property	<u>1,500</u>
 Total nonoperating revenues (expenses)	 \$ <u>17,017</u>
 <b>Change in net position</b>	 \$ (394,663)
 <b>Net position, beginning of year</b>	 <u>14,485,905</u>
 <b>Net position, end of year</b>	 \$ <u><u>14,091,242</u></u>

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

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County of Brunswick, Virginia)

Statement of Cash Flows  
Year Ended June 30, 2019

<b>Cash flows from operating activities:</b>	
Receipts from clients and agencies	\$ 691,643
Payments to vendors and governments	(296,872)
Payments to employees	(178,651)
	<u>216,120</u>
Net cash provided by (used for) operating activities	\$ 216,120
<b>Cash flows from capital and related financing activities:</b>	
Additions to industrial assets	\$ (306,879)
Additions to land and improvements held for resale	(1,195,854)
Decrease to retainage payable	(2,734)
Principal payments on debt	(50,592)
Interest payments	(758)
	<u>(1,556,817)</u>
Net cash provided by (used for) capital and related financing activities	\$ (1,556,817)
<b>Cash flows from investing activities:</b>	
Interest received	\$ 16,275
	<u>16,275</u>
Net cash provided by (used for) investing activities	\$ 16,275
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ (1,324,422)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>3,630,450</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 2,306,028</b>
<b>Reconciliation of operating income (loss) to net cash provided</b>	
by (used for) operating activities:	
Operating income (loss)	\$ (411,680)
Adjustments to reconcile operating income (loss) to net cash provided	
by (used for) operating activities:	
Depreciation and amortization	245,549
Changes in operating assets and liabilities:	
Change in accounts receivable	216,851
Change in net pension asset	3,844
Change in leases	102,894
Change in deferred outflows - pension related	(8,031)
Change in deferred outflows - OPEB related	(302)
Change in payables	95,119
Change in escrow accounts	(22,568)
Change in deferred inflows - pension related	(4,556)
Change in deferred inflows - OPEB related	3,000
Change in net OPEB liability	(4,000)
	<u>216,120</u>
Net cash provided by (used for) operating activities	\$ 216,120

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



**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
**(A Component Unit of County Brunswick, Virginia)**

Note to Financial Statements  
As of June 30, 2019

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Organization and Purpose**

Industrial Development Authority of Brunswick County (the “Authority”) was organized on August 23, 1971 in accordance with Chapter 33 Section 15.2-4901 Et. Seq., of the Code of Virginia (1950), as amended (the “Act”). The purpose of the Authority shall be to acquire, own, lease, and dispose of properties to enable it to promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in the Commonwealth of Virginia and to further the use of its agricultural products and natural resources. The Act empowers the Authority to issue tax exempt bonds to fund the Authority’s purpose. Liability under the bonds may be retained by the Authority or it may be assumed by the enterprises for whom facilities are constructed. Collection of revenues pledged to liquidate the bonds may be assigned to a trustee. The revenue bonds are not deemed to constitute a debt or pledge of the faith and credit of the Commonwealth of Virginia or any municipality thereof.

The Authority is a separate and distinct entity from the County of Brunswick, Virginia and is, in accordance with the Act, a political subdivision of the Commonwealth of Virginia. The Authority is considered to be a component unit of the County of Brunswick, Virginia.

The Authority is governed by a Board of Directors appointed by the Board of Supervisors of Brunswick County, Virginia to serve a term of four years, with a limit of two terms.

**B. Financial Reporting Entity**

The basic criterion for including organizations within the reporting entity. Financial accountability includes the appointment of a voting majority of the organization’s governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. Industrial Development Authority of Brunswick County, Virginia’s financial statements include all operations of Industrial Development Authority of Brunswick County, Virginia. The Authority has no component units.

**C. Basic Financial Statements**

Management’s Discussion and Analysis - the financial statements are required to be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).

Enterprise Fund Financial Statements

Statement of Net Position - The Statement of Net Position is designed to display financial position of the Authority. Governments will report all capital assets in the Statement of Net Position and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Revenues, Expenses, and Changes in Net Position. The net position of a government will be broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County Brunswick, Virginia)

Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**D. Basis of Accounting**

Industrial Development Authority of Brunswick County, Virginia operates as an enterprise fund and its accounts are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded as liabilities when incurred, without regard to receipt or payment of cash. The Authority accrues revenue for services rendered but not yet billed at the end of the fiscal year. The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board (GASB). The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are lease revenue, bond and fee revenues, and Tobacco Settlement Grants. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E. Cash and Cash Equivalents**

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition, all of which are readily convertible to known amounts of cash.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current or previous fiscal year.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County Brunswick, Virginia)

Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**F. Capital Assets: (Continued)**

Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	39
Improvements	5
Machinery, equipment and vehicles	5 to 7

**G. 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 Authority only has multiple items that qualify for reporting in this category. The items are comprised of certain items related to the measurement of the pension and OPEB plan and contributions to the pension and OPEB plan made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has multiple types of items that qualify for reporting in this category. The Authority reports deferred gains which arise from property sales and lease backs. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, certain items related to the measurement of the net pension asset and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

**H. Land and Improvements Held for Sale**

Land and improvements held for sale are recorded at the lower of cost or market. Cost is determined by the acquisition price, if purchased, and estimated fair value at the date of contribution, if contributed. Subsequent improvements are added to the land and improvements held for sale.

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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**I. Pensions**

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

**J. Other Postemployment Benefits (OPEB)**

***Group Life Insurance***

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**K. Other Significant Accounting Policies**

- Accounts receivable are reported at book value utilizing the direct write-off method for uncollectible accounts. Uncollected balances have not been significant and no allowance for uncollectible accounts is recorded;
- Other assets are reported at cost;
- Long-term leases of industrial assets are reported as sales pursuant to standards of the Governmental Accounting Standards Board.

**L. Use of Estimates**

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

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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**M. 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 represent 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.

**N. Net Position Flow Assumption**

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

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

**Investments**

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

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Note to Financial Statements  
As of June 30, 2019 (Continued)

**NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Custodial Credit Risk (Investments)**

To protect against potential fraud and embezzlement, the assets of the Authority shall be secured through third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions. Investments officials shall be bonded to protect the public against embezzlement and malfeasance. Collateralized securities such as repurchase agreements shall be purchases using the delivery versus payment procedure. Unless prevailing practices or economic circumstances dictate otherwise, ownership shall be protected through third-party custodial safekeeping.

The Authority's investments at June 30, 2019 consist solely of investment in the Commonwealth of Virginia Local Government Investment Pool.

**Credit Risk of Debt Securities**

The Authority's rated investments as of June 30, 2019 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

<b>Rated Debt Investments' Values</b>		
<b>Rated Debt Investments</b>	<b>Value</b>	<b>AAAm</b>
Local Government Investment Pool	\$ 383,391	\$ 383,391
Total	\$ 383,391	\$ 383,391

**Interest Rate Risk**

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's policy limits the investment of operating funds to investments with a stated maturity of no more than 5 years from the date of purchase. The average maturity of the investment portfolio may not exceed 3 years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

<b>Investment Maturities</b>		
	<b>Value</b>	<b>Less than 1 Year</b>
Local Government Investment Pool	\$ 383,391	\$ 383,391
Total	\$ 383,391	\$ 383,391

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 2 - DEPOSITS AND INVESTMENTS: (CONTINUED)**

**External 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 this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is an amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

**Summary of Cash and Cash Equivalents**

The following is a reconciliation between the types of cash and investments held by the Authority and the Statement of Net Position:

Deposits and cash on hand	\$ 1,422,637
Virginia State Treasurer's Local Government Investment Pool	383,391
Certificates of Deposit	<u>500,000</u>
Total	<u>\$ 2,306,028</u>
Per Statement of Net Position:	
Cash and cash equivalents	\$ 1,922,637
Investments	<u>383,391</u>
Total	<u>\$ 2,306,028</u>

**NOTE 3 - LEASES RECEIVABLE AND DEFERRED GAIN:**

The Authority's leases receivable consists of the following at June 30, 2019:

Leases:	
Social Services	\$ 91,150
Ackerman	<u>135,991</u>
Total	<u>\$ 227,141</u>
Deferred gain:	
Long-term profit on sale of building amortized annually through 2022	<u>\$ 12,834</u>

As of June 30, 2019, the Ackerman lease had a past due balance of \$13,952.

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Note to Financial Statements  
As of June 30, 2019 (Continued)

**NOTE 4 - CAPITAL ASSETS:**

A summary of capital asset activity for the year ended June 30, 2019 follows:

	<u>Balance July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 39,142	\$ -	\$ -	\$ 39,142
Capital assets being depreciated:				
Buildings	\$ 199,098	\$ -	\$ -	\$ 199,098
Improvements	26,022	-	-	26,022
Machinery, equipment and vehicles	16,019	-	-	16,019
Total capital assets being depreciated	\$ 241,139	\$ -	\$ -	\$ 241,139
Accumulated depreciation:				
Buildings	\$ 93,329	\$ 5,105	\$ -	\$ 98,434
Improvements	26,022	-	-	26,022
Machinery, equipment and vehicles	13,907	960	-	14,867
Total accumulated depreciation	\$ 133,258	\$ 6,065	\$ -	\$ 139,323
Capital assets being depreciated, net	\$ 107,881	\$ (6,065)	\$ -	\$ 101,816
Capital assets, net	\$ 147,023	\$ (6,065)	\$ -	\$ 140,958

**NOTE 5 - PENSION PLAN:**

***Plan Description***

All full-time, salaried permanent employees of the Authority are automatically covered by a 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.



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Note to Financial Statements  
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**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Benefit Structures***

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier 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.

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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits***

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

***Employees Covered by Benefit Terms***

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	2
Inactive members:	
Vested inactive members	1
Inactive members active elsewhere in VRS	<u>1</u>
Total inactive members	2
Active members	<u>2</u>
Total covered employees	<u><u>6</u></u>

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The Authority's contractually required employer contribution rate for the year ended June 30, 2019 was 6.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 Authority were \$8,312 and \$0 for the years ended June 30, 2019 and June 30, 2018, respectively.

***Net Pension Asset***

The net pension asset (NPA) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For the Authority, the net pension asset was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions - General Employees***

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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:**

**Largest 10 - Non-Hazardous Duty:** 20% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**All Others (Non 10 Largest) - Non-Hazardous Duty:** 15% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Actuarial Assumptions - General Employees: (Continued)***

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

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Note to Financial Statements  
As of June 30, 2019 (Continued)

**NOTE 5 - PENSION PLAN: (CONTINUED)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

***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:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Authority was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used

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Note to Financial Statements  
As of June 30, 2019 (Continued)

**NOTE 5 - PENSION PLAN: (CONTINUED)**

***Discount Rate: (Continued)***

in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue 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 Asset***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2017	\$ 323,809	\$ 398,201	\$ (74,392)
Changes for the year:			
Service cost	\$ 19,165	\$ -	\$ 19,165
Interest	22,150	-	22,150
Change of assumptions	-	-	-
Differences between expected and actual experience	(4,172)	-	(4,172)
Contributions - employer	-	-	-
Contributions - employee	-	4,055	(4,055)
Net investment income	-	29,530	(29,530)
Benefit payments, including refunds of employee contributions	(14,773)	(14,773)	-
Administrative expenses	-	(260)	260
Other changes	-	(26)	26
Net changes	\$ 22,370	\$ 18,526	\$ 3,844
Balances at June 30, 2018	\$ 346,179	\$ 416,727	\$ (70,548)

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Note to Financial Statements  
As of June 30, 2019 (Continued)

**NOTE 5 - PENSION PLAN: (CONTINUED)**

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

The following presents the net pension liability/asset of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension 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:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Net Pension Asset	\$ (34,603)	\$ (70,548)	\$ (101,293)

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

For the year ended June 30, 2019, the Authority recognized pension expense of (\$312). At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
	<u>of Resources</u>	<u>of Resources</u>
Differences between expected and actual experience	\$ -	\$ 122
Net difference between projected and actual earnings on pension plan investments	-	4,243
Employer contributions subsequent to the measurement date	8,312	-
Total	<u>\$ 8,312</u>	<u>\$ 4,365</u>

\$8,312 was reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Asset in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2020	\$ 715
2021	(642)
2022	(4,154)
2023	(409)
2024	-
Thereafter	-

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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 5 - PENSION PLAN: (CONTINUED)**

*Pension Plan Data*

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

**NOTE 6 - LONG-TERM DEBT:**

Changes in long-term debt:

Balances outstanding July 1, 2018	\$ 50,592
Retirements:	
Bonds and notes	<u>(50,592)</u>
Balance outstanding June 30, 2019	<u><u>\$ -</u></u>

**NOTE 7 - INVESTMENT IN INDUSTRIAL ASSETS:**

The Authority funded an expansion of the Town of Lawrenceville's water treatment plant. This investment is valued at \$4,202,887 and is being amortized over a 40 year life. In return for this investment, the Authority receives a share of revenues created by the plant expansion. Amortization expense for fiscal year ended June 30, 2019 was \$105,072. Accumulated amortization as of June 30, 2019 was \$1,536,467.

In 2015, the Authority entered into an agreement with Dominion Energy for water and wastewater expansion to service the new plant operations. The Authority has a total investment in the project of \$5,325,411 that is being amortized over a 40 year life. Amortization expense for fiscal year ended June 30, 2019 was \$134,413, and accumulated amortization was \$543,422 as of June 30, 2019.

Details of the Authority's investment in Industrial Assets are as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Industrial Assets</u>
Water Treatment Plant	\$ 4,202,887	\$ (1,536,467)	\$ 2,666,420
Dominion Plant Water Line Improvements	5,325,411	(543,422)	4,781,989
Southern States Warehouse	<u>668,440</u>	<u>-</u>	<u>668,440</u>
Total Industrial Assets	<u><u>\$ 10,196,738</u></u>	<u><u>\$ (2,079,889)</u></u>	<u><u>\$ 8,116,849</u></u>



**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 8 - LAND AND IMPROVEMENTS HELD FOR SALE:**

Industrial Development Authority of Brunswick County, Virginia has invested \$929,089 to purchase a 50% interest in the Roanoke River Regional Business Park. Funding for this project includes tobacco settlement funds as well as an obligation to repay the County of Brunswick, Virginia a total of \$500,000 as lots are sold to industries and industrial development funds become available from the Commonwealth of Virginia.

The Authority has invested \$1,442,566 in a 114 acre site adjacent to Route 1 in the Town of Alberta. The Park was named the I-85 Business Center Park to attract small to medium size manufacturers and service industries.

The Authority was granted the Brunswick County Industrial Park, a 63.09 acre site with a value of \$287,349, from the County of Brunswick, Virginia.

The Authority has purchased land previously owned by St. Paul's College, a 414 acre site with a value of \$905,176.

The Authority has purchased and invested \$63,336 in the property located at 315 Main Street, Lawrenceville, Virginia, from Elton H. Brown.

The Authority has purchased the Walker Drug Store - Post Office lots 5-12, in the amount of \$17,327, from William Thomas Walker.

The Authority has purchased the Sledge & Barkley building in the amount of \$163,746. The property consists of five lots, and was purchased from Robert L. Dobbs.

The Authority has purchased the property located at 121 W. Hicks Street, Lawrenceville, Virginia from Tammy Elizabeth Edwards in the amount of \$46,269.

**NOTE 9 - NET POSITION:**

The Authority has net position as follows:

Capital Assets (Note 4)	\$ 140,958
Investment in Industrial Assets (net of amortization of \$2,079,889) (Note 7)	<u>8,116,849</u>
Net investment in capital assets	<u>\$ 8,257,807</u>
Total unrestricted	<u>\$ 5,833,435</u>

**NOTE 10 - INTERGOVERNMENTAL AND INDUSTRIAL AGREEMENTS:**

Industrial Development Agreements

In pursuit of advancing economic development, Industrial Development Authority of Brunswick County has entered into agreements with industries, the Commonwealth of Virginia and other local governments. These agreements are complex and vary in their terms, length, and extent of legal and financial commitment accruing to the Authority. A summary of the significant agreements follows:

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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 10 - INTERGOVERNMENTAL AND INDUSTRIAL AGREEMENTS: (CONTINUED)**

Commonwealth of Virginia

The Authority owns and leases to the Virginia Department of Corrections the land and structure upon which a 1500 inmate private prison facility has been constructed. The agreement provides that the Commonwealth will purchase the facility at the end of the initial twenty-year lease for the sum of \$1.00, and further provides for the Commonwealth to remit payments in lieu of taxes in a negotiated amount (initially \$332,320) during the twenty-year term of the lease.

Town of Lawrenceville, Virginia

The Authority funded an expansion of the Lawrenceville Water Treatment Plant capacity by one million gallons per day of treatment capacity. By contract, the Authority owns the entire 1,000,000 gallons of additional treatment capacity, and as a result, that water capacity constitutes a substantial asset of the Authority. In addition, the Authority is entitled to receive a share of the water charges to users identified as "Authority customers," defined as all customers (except residential) located outside the Town boundaries who/which connect to the Town's water system after the date of the Lawrenceville/IDA contract. The share of the Authority has been pegged at 46.7%, which the parties determined to represent that share of water charges representing capital recovery costs (as opposed to operation and maintenance costs, which are retained by the Town).

County of Brunswick, Virginia

Under arrangements similar to that between the Authority and the Virginia Department of Corrections, the Authority issued bonds for the construction of a new Courthouse facility for Brunswick County. The payments from the County to the Authority equal the Authority's obligation to the bond holders.

Brunswick County and the Authority joined together in the development of the Roanoke River Regional Business Park (RRRBP), which is located in Mecklenburg County. To enable the Authority to participate in this project, the County loaned the Authority \$500,000 to be used for the purchase of land. No repayments are due from the Authority to the County until closing occurs on a sale of property within the RRRBP, at which time there is a proportional repayment (the amount of which is determined under the terms of a negotiated agreement between the Authority and the County).

County of Mecklenburg, Virginia

One funding source for the RRRBP project was an Industrial Development Grant in the sum of \$1,298,600. The RRRBP property is owned jointly by the Authority and the Industrial Development Authority of Mecklenburg County. The Authority has been designated as the administrator of that \$1,298,600 grant.

Industrial Development Authority of Mecklenburg County, Virginia

The Authority has entered into a contractual arrangement with the Industrial Development Authority of Mecklenburg County for operation of the RRRBP, which is owned jointly and equally by the two Authorities.

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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 10 - INTERGOVERNMENTAL AND INDUSTRIAL AGREEMENTS: (CONTINUED)**

Private Industry

GEO Group has secured a contract with the Commonwealth to operate the private prison for a term of five years. GEO Group has agreed to a contract with the County. That agreement provides for GEO Group to make payments of \$40,000 per year to the Authority during the term of GEO Group's initial five year operating agreement. If GEO Group's contract to operate the private prison is not renewed by the Commonwealth after the initial five-year contract expires, payments from GEO Group to the Authority will cease.

**NOTE 11 - CONDUIT DEBT OBLIGATIONS:**

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the State, nor any political subdivision thereof, is obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Bonds issued by the Authority include the following:

Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2004A, issued September 14, 2004 (School Improvement/ Renovation Project)	\$ 7,500,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2004B, issued September 14, 2004 (School Improvement/ Renovation Project)	850,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2003, issued December 31, 2003 (Brunswick Academy Association)	2,000,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Note, Series 2002, issued July 31, 2002 (Saint Paul's College Project)	1,800,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Bonds, Series 1997, issued December 5, 1997 (Brunswick County Courthouse Facilities)	4,000,000
Industrial Development Authority of Brunswick County, Virginia Lease Revenue Bonds, Series 1996, issued July 11, 1996 (Commonwealth of Virginia Correctional Facility)	58,095,000
Industrial Development Authority of Brunswick County, Virginia Exempt Facility Revenue Bonds, Series 1996, issued December 16, 1996 (Aegis Waste Solutions, Inc. Project)	5,200,000

**NOTE 12 - SOURCES OF REVENUE:**

Each business entity applying for tax-exempt industrial revenue bonds must pay a filing fee unless waived by the Authority. If bonds are subsequently issued, the entity must then pay an annual service fee until the bonds are retired. The Board of Supervisors of Brunswick County, Virginia has appropriated funds for the operations and development expenditures of the Authority.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):**

***Plan Description:***

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

***Eligible Employees***

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

***Benefit Amounts***

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Contributions***

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the entity were \$727 and \$425 for the years ended June 30, 2019 and June 30, 2018, respectively.

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB***

At June 30, 2019, the entity reported a liability of \$6,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00067% as compared to .00043% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of (\$1,000). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (Continued)***

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,000
Change in proportion	-	3,000
Employer contributions subsequent to the measurement date	<u>727</u>	<u>-</u>
Total	<u>\$ 727</u>	<u>\$ 4,000</u>

\$727 was reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (1,000)
2021	(1,000)
2022	(2,000)
2023	-
2024	-
Thereafter	-

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions***

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

**Mortality Rates - Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Largest Ten Locality Employers - General Employees: (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.



**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Actuarial Assumptions: (Continued)***

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees: (Continued)**

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

***NET GLI OPEB Liability***

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		<b>Group Life Insurance OPEB Program</b>
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on the System’s 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 System’s investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Discount Rate***

The discount rate used to measure the total GLI OPEB 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 guidance 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 ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB’s fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 13 - GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)**

***Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Board's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 8,000	\$ 6,000	\$ 5,000

***GLI Program Fiduciary Net Position***

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**NOTE 14 - UPCOMING PRONOUNCEMENTS:**

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
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Note to Financial Statements  
As of June 30, 2019 (Continued)

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**NOTE 14 - UPCOMING PRONOUNCEMENTS: (CONTINUED)**

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

- Required Supplementary Information -

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County of Brunswick, Virginia)

Schedule of Changes in Net Pension Asset and Related Ratios  
For the Measurement Dates of June 30, 2014 through June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>					
Service cost	\$ 19,165	\$ 5,475	\$ 5,338	\$ 5,280	\$ 18,602
Interest	22,150	21,942	19,780	18,364	16,275
Changes of assumptions	-	(16,105)	-	-	-
Differences between expected and actual experience	(4,172)	1,621	10,927	1,693	-
Benefit payments, including refunds of employee contributions	(14,773)	(5,161)	(5,155)	(5,072)	(4,999)
<b>Net change in total pension liability</b>	<u>\$ 22,370</u>	<u>\$ 7,772</u>	<u>\$ 30,890</u>	<u>\$ 20,265</u>	<u>\$ 29,878</u>
<b>Total pension liability - beginning</b>	323,809	316,037	285,147	264,882	235,004
<b>Total pension liability - ending (a)</b>	<u>\$ 346,179</u>	<u>\$ 323,809</u>	<u>\$ 316,037</u>	<u>\$ 285,147</u>	<u>\$ 264,882</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ -	\$ -	\$ 11,739	\$ 11,547	\$ 10,599
Contributions - employee	4,055	6,208	6,008	5,909	5,895
Net investment income	29,530	43,523	6,339	14,624	41,497
Benefit payments, including refunds of employee contributions	(14,773)	(5,161)	(5,155)	(5,072)	(4,999)
Administrative expense	(260)	(246)	(200)	(185)	(211)
Other	(26)	(39)	(3)	(5)	2
<b>Net change in plan fiduciary net position</b>	<u>\$ 18,526</u>	<u>\$ 44,285</u>	<u>\$ 18,728</u>	<u>\$ 26,818</u>	<u>\$ 52,783</u>
<b>Plan fiduciary net position - beginning</b>	398,201	353,916	335,188	308,370	255,587
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 416,727</u>	<u>\$ 398,201</u>	<u>\$ 353,916</u>	<u>\$ 335,188</u>	<u>\$ 308,370</u>
<b>Political subdivision's net pension asset - ending (a) - (b)</b>	<u>\$ (70,548)</u>	<u>\$ (74,392)</u>	<u>\$ (37,879)</u>	<u>\$ (50,041)</u>	<u>\$ (43,488)</u>
<b>Plan fiduciary net position as a percentage of the total pension asset</b>	120.38%	122.97%	111.99%	117.55%	116.42%
<b>Covered payroll</b>	\$ 81,107	\$ 124,163	\$ 120,153	\$ 118,184	\$ 117,897
<b>Political subdivision's net pension asset as a percentage of covered payroll</b>	-86.98%	-59.91%	-31.53%	-42.34%	-36.89%

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.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County of Brunswick, Virginia)

Schedule of Employer Contributions - Pension Plan  
Years Ended June 30, 2010 through June 30, 2019

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)
2019	\$ 8,312	\$ 8,312	\$ -	\$ 139,872	5.94%
2018	-	-	-	81,107	0.00%
2017	-	-	-	124,163	0.00%
2016	11,739	11,739	-	120,153	9.77%
2015	11,547	11,547	-	118,184	9.77%
2014	10,599	10,599	-	117,897	8.99%
2013	10,315	10,315	-	114,742	8.99%
2012	6,451	6,451	-	106,096	6.08%
2011	6,451	6,451	-	106,096	6.08%
2010	6,355	6,355	-	106,096	5.99%

Current year contributions are from Authority records and prior year contributions are from the VRS actuarial valuation performed each year.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of County of Brunswick, Virginia)

Notes to Required Supplementary Information - Pension Plan  
Year Ended June 30, 2019

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Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Largest 10 - Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**All Others (Non 10 Largest) - Non-Hazardous Duty:**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%



**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**

Schedule of Authority's Share of Net OPEB Liability  
Group Life Insurance Program  
For the Measurement Dates of June 30, 2018 and 2017

<u>Date</u>	<u>Employer's Proportion of the Net GLI OPEB Liability</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4)</u>	<u>Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability</u>
2018	0.00043%	\$ 6,000	\$ 81,107	7.40%	51.22%
2017	0.00067%	10,000	124,163	8.05%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**

Schedule of Employer Contributions  
Group Life Insurance Program  
Years Ended June 30, 2017 and June 30, 2019

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<b>Date</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Employer's Covered Payroll</b>	<b>Contributions as a % of Covered Payroll</b>
2019	\$ 727	\$ 727	\$ -	\$ 139,872	0.52%
2018	425	425	-	81,107	0.52%
2017	577	577	-	124,163	0.46%

Schedule is intended to show information for 10 years. Information prior to 2017 is not available. However, additional years will be included as they become available.

INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

Notes to Required Supplementary Information  
Group Life Insurance Program  
Year Ended June 30, 2019

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**Changes of benefit terms** - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**- Other Supplementary Information -**  
**Supporting Schedule**

**INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA**  
(A Component Unit of Brunswick County, Virginia)

Schedule of Land and Improvements Held for Sale  
As of June 30, 2019

<u>Property Location</u>	<u>Acres Unsold at June 30, 2019</u>	<u>Land Cost</u>	<u>Cost of Improvements</u>	<u>Cost Basis to Date June 30, 2019</u>	<u>Cost Per Acre June 30, 2019</u>
Roanoke River Regional Business Park	122.44	\$ 929,089	-	\$ 929,089	7,588
St. Pauls College	414.00	905,176	-	905,176	2,186
Elton Brown Building	Unknown	10,523	52,813	63,336	N/A
William Thomas Walker Building	Unknown	5,198	12,129	17,327	N/A
Sledge & Barkley Building	Unknown	49,123	114,621	163,744	N/A
121 W. Hicks Building	Unknown	13,881	32,390	46,271	N/A
I-85 Business Center Park	114.00	693,298	749,268	1,442,566	12,654
Brunswick County Industrial Park	<u>63.09</u>	<u>287,349</u>	<u>-</u>	<u>287,349</u>	4,555
Totals	<u>713.53</u>	<u>\$ 2,893,637</u>	<u>961,221</u>	<u>\$ 3,854,858</u>	

- Compliance -



**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***

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**To the Honorable Members of the Board of Directors  
Industrial Development Authority of Brunswick County, Virginia  
Lawrenceville, 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 Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of Industrial Development Authority of Brunswick County, Virginia (a component unit of the County of Brunswick, Virginia) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Industrial Development Authority of Brunswick County, Virginia and have issued our report thereon dated May 6, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of Brunswick County, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Authority of Brunswick County, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Authority of Brunswick County, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 2019-001.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Authority of Brunswick County, 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*.

### Industrial Development Authority of Brunswick County Virginia's Response to Findings

Industrial Development Authority of Brunswick County, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Industrial Development Authority of Brunswick County, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

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

*Robinson, Farmer, Cox, Associates*

Charlottesville, Virginia

May 6, 2020



INDUSTRIAL DEVELOPMENT AUTHORITY OF BRUNSWICK COUNTY, VIRGINIA

Schedule of Findings and Responses  
Year Ended June 30, 2019

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**Section I - Summary of Auditors' Results**

***Financial Statements***

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

**Section II - Financial Statement Findings**

**2019-001**

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Criteria:	The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires an adequate level of technical expertise.
Condition:	The Authority currently lacks sufficient technical knowledge to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America.
Cause:	Authority staff do not have the skill, nor does the Authority utilize a knowledgeable third-party consultant, to prepare financial statements free from material misstatement.
Effect:	The financial records prepared by management required significant audit adjustments to be in conformity with accounting principles generally accepted in the United States of America.
Recommendation:	It is recommended that Authority staff obtain additional technical training or use a third-party consultant to prepare the financial statements free of material misstatement.
Management's response:	The Authority has limited resources to meet financial reporting requirements. However, other controls are in place to mitigate associated risks. Monthly financial reports are provided to the Board for review, which is considered an integral part of the monitoring controls over the Authority's financial records.