
GREENSVILLE COUNTY SCHOOL BOARD

(A Component Unit of the County of Greenville, Virginia)

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE ▫ RICHMOND ▫ FREDERICKSBURG ▫ STAUNTON ▫ BLACKSBURG ▫ LOUISA



Greensville County School Board
(A Component Unit of the County of Greensville, Virginia)

School Board

Bessie Reed-Moore, Chairman

Rhonda Jones-Gilliam, Vice-Chairman

Janey V. Bush

Tony M. Conwell

Marva Dunn

Danny Rook

Superintendent of Schools

Dr. Angela B. Wilson

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO GREENSVILLE COUNTY SCHOOL BOARD
EMPORIA, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Greensville County School Board, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Greensville County School Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greenville County School Board, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2015, the School Board adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and OPEB funding on pages 4-7 and 52-58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greenville County School Board's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 other supplementary information is fairly stated in all material respects in relation to the 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 December 2, 2015, on our consideration of Greenville County School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greenville County School Board's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 2, 2015

As management of Greensville County School Board (a component unit of the County of Greensville, Virginia), we offer this narrative overview and analysis of the financial performance and overview of the School Board's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented herein in connection with the School Board's basic financial statements.

Financial Highlights for FY2015

The liabilities of the School Board exceeded its assets at the close of the most recent fiscal year by \$7,018,211.

The School Board's net position increased by \$1,123,493 for the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School Board's basic financial statements. The School Board's basic financial statements are comprised of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the School Board's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School Board that are principally supported by intergovernmental revenues. The governmental activities of the School Board are items relating to the education of children.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Greensville County School Board, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School Board has only governmental funds.

Overview of the Financial Statements (continued)

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided on Exhibit 4. The School Board has three major governmental funds - the General Fund, the Capital Projects Fund, and the School Cafeteria Fund.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and pension and OPEB funding progress as well as other supplementary information for supporting schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a board's financial position. Liabilities exceeded assets by \$7,018,211 at the close of the most recent fiscal year.

Financial Analysis of the School Board as a Whole

Two years of information are presented in order to provide a comparative analysis of government-wide information.

Statement of Net Position

The following table reflects the condensed Statements of Net Position:

Summary Statement of Net Position			
June 30, 2015 and 2014			
	2015	2014	
Current and other assets	\$ 5,516,236	\$ 5,154,234	
Capital assets	13,596,307	12,792,235	
Total assets	<u>\$ 19,112,543</u>	<u>\$ 17,946,469</u>	
Deferred outflow of resources	<u>\$ 1,793,153</u>	<u>\$ -</u>	
Current liabilities	\$ 4,395,739	\$ 3,958,696	
Long-term liabilities	19,572,897	185,800	
Total liabilities	<u>\$ 23,968,636</u>	<u>\$ 4,144,496</u>	
Deferred inflows of resources	<u>\$ 3,955,271</u>	<u>\$ -</u>	
Net position:			
Investment in capital assets	\$ 13,596,307	\$ 12,792,235	
Unrestricted	(20,614,518)	1,009,738	
Total net position	<u>\$ (7,018,211)</u>	<u>\$ 13,801,973</u>	

Statement of Net Position (Continued)

The School Board's combined net position increased by \$1,123,493 during the year. The increase in current and other assets is attributable to increased cash and cash equivalents.

At the end of the current fiscal year, the School Board is able to report a positive balance in invested in capital assets and a negative unrestricted net position.

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

Changes in Net Position For the Year Ended June 30, 2015 and 2014		
	Governmental Activities	
	2015	2014
Revenues:		
Program revenues:		
Charges for services	\$ 4,184,471	\$ 4,140,890
Operating grants and contributions	9,417,111	9,493,351
General revenues:		
Basic aid	8,518,178	8,035,468
State sales tax	2,502,675	2,370,361
Grants and other contributions unrestricted	3,325,208	2,881,672
Other	228,892	226,915
Total revenues	\$ 28,176,534	\$ 27,148,656
Expenses:		
Instruction	\$ 20,868,992	\$ 20,255,366
Administration, Attendance & Health	1,132,499	1,036,901
Pupil Transportation Services	1,630,745	1,670,675
Operation & Maintenance Services	2,007,345	2,589,755
School Food Service	1,412,845	1,189,245
Total expenses	\$ 27,052,426	\$ 26,741,942
Increase (decrease) in net position	\$ 1,124,108	\$ 406,714
Net position - beginning, as adjusted	(8,142,319)	13,395,259
Net position - ending	\$ (7,018,211)	\$ 13,801,973

For the most part, increases in expenditures closely paralleled inflation and growth in the demand for services.

Statement of Net Position (Continued)

Greensville County School Board's investment in capital assets as of June 30, 2015 and 2014 amounts to \$13,596,307 and \$12,792,235 (net of accumulated depreciation), respectively. Below is a list of the items that make up capital assets as of June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Land	\$ 442,775	\$ 442,775
Buildings and improvements (net)	10,960,935	10,382,439
Machinery & equipment (net)	<u>2,192,597</u>	<u>1,967,021</u>
Total capital assets	<u>\$ 13,596,307</u>	<u>\$ 12,792,235</u>

See Note 5 for more information.

Economic Factors and Review of Operations

Greensville County School Board is an organization dedicated to educating the youth of Greensville County and the City of Emporia, Virginia. The School Board is governed by a 5 member board, appointed by the School Board of Supervisors of Greensville County, Virginia and the City Council of the City of Emporia, Virginia. Greensville County appoints three of the six members, while the City of Emporia appoints the other two.

The School Board has a cost agreement between the County of Greensville, Virginia and the City of Emporia, Virginia. The current contract was approved in December 2002 and expires in June of 2018. The agreement allocates the net local costs for each locality for education. For the year ended June 30, 2015, the School Board had local costs of \$7,264,409. The local costs were allocated based on the agreement as follows:

	<u>Local</u>
County of Greensville, Virginia	\$ 3,912,270
City of Emporia, Virginia	<u>3,352,139</u>
Total Local Costs	<u>\$ 7,264,409</u>

These amounts do not agree to the amounts reported in the financial statements due to the difference in the budgeted and actual debt payment transfers.

See Note 6 for more information.

Contacting the School Board's Financial Management

This financial report is designed to provide a general overview of the School Board's finances for all those with an interest in the School Board's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be directed to the Finance Director, Greensville County School Board, 105 Ruffin Street, Emporia, VA 23847.

BASIC FINANCIAL STATEMENTS

- *Government-wide Financial Statements* -

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 1

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,570,117
Due from other governmental units	1,771,936
Prepaid items	174,183
Net pension asset	192,203
Capital assets (net of accumulated depreciation):	
Land	442,775
Buildings and improvements	10,960,935
Machinery and equipment	<u>2,192,597</u>
Total assets	<u>\$ 19,304,746</u>
 DEFERRED OUTFLOW OF RESOURCES	
Post measurement date employer pension contributions	<u>\$ 1,793,153</u>
 LIABILITIES	
Accounts payable	\$ 725,758
Accrued liabilities	1,889,178
Due to City of Emporia	292,844
Due to County of Greenville	987,959
Long-term advance	500,000
Long-term liabilities:	
Due in more than one year	<u>19,765,100</u>
Total liabilities	<u>\$ 24,160,839</u>
 DEFERRED INFLOWS OF RESOURCES	
Net difference of actual and expected pension asset earnings	\$ 3,238,271
Changes in proportionate share of employer contributions	<u>717,000</u>
Total deferred inflows of resources	<u>\$ 3,955,271</u>
 NET POSITION	
Investment in capital assets	\$ 13,596,307
Unrestricted	<u>(20,614,518)</u>
Total net position	<u><u>\$ (7,018,211)</u></u>

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

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 2

Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 20,869,607	\$ 3,930,003	\$ 8,334,116	\$ -	\$ (8,605,488)
Administration, attendance and health	1,132,499	-	-	-	(1,132,499)
Pupil transportation services	1,630,745	-	-	-	(1,630,745)
Operation and maintenance services	2,007,345	-	-	-	(2,007,345)
School food service	1,412,845	254,468	1,082,995	-	(75,382)
Total governmental activities	\$ 27,053,042	\$ 4,184,471	\$ 9,417,111	\$ -	\$ (13,451,460)
General revenues:					
Basic aid				\$	8,518,178
State sales tax					2,502,675
Unrestricted revenues from use of money and property					173
Miscellaneous					228,719
Payment from County of Greenville					3,325,208
Total general revenues				\$	14,574,953
Change in net position				\$	1,123,493
Net position - beginning, as restated					(8,141,704)
Net position - ending				\$	(7,018,211)

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

BASIC FINANCIAL STATEMENTS

- Fund Financial Statements -

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2015

	General	School Cafeteria	School Capital Projects	Total
ASSETS				
Cash and cash equivalents	\$ 2,779,049	\$ 660,436	\$ 130,632	\$ 3,570,117
Due from other funds	-	-	271,949	271,949
Due from other governmental units	1,714,456	57,480	-	1,771,936
Prepaid items	174,183	-	-	174,183
Total assets	<u>\$ 4,667,688</u>	<u>\$ 717,916</u>	<u>\$ 402,581</u>	<u>\$ 5,788,185</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 725,758	\$ -	\$ -	\$ 725,758
Accrued liabilities	1,889,178	-	-	1,889,178
Due to City of Emporia	292,844	-	-	292,844
Due to County of Greenville	987,959	-	-	987,959
Due to other funds	271,949	-	-	271,949
Long term advance	500,000	-	-	500,000
Total liabilities	<u>\$ 4,667,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,667,688</u>
Fund balances:				
Nonspendable:				
Prepaid items	\$ 174,183	\$ -	\$ -	\$ 174,183
Restricted:				
Capital projects - various projects	-	-	402,581	402,581
Committed to:				
School cafeteria fund	-	717,916	-	717,916
Unassigned	(174,183)	-	-	(174,183)
Total fund balances	<u>\$ -</u>	<u>\$ 717,916</u>	<u>\$ 402,581</u>	<u>\$ 1,120,497</u>
Total liabilities and fund balances	<u>\$ 4,667,688</u>	<u>\$ 717,916</u>	<u>\$ 402,581</u>	<u>\$ 5,788,185</u>

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

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 4

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	1,120,497	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The amounts reported below are net of accumulated depreciation.			
Land	\$	442,775	
Buildings and improvements		10,960,935	
Machinery and equipment		<u>2,192,597</u>	13,596,307
The net pension asset is not an available resource and, therefore, is not reported in the funds - Nonprofessional group			
			192,203
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Items related to measurement of net pension liability			(3,238,271)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore, are not reported in the funds.			
			1,793,153
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability - teachers cost-sharing pool	\$	(19,550,000)	
Adjustment for changes in proportionate share of net pension liability		(717,000)	
Net OPEB obligation		<u>(215,100)</u>	<u>(20,482,100)</u>
Net position of governmental activities	\$		<u><u>(7,018,211)</u></u>

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

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	<u>General</u>	<u>School Cafeteria</u>	<u>School Capital Projects</u>	<u>Total</u>
REVENUES				
Revenue from the use of money and property	\$ 173	\$ -	\$ -	\$ 173
Charges for services	3,930,003	254,468	-	4,184,471
Miscellaneous	228,719	-	-	228,719
Intergovernmental:				
Local government	1,907,063	-	-	1,907,063
Commonwealth	16,913,525	15,244	-	16,928,769
Federal	2,441,444	1,067,751	-	3,509,195
Total revenues	<u>\$ 25,420,927</u>	<u>\$ 1,337,463</u>	<u>\$ -</u>	<u>\$ 26,758,390</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 20,385,884	\$ -	\$ -	\$ 20,385,884
Administration, attendance and health	1,153,570	-	-	1,153,570
Pupil transportation services	1,542,428	-	-	1,542,428
Operation and maintenance services	2,339,045	-	-	2,339,045
School food service	-	1,412,504	-	1,412,504
Total expenditures	<u>\$ 25,420,927</u>	<u>\$ 1,412,504</u>	<u>\$ -</u>	<u>\$ 26,833,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (75,041)</u>	<u>\$ -</u>	<u>\$ (75,041)</u>
Net change in fund balances	\$ -	\$ (75,041)	\$ -	\$ (75,041)
Fund balances - beginning	<u>-</u>	<u>792,957</u>	<u>402,581</u>	<u>1,195,538</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ 717,916</u></u>	<u><u>\$ 402,581</u></u>	<u><u>\$ 1,120,497</u></u>

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

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 6

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$	(75,041)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	556,903	
Capital outlay for jointly owned assets		1,463,881	
Depreciation		<u>(1,216,712)</u>	804,072

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

Change in deferred inflows related to the measurement of the net pension liability	(3,955,271)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

(Increase) decrease in net pension liability - teachers cost-sharing pool	3,610,000	
Increase (decrease) in net pension asset - nonprofessional group	422,729	
Increase (decrease) in deferred outflows related to pension payments subsequent to the measurement date	346,304	
(Increase) decrease in net OPEB obligation	<u>(29,300)</u>	<u>4,349,733</u>

Change in net position of governmental activities	\$	<u><u>1,123,493</u></u>
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The notes to financial statements are an integral part of this statement.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies:

Greenville County School Board (a component unit of the County of Greenville, Virginia) is governed by an appointed five member School Board. The School Board consists of three representatives from the County of Greenville, Virginia and two representatives from the City of Emporia, Virginia. The School Board is responsible for appointing the School Superintendent. The School Board provides educational services for the children of the County of Greenville, Virginia and the City of Emporia, Virginia.

The School Board is fiscally dependent upon the County because the County Board of Supervisors approves the School Board budget, levies the necessary taxes to finance operations, and approves the borrowing of money and issuance of debt. The School Board is reported as a Discretely Presented Component Unit of the County of Greenville, Virginia.

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The School Board has no proprietary or fiduciary funds.

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

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Greenville County School Board. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Greenville County School Board has no component units at June 30, 2015.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

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

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

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (instruction, school food, etc.) which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (instruction; administration, attendance, and health; etc.).

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

Governmental Funds account for the expendable financial resources, other than those accounted for in proprietary and similar trust funds. The Governmental Funds measurement focus is on determination of financial position and changes in financial position, rather than on net income determination. The individual Governmental funds, all of which are major, are:

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

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

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

1. Governmental Funds (continued)

General Fund - The General Fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the School Board which are not accounted for and reported in other funds. Revenues are derived primarily from intergovernmental grants.

School Cafeteria Fund - This fund accounts for and reports the operations of the School Board's food service program. Financing is provided primarily by food and beverage sales and state and federal grants.

Capital Projects Fund - A fund that accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

C. Budgets and Budgetary Accounting

The following procedures are used by the School Board in establishing the budgetary data reflected in the financial statements.

1. Prior to March 30, the School Board submits to the Board of Supervisors, a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution by the Board of Supervisors of Greenville County.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Board of Supervisors upon request by the School Board.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the Special Revenue Funds and the Capital Projects Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all School Board expenditures.

D. Cash and Cash Equivalents

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

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. The School Board has no investments at June 30, 2015.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

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

E. Receivables and Payables

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

F. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School Board as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Vehicles	5
Office and computer equipment	5
Buses	10

G. Compensated Absences

In accordance with Governmental Accounting Standards Board Statement No. 16 *Accounting for Compensated Absences*, the School Board considered the liability arising from outstanding compensated absences.

Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide Statement of Net Position. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. According to the personnel policy of the School Board, employees are not eligible for any "terminal leave" prior to termination or retirement.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

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

H. Fund Equity

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

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

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

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

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Board's Retirement Plan and the additions to/deductions from the Board'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.

GREENSVILLE COUNTY SCHOOL BOARD
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Notes to Financial Statements
June 30, 2015 (Continued)

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

J. 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.

K. Prepaid Items

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

L. 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 School Board only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School Board has one type of item that qualifies for reporting in this category. Certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

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 represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

N. Net Position Flow Assumption

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 2 - Deposits and Investments:

Deposits

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

Investments

Statutes authorize the School Board to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The School Board has no investments at June 30, 2015.

Note 3 - Due From/Due To Other Governmental Units:

At June 30, 2015 the School Board has receivables from other governments as follows:

	<u>General</u>	<u>School Cafeteria</u>	<u>Total Governmental Activities</u>
Commonwealth of Virginia:			
State sales tax	\$ 448,424	\$ -	\$ 448,424
Federal Government:			
21st century learning	410,199	-	410,199
Title I	339,438	-	339,438
Title II	94,221	-	94,221
Title VI-B	372,855	-	372,855
Preschool Handicapped	7,030	-	7,030
Title VI Rural	37,293	-	37,293
Vocational Education	4,996	-	4,996
School food program	-	57,480	57,480
Total due from other governments	<u>\$ 1,714,456</u>	<u>\$ 57,480</u>	<u>\$ 1,771,936</u>

Amounts due to other governments are as follows:

Other Local Governments:	
County of Greenville	\$ 987,959
City of Emporia	292,844
	<u>\$ 1,280,803</u>

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 4 - Interfund Balances:

Interfund balances for the year ended June 30, 2015 consisted of the following:

<u>Fund</u>	<u>Due From Balance</u>	<u>Due To Balance</u>
General	\$ -	\$ 271,949
School Capital Projects	271,949	-
Total	<u>\$ 271,949</u>	<u>\$ 271,949</u>

This balance represents funds held by the general fund that will be provided for capital projects at a future date.

Note 5 - Capital Assets:

The following is a summary of changes in the capital assets during the year:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 442,775	\$ -	\$ -	\$ 442,775
Total capital assets not being depreciated	<u>\$ 442,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,775</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 35,506,234	\$ -	\$ -	\$ 35,506,234
Machinery and equipment	5,313,589	556,903	-	5,870,492
Jointly owned assets	(15,361,185)	1,463,881	-	(13,897,304)
Total capital assets being depreciated	<u>\$ 25,458,638</u>	<u>\$ 2,020,784</u>	<u>\$ -</u>	<u>\$ 27,479,422</u>
Accumulated depreciation:				
Buildings and improvements	\$ 12,721,063	\$ 839,648	\$ -	\$ 13,560,711
Machinery and equipment	3,346,568	331,327	-	3,677,895
Jointly owned assets	(2,958,453)	384,282	338,545	(2,912,716)
Total accumulated depreciation	<u>\$ 13,109,178</u>	<u>\$ 1,555,257</u>	<u>\$ 338,545</u>	<u>\$ 14,325,890</u>
Total capital assets being depreciated, net	<u>\$ 12,349,460</u>	<u>\$ 465,527</u>	<u>\$ (338,545)</u>	<u>\$ 13,153,532</u>
Governmental activities capital assets, net	<u>\$ 12,792,235</u>	<u>\$ 465,527</u>	<u>\$ (338,545)</u>	<u>\$ 13,596,307</u>

GREENSVILLE COUNTY SCHOOL BOARD
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Notes to Financial Statements
June 30, 2015 (Continued)

Note 5 - Capital Assets: (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
Instruction	\$ 1,223,929
Pupil transportation services	205,075
Operation and maintenance services	120,708
School food service	5,545
	<u>\$ 1,555,257</u>

Note 6 - Local Contributions:

Due to GASB 34, school boards no longer show debt obligations. Because the School Board legally cannot issue debt, the debt is shown on the County's financial statements. Although the School Board pays annual debt service, the expenditure is reported as being made by the County. In order for this presentation, the local contribution is reduced by the expenditure of debt service as follows:

	Actual Net Contribution By Localities	Principal Payments	Interest Payments	Contributions Per Financial Statements
Greenville	\$ 3,912,270	\$ 1,520,312	\$ 484,895	\$ 1,907,063
Emporia	3,352,139	-	-	3,352,139
Total	<u>\$ 7,264,409</u>	<u>\$ 1,520,312</u>	<u>\$ 484,895</u>	<u>\$ 5,259,202</u>

GREENSVILLE COUNTY SCHOOL BOARD
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Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan:

Plan Description

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

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

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
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Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
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Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Plan Description (continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	66
Inactive members:	
Vested inactive members	9
Non-vested inactive members	37
Inactive members active elsewhere in VRS	<u>7</u>
Total inactive members	53
Active members	<u>55</u>
Total covered employees	<u><u>174</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. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 8.13% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board's nonprofessional employees were \$68,288 and \$66,849 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The School Board's (nonprofessional) net pension liabilities (assets) were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities (assets) were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

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

Largest 10 - Non-LEOS:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Actuarial Assumptions - General Employees (continued)

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

Largest 10 - Non-LEOS:

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

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

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

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GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Long-Term Expected Rate of Return

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

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

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Discount Rate

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

Changes in Net Pension Liability (Asset)

	School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2013	\$ 5,115,660	\$ 4,885,134	\$ 230,526
Changes for the year:			
Service cost	\$ 85,217	\$ -	\$ 85,217
Interest	347,301	-	347,301
Differences between expected and actual experience	-	-	-
Contributions - employer	-	66,849	(66,849)
Contributions - employee	-	36,349	(36,349)
Net investment income	-	756,219	(756,219)
Benefit payments, including refunds of employee contributions	(308,428)	(308,428)	-
Administrative expenses	-	(4,210)	4,210
Other changes	-	40	(40)
Net changes	\$ 124,090	\$ 546,819	\$ (422,729)
Balances at June 30, 2014	\$ 5,239,750	\$ 5,431,953	\$ (192,203)

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

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

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

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School Board (nonprofessional)			
Net Pension Liability (Asset)	\$ 349,663	\$ (192,203)	\$ (654,203)

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

For the year ended June 30, 2015, the School Board (nonprofessional) recognized pension expense of (\$18,609). At June 30, 2015, the School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 337,271
Employer contributions subsequent to the measurement date	68,288	-
Total	\$ 68,288	\$ 337,271

\$68,288 reported as deferred outflows of resources related to pensions resulting from the School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	School Board (nonprofessional)
2016	\$ (84,318)
2017	(84,318)
2018	(84,318)
2019	(84,317)
Thereafter	-

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional)

Plan Description

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

Contributions

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

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. 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. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$1,724,865 and \$1,380,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$19,550,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .17% as compared to .17% at June 30, 2013.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

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

For the year ended June 30, 2015, the school division recognized pension expense of \$1,388,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>School Board (professional)</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 717,000
Net difference between projected and actual earnings on pension plan investments	-	2,901,000
Employer contributions subsequent to the measurement date	1,724,865	-
Total	<u>\$ 1,724,865</u>	<u>\$ 3,618,000</u>

\$1,724,865 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>School Board (professional)</u>
2016	\$ (883,000)
2017	(883,000)
2018	(883,000)
2019	(883,000)
Thereafter	(86,000)

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, 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, 2014.

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

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

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

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Long-Term Expected Rate of Return

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

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

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 7 - Pension Plan: (continued)

Component Unit School Board (professional) (continued)

Discount Rate

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

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 28,706,000	\$ 19,550,000	\$ 12,010,000

Pension Plan Fiduciary Net Position

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 8 - Surety Bond Information:

Officials below were under bond in the amounts indicated:

Hartford Accident and Indemnity Company - Surety:		
Dr. Angela B. Wilson, Superintendent	\$	10,000
Marva J. Dunn, Clerk of School Board		10,000
Rick L. Pirkey, Deputy Clerk of the School Board		10,000
Alicia Hargrove, Bookkeeper		10,000
LaTina Smith, Payroll Clerk		10,000

Note 9 - Commitments and Contingencies:

The School Board participates in a number of federal and state grants, and loan programs. These programs are subject to program compliance audits by the applicable federal or state agency or their representatives. Furthermore, the U.S. Congress passed the *Single Audit Act Amendments of 1996* which requires most governmental recipients of federal assistance to have an annual independent organization-wide financial and compliance audit. The results thereof are incorporated in the County of Greenville, Virginia's Financial Report. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial. Complete financial statements for the County of Greenville, Virginia are available at 1781 Greenville County Circle, Emporia, Virginia, 23093.

Note 10 - Risk Management:

The School Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School Board joined together with other local governments in Virginia to form the Virginia Association of Counties Risk Management Program, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The School Board pays an annual premium to the association for its general liability insurance.

In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

Note 11 - Litigation:

At June 30, 2015, there were no matters of litigation involving the School Board or which would materially affect the School Board's financial position should any court decisions on pending matters not be favorable to such entities.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 12 - City/County School Cost Agreement:

The City of Emporia and the County of Greenville are parties to an agreement that contains provisions for cost sharing, representation and other matters relating to the Greenville County Public School System. The current agreement expires June 30, 2018.

Pursuant to an agreement between the above parties, the School Board has recorded a \$500,000 long-term advance. The amount was allocated between the County and City based upon fiscal year 2006 allocated expenditures. The allocated amounts are as follows:

County of Greenville	\$	275,000
City of Emporia		225,000
Total long-term advance	\$	<u>500,000</u>

Note 13 - Other Postemployment Benefits - Health Insurance:

A. Plan Description

In addition to the pension benefits described in Note 7, the School Board provides post-retirement healthcare insurance benefits for employees who are eligible for retirement benefits. Individuals who retire from School Board service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) have the ability to remain on the School Board's medical and dental insurance plans up to the age when they become eligible for Medicare (age 65). The retiree's spouse can also receive benefits under the plan.

B. Funding Policy

Individuals retiring from the School Board have the ability to remain on the School Board's medical and dental insurance plans. The School Board does not offer a subsidy towards the retiree or the retiree's spouse's premiums.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	65,500
Interest on net OPEB obligation		7,400
Adjustment to annual required contribution		<u>(7,700)</u>
Annual OPEB cost (expense)	\$	65,200
Estimated contributions made		<u>(35,900)</u>
Increase in net OPEB obligation	\$	29,300
Net OPEB obligation - beginning of year		<u>185,800</u>
Net OPEB obligation - end of year	\$	<u>215,100</u>

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 13 - Other Postemployment Benefits - Health Insurance: (continued)

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

For FY2015, the School Board's cash payment of \$35,900 was \$29,300 less than the OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 76,900	57.61%	\$ 159,000
June 30, 2014	79,200	66.16%	185,800
June 30, 2015	65,200	55.06%	215,100

D. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014 is as follows:

Actuarial accrued liability (AAL)	\$ 778,600
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	778,600
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (annual payroll of active employees covered by the plan)	10,931,043
UAAL as a percentage of covered payroll	7.12%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 13 - Other Postemployment Benefits - Health Insurance: (continued)

E. Actuarial Methods and Assumptions

In the July 1, 2014, the most recent actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employers own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5.0% after ten years. Both rates included a 2.5% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014 was 30 years.

F. Cost Method

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

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

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

G. Interest Assumptions

	<u>Unfunded</u>
Investment rate of return	4.00%
Health cost trend assumption	8.00%
Payroll growth	2.50%

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 14 - Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*:

The School Board implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of this Statement will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position:

Net Position as reported at June 30, 2014	\$	13,801,973
Implementation of GASB Statement No. 68		<u>(21,943,677)</u>
Net Position as restated at June 30, 2014	\$	<u><u>(8,141,704)</u></u>

Note 15 - Upcoming Pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

GREENSVILLE COUNTY SCHOOL BOARD
(A Component Unit of the County of Greenville, Virginia)

Notes to Financial Statements
June 30, 2015 (Continued)

Note 15 - Upcoming Pronouncements: (continued)

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

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

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

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

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 7

General Fund

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 173	\$ (827)
Charges for services	4,004,774	4,004,774	3,930,003	(74,771)
Miscellaneous	316,856	316,856	228,719	(88,137)
Intergovernmental:				
County contribution to school board	1,965,174	1,965,174	1,907,063	(58,111)
Commonwealth	16,880,430	16,880,430	16,913,525	33,095
Federal	3,031,684	3,031,684	2,441,444	(590,240)
Total revenues	<u>\$ 26,199,918</u>	<u>\$ 26,199,918</u>	<u>\$ 25,420,927</u>	<u>\$ (778,991)</u>
EXPENDITURES				
Current:				
Education:				
Instruction	\$ 20,976,203	\$ 20,701,203	\$ 20,385,884	\$ 315,319
Administration, attendance and health	1,159,050	1,129,050	1,153,570	(24,520)
Pupil transportation services	1,654,482	1,539,482	1,542,428	(2,946)
Operation and maintenance services	2,410,183	2,830,183	2,339,045	491,138
Total expenditures	<u>\$ 26,199,918</u>	<u>\$ 26,199,918</u>	<u>\$ 25,420,927</u>	<u>\$ 778,991</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 8

School Cafeteria Fund

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

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 382,000	\$ 382,000	\$ 254,468	\$ (127,532)
Intergovernmental:				
Commonwealth	22,147	22,147	15,244	(6,903)
Federal	1,060,523	1,060,523	1,067,751	7,228
Total revenues	<u>\$ 1,464,670</u>	<u>\$ 1,464,670</u>	<u>\$ 1,337,463</u>	<u>\$ (127,207)</u>
EXPENDITURES				
Current:				
School food service	\$ 1,464,670	\$ 1,464,670	\$ 1,412,504	\$ 52,166
Total expenditures	<u>\$ 1,464,670</u>	<u>\$ 1,464,670</u>	<u>\$ 1,412,504</u>	<u>\$ 52,166</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (75,041)	\$ (75,041)
Net change in fund balances	\$ -	\$ -	\$ (75,041)	\$ (75,041)
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>792,957</u>	<u>792,957</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 717,916</u></u>	<u><u>\$ 717,916</u></u>

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

	<u>2014</u>
Total pension liability	
Service cost	\$ 85,217
Interest	347,301
Benefit payments, including refunds of employee contributions	<u>(308,428)</u>
Net change in total pension liability	\$ 124,090
Total pension liability - beginning	<u>5,115,660</u>
Total pension liability - ending (a)	<u><u>\$ 5,239,750</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 66,849
Contributions - employee	36,349
Net investment income	756,219
Benefit payments, including refunds of employee contributions	(308,428)
Administrative expense	(4,210)
Other	<u>40</u>
Net change in plan fiduciary net position	\$ 546,819
Plan fiduciary net position - beginning	<u>4,885,134</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 5,431,953</u></u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ (192,203)
Plan fiduciary net position as a percentage of the total pension liability	103.67%
Covered-employee payroll	\$ 732,230
School Division's net pension liability as a percentage of covered-employee payroll	-26.25%

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

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

	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.17%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 19,550,000
Employer's Covered-Employee Payroll	11,830,375
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	165.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

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

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Component Unit School Board (nonprofessional)					
2015	\$ 68,288	\$ 68,288	\$ -	\$ 839,952	8.13%
Component Unit School Board (professional)					
2015	\$ 1,724,865	\$ 1,724,865	\$ -	\$ 12,396,864	13.91%

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

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

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

Largest 10 - Non-LEOS:

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

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

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

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

All Others (Non 10 Largest) - LEOS:

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

Component Unit School Board - Professional Employees

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

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Exhibit 13

Schedule of OPEB Funding Progress
For the Year Ended June 30, 2015

Other Postemployment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
07/01/14	\$ -	\$ 778,600	\$ 778,600	0.00%	\$ 13,209,164	5.89%
07/01/12	-	668,914	668,914	0.00%	10,584,982	6.32%
07/01/10	-	1,075,800	1,075,800	0.00%	11,020,927	9.76%

OTHER SUPPLEMENTARY INFORMATION

- *Supporting Schedules* -

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Schedule 1
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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 173	\$ 173
Revenue from use of property	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total revenue from use of money and property	\$ <u>1,000</u>	\$ <u>1,000</u>	\$ <u>173</u>	\$ <u>(827)</u>
Charges for services:				
Tuition - City of Emporia (Note 6)	\$ 3,420,258	\$ 3,420,258	\$ 3,352,139	\$ (68,119)
Charges to other localities	<u>584,516</u>	<u>584,516</u>	<u>577,864</u>	<u>(6,652)</u>
Total charges for services	\$ <u>4,004,774</u>	\$ <u>4,004,774</u>	\$ <u>3,930,003</u>	\$ <u>(74,771)</u>
Miscellaneous revenue:				
Miscellaneous	\$ <u>316,856</u>	\$ <u>316,856</u>	\$ <u>228,719</u>	\$ <u>(88,137)</u>
Total miscellaneous revenue	\$ <u>316,856</u>	\$ <u>316,856</u>	\$ <u>228,719</u>	\$ <u>(88,137)</u>
Total revenue from local sources	\$ <u>4,322,630</u>	\$ <u>4,322,630</u>	\$ <u>4,158,895</u>	\$ <u>(163,735)</u>
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Greenville, Virginia (Note 6)	\$ <u>1,965,174</u>	\$ <u>1,965,174</u>	\$ <u>1,907,063</u>	\$ <u>(58,111)</u>
Total revenues from local governments	\$ <u>1,965,174</u>	\$ <u>1,965,174</u>	\$ <u>1,907,063</u>	\$ <u>(58,111)</u>
Revenue from the Commonwealth:				
Intergovernmental: (continued)				
Other categorical aid:				
Share of state sales tax	\$ 2,481,479	\$ 2,481,479	\$ 2,502,675	\$ 21,196
Basic school aid	8,464,044	8,464,044	8,518,178	54,134
Remedial education	477,396	477,396	480,082	2,686
Gifted and talented	86,210	86,210	86,697	487
Special education	902,374	902,374	907,446	5,072
Textbook payment	176,492	176,492	177,488	996
Remedial summer school	171,990	171,990	170,494	(1,496)
Vocational education	181,307	181,307	182,323	1,016
Vocational education - equipment	-	-	6,901	6,901
Group life fringe benefits	31,183	31,183	31,359	176
Social security fringe benefits	498,633	498,633	501,441	2,808
Retirement fringe benefits	1,014,549	1,014,549	1,020,259	5,710
Early reading intervention	31,459	31,459	41,127	9,668
Homebound	116,547	116,547	95,366	(21,181)
Special education - jails	13,295	13,295	2,697	(10,598)

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Schedule 1
Page 2 of 3

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015 (continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Other categorical aid: (continued)				
Special education - foster care	\$ 3,235	\$ 3,235	\$ 3,930	\$ 695
Regional Governor's school	-	-	19,801	19,801
At risk payments	608,867	608,867	612,299	3,432
At risk payments - 4 year olds	484,964	484,964	412,775	(72,189)
Primary class size	729,198	729,198	720,429	(8,769)
Vocational occupational/technical education	31,911	31,911	26,701	(5,210)
Technology Initiative	154,000	154,000	-	(154,000)
Standards of Learning algebra readiness	57,165	57,165	54,632	(2,533)
Mentor teacher program	-	-	1,807	1,807
Other state funds	164,132	164,132	336,618	172,486
Total other categorical aid	\$ 16,880,430	\$ 16,880,430	\$ 16,913,525	\$ 33,095
Total revenue from the Commonwealth	\$ 16,880,430	\$ 16,880,430	\$ 16,913,525	\$ 33,095
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 947,821	\$ 947,821	\$ 801,745	\$ (146,076)
Title VI-B, special education flow-through	873,978	873,978	739,398	(134,580)
Vocational education	35,000	35,000	29,722	(5,278)
Title VI-B, special education pre-school	13,889	13,889	18,704	4,815
Title II-A Teacher Quality	217,032	217,032	129,276	(87,756)
Title VI	3,400	3,400	37,293	33,893
21st century learning	387,186	387,186	621,528	234,342
Immigrant and youth state grant	-	-	2,862	2,862
Other federal funds	553,378	553,378	60,916	(492,462)
Total categorical aid	\$ 3,031,684	\$ 3,031,684	\$ 2,441,444	\$ (590,240)
Total revenue from the federal government	\$ 3,031,684	\$ 3,031,684	\$ 2,441,444	\$ (590,240)
Total General Fund	\$ 26,199,918	\$ 26,199,918	\$ 25,420,927	\$ (778,991)

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Schedule 1
Page 3 of 3

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015 (continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	\$ <u>382,000</u>	\$ <u>382,000</u>	\$ <u>254,468</u>	\$ <u>(127,532)</u>
Total charges for services	\$ <u>382,000</u>	\$ <u>382,000</u>	\$ <u>254,468</u>	\$ <u>(127,532)</u>
Total revenue from local sources	\$ <u>382,000</u>	\$ <u>382,000</u>	\$ <u>254,468</u>	\$ <u>(127,532)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ <u>22,147</u>	\$ <u>22,147</u>	\$ <u>15,244</u>	\$ <u>(6,903)</u>
Total categorical aid	\$ <u>22,147</u>	\$ <u>22,147</u>	\$ <u>15,244</u>	\$ <u>(6,903)</u>
Total revenue from the Commonwealth	\$ <u>22,147</u>	\$ <u>22,147</u>	\$ <u>15,244</u>	\$ <u>(6,903)</u>
Revenue from the federal government:				
Categorical aid:				
School food	\$ <u>1,060,523</u>	\$ <u>1,060,523</u>	\$ <u>1,067,751</u>	\$ <u>7,228</u>
Total categorical aid	\$ <u>1,060,523</u>	\$ <u>1,060,523</u>	\$ <u>1,067,751</u>	\$ <u>7,228</u>
Total revenue from the federal government	\$ <u>1,060,523</u>	\$ <u>1,060,523</u>	\$ <u>1,067,751</u>	\$ <u>7,228</u>
Total School Cafeteria Fund	\$ <u>1,464,670</u>	\$ <u>1,464,670</u>	\$ <u>1,337,463</u>	\$ <u>(127,207)</u>
Total governmental funds	\$ <u>27,664,588</u>	\$ <u>27,664,588</u>	\$ <u>26,758,390</u>	\$ <u>(906,198)</u>

GREENSVILLE COUNTY SCHOOL BOARD
(A COMPONENT UNIT OF THE COUNTY OF GREENSVILLE, VIRGINIA)

Schedule 2

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Education:				
Instruction	\$ 20,976,203	\$ 20,701,203	\$ 20,385,884	\$ 315,319
Administration, attendance and health	1,159,050	1,129,050	1,153,570	(24,520)
Pupil transportation services	1,654,482	1,539,482	1,542,428	(2,946)
Operation and maintenance	<u>2,410,183</u>	<u>2,830,183</u>	<u>2,339,045</u>	<u>491,138</u>
Total education	\$ <u>26,199,918</u>	\$ <u>26,199,918</u>	\$ <u>25,420,927</u>	\$ <u>778,991</u>
Total General Fund	\$ <u><u>26,199,918</u></u>	\$ <u><u>26,199,918</u></u>	\$ <u><u>25,420,927</u></u>	\$ <u><u>778,991</u></u>
School Cafeteria Fund:				
School Food Service:				
School food administration	\$ <u>1,464,670</u>	\$ <u>1,464,670</u>	\$ <u>1,412,504</u>	\$ <u>52,166</u>
Total School Cafeteria Fund	\$ <u><u>1,464,670</u></u>	\$ <u><u>1,464,670</u></u>	\$ <u><u>1,412,504</u></u>	\$ <u><u>52,166</u></u>
Total governmental funds	\$ <u><u>27,664,588</u></u>	\$ <u><u>27,664,588</u></u>	\$ <u><u>26,833,431</u></u>	\$ <u><u>831,157</u></u>

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO GREENSVILLE COUNTY SCHOOL BOARD
EMPORIA, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and each major fund of Greensville County School Board as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Greensville County School Board's basic financial statements and have issued our report thereon dated December 2, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greensville County School Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Greensville County School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Greensville County School Board's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Charlottesville, Virginia
December 2, 2015